

3 May 2011

**BY EMAIL**

Bernhard Jehle  
Swiss Financial Market supervisory authority FINMA  
Einsteinstrasse 2  
CH-3003 Bern  
ratingagencies@finma.ch

**Re: Public Consultation on Draft FINMA Circular 2008/26 on Rating Agencies (the “Consultation”)**

Dear Mr Jehle:

We are writing in response to the request for comment with respect to the Consultation.

We have only one comment – with respect to Section B, Paragraph (e), “Resources”. Although we wholeheartedly endorse the requirement in this paragraph that credit rating agencies should have sufficient resources to carry out high quality ratings, we believe that the final sentence of this paragraph should be deleted. This sentence seems to imply that, for purposes of all credit ratings, the rated entity/issuer must provide “close contact with the executive bodies”.

However, it will not always be the case that the rated entity/issuer will participate in the rating process. This is recognised by IOSCO in its Code of Conduct for credit rating agencies (see Section 3.9). The approach taken by IOSCO is that the credit rating agency should disclose whether the rated entity/issuer has participated in the process; it does not require participation.

I have attached a copy of Fitch’s *Rating Initiation and Participation Disclosure Policy* (published on our website at

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=568728](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=568728)) to explain how Fitch addresses the disclosure of participation consistent with the IOSCO Code of Conduct.

We thank you for providing us with the opportunity to participate in this consultation process. Please do not hesitate to contact me on +44 20 3530 1368, or [susan.launi@fitchratings.com](mailto:susan.launi@fitchratings.com), should you have any questions or wish to discuss any of the foregoing.

Sincerely yours



Susan Launi  
Senior European Counsel  
Fitch Ratings

# FitchRatings

---

Bulletin #: 14

## Rating Initiation and Participation Disclosure Policy

Effective Date: 16 August 2010

Version: 2

**Responsibility:** Business & Relationship Management, Legal and Credit Policy Groups

---

Fitch Ratings believes that investors benefit from increased rating coverage by Fitch, whether such ratings are initiated by, or on behalf of, issuers; initiated by, or on behalf of, issuers but subsequently maintained by Fitch; or initiated by Fitch. The criteria and committee procedures are no different for ratings initiated by Fitch and for issuer-initiated ratings. Therefore, the ratings assigned to issuers or transactions with similar credit characteristics are comparable – solicitation status has no effect on the level of the ratings assigned.

In all cases, such ratings may include situations where the issuer chooses not to participate in the rating process. For any rating that Fitch assigns or maintains, irrespective of the participation status, Fitch believes that it has sufficient information to rate the issuer or transaction.

### Disclosure of Fitch-Initiated Ratings

Fitch-initiated rating status shall be disclosed in the initial Rating Action Commentary in which Fitch first assigns ratings to an issuer or a transaction using the language below for all rating groups:

*“The ratings above have been initiated by Fitch as a service to investors.”*

Fitch shall not provide any further disclosure relating to initiation status in subsequent Rating Action Commentaries or published research, as Fitch believes that the initiation status is not relevant to any analytical considerations or rating decisions. However, Fitch shall ensure that a highly visible link to the original Rating Action Commentary is maintained on its public website to provide a quick, accessible method for investors to identify whether the rating was initiated by Fitch. Fitch’s Ratings Desks shall also provide this information on individual issuers or transactions on request.

Ratings initiated by Fitch should not be interpreted as implying non-participation by the issuer, as participation in the rating process by issuers with Fitch-initiated ratings is common. Ratings that are initiated or maintained by Fitch on a non-participative basis shall carry an additional disclosure, as detailed below, to document their non-participation status.

Fitch defines initiation status in terms of whether the agency initially received a request for a rating from, or on behalf of, an issuer. Thus, initiation status can differ from compensation status, since the status of compensation may change over time for a variety of reasons. In the event that an issuer chooses to stop compensating Fitch for its ratings, Fitch may opt to continue rating the issuer, with or without participation, as a service to investors. Fitch shall not disclose any changes in compensation status but shall note all cases of non-participation in the rating process, as detailed below.

Irrespective of the level of direct participation, where Fitch has initiated rating coverage on an issuer without a request by, or on behalf of, that issuer, Fitch will not engage in fee negotiations with the issuer or its agents for a period of 12 months after the initiated rating is first published.

# FitchRatings

---

## **Disclosure of Non-Participative Ratings**

Fitch believes that disclosure of an issuer's participation status may be of interest to investors. As a result, Fitch shall disclose the status of non-participating issuers in all Rating Action Commentaries and issuer specific research as follows:

*"The issuer did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure."*

Fitch's Ratings Desks shall also provide this information on individual issuers or transactions on request.

## **Definition of Participation — Corporate Finance and Public Finance**

Participation is defined by Fitch to involve either of the following in the current analytical cycle and in any case within the 12 months preceding the date of the most recent rating action or research update:

- Provision of internal forecasts, risk management data or other non-public disclosure considered as part of the rating process.
- Substantive discussion of the primary topics driving the ratings of the issuer or rated entity with the management of the issuer or rated entity.

## **Definition of Participation — Structured Finance**

Participation is defined by Fitch to involve discussion with the originators, issuers, placement agents or other parties to the structured finance debt issuance regarding the underlying collateral or the origination processes used to originate or monitor that collateral.