EUROPEAN BANKING AUTHORITY

Report on unsolicited credit assessments (Article 138 CRR)

17 May 2016

Report

accompanying the Decision of the EBA confirming that the unsolicited credit assessments of certain ECAIs do not differ in quality from their solicited credit assessments (Article 138 CRR)

Summary of the analysis and final outcomes

1. This report describes the outcomes of the analyses carried out by the European Banking Authority (EBA) for the External Credit Assessment Institutions (ECAIs) covered in the 'Decision of the European Banking Authority confirming that the unsolicited credit assessments of certain ECAIs do not differ in quality from their solicited credit assessments' (Decision) in the context of the mandate under Article 138 of Regulation (EU) No 575/2013 [1] (Capital Requirements Regulation - CRR). This document is, therefore, to be considered as a report supplementing the Decision through which the EBA provides its stakeholders with transparent information on its considerations regarding the ECAIs' unsolicited credit assessments for the purposes of capital requirements calculations.

2. An ECAI is defined in Article 4(98) of the CRR as any credit rating agency (CRA) that is registered or certified in accordance with Regulation (EC) No 1060/2009[2] (CRA Regulation), or a central bank issuing credit ratings which are exempt from the application of Regulation (EC) No 1060/2009.

3. Article 138 of the CRR permits the usage of unsolicited credit assessments of an ECAI for the purpose of capital requirements computation if the EBA has confirmed that they do not differ in quality from solicited credit assessments of that ECAI. In addition, the EBA shall refuse or revoke the confirmation if the ECAI has used an unsolicited credit assessment to put pressure on the rated entity to place an order for a credit assessment or other services. It should be emphasised that, in this context, the unsolicited ratings of an ECAI are compared with the solicited ratings of that same ECAI, and this exercise is not meant to compare credit ratings across different ECAIs.

Definition of unsolicited credit rating and scope of the assessment

4. The CRR does not provide a definition for unsolicited credit assessment. However, as the CRA Regulation provides further guidance on the applicable definition of unsolicited rating,[3] the provisions of the CRA Regulation are also relevant for the purposes of Article 138 of the CRR. Nonetheless, the information collected by the EBA at the time the assessment was made has shown that ECAIs adopted different definitions of unsolicited rating. In that situation, the EBA considered it appropriate to classify the credit ratings of a specific ECAI in accordance with the definition of unsolicited rating applied by that ECAI, unless such definition was in contradiction with the CRA Regulation provisions. On the other hand, to address these misalignments, the

[1] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

[2] Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (OJ L 302, 17.11.2009, p. 1).

[3] Refer to Recital 21 of the CRA Regulation and to Article 3(1)(x) of that same regulation (as amended by Regulation (EU) No 462/2013 of the European Parliament and of the Council of 21 May 2013).

European Securities and Markets Authority (ESMA) issued a Q&A[4] on the definition of unsolicited rating to clarify its views on the interpretation of the CRA Regulation provisions.

5. Therefore credit ratings of ECAIs assessed under the Decision were classified depending on the definition of unsolicited rating each ECAI was employing at the time the assessment was made. This approach has been undertaken to possibly consider the available historical information on ECAIs' unsolicited ratings, especially in relation to the quantitative data available for such ratings. In particular, the data processed by the EBA for the purposes of the assessment is the one present in the CEREP[5] database. As ECAIs submitted data to CEREP according to their own definitions of unsolicited rating, this did not allow an assessment of such information using a common definition for all ECAIs. In addition, the current analysis has actually been one of the triggers for the Q&A; therefore, the EBA deemed that, at this stage, the Decision should be based on the available information at the time the assessment was made. This would also help avoid the overly delay in relation to the entry into force of the Decision, especially in view of the impact of the Q&A on how ECAIs classify their unsolicited ratings, their policies, and how those ratings are used by institutions for regulatory purposes. Nevertheless, the EBA will continue to monitor the performances of unsolicited ratings, as well as the adoption process by ECAIs of the definition of unsolicited rating as further specified in the Q&A[6], and the EBA will take action in the context of the Decision should it become appropriate.

6. Two ECAIs, *Banque de France* and *The Economist Intelligence Unit Ltd*, exclusively assigned unsolicited credit ratings when the assessment was made. For these ECAIs, the EBA confirms the use of their unsolicited ratings in the context of Article 138 of the CRR, given that no conflicts of interest can be expected due to the absence of an 'issuer-pays' model and taking into account the considerations stated in Recital 98 of the CRR, which relate to opening the market to other undertakings in the CRAs market. Any issue regarding the quality of unsolicited ratings in this situation will be directly reflected in the mapping:[7] if, for example, limited access to information negatively affects the quality of these ratings, then the default rates of the rating categories of these ECAIs will not be as low as expected, leading to a more conservative mapping for these ECAIs.

7. In cases where the ECAI does not assign unsolicited credit ratings, the EBA does not need to confirm the use of unsolicited ratings for that ECAI in the context of Article 138 of the CRR.

8. For the remaining ECAIs which, at the time the assessment was made, assigned (or may assign) both solicited and unsolicited credit ratings, the EBA performed an assessment exercise aimed

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[4] https://www.esma.europa.eu/file/13634/download?token=05de9eN_

[5] CEREP is the central repository owned by ESMA to which all registered/certified CRAs have to report their credit assessments. http://cerep.esma.europa.eu/cerep-web/

[6] It should be noted that ESMA plays an active role in this regard due to its supervisory duties over credit rating agencies.

[7] Please consider the draft ITS on the mapping of ECAIs' credit assessments under Article 136(1) and (3) of the CRR and available at http://www.eba.europa.eu/regulation-and-policy/external-credit-assessment-institutions-ecai/draft-implementing-technical-standards-on-the-mapping-of-ecais-credit-assessments

at addressing the mandate under Article 138 of the CRR. This assessment exercise envisaged an analysis for each ECAI of quantitative and qualitative factors as described below.

9. Due to the possible confidential nature of the information submitted by ECAIs to the EBA in the context of the assessment exercise on unsolicited ratings, ECAIs have been required to provide their consent for the publication of the information contained in this report. Indeed, the EBA, in line with its objectives and best practices, wished to provide (through this report) transparent information to its stakeholders regarding its work and the results obtained on unsolicited credit ratings for the purposes of own funds calculation by institutions. In this context, it was especially considered that ECAIs had the proper incentives and were best placed to provide the consent for the publication and disclosure of information describing the quality of their ratings. Accordingly, all ECAIs but one, *Euler Hermes Rating GmbH*, provided their consent for the publication of their information. It follows that the information considered by the EBA for that ECAI is not presented in this report.

Main features of the assessment

10. With regard to the quantitative factors, the data source used for the assessment was the CEREP database. This ensured common treatment across ECAIs and the reliability of the information processed, as this data is submitted for regulatory purposes by ECAIs to ESMA under standardised rules.[8] The CEREP data used by the EBA at the time the assessment was made covered up until 30 June 2014.[9] Quantitative analyses to be potentially applied for each ECAI consisted of: i) the analysis of the distributions of solicited and unsolicited ratings (ex-ante distribution), ii) the analysis of the time evolution of solicited (unsolicited) ratings in relation to changes in rating category following a shift in solicitation type (ex-ante dynamics), and iii) the analysis of the discriminatory power of the credit ratings systems depending on their solicitation type (ex-post analysis). This last analysis was performed considering the area under the receiver operating characteristic curve (AUROC) statistic.

11. Further details relative to the above paragraph can be found in Appendix 1. Calculations have been performed by the EBA on the CEREP data, and the obtained results have been shared with ECAIs, which have been asked to comment on them and provide additional information where relevant. The main findings were strongly affected by the available data in the CEREP database, which did not allow for thorough statistical analyses (in relation to the solicited versus unsolicited ratings comparison). Although dependent upon the singular analysis, this has been especially magnified by the fact that, in order to provide statistically sound outcomes, sufficient data are required not only on an aggregate level but also on

[8] ECAIs submitted data in CEREP in accordance with Commission Delegated Regulation (EU) No 448/2012 of 21 March 2012, which has been repealed by Commission Delegated Regulation (EU) 2015/2 of 30 September 2014.

[9] It should be noted that, since ECAIs submit data to CEREP which is managed by ESMA, there is a time gap before the EBA receives access to the most updated CEREP data. This might also create a misalignment between the types of credit ratings an ECAI states to assign, and the ones actually submitted. It is also intention of the EBA to monitor, and update if appropriate, this assessment exercise under Article 138 CRR: this would allow to consider any developments related to the assignment of unsolicited ratings by ECAIs as well as new data submitted by them in CEREP.

homogeneous subsets of credit ratings.[10] This requires additional segmentation of the data and, therefore, even greater data availability.

12. Figure 1 and Figure 2 of Appendix 1 show the ECAIs that, at the time the assessment was made, had for credit ratings of type 'Corporate' or 'Sovereign and& Public Finance', both long term solicited and unsolicited ratings in CEREP. Such *high-level* categorisation[11] of the CEREP data should provide evidence with respect to the materiality of the data availability issue. Therefore, analyses were performed selectively on ECAIs depending on required minimum sample sizes (which were different across candidate analyses), leading to very few ECAIs undergoing a comprehensive assessment. For the remaining ECAIs, no quantitative considerations were made due to data availability limitations. In addition, also for ECAIs that underwent the selected analyses, these have been generally affected by the limited data, and in most cases this has not allowed for granular evaluations, resulting in less reliable outcomes. The achieved results have, nonetheless, been considered as an *indication* for the need (or not) of further investigations with regard to the use of unsolicited ratings of those ECAIs under Article 138 of the CRR.

13. As outlined in paragraph 5, ECAIs have been submitting to CEREP credit ratings classified according to different definitions, and these definitions have been considered when analysing the available data. In the case of the ECAI *Cerved Rating Agency* which was only classifying as solicited its credit ratings, and accordingly storing them in CEREP, but which will need to adjust its classification due to the Q&A, only qualitative factors have been considered. Apart from the reasons outlined in paragraph 5, this approach has been considered consistent with the one followed for ECAIs presenting little quantitative information, or consistent with the approach followed for those ECAIs showing both solicited and unsolicited ratings but that will have to adjust their classifications according to the Q&A interpretation. In the meantime the EBA will be updated by ESMA on the alignment process by ECAIs to the Q&A as well as on the ratings stored in CEREP, and the EBA will assess whether further action should be taken in the context of the Decision.

14. With respect to the qualitative analysis, a set of information relative to specific criteria was submitted by each ECAI to the EBA, which is presented in Appendix 2. These selective criteria/factors consisted of: i) analysis of differences with respect to the assignment policy and review of solicited and unsolicited ratings, ii) analysis of differences in rating methodologies of solicited and unsolicited ratings, iii) data availability for unsolicited ratings,

[10] As specified in Appendix 1, depending on the analysis to be performed, segmentation of the ratings should be performed to compare the relative characteristics of the credit ratings depending on their solicitation type in a way that avoids conclusions driven by external factors/intrinsic difference of the ratings.

