



**ASIC**

Australian Securities & Investments Commission

**REPORT 566**

# **Surveillance of credit rating agencies**

February 2018

## **About this report**

This report presents the findings of our surveillance under s912E of the Corporations Act of six credit rating agencies in Australia. The surveillance period was 1 January 2016 to 31 October 2017.

### About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

**Consultation papers:** seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

**Regulatory guides:** give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

**Information sheets:** provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

**Reports:** describe ASIC compliance or relief activity or the results of a research project.

### Disclaimer

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Examples in this report are purely for illustration; they are not exhaustive and are not intended to impose or imply particular rules or requirements.

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## A Introduction

### Key points

Credit rating agencies (CRAs) are required to hold an Australian financial services (AFS) licence and comply with the conditions of the licence.

There are six licensed CRAs in Australia (dominated by three major international CRAs) that provide ratings across a broad range of sectors.

We conducted an industry-wide surveillance of CRAs with a focus on governance arrangements, transparency and disclosure.

### Role of CRAs

- 1 CRAs play an important role in our market. They synthesise a vast array of information about an issuer of a credit commitment, debt or debt-like security and its economic environment, and they issue credit ratings. A credit rating is an opinion about whether an issuer is likely to make a timely repayment of its financial obligations.
- 2 This opinion gives market users (e.g. investors, borrowers, issuers and governments) a better understanding of credit risks to inform their investment and financing decisions.
- 3 In practice, CRAs offer services to a range of entities in the financial system. For instance, issuers and corporate borrowers rely on (and sometimes pay for) opinions issued by CRAs to help them raise capital. Entities rely on the ratings because of the rigour and breadth of analysis undertaken by CRAs and the reputation and credibility of these organisations.

### Regulation of CRAs in Australia

- 4 All CRAs operating in Australia must hold an AFS licence authorising them to provide general advice to wholesale (and in one case retail) clients by issuing a credit rating. The conditions on these licences include requirements for CRAs to comply with the International Organization of Securities Commissions' [Code of Conduct Fundamentals for Credit Rating Agencies \(PDF 909 KB\)](#) (IOSCO CRA Code): see [IOSCO's media release on the CRA Code \(PDF 202 KB\)](#). CRAs must report to ASIC annually on their compliance with the IOSCO CRA Code and other licence conditions.
- 5 The IOSCO CRA Code, which was significantly enhanced in March 2015, offers a set of robust, practical measures that serve as a guide to, and a framework for, implementing four key objectives that are designed to promote informed, independent analyses and opinions by CRAs.

- 6 The four objectives, collectively known as the ‘Principles’, are:
- (a) **Quality and integrity of the rating process:** CRAs should endeavour to issue opinions that help reduce the asymmetry of information among borrowers, lenders and other market users.
  - (b) **Independence and conflicts of interest:** CRA ratings decisions should be independent and free from political or economic pressures and from conflicts of interest arising due to the CRA’s ownership structure, business or financial activities, or the financial interests of the CRA’s employees. CRAs should, as far as possible, avoid activities, procedures or relationships that may compromise or appear to compromise the independence and objectivity of the credit rating operations.
  - (c) **Transparency and timeliness of ratings disclosure:** CRAs should make disclosure and transparency an objective in their ratings activities.
  - (d) **Confidential information:** CRAs should maintain in confidence all non-public information communicated to them by any issuer, or its agents, under the terms of a confidentiality agreement or otherwise under a mutual understanding that the information is shared confidentially.

## Licensed CRAs in Australia

- 7 There are currently six licensed CRAs operating in Australia and they all formed part of the surveillance:
- (a) A.M. Best Asia-Pacific Limited (A.M. Best);
  - (b) Australia Ratings Pty Ltd (Australia Ratings);
  - (c) Equifax Australasia Credit Ratings Pty Limited (Equifax);
  - (d) Fitch Australia Pty Limited (Fitch);
  - (e) Moody’s Investor Services Pty Limited (Moody’s); and
  - (f) S&P Global Ratings Australia Pty Ltd (S&P).

Note: MARQ Services Management Pty Ltd’s AFS licence was cancelled effective 29 August 2017. For this reason, it did not form part of the surveillance.

