PensionsEurope's response to ESMA's Consultation on possible amendments to the Credit Rating Agencies Regulatory Framework

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Annex I - Summary of questions

Q1: *Do you agree with the above proposed changes in Article 1? If not, please explain.*

Not entirely. We believe that the second sentence of Article 1 should clearly state the following: ‘’It includes **credit** **rating** criteria, **analytical** models, driving factors and key rating assumptions relevant to the creditworthiness assessment and **final credit rating**.’’

Q2: *Do you agree with the changes proposed in Article 3? If not, please explain.*

Yes.

Q3: *Do you agree with the changes proposed in Article 4(1)(d)? If not, please explain.*

Yes.

Q4: *Do you agree with the proposed changes in Article 4(2) to the Delegated Regulation? If not, please explain.*

Not entirely. The current formulation of Article 4(2) of the Delegated Regulation rightly emphasises that credit rating agencies should provide a "detailed explanation" of the qualitative and quantitative factors in their credit rating methodologies. Key variables, data sources, key assumptions, modelling, and quantitative techniques are crucial elements in determining the accuracy of the final ratings. These elements should not only be identified, but also thoroughly explained within the methodology process.

Additionally, each ESG factor should be explicitly stated using the full terms "Environmental," "Social," or "Governance" instead of abbreviations. This ensures a clear and accurate interpretation of these factors. It is also important to maintain a "detailed explanation" regarding the significance of each Environmental, Social, or Governance factor. CRAs must have a clear understanding of how to apply these factors in their ratings and ensure that all agencies follow the same procedures and rules.

Q5: *Do you agree with the above proposed changes in Article 4(3) to the Delegated Regulation? If not, please explain*.

Not entirely for the reasons explained in question 4. Article 4(3) should still refer to the ‘’detailed information’’.

Q6: *Do you agree with the above proposed changes in Article 5 to the Delegated Regulation on Methodologies? If not, please explain.*

We agree with the changes to Article 5(1) if Article 1 is amended as proposed in Q1. The changes to Article 5(3) are also acceptable.

[PensionsEurope's response to ESMA's Consultation on possible amendments to the Credit Rating Agencies Regulatory Framework]()

Q7: *Do you agree with the above proposed changes in Article 6 to the Delegated Regulation on*

Yes.

Q8: *Do you agree with the proposed changes in Article 7 to the Delegated Regulation? If not, please explain.*

Yes.

Q9*: Do you agree with the proposed addition of new paragraph 5a in Annex I.D.I to the Delegated Regulation? If not, please explain.*

Yes, but each ESG factor should be using the full terms "Environmental," "Social," and "Governance." instead of abbreviations. This ensures a clear and accurate interpretation of the factors.

Q10: *Do you agree with the proposed change in Annex I Section A paragraph 9 of the CRA Regulation? If not, please explain.*

Yes.

Q11: *Do you agree with the proposed change to Annex I. Section D.I paragraph 2a. of the CRA Regulation? If not, please explain.*

Yes.

Q12: *Do you see merit in requesting a disclosure of the use of technological innovations such as Artificial Intelligence (AI) in the rating process?*

Yes.

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About PensionsEurope

PensionsEurope represents national associations of pension funds and similar institutions for workplace and other funded pensions. Some members operate purely individual pension schemes.

PensionsEurope has **25 member associations** in 19 EU Member States and 2 other European countries[1].

PensionsEurope member organisations cover different types of workplace pensions for approximately over **90 million people.** Through its Member Associations PensionsEurope represents approximately **€ 5 trillion of assets** managed for future pension payments. In addition, many members of PensionsEurope also cover personal pensions, which are connected with an employment relation.

PensionsEurope also has **18 Corporate and Supporter Members** which are various service providers and stakeholders that work with IORPs.

PensionsEurope has established a **Central & Eastern European Countries Forum (CEEC Forum)** to discuss issues common to pension systems in that region.

PensionsEurope has established a **Multinational Advisory Group (MAG)** which delivers advice on pension issues to PensionsEurope. It provides a collective voice and information sharing for the expertise and opinions of multinationals.

What PensionsEurope stands for

- A regulatory environment encouraging workplace pension membership;
- Ensure that more and more Europeans can benefit from an adequate income in retirement;
- Policies which will enable sufficient contributions and good returns.

Our members offer

- Economies of scale in governance, administration and asset management;
- Risk pooling and often intergenerational risk-sharing;
- Often "not-for-profit" and some/all of the costs are borne by the employer;
- Members of workplace pension schemes often benefit from a contribution paid by the employer;
- Wide-scale coverage due to mandatory participation, sector-wide participation based on collective agreements and soft-compulsion elements such as auto-enrolment;
- Good governance and alignment of interest due to participation of the main stakeholders.

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[1] EU Member States: Austria, Belgium, Bulgaria, Croatia, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Portugal, Romania, Spain, Sweden. Non-EU Member States: Iceland, Norway, Switzerland.