[11] It should additionally be noted that 'Corporate' ratings in CEREP contain also credit ratings for financial institutions and insurance undertakings. In particular it should be noted that all credit ratings of ECAIs as stored in CEREP for the selected rating type are shown and have been used, and not only credit ratings issued in EU, thus to assess the whole rating experience on unsolicited ratings of ECAIs. If segmentations are further provided at location of issuance, country/continent and industry/sector levels to the data presented in Figure 1 or Figure 2, in most cases trivial sets of data would be achieved. Other high level segmentations performable with the CEREP data (e.g. short term ratings) showed even lower data availability.

aimed at assessing any data availability restrictions for the assignment of unsolicited ratings and how these are managed, and iv) management of the pressure placed on the rated entity when offering unsolicited ratings, aimed at assessing whether the ECAI employs measures to prevent that the usage of unsolicited ratings puts pressure on the rated entity that would lead the latter to place an order for a credit assessment or other services.

Final results

15. With respect to the quantitative analyses, as introduced in paragraph 10, these have been generally performed on few ECAIs due to the scarce data availability. The main findings can be summarised as follows, based on the performed analysis, while further details for the ECAIs concerned are presented in Appendix 1:

- **Ex-ante distribution.** The ECAIs that were considered to hold sufficient data for certain homogeneous subgroups of credit ratings in CEREP for the purposes of this analysis were Capital Intelligence, DBRS, Fitch Ratings, Japan Credit Rating Agency, Moody’s Investors Service, Scope Ratings and Standard & Poor’s. Results are presented in Figure 3 to Figure 9 of Appendix 1. Overall, the distributions of solicited and unsolicited credit ratings were not indicative of material differences, especially considering that, in almost all cases, the data numerosity was very different between solicited and unsolicited ratings.

- **Ex-ante dynamics.** For this analysis all ECAIs’ credit ratings present in CEREP with rating type ‘Corporate’ or ‘Sovereign and Public Finance’ were considered. Results are presented in Figure 10 of Appendix 1. Overall, changes in rating category after shifts in solicitation type were seldom (if not rare) events for the analysed ECAIs, suggesting that possible concern related to the change in solicitation type over time is not material.

- **Ex-post analysis.** The ECAIs that were considered to hold sufficient data in CEREP for the purposes of this analysis were Capital Intelligence, Fitch Ratings, Japan Credit Rating Agency, Moody’s Investors Service and Standard & Poor’s. Figure 11 of Appendix 1 presents the overall result regarding the AUROC analysis performed on those ECAIs’ solicited and unsolicited Corporate Long Term ratings. The AUROC analysis in each ECAI case was not indicative of any material difference in discriminatory power between the solicited and unsolicited ratings of that ECAI.

16. With respect to the qualitative analyses, the outcomes for each ECAI under consideration have generally suggested that: i) there is no material difference with respect to the policies concerning the assignment and review of unsolicited ratings of an ECAI compared to solicited ratings of that ECAI; ii) there is no material difference with respect to the methodologies applied for the assignment of unsolicited ratings of an ECAI compared to solicited ratings of that ECAI; iii) although data availability restrictions might be present for unsolicited ratings of an ECAI compared to its solicited ratings, procedures are in place to guarantee that there is no underestimation of risks and/or difference in quality with respect to its solicited ratings; and iv) the ECAI employs measures to prevent that the usage of unsolicited ratings puts pressure

on the rated entity that would lead the latter to place an order for a credit assessment or other services. The relevant information for each ECAI that is representative of these considerations is displayed in Figure 12 of Appendix 2.

17. For the reasons presented in the previous paragraphs, the EBA has not identified any evidence of a difference in the quality of solicited and unsolicited credit ratings for the considered ECAIs, or of any pressure exerted by them on rated entities to place an order for a credit assessment or other services. The EBA has, therefore, considered it appropriate, at this stage, to confirm that the quality of those ECAIs' unsolicited credit assessments does not differ from their solicited credit assessments. Subject to the monitoring of the performances of the unsolicited credit ratings, the EBA might review the conclusions or the assessment methodology as described in the Decision, should it become appropriate.

Appendix 1 – Quantitative Results

Figure 1: Corporate Long Term Solicited (S) and Unsolicited (US) Credit Ratings of ECAIs, 2007h1-2014h1, CEREP data

Corporate Long Term Ratings

	Axesor		BCRA – Credit Rating Agency		Capital Intelligence		Crif		DBRS Ratings Limited		Fitch Ratings		Japan Credit Rating Agency		Kroll Bond Rating Agency		Moody's Investors Service		Scope Ratings		Standard & Poor's	
	S	US	S	US	S	US	S	US	S	US	S	US	S	US	S	US	S	US	S	US	S	US
2007h1			4	1	89	217			495		3259		598	48			4078	30				
2007h2			4	2	88	215			481		3313		612	45			4176	30				
2008h1			5	1	81	218			458	1	3350		624	42			4168	30				
2008h2			6	1	84	220			428	4	3331		631	41			4181	30				
2009h1			9	1	85	218			408	12	3334		630	40			4117	30				
2009h2			10	1	82	209			306	12	3190		603	37			4057	30				
2010h1			10	1	75	211			305	13	3160		602	37			4074	29				
2010h2			11		74	212		31	313	14	3094		598	35			4127	29				
2011h1			11		79	211		51	312	14	3152		591	31			3834	14			5661	276
2011h2			12		79	211		56	314	16	2976	218	587	28			3953	12			5831	254
2012h1			12		68	214		62	310	17	2802	436	587	26			3994	7	4		5904	169
2012h2			14		69	214		61	318	13	2787	441	585	24			4017	5	32	22	6038	200
2013h1		74	15		65	213		62	331	15	2814	440	583	23	2	2	4111	6	87	37	6312	193
2013h2		74	18		63	212	2	57	325	28	2930	401	576	23	10	2	4216	6	131	37	6552	189
2014h1	2	58	18		64	212	3	59	331	28	2952	398	570	23	15	17	4306	4	158		6737	179

ECAIs that held only solicited or only unsolicited Corporate Long Term credit ratings are not displayed as the purpose of the assessment exercise is to compare solicited and unsolicited credit ratings.

Source: EBA calculations based on CEREP data.

Figure 2: Sovereign and& Public Finance Long Term Solicited (S) and Unsolicited (US) Credit Ratings of ECAIs, 2007h1-2014h1, CEREP data

Sovereign and Public Finance Long Term Ratings

	BCRA – Credit Rating Agency		DBRS Ratings Limited		Fitch Ratings		Moody's Investors Service		Standard & Poor's	
	S	US	S	US	S	US	S	US	S	US
2007h1	3		46		3485		513	17		
2007h2	10	1	51		3590		531	17		
2008h1	17	1	58		3643		552	17		
2008h2	17	1	60		3710		556	17		
2009h1	17	1	59	1	3703		575	17		
2009h2	13	2	59		3739		578	17		
2010h1	12	1	58		3774		582	17		
2010h2	13		57		3820		9187	16		
2011h1	7		66		3877		9318	16	35323	33
2011h2	5		74	2	3844	25	9348	16	35458	33
2012h1	4		78	4	3832	74	9403	16	35927	33
2012h2	4		79	8	3867	82	9406	17	37016	36
2013h1	5		92	11	3857	84	9410	17	37354	38
2013h2	5		76	29	3804	86	9384	17	38383	38
2014h1	5		78	31	3780	91	9310	17	38463	42

ECAIs that held only solicited or only unsolicited Sovereign and Public Finance Long Term credit ratings are not displayed as the purpose of the assessment exercise is to compare solicited and unsolicited credit ratings.

Source: EBA calculations based on CEREP data.

Quantitative analyses: description of the criteria for the assessment

The selected quantitative analyses consist of the following:

- **Ex-ante distribution of solicited and unsolicited ratings (ex-ante distribution).** The objective is to compare the rating distributions of solicited and unsolicited credit ratings. A significant difference[12] between the distributions could indicate a deviation in experience, as well as rating process and methods, and should be explained by the ECAI.

- **Ex-ante dynamics of unsolicited ratings (ex-ante dynamics).** The objective is to analyse the time evolution of solicited (unsolicited) ratings that were previously assigned on an unsolicited (solicited) basis. In this context, it is useful to detect any trend reflecting a general upgrade (downgrade) of the rating after the change of the solicitation type. For example, this might provide some indications as to possible pressure exercised by the ECAI on the rated entity to place an order for a credit assessment or other services. Where frequent shifts in rating category are experienced after changes in solicitation type, the ECAI should provide motivations for those behaviours.

- **Ex-post analysis of solicited and unsolicited ratings (ex-post analysis).** The objective is to analyse the discriminatory power of the rating systems for solicited and unsolicited ratings, i.e. their capability to distinguish between well-performing entities from bad performing ones and consistently assign to the former better rating categories than to the latter. In this context, the area under the receiver operating characteristic curve (AUROC) statistic was used to get an indication of whether the discriminatory power, and thus the rating process and methodology, differed significantly between solicited and unsolicited ratings of the ECAI under consideration. It has to be emphasised that the usage of AUROCs in this context has to be handled with care,[13] and it should be stressed that these statistics have been employed as an initial indicator to assess whether further investigations were needed. The basic idea is that if unsolicited ratings showed a very poor AUROC and solicited ratings a very good AUROC, then this should be explained by the ECAI.

[12] The term 'significant' might also refer in this context to some significance level threshold defined for selected hypothesis test used for the comparison. However a qualitative inspection has been preferred instead, taking into account that a certain variability should be expected among distributions and especially considering that it has not been possible to apply a granular segmentation of the ratings due to limited data availability.

[13] It should be taken into account that AUROCs depend crucially on the samples used, in that for example equally effective rating systems may present different accuracy indicators depending on the size and characteristic of the considered samples (e.g. risk profile). Therefore in this context AUROCs were used just in an indicative fashion and with consciousness regarding the limits for the interpretation of the outcomes, as a naïve usage of these statistics would lead to meaningless conclusions.

Given that the above quantitative analyses have different objectives, they should require different data categorisations and different minimum sample sizes to achieve meaningful conclusions. The segmentation should allow to compare the relative characteristics of the credit ratings depending on their solicitation type in a way that avoids conclusions driven by external factors/intrinsic differences of the ratings. Nonetheless, to achieve harmonisation across ECAIs' analyses, certain assumptions have been undertaken and standard categorisations have been employed. Specifically, credit ratings of each ECAI have been divided into standardised homogeneous subgroups of ratings depending on the analysis to be performed. Finally, minimum sample size criteria have been applied to the achieved homogeneous subsets of ratings to determine whether it was meaningful or not to perform the analyses (presented above) on them. If the data in the homogeneous subgroup of credit ratings were not considered to be numerous enough, the quantitative assessment was not performed.

To identify homogeneous subsets of credit ratings, the data were initially segmented depending on their rating type, date and term, as specified in CEREP.[14] Figure 1 and Figure 2 show the ECAIs that, at the time the assessment was made, held both solicited and unsolicited Corporate, or Sovereign and Public Finance, Long Term ratings in CEREP. Other segmentations showed less data availability than the one presented in those figures.[15] It is possible to see the heterogeneity of the data across ECAIs, as well as their scarce availability (in relation to the solicited versus unsolicited comparison).

[14] The CEREP database envisages 4 rating types ('Corporate', 'Sovereign and Public Finance', 'Covered Bonds', 'Structured Finance'), 2 rating terms (Long/Short term), and credit ratings are stored in a time structure defined in semesters. It should be noted that 'Corporate' ratings in CEREP contain also credit ratings for financial institutions and insurance undertakings.