- 8 Australia Ratings is licensed to provide services to both retail and wholesale clients in Australia. The other five CRAs are only licensed to provide services to wholesale clients.
- 9 Four CRAs are international providers that also provide ratings in Australia (i.e. A.M. Best, Fitch, Moody’s and S&P). One CRA provides ratings in Australia only (Australia Ratings) and the other provides ratings in Australia and New Zealand (Equifax).

- 10 Fitch, Moody's and S&P:
- (a) accounted for 99% of ratings outstanding in Australia (with over 10,000 ratings) and 96% globally (with over 2.2 million ratings);
- Note: Australian figures are based on data provided to ASIC by CRAs. Global figures are from the [Annual Report on Nationally Recognized Statistical Rating Organizations \(PDF 366 KB\)](#), US Securities and Exchange Commission, December 2017, p. 9.
- (b) contributed over 90% of the aggregate consolidated operating revenue (which totalled approximately \$154 million) of all CRAs operating in Australia for the 2016 calendar year. S&P was the largest; and
- Note: Figures are based on data provided to ASIC by CRAs.
- (c) provide credit ratings across a broad range of sectors (e.g. corporates, structured finance, financial institutions and sovereign). In contrast, the other CRAs have a sector-specific or on-demand focus.

## Our surveillance of CRAs

- 11 Under s 912E of the *Corporations Act 2001* (Corporations Act) we can check whether an AFS licensee and its representatives are complying with their obligations under the Corporations Act. AFS licensees are required to provide assistance to ASIC, which may include showing ASIC the licensee's books or giving ASIC other information.
- 12 After the significant update to the IOSCO CRA Code in March 2015, we conducted an industry-wide surveillance of CRAs to help evaluate their general business practices and their implementation of the revised IOSCO CRA Code.
- 13 Our surveillance focused on the CRAs' governance arrangements (including conflicts of interest and corporate structure), transparency and disclosure.
- 14 Our surveillance covered the period 1 January 2016 to 31 October 2017. Our findings drew on research and analysis of the materials collected from the six CRAs, as well as subsequent discussions with CRA staff.
- 15 We made a number of observations about the activities of the CRAs with some leading to recommendations for change in the areas of board reporting, compliance testing, analytical evaluation of credit ratings, human resources, rating committee composition and annual compliance reporting.

## B Our observations and recommendations

### Key points

We made a number of observations about the activities of the CRAs, leading to some recommendations for change. Our observations and recommendations concern:

- board reporting;
- compliance teams and testing;
- analytical evaluation of ratings;
- human resources;
- monitoring a credit rating, including the monitoring process;
- conflicts of interest, including the process for managing conflicts of interest and rating committee composition; and
- annual compliance reports.

- 16 During our surveillance, we made a number of observations about the activities of the CRAs under surveillance. Some of our observations have led to recommendations to improve compliance with their AFS licence obligations. Our observations and recommendations are outlined in this section.

### Board reporting

- 17 We expect, and the IOSCO CRA Code requires, a licensee's board (or similar body) to take ultimate responsibility for ensuring that the CRA establishes, maintains, documents and enforces the requirements of its licence—specifically for CRAs, a code of conduct that gives full effect to the IOSCO CRA Code: see IOSCO CRA Code, provision 4.1.
- 18 We examined the operation of each CRA board, including the type of information they were receiving about compliance matters. We observed that a majority of CRA boards met on a periodic basis (e.g. quarterly) but there were variations in the boards' engagement in compliance matters.
- (a) In half of the cases, boards were receiving comprehensive information on compliance matters from their compliance teams, including information on compliance reviews undertaken, statistical comparisons, complaints received, conflicts of interest, regulatory developments and issues arising out of the credit rating process. This level of reporting to, and engagement by, CRA boards is consistent with what we would expect of CRAs.

