



Additional comments and considerations on Question 5.5

As a Credit Rating Agency, Fitch Ratings (“Fitch”) supports transparency and robust disclosure. Fitch participated in working groups which prepared the initial European Central Bank (ECB) template proposal and, more recently, in discussions with the European Securities and Market Authority (ESMA) on a potential revision of the ESMA template.

The information used by Fitch in its credit rating analysis varies by asset class:

- For asset classes comprising credit exposures benefiting from underlying collateral (such as residential and commercial real estate loans, corporate loans and leases, auto loans and leases), Fitch uses loan-by-loan information in its credit rating analysis.
- For other asset classes comprising granular credit exposures that do not benefit from any collateral (such as consumer loans and credit card receivables), Fitch does not rely on loan-by-loan information. For fully supported ABCP, Fitch does not rely on loan-by-loan information either.

More specifically, for asset classes comprising exposures with underlying collateral, detailed loan-level disclosure is crucial to Fitch for properly analysing portfolio quality and expected cash flows. The characteristics of collateral underlying these exposures can vary significantly, influencing both default probability and recovery rates.

We believe that Option 2 under Question 5.5, which proposes to discontinue standardised reporting templates and adopt principles-based disclosure, could be highly disruptive to Fitch’s credit rating process and impair the transparent and robust access to consistent and comparable information that standardised reporting has helped to achieve. In our opinion, adopting Option 2 would be a step backwards that could ultimately result in inconsistent and non-comparable reporting arising again. This option would increase the complexity of obtaining consistent and comparable data for use in Fitch’s credit rating analysis.

A standardized loan-level disclosure template is therefore highly beneficial for the following reasons:

- It increases consistency and comparability, enabling credit rating agencies (as well as investors) to better assess and differentiate portfolio quality.
- Consistent and detailed disclosures allow analysis of the data to be more timely and reactive. Standardised templates enable the development of automated analytical tools, which facilitate timely updates of quantitative analysis and enhanced monitoring capacity. These tools and consistent databases also facilitate stress testing for research or criteria development purposes.
- It contributes to stronger rating frameworks. Standardised templates enable the construction of large databases of loan characteristics and performance, and the capacity to conduct regression

or other analysis to identify historical patterns. Access to robust and comparable data is essential for developing rating methodologies.

With respect to Option 1, we note that the current reporting templates generally provide sufficient information for Fitch to conduct its analysis:

- For asset classes that rely on loan-by-loan analysis (such as RMBS, SME CLOs or auto ABS), Fitch uses a subset of the ESMA template fields. To that extent, for the purpose of Fitch's rating analysis, the templates are currently appropriate for those asset classes, but could be streamlined (i.e., some fields not used in our rating analysis could be removed).
- For credit card and consumer ABS, Fitch does not rely on loan-by-loan information but on detailed stratification tables instead. For fully supported ABCP, Fitch does not rely on loan-by-loan information but on the support provided by the liquidity provider instead. Therefore, from Fitch's perspective, the templates for these asset classes could also be streamlined by removing data not relevant for Fitch's analysis.

Notwithstanding the above, Fitch also notes that, apart from cases in which changes are dictated by evolution in market standards or market conditions, stability of reporting templates over time is desirable from Fitch's perspective. Adopting a new template requires significant investment to adapt models, databases and rating criteria. The transition from the ECB to the ESMA template required considerable effort for Fitch's analytical, model development, model validation and criteria validation teams.