[15] Although in case of short term ratings little numerosity was present, in case of ratings on Covered Bonds the CEREP data in the considered time horizon showed exclusively one rating identifier for unsolicited credit ratings at the time the assessment was made, resulting in the inability to perform quantitative analyses for this latter type of ratings. Credit ratings on Structured Finance instruments should not be considered in this context as they have been considered outside the scope of the Decision for addressing the mandate in Article 138 of the CRR.

Ex-ante distribution analysis

For the ex-ante distribution analysis, four categorisations have been applied to the CEREP data (Corporate Long Term, Corporate Short Term, Sovereign and Public Finance Long Term, Sovereign and Public Finance Short Term),[16] and the sum of the ratings assigned in the most recent 5 years of data available in the dataset have been considered. It has been assumed that, in the last available 5 years of data, the ECAI under analysis has applied the same rating assignment strategy. To each of the obtained set of ratings in these categorisations, a minimum data sufficiency criterion has been applied to determine whether sufficient data was available for this analysis. It should finally be highlighted that due to such high-level categorisations employed for this type of analysis, which have been executed to achieve *standardised* assessments across ECAIs, and due to the different (and in most cases scarce) data availability between solicited and/or unsolicited ratings, it has not been possible to perform a granular comparison of the distributions; therefore, the obtained results and considerations should take into account these limitations.

Figure 3 to Figure 9 present the distribution of the solicited and unsolicited credit ratings in the specified time periods for the homogeneous subsets of ratings which had sufficient data for the ECAI under analysis. ECAIs whose homogeneous subsets of ratings have been considered to hold insufficient data are not presented. For visual inspection graphs are presented, providing also additional information relative to the industry/sector of the rating under consideration. Calculations have been performed by the EBA on the CEREP data, and have been presented to the relevant ECAI, which has been requested to comment further on the basis of its own rating experience. The following considerations have been obtained:

- **Capital Intelligence** (Figure 3): It is observed that the same set of rating categories are covered, and that the number of solicited rated items is less numerous than the number of unsolicited rated items. It is possible to see that the distributions are similar and, in case of unsolicited ratings, it is slightly shifted towards more conservative rating categories. Capital Intelligence affirmed that differences in distributions reflect in particular country risk factors (e.g. solicited ratings are generally assigned in countries which are better rated). In addition, Capital Intelligence indicated that the short term ratings by solicitation status are largely determined by the long term ratings.

- **DBRS Ratings Limited** (Figure 4): It is observed that not all rating categories are covered for unsolicited ratings; however, unsolicited ratings are less numerous than solicited credit ratings. DBRS noted that in case of Sovereign and Public Finance unsolicited ratings (both short and long term), these are nearly exclusively assigned on sovereigns as opposed to sub-sovereigns or public entities which instead are solicited.

[16] It should be noted that in this type of analysis the higher the granularity of the segmentation the better, as the comparison should be applied to homogeneous subgroups of ratings. To this aim the EBA has initially considered to define subsets of ratings depending on: i) date, ii) type, iii) term, iv) country/continent, and v) industry/sector. However, applying these categorizations to the limited data available would lead to obtain trivial sets of data. Therefore credit ratings have been aggregated in broader categorisations and over time (it should be indeed noted that distributions may overstate the number of observations, as the same ratings could be counted many times over time), considering that in case of presence of material differences between distributions these would have been detected also looking at the consolidated samples.

This is because low risk sovereigns usually do not solicit ratings, but an opinion about their credit risk is necessary in order to rate entities within those sovereigns. This explains why unsolicited ratings for Sovereign and Public Finance are relatively assigned better ratings than solicited ratings (e.g. sub-sovereigns and public entities are usually assigned worse ratings than sovereigns). In case of Corporate ratings there is a slightly greater proportion of financial companies within the group of unsolicited ratings. DBRS sometimes needs to establish an opinion about a financial institution in the context of analysing a structured finance transaction. This does not arise frequently with non-financial corporates.

- **Fitch Ratings** (Figure 5): Overall the data availability for solicited ratings is much greater than the one present for unsolicited ratings. Nevertheless there is almost a complete coverage of the rating categories in both solicited and unsolicited ratings. In case of Corporate ratings the distributions are similar, and in addition Fitch noted that for long term ratings there is a higher percentage of lower ratings (BB and below) when the rating is unsolicited for 'Corporate Industry'. Fitch also noted that the picture is overall mixed. For example in case of Sovereign and Public Finance ratings, there is a higher percentage of AAA long term ratings when the rating is unsolicited than solicited. However for short term ratings a slightly higher percentage are rated F1 than when they are unsolicited.

- **Japan Credit Rating Agency** (Figure 6): It is observed that not all rating categories are covered for unsolicited ratings, although unsolicited ratings are less numerous than solicited ratings. JCRA affirmed that it chooses the entities subject to unsolicited ratings on the principle that the publication of the unsolicited rating of the entity contributes to the enhancement of its credit rating accuracy because the entity's market share in its industry is high. Therefore entities which are assigned unsolicited ratings by JCRA are leading companies in their industries with a strong customer basis and a robust financial strength, which motivates why worse rating categories are not covered. Finally JCRA affirmed that the difference of the industry to which the entity belongs influences the rating grade of the unsolicited rating by far less than that of the solicited rating.

- **Moody's Investors Service** (Figure 7): It is observed that the number of solicited ratings is much greater than the number of unsolicited ratings in each of the proposed segmentations, which should motivate any significant variation in the distributions as result of statistical factors. Moody's stated to apply the same relevant methodologies to, and that it does not expect any systematic difference in performance between, its solicited and unsolicited ratings. Moody's considered that distributions should also be motivated by the analytical interest it sees in maintaining ratings on an unsolicited basis: for example certain issuers have an important status in the capital markets and when rated help to understand the wider market and provide greater perspective for other ratings. Those credits would often be highly rated compared to other issuers in an economy or in an industry, for instance sovereign issuers: this is for example reflected in the Figure, where it there appears to be a relatively larger number of Aaa unsolicited sovereign ratings than Aaa solicited sovereign ratings. Especially from the Figure it can be inferred that unsolicited ratings are relatively rare compared to solicited ratings. For example the largest number of companies rated with type ‘Sovereign and Public Finance’ are public entities (e.g. universities, health care organisations, etc.), and there would be no special analytical interest to rate them on an unsolicited basis.

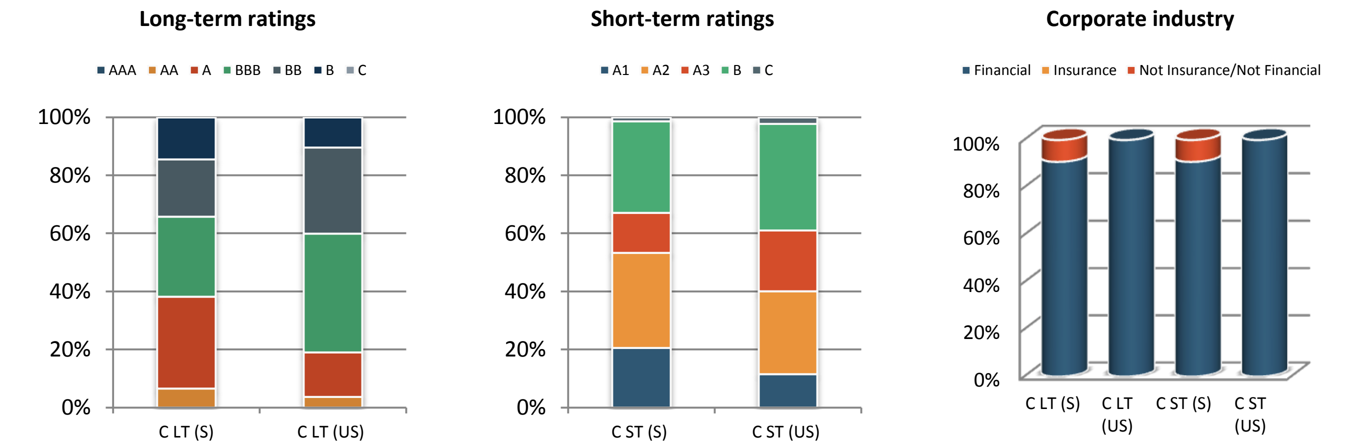
- **Scope Ratings** (Figure 8): It is observed that solicited ratings are more numerous than unsolicited ratings, and that overall solicited and unsolicited ratings exhibit relatively comparable distributions. Scope Ratings noted that for both solicited and unsolicited ratings the highest concentration is in BB rating category, the second highest concentration of credit ratings in B rating category, and the third highest concentration in the BBB rating category, and this should inter-alia be reflective of Scope Ratings applying the same methodology and process for both solicited and unsolicited ratings.

- **Standard & Poor’s** (Figure 9): It is observed that almost all rating categories are covered both for solicited and unsolicited ratings, and that solicited ratings are more numerous than unsolicited credit ratings. In particular S&P affirmed that the number of unsolicited ratings is determined by the availability of public information and the interest of users of S&P credit ratings. Especially due to the high level categorisation of ratings of S&P in relation with its extensive rating coverage in different countries and industries, distributions are difficult to be compared depending on their solicitation type. Nevertheless on an aggregated basis, S&P noted that for the Corporate ratings, insurance company ratings represent a higher proportion of unsolicited ratings driven by interest within the insurance industry in the context of counterparty risk assessment; such ratings are long term rather than short term ratings, and short term ratings are much more frequent in the banking sector than the insurance or non-financial sector. In case of Sovereign and Public Finance ratings, unsolicited ratings are mostly assigned to sovereigns, which are usually assigned high rating grades. In addition S&P noted that United States Public Finance ratings represent a very large proportion of the Sovereign and Public Finance sector ratings and there are little (if any) unsolicited ratings assigned to public finance entities in the United States.

Figure 3: Distribution of Capital Intelligence Solicited (S) and Unsolicited (US) ratings

	Long Term (LT) Ratings						
2009h2-2014h1	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**C**
Corporate (S) – [C LT (S)]		47	227	198	142	104	
Corporate (US) – [C LT (US)]		77	326	864	629	219	

	Short Term (ST) Ratings				
2009h2-2014h1	**A1**	**A2**	**A3**	**B**	**C**
Corporate (S) – [C ST (S)]	148	235	99	226	10
Corporate (US) – [C ST (US)]	243	605	444	775	48

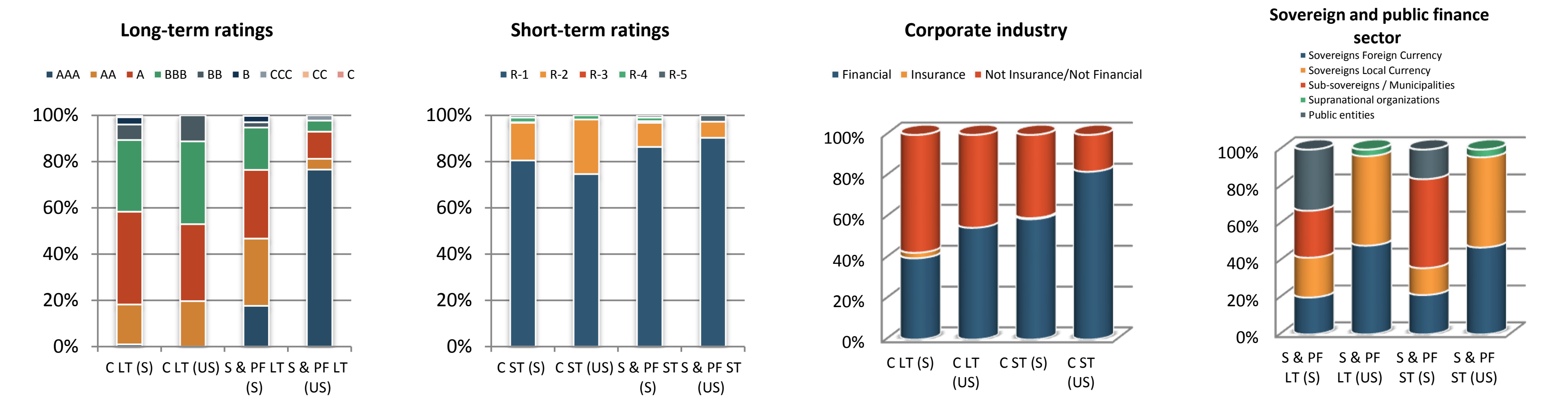


Source: EBA calculations based on CEREP data.

