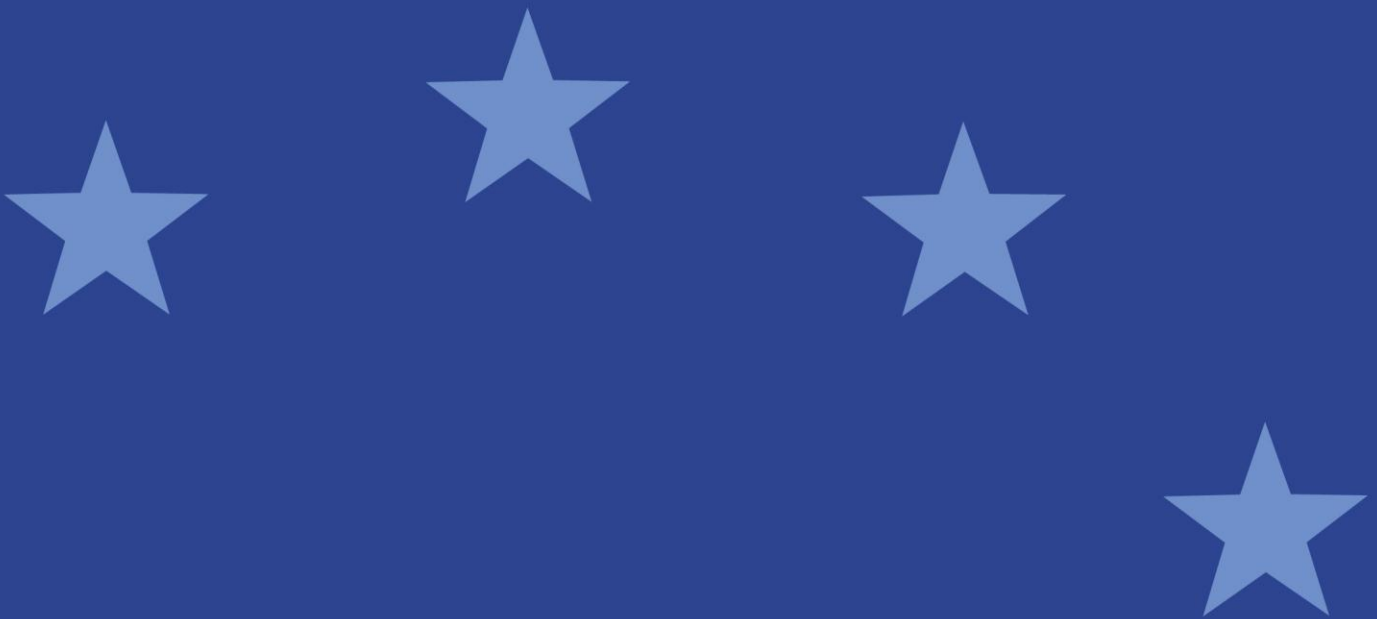




European Securities and  
Markets Authority

# About the CEREP

General principles





---

## I. In brief

ESMA has set up a Central Repository (CEREP) for publishing the rating activity statistics and rating performance statistics of credit rating agencies. The CEREP will allow users to search, filter, download and print statistics for individual CRAs for time periods of varying length and rating types of choice.

---

## II European legislation

1. On 12th November 2008, the European Commission published a proposal of regulation on credit rating agencies (CRA).<sup>1</sup> The Regulation was published on 17th November 2009 in the EU's Official Journal (Regulation (EC) No 1060/2009). It entered into force on 7th December 2009. The Regulation (EC) No 1060/2009 was amended by the Regulation (EC) No 513/2011 of 11 May 2011.
2. According to Article 11.2 of the Regulation, the European Securities and Markets Authority (ESMA), shall:
  - a. Establish a central repository (CEREP) where credit rating agencies shall make available information on their historical performance data including the ratings transition frequency and information about credit ratings issued in the past and on their changes,
  - b. Define the standardised form in which the credit rating agencies shall provide information to that repository,
  - c. Make that information accessible to the public and publish summary information on the main developments observed on an annual basis,
  - d. Submit draft regulatory technical standards for endorsement by the Commission on the presentation of the information, including structure, format, method and period of reporting, that credit rating agencies shall to the central repository;
3. CESR, ESMA's predecessor, published Guidelines for the implementation of the Central Repository (CEREP) on common standards on the presentation of historical performance data on the 4th of June 2010.
4. ESMA published a draft Regulatory Technical Standards on the presentation of the information that credit rating agencies shall disclose in accordance with Article 11(2) and point 1 of Part II of Section E of Annex I to Regulation (EC) No 1060/2009.

