



ESMA Public Consultation Paper on Internal Controls for CRAs

Link to the paper: [Consultation Paper on Internal Controls for CRAs](#)

1.- Target audience (potential stakeholders)

This paper is primarily of interest to users of credit ratings, credit rating agencies (CRAs) and those entities interested in applying to become a registered CRA.

2.- Information Note

The CRA Regulation includes a number of requirements relating to the internal control system that a credit rating agency (CRA) must have in place in order to prevent or mitigate any possible conflicts of interest that may impact the independence of its credit rating activities.

The purpose of this Consultation Paper (CP) is to clarify what ESMA considers to be the characteristics and components of an effective internal control system within a CRA. ESMA identified the need to provide this guidance during supervisory engagements, risk assessments and on-site investigations carried out during 2017 and 2018. ESMA formally communicated its intention to provide guidance on this topic in its supervisory work programme published in January 2019.

In developing the guidance ESMA has considered a wide range of relevant requirements and standards, including; the CRA regulations' provisions relevant to internal controls; ESMA's supervisory experience and existing CRA industry practices; EU approaches and guidance on internal control; and internationally recognised internal control standards.

The paper is divided into two parts, and includes most notably the following content:

PART I – ESMA's approach to the components and characteristics that CRAs must evidence in order to demonstrate the presence of a sound internal control framework: control environment, risk management, control activities, information and communication, and monitoring activities.

PART II – ESMA's approach to the components and characteristics to be evidenced by CRAs to demonstrate the effectiveness of internal control functions within such framework: compliance, supervision, risk management, information security, and internal audit.

3.- Submission of comments

The deadline for submitting comments is 16 March 2020.

Respondents may send their comments through ESMA's website: www.esma.europa.eu. The paper of this consultation (ESMA33-9-355) and the Response Form are available in the section [Consultation](#).

Likewise, please send a copy of your answers to the CNMV to the following email address: documentosinternacional@cnmv.es

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