Figure 4: Distribution of DBRS Solicited (S) and Unsolicited (US) ratings

	Long Term (LT) Ratings								
2009h2-2014h1	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**CCC**	**CC**	**C**
Corporate (S) – [C LT (S)]	30	546	1263	975	212	99	14	1	11
Corporate (US) – [C LT (US)]		33	56	60	19				
Sov. & Public Finance (S) –[S&PF LT (S)]	126	209	213	131	16	20	2		
Sov. & Public Finance (US) – [S&PF LT (US)]	65	4	10	4			2		

	Short Term (ST) Ratings				
2009h2-2014h1	**R-1**	**R-2**	**R-3**	**R-4**	**R-5**
Corporate (S) – [C ST (S)]	1630	329	6	41	20
Corporate (US) – [C ST (US)]	79	25		2	
Sov. & Public Finance (S) –[S&PF ST (S)]	266	32	2	5	3
Sov. & Public Finance (US) – [S&PF ST (US)]	65	5			2

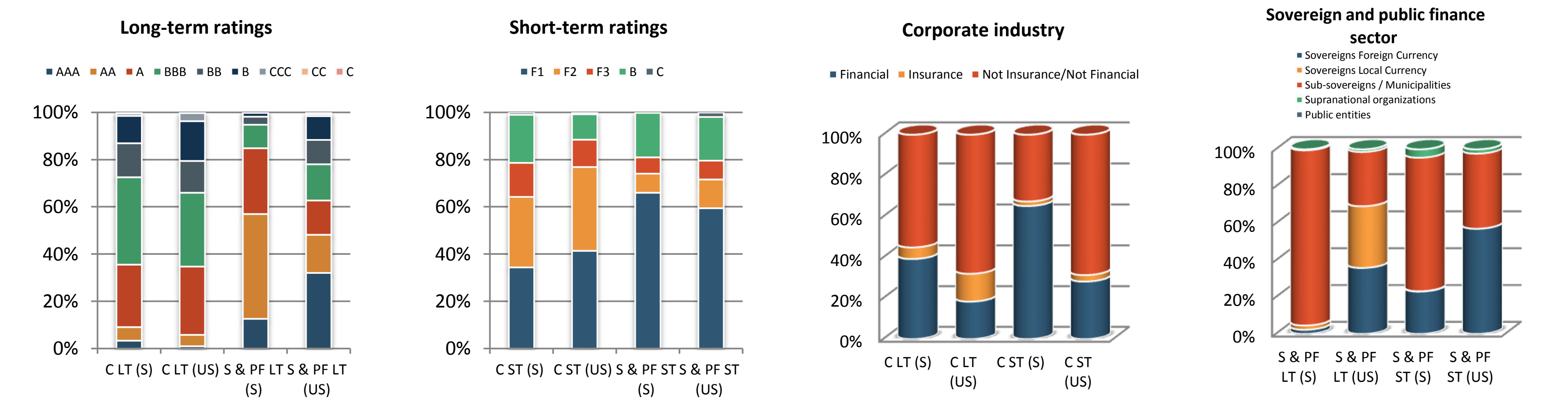


Source: EBA calculations based on CEREP data.

Figure 5: Distribution of Fitch Ratings Solicited (S) and Unsolicited (US) ratings

	Long Term (LT) Ratings								
2009h2-2014h1	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**CCC**	**CC**	**C**
Corporate (S) – [C LT (S)]	1003	1695	7866	10991	4279	3440	308	80	54
Corporate (US) – [C LT (US)]	25	112	673	729	312	394	79	6	
Sov. & Public Finance (S) –[S&PF LT (S)]	4815	16929	10657	3815	1270	615	46	14	15
Sov. & Public Finance (US) – [S&PF LT (US)]	140	71	63	67	45	44	4	3	

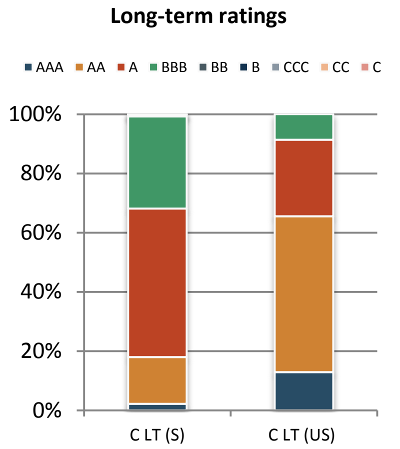
	Short Term (ST) Ratings				
2009h2-2014h1	**F1**	**F2**	**F3**	**B**	**C**
Corporate (S) – [C ST (S)]	5266	4553	2213	3107	150
Corporate (US) – [C ST (US)]	380	325	106	99	7
Sov. & Public Finance (S) –[S&PF ST (S)]	2526	309	261	721	8
Sov. & Public Finance (US) – [S&PF ST (US)]	157	32	21	49	5

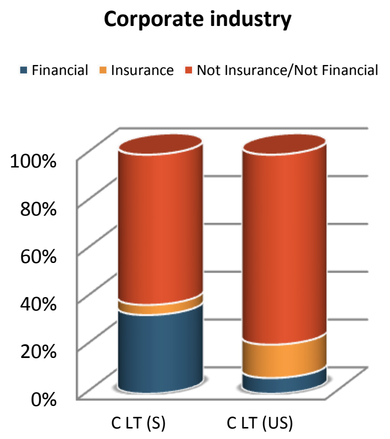


Source: EBA calculations based on CEREP data.

Figure 6: Distribution of Japan Credit Rating Agency Solicited (S) and Unsolicited (US) ratings

	Long Term (LT) Ratings								
2009h2-2014h1	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**CCC**	**CC**	**C**
Corporate (S) – [C LT (S)]	130	923	2943	1823	33	2	12	1	
Corporate (US) – [C LT (US)]	37	151	74	25					



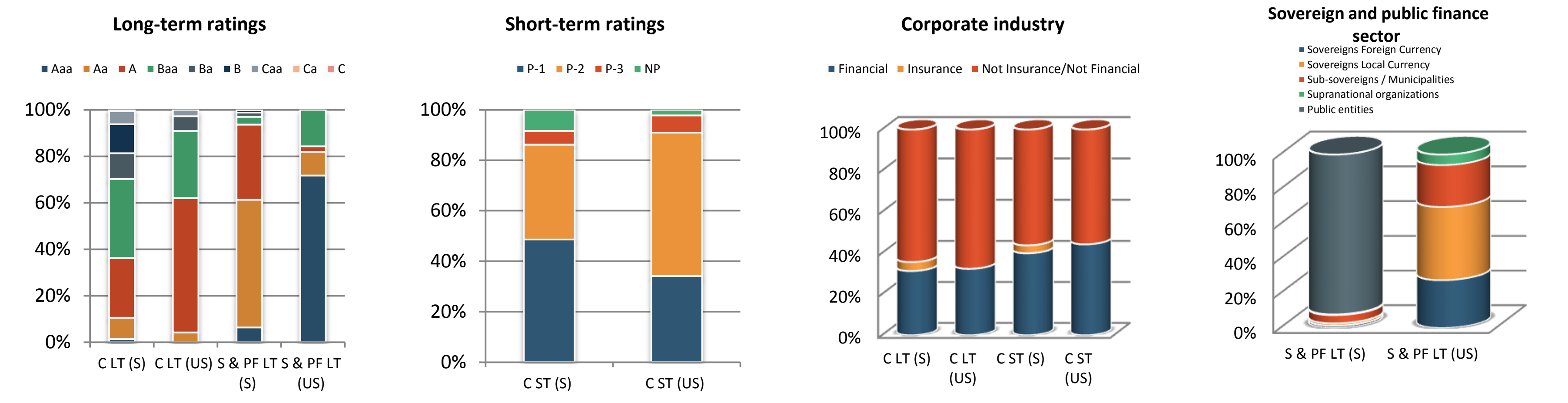


Source: EBA calculations based on CEREP data.

Figure 7: Distribution of Moody's Investors Service Solicited (S) and Unsolicited (US) ratings

	Long Term (LT) Ratings								
2009h2-2014h1	**Aaa**	**Aa**	**A**	**Baa**	**Ba**	**B**	**Caa**	**Ca**	**C**
Corporate (S) – [C LT (S)]	539	3773	10474	13744	4549	5064	2269	190	87
Corporate (US) – [C LT (US)]		6	82	41	9		4		
Sov. & Public Finance (S) –[S&PF LT (S)]	4808	41767	24510	2529	1381	807	106	6	12
Sov. & Public Finance (US) – [S&PF LT (US)]	119	17	4	26					

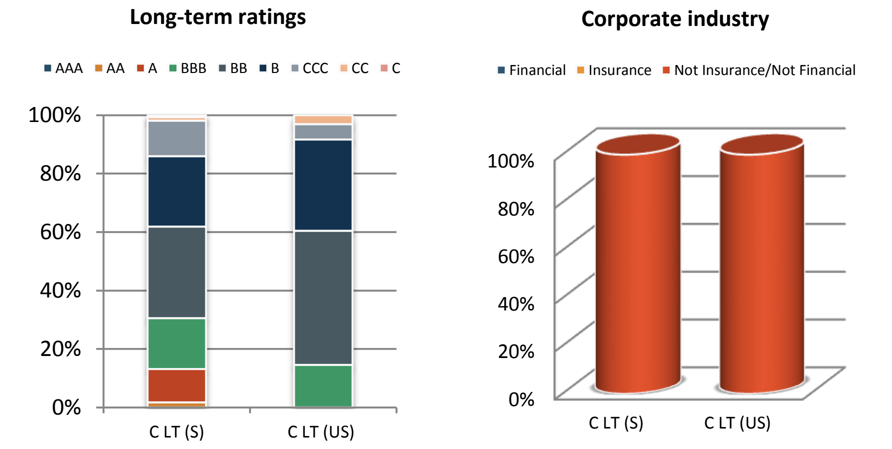
	Short Term (ST) Ratings			
2009h2-2014h1	**P-1**	**P-2**	**P-3**	**NP**
Corporate (S) – [C ST (S)]	5998	4652	668	1036
Corporate (US) – [C ST (US)]	30	50	6	2



Source: EBA calculations based on CEREP data.