## III Goal and purpose of the Central Repository

---

<sup>1</sup> [http://ec.europa.eu/internal\\_market/securities/agencies/index\\_en.htm](http://ec.europa.eu/internal_market/securities/agencies/index_en.htm)

5. Two main arguments led to the creation of the CEREP. The first one is market participants' claim of a lack of transparency of credit rating agencies with regard to the information provided on historical performance data (e.g. rating transitions and default statistics).
  6. In particular, it was indicated by market participants that the data presented by credit rating agencies has not always been complete and that credit rating agencies differ in their approaches to collecting and presenting the data.
  7. The second argument revolves around the Regulation's requirement to enhance transparency and to contribute to the protection of investors by providing information on the past performance of credit rating agencies and about credit ratings issued in the past. Relevant information on credit rating agencies' rating performance be made public by ESMA in a standardized form. In addition, ESMA will publish annual summaries on the main developments observed on this information.
  8. The CEREP system collects centrally data on credit ratings issued by credit rating agencies that are registered in compliance with the EU Regulation, on credit ratings that are endorsed by a registered credit rating agency, and on credit ratings issued by credit rating agencies that have been certified in compliance with the EU Regulation. In addition, the CEREP will collect credit ratings issued in a third country by credit rating agencies not certified or registered in the Community but belonging to the same group as a registered credit rating agency if these ratings are provided to CEREP on a voluntary basis.
  9. The CEREP calculates performance and rating statistics for predefined periods of time in a harmonised manner and discloses them for public access through the CEREP's website. Thus, the CEREP will contribute to reducing the cost of information (for searching and processing the data) for both market participants and regulators. The reduced cost of information creates an incentive for market participants to conduct more comprehensive analyses of a credit rating agency's rating performance. This should help market participants better assess the reliability of credit ratings and thereby assist them when taking investment decisions.
10. Purpose of the CEREP:
- a. To enhance transparency: Provide complete, standardised and consistent data,
  - b. To contribute to protect investors: Facilitate the comparison of rating performances of CRAs,
  - c. To help regulators to assess developments with regard to CRAs (annual reports),
  - d. To reduce the cost of information for market participants and regulators.

#### **IV Principles**

11. All credit rating agencies registered in compliance with the EU Regulation as well as credit rating agencies that have been certified in compliance with the EU Regulation with a minimum of one year of rating activity will have to provide their data to the CEREP. The CRAs are responsible for the accuracy and completeness of the data sent.

12. Members of a group of credit rating agencies may report separately to the CEREP. However, ESMA strongly encourages CRAs that act and apply as a group of credit rating agencies, to report to the CEREP on an aggregated basis at a group level. If a group of CRAs does not report at a group level each member of the group has to report individually. The statistics are displayed in the public website independently for each reporting unit. The CEREP does not perform aggregation of data provided separately by members of a group of credit rating agencies.
13. Moreover, ESMA collects the data using a raw data concept. This means, that CRAs deliver individual ratings and their characteristics to the CEREP. ESMA calculates the ratings and performance statistics centrally. ESMA does not disclose any individual rating information to the public but publishes aggregated statistics only. In order to enable ESMA to compile these statistics, CRAs have to report two types of data:
  - a. Ratings data for corporate, sovereign/public finance, and structured finance ratings,
  - b. Qualitative data, i.e. explanations of the concepts and definitions used by CRAs.
14. The CEREP website displays statistics for public access by all interested parties. It allows users to search, filter, print and download the statistics. Several types of statistics are compiled and published for each CRA and for different time periods: rating activity (several measures), default rates and rating transition rates. Default rates and transition matrices are presented from six months to multi-year statistics.
15. It is important to highlight that:
  - a. ESMA collects the raw data containing the information related to individual ratings, and calculates the statistics centrally,
  - b. The CEREP statistics are based on a stock concept model, so that intra-period rating activity is derived from a comparison of ratings at the beginning and the end of a period,
  - c. ESMA does not disclose individual rating information to the public but statistics only,
  - d. ESMA does not restrict access and (commercial) use of the statistics,
  - e. All statistics referring to a new period will be published on a predefined date at the same time for all CRAs that have sent the data to ESMA.

CRAs are allowed to change the data submitted in previous periods to correct factual errors. ESMA will monitor all changes to data previously sent.