Figure 8: Distribution of Scope Ratings Solicited (S) and Unsolicited (US) ratings

2009h2-2014h1	Long Term (LT) Ratings								
	AAA	**AA**	**A**	**BBB**	**BB**	**B**	**CCC**	**CC**	**C**
Corporate (S) – [C LT (S)]		7	47	72	129	99	50	5	3
Corporate (US) – [C LT (US)]				14	44	30	5	3	

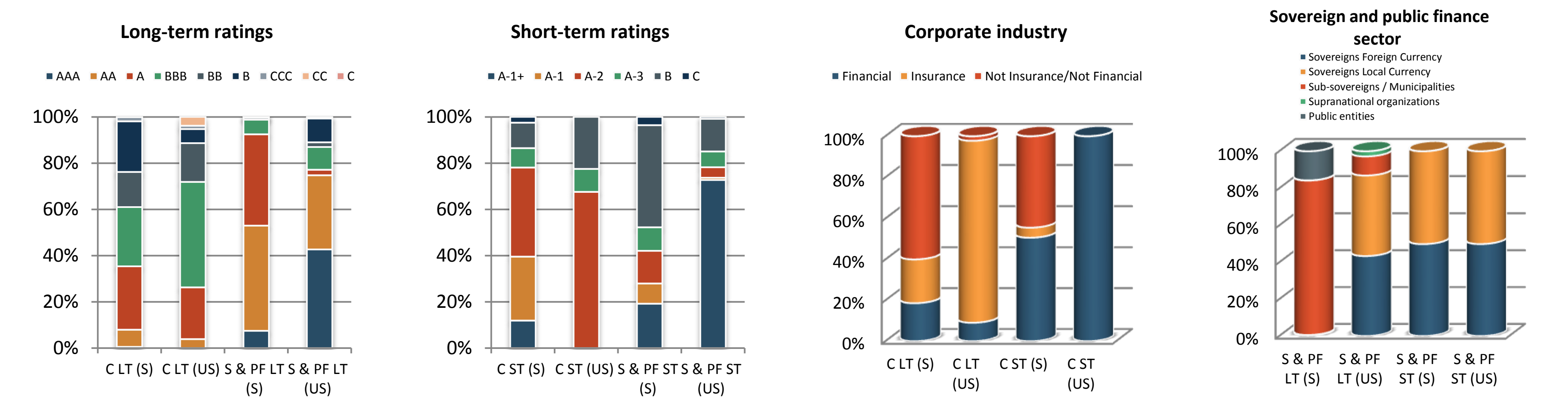


Source: EBA calculations based on CEREP data.

Figure 9: Distribution of Standard & Poor's Solicited (S) and Unsolicited (US) ratings

	Long Term (LT) Ratings								
2009h2-2014h1	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**CCC**	**CC**	**C**
Corporate (S) – [C LT (S)]	222	3176	11772	10996	6478	9410	799	45	
Corporate (US) – [C LT (US)]		56	326	664	244	89	20	57	
Sov. & Public Finance (S) –[S&PF LT (S)]	19,085	117252	102013	16274	2075	900	102	55	94
Sov. & Public Finance (US) – [S&PF LT (US)]	108	81	6	25	5	26	2		

	Short Term (ST) Ratings					
2009h2-2014h1	**A-1+**	**A-1**	**A-2**	**A-3**	**B**	**C**
Corporate (S) – [C ST (S)]	1606	3729	5199	1132	1495	342
Corporate (US) – [C ST (US)]			27	4	9	
Sov. & Public Finance (S) –[S&PF ST (S)]	298	135	218	158	683	57
Sov. & Public Finance (US) – [S&PF ST (US)]	160	2	10	15	31	2



Source: EBA calculations based on CEREP data.

Ex-ante dynamics analysis

Figure 10 summarises the number of shifts in solicitation type of all ratings present in the CEREP database until the reference date of 30 June 2014. If the same credit rating (i.e. referring to the same obligor) experienced shifts in solicitation type more than once over time, all these occurrences are reported in the table. It has to be considered that credit ratings are reported in CEREP semi-annually; therefore, the same credit rating appears in the table below each time it experienced a shift in solicitation type in one of its reporting semesters. ECAIs covered by the Decision that held both solicited and unsolicited ratings in CEREP at the time the assessment was made, but for which no shift in solicitation type was detected are not shown in the Figure. The *focus* for the purposes of this analysis is on the number of shifts in solicitation status of credit ratings which are coupled with changes in rating category. From the Figure it is possible to see that either the changes in solicitation type are rare events or that changes in solicitation type coupled with changes in rating category represent a small share with respect to the total number of changes in solicitation type. This suggests that for each of the analysed ECAIs possible concern related to the change in solicitation type over time is not material.

Figure 10: Ex-ante dynamics of unsolicited ratings on all Corporate, Sovereign and Public Finance Ratings, CEREP data

ECAI	Number of changes in solicitation type of ratings, from solicited to unsolicited, coupled with an improvement in rating grade	Number of changes in solicitation type of ratings, from solicited to unsolicited, coupled with a worsening in rating grade	Number of changes in solicitation type of ratings, from unsolicited to solicited, coupled with an improvement in rating grade	Number of changes in solicitation type of ratings, from unsolicited to solicited, coupled with a worsening in rating grade	Total number of changes in solicitation type of credit ratings (this also considers changes in solicitation type that are coupled with no change in rating grade)
Axesor			1		1
BCRA - Credit Rating Agency	2		1		14
Capital Intelligence	5	1	7	3	284
DBRS Ratings Limited	1	3	2		132
Fitch Ratings	32	61	10	4	1128
Japan Credit Rating Agency		1			23
Moody’s Investors Service				1	2
Standard & Poor’s	1	1	2		38
Scope Ratings					1

Source: EBA calculations based on CEREP data.

Ex-post analysis

The ex-post analysis is related to the assessment of the discriminatory power of the rating systems depending on their solicitation type through the usage of the AUROC statistic and examination of the ROC curve. This has been applied exclusively to Corporate Long Term ratings. This is due to the fact that this analysis is related to the ex-post behaviour of the credit ratings, which is determined considering the default event: in case of Sovereign, Public Finance, and short term ratings, the default events were too few to perform this kind of assessment; therefore, these ratings have not been considered. In addition, for the calculation of the AUROC statistic, certain assumptions have been made. Credit ratings have been considered consistently with the CEREP time structure (i.e. in semesters), and the default event for each of them has been determined over a time horizon of 3 years considering they were long term ratings. Credit ratings withdrawn during the 3-year time horizon have been discarded from the sample, as CEREP does not provide information on their default status at the end of the 3-year time horizon. Finally, the ratings that have been considered are the ones assigned in the last 5 years preceding the first eligible semester from which a 3-year horizon spans until the most recent available semester of the dataset.[17] In addition, minimum data criteria are applied to the identified sets of credit ratings, as the analysis should be performed with sufficient data to provide meaningful outcomes.

The ECAIs that have been considered to hold sufficient data in CEREP for the purposes of this analysis are presented below in Figure 11. For each of those ECAIs, the AUROC analysis was not indicative of material difference in discriminatory power between the solicited and unsolicited rating systems of that ECAI, therefore raising no concerns in the context of Article 138 of the CRR. In case of Capital Intelligence (CI), the results were driven by scarce data, and by the very low number of defaults in rating categories BB and B, regardless of the solicitation type of its credit ratings (which was already detected when performing the mapping under Article 136 of the CRR). Especially CI provided the EBA with exhaustive additional information, which motivated the obtained results; additionally, CI explained to the EBA the measures it has in place and that it will implement to ensure that unsolicited ratings do not result in less quality than solicited ratings.

Therefore, no material issue has been identified for any of the presented ECAIs. It has finally to be reminded that what it is considered is the presence of material difference between the discriminatory power of solicited and unsolicited rating systems of the same ECAI, and not across different ECAIs: to this end it should be also noted that the analysis has been performed on very scarce data (highlighting how results should be carefully considered), and very few ECAIs, therefore providing additional motivation on the fact that the different ECAIs considered in the Decision are not to be compared by any means in the context of this analysis.

[17] It is assumed that the credit ratings assigned during that period are representative of the properties of the credit ratings subsequently assigned by the ECAI. Nevertheless, tests conducted on the whole available data history showed analogous results.

Figure 11: Ex-post analysis (AUROC analysis) of Corporate Long Term Solicited (S) and Unsolicited (US) ratings, CEREP data

	Number of observations for solicited ratings	Number of observations for unsolicited ratings	Number of defaults for solicited ratings	Number of defaults for unsolicited ratings	Observation period	Discriminatory Power (via AUROC analysis) of solicited rating system	Discriminatory Power (via AUROC analysis) of unsolicited rating system	Presence of material difference in discriminatory power between solicited and unsolicited rating systems
Capital Intelligence	691	2011	5	21	2007h1-2011h2	Fair	Negative predictor	No
Fitch Ratings	2406	145	42	6	2011h2	Good	Good	No
Japan Credit Rating Agency	5188	328	58	4	2007h1-2011h2	Good	Good	No
Moody's Investors Service	31240	118	1217	6	2007h1-2011h2	Good	Good	No
Standard & Poor's	9907	288	256	6	2011h1-2011h2	Good	Good	No

Legend: Discriminatory power depending on AUROC analysis: <0.5 Negative predictor; 0.5-0.65 Poor; 0.65-0.8 Fair; 0.8-1 Good.

The results presented in this Figure have not to be used in order to produce statements comparing the accuracy of rating systems of ECAIs, or outside the context of the analysis conducted in this document. Particularly it should be noted that this analysis only assesses the presence of material difference between the discriminatory power of solicited and unsolicited rating systems **of the same** ECAI, and not across different ECAIs. The outcomes presented have been achieved out of different samples, time periods, on a particular dataset (i.e. CEREP), and considering a set of assumptions which might not reflect the internal assessments of ECAIs regarding their rating systems. Therefore the usage of AUROCs in this context is employed exclusively **as an indication** to detect possible issues related to the quality of unsolicited ratings of an ECAI with respect to the solicited ratings of that same ECAI, as statistically a simplistic usage and comparability of AUROCs entails major pitfalls.

Source: EBA calculations based on CEREP data.

Appendix 2 – Qualitative Results

Qualitative analyses: description of the criteria for the assessment

The selected qualitative criteria employed in the assessment consist of the following:

- **Policy regarding the assignment and review of unsolicited ratings.** The objective is to analyse the differences between the assignment and review polices of solicited and unsolicited ratings of the ECAI under consideration.

- **Rating methodology for unsolicited ratings.** The objective is to analyse whether any difference exists with respect to the rating methodology for solicited ratings, in which case it should be explained by the ECAI under consideration. It should also be specified how these may be applied differently (if at all), and whether more or less conservatism may be applied when assigning unsolicited credit ratings (e.g. how the rating methodology may be impacted by data restrictions).

- **Data availability for unsolicited ratings.** The objective is to analyse the most common restrictions of information faced by the ECAI during the assignment of unsolicited credit ratings in order to assess whether the possible lack of information could result in an underestimation of risk in the final rating assigned.

- **Management of the pressure on the rated entity when assigning unsolicited ratings.** The objective is to assess whether the ECAI has employed measures to prevent that the assignment of unsolicited ratings puts pressure on the rated entity that would lead the latter to place an order for a credit assessment or other services.

Figure 12 summarises the information provided by ECAIs in relation to the above mentioned criteria. It should also be noted that the information presented might not reflect all the information submitted by the ECAI to the EBA for the purposes of the assessment exercise under Article 138 of the CRR, as any confidential information provided by the ECAIs has been removed from the table below.

Figure 12: Qualitative information on unsolicited credit ratings of ECAIs

	Policy regarding the assignment and review of unsolicited ratings	**Rating methodology for unsolicited ratings**	**Data availability for unsolicited ratings**	**Management of the pressure on the rated entity when assigning unsolicited ratings**
ARC Ratings S.A.(ARC)	ARC states that it applies the exact same policies and procedures regarding the assignment and review of solicited and unsolicited ratings, except when the rating is unsolicited and without the participation of the entity being rated, in which case ARC is unable to do an on-site review and only has access to publicly available information.	ARC states that it uses the exact same methodologies for solicited and unsolicited ratings, except in the case of an unsolicited rating without the participation of the entity being rated, in which case ARC is unable to do an on-site review and only has access to publicly available information. ARC states that if publicly available information is not deemed sufficient then more conservatism may be built into the analysis to account for this. ARC clarifies that unsolicited ratings are assigned only if in its opinion the information available is sufficient to allow ARC to assign and maintain the rating.	ARC states that when it decides for the need to assign an unsolicited rating it will communicate such decision to the rated entity and invite the entity to participate in the process in order to maximize access to information. If the issuer decides not to participate in the rating process ARC will seek to obtain as much information as possible (whether strictly public information or paid information) but will only complete the rating process by assigning a rating if in its opinion the information available is sufficient to allow ARC to assign and maintain the rating. Therefore, any key data restriction will end up in the decision by ARC not to publish the rating. Solicitation type should have no effect on the level of the ratings assigned.	After taking the decision to start an unsolicited rating process on a certain entity ARC states that it will not seek or accept from the rated entity compensation for the rating during the rating process, or for at least one year after publication of the credit rating.
Axesor SA (Axesor)	According to information provided by Axesor, the policies and procedures are mainly the same for unsolicited and solicited ratings (with public information, independence of the agency, appeals process being equally	Axesor corporate rating methodologies are based in the evaluation of different risk factors which are structured in two profiles: business profile and financial profile. Although the methodologies are the same, in	Axesor states that its approach for unsolicited ratings is limited to corporate ratings where the rated companies do not participate and where only public information is used in the rating process. However Axesor affirms that for	Axesor considers the potential pressure of unsolicited ratings to be low under the current approach. Unsolicited ratings currently have a limited scope, with many of the rated entities already working with other CRAs.

	applied in the two types of ratings). The main difference is the participation of the rated company during the issuance process that implies i) use of confidential information for solicited rating, and ii) as part of the solicited rating process, an interview with the senior management of the rated company (i.e. rated company's participation).	case of unsolicited ratings there might be some restrictions in data/information availability which might lead not to consider a specific risk factor in the assessment, in these cases the analyst will recommend a more conservative rating. This issue is solved if there is participation of the rated company in the issuance process.	the assignment of an unsolicited rating there must be sufficient public information on the entity concerned, and such information should be sufficiently updated and qualified to allow for an appropriate assessment.	Additionally, the business model for unsolicited ratings is under subscription. Finally, Axesor notes that since its registration as a CRA only one company, with a previous unsolicited rating, has solicited Axesor to issue a solicited rating.
BCRA – Credit Rating Agency AD (BCRA)	BCRA states that it enforces a single policy for assigning credit ratings, covering both solicited and unsolicited ratings. The process for assignment and review would be identical in both cases with the exception that, since unsolicited ratings are not requested by the issuer, the rated party, or a related third party, there is also no contract with the issuer, the rated party or a related third party, and there is no expectation that the rated entity would be providing non-public information directly to BCRA or cooperating in any other way. If, however, BCRA is issuing the unsolicited rating not on its own initiative, but at the request of an investor or any other party not related with the rated entity, then the client is fully expected to personally provide, or guarantee in another way that all necessary	BCRA states that currently it only issues unsolicited ratings to central governments of countries. With regard to such ratings, BCRA affirms that it applies a single methodology which is designed to be applied identically regardless of the solicitation status, and there is no need for different levels of conservatism or different approaches. The methodology is designed with the goal to rely only on public information from global and reliable sources which is commonly available for European countries and more generally across the world. Both solicited and unsolicited ratings would depend on the exact same set of public information and there is no need or expectation for the rated country to provide any additional information. With respect to credit ratings of non-sovereign entities, e.g.,	With respect to sovereign ratings, BCRA states that the only limiting factor would be the absence of sufficient public information on a specific country, in which case BCRA would abstain from issuing a rating altogether, regardless of its solicitation type. Given the full reliance on independent public information, there is no provision made for the government of a rated country to provide non-public information in an effort to make up for the lack of public information obtained from third sources. With respect to credit ratings of non-sovereign entities (e.g., banks, insurance companies, nonfinancial corporates, etc.), BCRA relies on all required information, being provided either directly by the rated entity, indirectly by the client, or other sources.	BCRA states that currently it only issues unsolicited ratings to central governments of countries. BCRA notes that it is a very common practice for credit rating agencies to issue sovereign ratings, as these ratings are often used as an input in the rating process of private or public entities situated in these countries. For this reason, countries all over the world obtain wide rating coverage by multiple agencies, both solicited and unsolicited. BCRA believes that there is no opportunity for agencies to put pressure on countries to place an order, given the level of transparency in sovereign ratings, and the highly competitive environment. BCRA would always provide the rated country's government with a full rating report in advance of publishing a rating. Regardless of

	information will be provided directly or indirectly to BCRA as per its rating methodology and procedure.	banks, insurance companies, nonfinancial corporates, etc., BCRA also uses a unique methodology best suited for each separate type of entity, whether the rating is solicited or unsolicited. The rating factors analysed and their weights are unchanged in any way regardless of the solicitation status.		the solicitation status the government would thus have the opportunity to provide information for the purposes of the rating, which would always be taken into consideration by the Rating Committee when assigning the rating and therefore there is no benefit for the country from changing the solicitation type in order to receive any additional consideration or different treatment. This removes any conflict of interest as it is impossible for the country's government to affect the rating by requesting that rating to become solicited.
Capital Intelligence Ltd (CI)	CI states that it does not have specific policies for the assignment and review of unsolicited ratings. The same rating policies and rating committee procedures apply to all credit ratings, regardless of rating type and solicitation status. In terms of the monitoring and updating of ratings, all ratings are reviewed at least annually or semiannually in line with the EU Regulation on Credit Rating Agencies. The difference between solicited and unsolicited ratings from a credit assessment perspective concerns the degree of participation by the rated entity. Rating analysts do,	CI states that it uses the same methodologies for solicited and unsolicited ratings. Also, there is no difference with regard to the application of rating methodologies for solicited and unsolicited ratings; solicitation status is not a rating factor.	For those ratings that are both unsolicited and do not involve any participation of the rated entity CI states that it tends to rely primarily on public information. In terms of corporate ratings, as a general policy CI affirms that it must have at minimum access to independently audited financial statements in order to assign and maintain a rating assessment, regardless of whether the rating is solicited or unsolicited. CI normally requests financial statements that are prepared according to IFRS or US GAAP, but these might not always available in the markets CI covers; where local accounting standards are	CI states that situations in which a rating agency assigns an unsolicited rating to an entity and then offers to raise that rating in exchange for a formal fee-paying mandate or in return for the entity purchasing other services offered by the rating agency would be a clear violation of CI's Code of Conduct and Code of Business Ethics and other internal policies. The majority of the entities CI rates on an unsolicited basis participate in the rating process and have done so for many years. In terms of controls, CI affirms that it has adopted and implemented policies and procedures in line with the EU

	however, attempt to meet at least annually with the management of all corporates rated by CI – including where the rating is unsolicited – and a large number of corporates (specifically banks) rated by CI on an unsolicited basis participate in the rating process. CI affirms that all rated entities receive in advance notification of rating actions (including the rationale for the action) and may comment on, or even appeal, the rating before it is published, regardless of whether the rating is solicited or whether the rated entity has participated in the rating process.		used, the primary analyst must assess the extent to which these conform to internationally recognised accounting standards and the materiality of any differences for evaluating financial risk; but again this applies regardless of solicitation status. In CI experience, the quality of public financial disclosure by banks in most countries is satisfactory for rating purposes and hence CI is able to assign bank ratings on an unsolicited basis (in most cases with issuer participation). In contrast, CI has yet to rate any corporate issuer on an unsolicited basis, in part because public information on such entities in CI core markets tends to be insufficient for rating purposes.	Regulation on CRAs designed to safeguard the integrity of the rating process, mitigate conflicts of interest, and manage the potential trade-off between quality standards and profitability. The control mechanisms of principal relevance to the scenario described above focus on the segregation of business operations from rating activities. In addition, CI has established an independent compliance function responsible for monitoring adherence to CI's policies and procedures, as well as to the EU Regulation.
Cerved Rating Agency S.p.A. (Cerved)	The policies and procedures regarding the assignment and review of unsolicited credit ratings of Cerved do not differ from the policies and procedures regarding solicited credit ratings, except for the approval of the long term ratings on non-financial corporate entities. While in case of solicited ratings on non-financial corporate entities the rating proposal of the rating analyst is always assessed and authorised by the Rating Committee, in case of unsolicited	Cerved uses a unique methodology for the rating assignment and review of both solicited and unsolicited credit ratings. In addition the rating methodology of Cerved is not applied differently between solicited and unsolicited ratings.	Cerved specified to the EBA the data sources (both public and proprietary) that are employed for the production of its credit ratings. Cerved states to maintain processes aimed at cleaning and controlling the data used for the rating assignment. Cerved affirms that is responsibility of the rating analyst to assess the quality and adequateness of the information available for each rating assignment, and request of additional information or refrain from rating issuance would be	Cerved operates both under the issuer-pays model and investor-pays model. However Cerved established two different sales forces for serving its two types of customers, to prevent possible conflict of interest. In this regard Cerved affirms that any overlap between its solicited and unsolicited rating portfolio is purely random because independent sales forces are in place. In addition Cerved employs separations of roles and responsibilities between its sales

	ratings on non-financial corporate entities the assessment and approval of the rating proposal is carried out by the supervisor of the rating analyst (however also for these ratings, should the case be controversial, the assessment and authorisation of the rating is performed by the Rating Committee).		pursued in case not sufficient information is available.	division and its analytical and development teams. Finally Cerved in accordance with the CRA Regulation informs the rated entity of its rating proposal before the issuance of a rating, thus allowing the rated entity to provide additional information, which will be assessed to decide whether a different rating should be assigned.
Crif S.p.A. (CRIF)	CRIF states that it applies the same policy and procedures in the assignment and review of unsolicited and solicited ratings. CRIF has also presented to the EBA further details on the steps followed when assigning a solicited/unsolicited credit assessment.	CRIF states that it acts with a single rating methodology both for solicited and unsolicited ratings. Equally CRIF has a single policy and procedure for the development and validation of criteria and methodology. CRIF presented to the EBA also how the development/review/approval/validation of such methodologies takes place. With respect to the application of methodologies, CRIF affirms that rating methodology and criteria do not present differences between solicited and unsolicited credit ratings. For both ratings, the quality of the assessment depends on the quality of data: CRIF generally applies a more cautious approach in evaluating analytical areas where the information available is of a lower quality.	CRIF states that its methodology requires a wide set of documents and information that do not differ between unsolicited and solicited ratings and that allow the analysts to have a complete view for each area of assessment. The rating analyst assesses the completeness/quality of the documentation and may contact the rated entity or the third party for clarifications and to request additional information. Where the analyst believes that there is insufficient or low quality information to assign or maintain a rating whether solicited or unsolicited, no rating is assigned or maintained. In case of ratings issued by initiative of CRIF, the rating is issued only when the information publicly available covers all areas required to obtain an assessment. Also in such cases, given the fact that the ratings are communicated in advance to the	CRIF affirms that whenever any new unsolicited rating is initiated by CRIF, it is made clear to the rated entity (or issuer) that no compensation is expected by CRIF, nor any engagement into a rating mandate can be signed for at least twelve months from the initial rating. A disclaimer that clarifies such a policy is also inserted in the rating summary once the unsolicited rating assigned is made available to the public.

			rated entity, the company has the opportunity to verify the accuracy of information used to provide the opinion and report any errors.	
DBRS Ratings Limited (DBRS)	DBRS states that it applies the same policies and procedures for assigning solicited and unsolicited ratings in all sectors including the development and application of methodologies, the analytical ratings process and the Rating Committee process.	DBRS states that it uses the same methodologies, policies and procedures for assigning solicited and unsolicited ratings. There is no difference in the application of methodologies between solicited and unsolicited ratings in any sector or industry.	DBRS states that its unsolicited credit ratings are only assigned when sufficient public information is available to support the analysis and to monitor the rating on an ongoing basis. To the extent there is no participation from the issuer by way of meetings, discussions and/or receipt of information or access to the accounts of the rated entity, DBRS would determine whether it has sufficient public information to undertake the required analysis of the issuer to determine a rating. If DBRS determines the public information available is insufficient to rate the issuer, DBRS simply does not perform the ratings analysis.	DBRS has implemented a variety of policies and procedures and an employee and business code of conduct that prevents conflicts of interest by rating analysts and business development staff which apply consistently to solicited and unsolicited ratings.
European Rating Agency, a.s.(ERA)	ERA states that generally it uses the same procedures for unsolicited ratings in comparison to solicited ratings with the exception that it does not send a questionnaire to obtain data and information, nor it conducts interviews with the rated entity. All other procedures are the same, including analysis, approval by the Rating Committee, and monitoring and review.	ERA affirms that it uses the same methodologies for solicited and unsolicited ratings. The application of the methodologies only differs in that for unsolicited ratings ERA uses only publicly available information and data. For unsolicited ratings assigned to municipalities and non-financial corporates it might be not possible to assess some sub-factors: while developing a	The data used in the unsolicited rating process are public and can be obtained without rated entity assistance. As mentioned above, ERA has an exact list of factors excluded from the assessment when assigning unsolicited ratings (for municipalities and non-financial corporates). When the rest of data required by the methodology are not available, ERA affirms that the credit rating	According to ERA's internal policy, ERA will not seek or accept remuneration for its analytical services from the rated entity for at least one year after the publication of an unsolicited rating. ERA also uses an Acceptance Committee and other internal mechanisms to detect conflict of interest or other threats for the independence of the rating process.

		solicited rating, the information and data to assess these sub-factors are obtained and verified through a questionnaire and interviews with the entity, which are not conducted for unsolicited ratings. In the case of financial corporates (e.g. banks), there is no difference in the use of methodology whatsoever, since is possible to obtain all required information and data from reliable official sources. Considering the minor influence of the above mentioned excluded factors (only for municipalities and non-financial corporates), the unsolicited ratings are considered comparable to the solicited ones and the solicitation status has no other effect on the rating grade assigned. The unsolicited ratings are marked as such in the rating statement. In case there is not enough data and information ERA states that it would not issue unsolicited rating.	cannot be issued. Also when the required data are not complete or they come from non-reliable sources (cannot be verified), a credit rating is not issued.	
EuroRating Sp. z o.o. (EuroRating)	EuroRating holds three internal procedures regarding unsolicited ratings. EuroRating affirms that the basic conditions relating to EuroRating being able to issue and later continue monitoring unsolicited ratings are analogous to those for solicited ratings, namely: (a) EuroRating must be in possession of or have access to	EuroRating states that the rating process and methodologies are the same for unsolicited and solicited ratings, and the only difference lies in the fact that the process of analysing the risk presented by the rated entity is generally carried out exclusively (or mostly) on the basis of information that is publicly	EuroRating affirms that due to its adopted policies, it issues unsolicited ratings only for entities for which there is wide scope of information available from public sources (e.g. blue chips, banks, etc.). Thus, the agency rarely faces problems of restrictions with respect to the data availability when assigning	According to EuroRating policies, a general rule applied is that EuroRating does not actively offer (or perform actions in any other way which puts pressure to place an order) to the entities for which it issues (or plans to issue) an unsolicited rating. There is also a rule for which EuroRating does not provide for rated entities (or

	sufficient information of appropriate quality and reliability to be able to carry out a reliable analysis and credit risk assessment of the rated entity and to allocate a reliable credit rating; and (b) the rating process must include appropriate analyses that take into account both quantitative and qualitative factors in accordance with the methodology used by EuroRating for the type of entity being rated.	available and that EuroRating cannot require the rated entity to supply any information. In certain cases, a rated entity for which the agency provides an unsolicited rating may, of its own will, provide the agency with a limited amount of non-public information. For unsolicited ratings, in cases when EuroRating can't obtain from public sources some of information typically required in the rating process, the methodology applied by the agency assumes that there is more conservatism applied in that area of credit risk assessment, to ensure that the lack of the information will not result in assigning a credit rating based on overly optimistic assumptions and that it will not affect the quality and credibility of the ratings issued.	an unsolicited rating. If there is not enough information about a rated entity from public sources, EuroRating tries to obtain them from services at a cost, and if it does not solve the problem, the agency withdraws the rating for an entity for which there is not enough available information.	their related third parties) any other paid services, and this applies also for unsolicited ratings. Thus, there is no possibility that EuroRating would obtain any payments from the entities for which it issues unsolicited credit rating. In addition, in accordance with the CRA Regulation, rated entities for which EuroRating issues unsolicited ratings are informed at least 24 hours in advance of the rating assignment, rating verification and/or any change of the assigned rating and/or its outlook as well as on rating withdrawal.
Feri EuroRating Services AG (Feri)	Feri affirms that policies for development, approval, review, disclosing, monitoring and safekeeping of credit methodologies as well as the rules of procedure for the rating and internal review committees are the same for all credit rating types.	Feri provides unsolicited ratings for country ratings (i.e. sovereign ratings). Feri states that beyond the fact that for country ratings i) only public information is used, ii) there is no on-site visit or inclusion of the rated entity, iii) and specific rules of the CRA Regulation for country ratings are implemented, the sovereign credit rating process is based on an econometric model. The review policies are valid for all	Feri uses only publicly available information for the unsolicited country ratings. Feri states that it only rates countries for which a predefined set of data must be available in sufficient quality. A rating proposal is made by the responsible rating analyst only if the rating analyst believes to be able to have a solid information base and enough information to run the econometric model and formulate a credit opinion.	In case of country ratings, Feri does not provide solicited ratings, so that a pressure on the rated entity to place an order for a credit assessment or other service cannot be expected. In this regard it has also to be reminded that country ratings are available exclusively for Feri's subscribers.

		kind of credit ratings.		
Fitch Ratings (Fitch)	Fitch states that there are no differences between Fitch's rating processes, policies and procedures regarding solicited and unsolicited ratings.	Fitch affirms that there are no differences between Fitch's rating methodologies used and applied to solicited and unsolicited ratings. Solicitation type has no effect on the level of the ratings assigned.	Fitch states that it only rates entities when it has sufficient information to do so. If there is insufficient information to rate an entity on a solicited or unsolicited basis then Fitch will not assign a rating to such an entity. If the issuer does not participate in the rating process, whether the relevant rating is solicited or unsolicited, Fitch will only proceed with the rating if the information available from other sources (whether public or non-public) is sufficient for Fitch's analysis.	When initiating its unsolicited rating process with a particular entity, Fitch affirms that its practice has always been to request and welcome the entity's direct participation, and offer to schedule an analytical meeting with representatives from the entity at a time and location that is convenient for them. The request for participation is made without any demand for payment. Moreover, if an issuer chooses to participate, no payment is required or obtained.
GBB-Rating Gesellschaft für Bonitätsbeurteilung GmbH (GBB)	GBB states that it does not distinguish between solicited and unsolicited ratings with regard to procedures (rating-committee) and processes (monitoring). Both are handled in the same manner. Differences are related to the information basis and disclosure (due to the CRA Regulation) requirements.	GBB affirms that it applies the same rating methodologies to solicited and to unsolicited ratings. As unsolicited ratings are normally made without participation of the rated entity, GBB considers publicly available information especially presented by the rated entity on its homepage. In this case no management dialogue would be conducted, hence no further explanations and clarifications could be expected. As far GBB considers certain information relevant to the rating not completely appropriate, the specific criteria would be evaluated in a more conservative way. This could lead to a lower	GBB performs unsolicited long-term corporate ratings. GBB states that for these the availability of data is high. GBB affirms that when GBB considers public available information of a company not appropriate (not meaningful) no rating would be assigned.	GBB has affirmed that in its policy on unsolicited ratings it will state that no pressure has to be put on rated entities by GBB or staff. In addition, besides an individual self-declaration of the analysts and the managing directors not to put pressure, GBB implemented the following measures: i) the institution has to be notified within business hours at least one full working day before publication, so that the institution has an opportunity to draw attention to factual errors and ambiguities or to give additional information, and ii) in the case of a previously withdrawn solicited rating published at least on GBB homepage (rating list) a cool off

		rating category for an unsolicited rating compared to a solicited rating. The conservative approach would be described in the rating report.		period of a year has to be kept before an unsolicited rating of the institution could be published.
ICAP Group SA (ICAP)	ICAP used to rate exclusively on an unsolicited basis until the middle of 2014. Its policies and procedures were not subject to any modifications related to the assignment and review of credit ratings when ICAP commenced to assign solicited ratings. The only applicable changes to these policies following the expansion of ICAP activities also in the solicited credit ratings area were carried out with the aim of reinforcing the transparency, independence and compliance with the regulatory framework.	ICAP affirms that the methodology at both quantitative and qualitative levels applied by ICAP does not differ whether the rating is assigned on an unsolicited or on a solicited basis. It is noted that there is more data availability in case of solicited ratings with respect to unsolicited ones, mainly due to the contractual obligation that binds the rated corporate in terms of providing to ICAP the necessary information. In addition, the credit rating assignment procedure is structured and robust not requiring any changes depending on the solicitation type. The methodologies are applied in an identical manner. In case of an unsolicited rating assessment, where the analyst identifies a critical type of information that is not provided by the rated entity (e.g. due to low willingness to collaborate), she/he will make a conservative assumption about this missing information.	ICAP has clarified to the EBA the data sources used during the rating assignment process. ICAP affirms that it has minimum data requirements that have to be satisfied before a rating is assigned for a specific corporate. In case the data available does not satisfy the minimum requirements the rating is not assigned.	ICAP affirms it applies a code of conduct which combined with the appropriate measures and controls ensure the provision of reliable unsolicited credit ratings free of any conflicts of interest. There is a list of clauses in the code of conduct which would guarantee such objective (e.g. internal procedures aimed at preventing/eliminating conflict of interests which may influence the credit assessments, separation between business activities, independence of the CRA, employees in the sales & marketing division are the only responsible to participate in discussions or negotiations regarding fees or payments for credit ratings, etc.). In this context the possibility of any potential pressure on the rated entity is very limited.
Japan Credit Rating Agency Ltd (JCRA)	JCRA affirms that its policies and methodologies associated with the process of assigning an	The rating methodologies used for unsolicited ratings are the same as those applied for	JCRA affirms that in the process of assignment of unsolicited ratings, the analysts of JCRA are required	JCRA affirms that it avoids putting pressure on the rated entity to place an order for credit

	unsolicited rating shall be in principle, the same as policies and methods associated with the process of assigning solicited credit ratings, and the credit rating agency shall strive to issue ratings that fulfil this objective. The only material difference between solicited and unsolicited ratings is the usage of unpublished information: while for solicited ratings this kind of information can be obtained on request, in case of unsolicited ratings JCRA "strives to obtain" it. Indeed many of the unsolicited ratings provided by JCRA are assigned using unpublished information obtained from the issuer.	solicited ratings. JCRA states that its rating methodologies are not applied differently for solicited and unsolicited credit ratings. Also, JCRA rating methodologies do not require the application of more or less conservatism in the credit assessment for unsolicited ratings, compared to solicited ones. On the other hand, "the less information, the more conservatism" principle is applied to the decisions by the Rating Committee. Such conservatism is and should be applied not only to unsolicited ratings but also to solicited ratings where the issuers are relatively reluctant to provide unpublished information.	to "strive to obtain" unpublished information from the issuer. For Corporate and Public Finance ratings, in most of the cases JCRA is able to obtain such data by means of different strategies (email, telephone, interviews, etc). There are few exceptions in which only published information is available, however in these cases unsolicited ratings can be issued only when JCRA can ensure that the quality of the information used is adequate. Also in case of Sovereign ratings JCRA tries to obtain additional data from the country that is going to be rated, and JCRA issue the unsolicited rating only in case it can be ensured the quality of information used.	assessments or other services by requiring the rated entity's consent prior to issuing an unsolicited rating on it. If the entity rejects to give JCRA the consent for issuing the credit rating then JCRA would not issue such rating. In case of sovereign ratings, for which consent from the country is not needed for the issuance of an unsolicited rating, JCRA believes that given the fact that the rating is assigned mainly on published information and the rating methodologies do not differ between solicited and unsolicited ratings, then there is little room for JCRA to apply conservatism to the sovereign rating. This would avoid pressure on the rated country in case of unsolicited sovereign ratings.
Kroll Bond Rating Agency (KBRA)	KBRA states that its policies and procedures with respect to the assignment and review of unsolicited ratings do not differ from its policies and procedures with respect to solicited ratings.	KBRA affirms that it uses the same rating methodologies and assignment procedures for solicited and unsolicited ratings. As a general principle, when information that KBRA requires under a given rating methodology is not provided to KBRA in the credit rating process, KBRA will adopt a more conservative view.	KBRA affirms that the most common restriction KBRA faces in issuing an unsolicited rating is that KBRA is not in a position to obtain information about business strategy directly from senior executive management of the rated entity. There are no particular asset classes in which the unavailability of such data represents a clear limit to KBRA's ability to carry out the credit assessment.	The United States Securities and Exchange Commission's Rule 240.17g-6 prohibits nationally recognized statistical ratings organizations from engaging in practices that condition the issuance of a credit rating to the purchase of other products or services from the nationally recognized statistical ratings organization. KBRA states that it has instituted policies and procedures, as well as its Code of Conduct, to implement the requirements of SEC Rule

				240.17g-6.
Moody's Investors Service (Moody's)	Moody's states that it does not distinguish between solicited and unsolicited credit ratings with respect to its policies and procedures for the assignment and review of credit ratings. Moody's maintain policies and procedures for the designation of unsolicited credit ratings in the different jurisdictions which are intended to provide transparency to market participants and codify regulatory disclosure requirements on such ratings. The procedures i) deal also with the interaction and communication with the rated entity should the rated entity participate or not in the rating process, and ii) include provisions related to public disclosure in case the rating is unsolicited.	Moody's affirms that it uses the same methodologies for solicited and unsolicited credit ratings. There are no differences between the assignment and review policies and procedures of solicited and unsolicited ratings. In addition Moody's states that it does not apply its methodologies differently between solicited and unsolicited credit ratings.	Moody's states that it will not issue a credit rating (regardless of its solicitation type and of the fact that the rated entity has participated in the rating process) or maintain an existing credit rating, where the quality of information available for assigning a credit rating is unsatisfactory, insufficient or raises serious questions as to whether Moody's can provide a credible credit rating. Moody's has provided the EBA with a high level list of sources of information and types of data used for determining its credit ratings. Regardless of the solicitation type, to the extent that there is a clear limit on Moody's ability to assign or maintain the credit rating based on limited data, Moody's states that it will not assign the credit rating in the first instance, or will withdraw the credit rating.	Moody's states that it requires the separation of its rating and commercial activities to prevent commercial considerations from compromising the integrity or independence of its credit rating services and other rating services. The decision to issue an unsolicited rating is based on a number of factors including the usefulness of the rating to investors, the relevance of the issuer and the issuer's industry in the market, and whether sufficient information is available to allow Moody's to assign and maintain the rating. Further, because Moody's has initiated the credit rating process, Moody's will not seek or accept remuneration for an unsolicited credit rating during the rating process, or for at least one year after publication of the unsolicited credit rating.
Scope Ratings AG (Scope)	Scope states that there are no differences in Scope's policies and procedures regarding the assignment and review of unsolicited ratings versus solicited ratings. Scope's Rating Governance explicitly requests that Scope's due diligence and rating process will apply the same methodology and process for	Scope affirms that the rating methodologies used in case of solicited and unsolicited ratings are the same. In addition, the application of these methodologies does not differ depending on the solicitation type.	In the case of ratings based solely on public information, Scope affirms that it will undertake the rating process only if the amount and quality of such information and data enables it to assign a rating without compromising in any way the quality of the analysis supporting it. Scope will not assign unsolicited ratings in	Scope affirms that it is using unsolicited ratings only in a limited fashion, and especially for the purpose of demonstrating its analytical capabilities to investors and to provide real life examples of how its methodology works. In addition most entities for which Scope provides unsolicited ratings have additional ratings from other

	both solicited and unsolicited ratings.		cases where deficiencies of available data could lead to a more conservative rating to allow "margin for error". The underlying analyses for unsolicited ratings are based on public data and information. This may include public information acquired at a cost (e.g. from data base suppliers, based on paid subscriptions). Often times when assigning an unsolicited rating, issuers that have not requested such rating may choose to participate in the rating process. The details of such participation are clearly highlighted in the respective issuer rating reports as well as in press releases.	CRAs which are in line with Scope's credit assessments. Scope states that issuing unrealistically low ratings with the aim to exercise pressure on issuers would significantly harm its intentions of convincing investors of its analytical capabilities and would be in contrast with its operations principles. In addition when assigning an unsolicited rating Scope will contact the issuer inviting it to comment on the rating, thus allowing it to participate in the rating process and eventually appeal.
Spread Research (SR)	SR states that the policies and procedures regarding the assignment and review of unsolicited ratings are the same as for the solicited ratings issued by this ECAI. In case of ratings withdrawn SR indicates such occurrence through its website to all relevant subscribers in case of unsolicited ratings (unsolicited ratings of SR are paid by investors on a subscription basis), while in case of solicited ratings the indication is provided to any investor.	SR affirms that the methodologies through which unsolicited and solicited ratings are assigned are the same. In addition, the application of these methodologies does not differ depending on the solicitation type.	SR states that in case of unsolicited ratings SR uses as much public information as it can have access to, including information restricted to bond holders. SR requires a minimum set of information in order to be able to start the rating process. In case of solicited ratings also private information is available and used, and it is provided by the company or third party sources. SR states that public data on corporate issuers (i.e. the issuers covered by this ECAI) are easily and fully available, so that SR is able to provide the market with unsolicited ratings.	SR affirms that in order to have no conflict of interest, a rating cannot be paid by investor and issuers at the same time in accordance with SR code of conduct. The issuer or rated entity does not feel pressure from SR since SR does not ask the rated entity to be publicly rated thereafter. Unsolicited ratings of SR are requested and paid by investors on a subscription basis. The rated entity is not asking for a rating and there is no contractual agreement between the rated entity and SR. Finally SR in accordance with the CRA Regulation informs the rated

				entity of its rating proposal at least 24 hours before the issuance of a rating, thus allowing the rated entity to provide additional information, which will be assessed to decide whether a different rating should be assigned.
Standard & Poor's Ratings Services (S&P)	S&P states that its policies and procedures for solicited credit ratings apply also to unsolicited credit ratings. S&P maintains standard operating procedures for unsolicited credit ratings, which describes specific operational or disclosure differences or other characteristic of unsolicited credit ratings necessitated by the CRA Regulation. In this regard S&P provided the EBA with the main differences between policies and procedures for unsolicited credit ratings versus those for solicited credit ratings, which are mainly representative of disclosure actions for regulation purposes and in no case related to possible difference in quality between solicited and unsolicited credit ratings.	S&P affirms that it uses the same credit rating methodologies for solicited and unsolicited credit ratings. In addition S&P's rating methodologies are applied in the same way for both solicited and unsolicited credit ratings.	S&P states that according to its internal policies S&P may issue and maintain an unsolicited credit rating if it has sufficient information of satisfactory quality to do so. Unsolicited credit ratings are based on information which is in the public domain but additional information may be provided by the rated entity. Given the approach set out above, there are no particular asset classes in which data availability represents a significant limit on S&P ability to carry out its credit analysis. S&P will not issue a credit rating – whether solicited or unsolicited – unless it concludes that it has (a) information of satisfactory quality to determine the credit rating, (b) sufficient analysts with appropriate knowledge and experience to determine the credit rating and (c) sufficient historical experience or information to appropriately rate a new type of structure or a new entity, where applicable.	S&P provided the EBA a list of measure this ECAI employs to guarantee the independence and objectivity of S&P's ratings activities. These consist of internal policies, procedures, codes (e.g. business ethics, conduct) for employees, and controls aimed at avoiding any possible conflict of interest when providing credit ratings, their impartiality and fairness, independency, and that prevent the possibility that an unsolicited credit assessment is used to put pressure on the rated entity to place an order for a credit assessment or other services.