- (b) However, in other instances:
  - (i) one board met only once during the surveillance period and, in our view, did not receive a sufficient level of information on compliance matters to enable it to conclude that it was meeting its AFS licence obligations;
  - (ii) another board did not meet to discuss compliance matters, and instead relied on committees to conduct these activities. The committees did not appear to be operating under any formal delegation and there was an inadequate level of reporting back to the CRA board on the performance of these committees; and
  - (iii) some minutes of board meetings simply noted that there were no compliance issues, without explaining what compliance activities were conducted during a period to substantiate these declarations.

19 We also considered the CRA boards' engagement with the annual compliance report to ASIC that is required under the conditions of a CRA AFS licence. We observed that:

- (a) in most cases, the board had a process to review and consider the compliance report before its submission to ASIC; and
- (b) in one case, this responsibility was fully delegated to the chief executive officer, who was also a board member.

#### ASIC recommendation 1

The board of a CRA is ultimately responsible for ensuring the CRA complies with its AFS licence obligations. Therefore the board should meet regularly to consider whether the CRA is complying with its licence. This includes the board engaging with the substance of the annual compliance report provided to ASIC on the CRA's activities.

If certain functions are delegated to committees this should be reflected in formal delegations, with clear terms of reference and sufficient levels of reporting back to the licensee's board on the performance of the delegated responsibilities.

## Compliance teams and testing

20 Provision 1.23 of the IOSCO CRA Code requires that:

- (a) in each jurisdiction in which a CRA operates, the CRA should establish, maintain, document and enforce policies, procedures and controls designed to ensure that the CRA and its employees comply with the CRA's code of conduct and applicable laws and regulations;
- (b) the CRA should also establish a compliance function responsible for monitoring and reviewing the compliance of the CRA and its employees with the provisions of the CRA's code of conduct and with applicable laws and regulations; and



- (c) the compliance function should also be responsible for reviewing the adequacy of the CRA's policies, procedures and controls designed to ensure compliance with the CRA's code of conduct and applicable laws and regulations.

21 We reviewed the operation of each CRA's compliance team and the nature and extent of the testing they conducted. We also reviewed internal and external audit reports. We observed that:

- (a) the three larger international CRAs (i.e. Fitch, Moody's and S&P) had global compliance teams, supplemented by local or regional compliance teams, with both teams focusing on different areas of review. For instance, some global compliance teams were responsible for surveillance programs, training and securities trading, while local teams concentrated on conflicts. The nature of the compliance teams' responsibilities often included:
  - (i) updating the board on compliance matters;
  - (ii) undertaking compliance reviews across a range of activities, such as managing conflicts of interest and adherence to credit rating processes;
  - (iii) dealing with regulatory bodies; and
  - (iv) providing training on policies and procedures;
- (b) most reports produced on a CRA's compliance review did not provide sufficient information on the testing undertaken or the results of those tests and reviews. For example:
  - (i) in one instance, internal compliance reports were not of a standard that we would expect from a regulated organisation such as a CRA. The report was limited to one page with minimal discussion of scope, methodology, analysis, observations and outcomes following testing;
  - (ii) in many cases, where information was provided about testing in the report, it was not clear whether the testing included any Australian staff and/or Australian products. For instance, when reviewing conflicts of interest controls, a random sample of employees was taken; however, it was unclear if this included analytical staff that participate in Australian credit rating actions; and
  - (iii) in many cases, where there was a discussion of testing in the report, it was not clear what the parameters and scope were concerning the testing. For example, where a report noted that a sample of 25 ratings files were selected for a particular period, there was no information provided about how this sample compared to the total number of rating actions in the period to give a sense of how representative the sample was;

- (c) in other instances, more appropriate and detailed testing of the credit rating process was undertaken, with considerations encompassing whether:
- (i) the analyst assigned had the requisite experience;
  - (ii) the review was based on the correct information;
  - (iii) the rating reflected the relevant published methodology;
  - (iv) the rationale for the rating was clear; and
  - (v) confidential information was dealt with appropriately.

#### ASIC recommendation 2

The reports prepared by CRA compliance teams reviewing aspects of their activities for compliance with relevant policies and procedures should at least detail:

- the scope, methodology, parties to be interviewed and time frames for the compliance review;
- the selected sample being reviewed and the population sizes, including specific details of whether any Australian ratings, staff or products were included in the review. We encourage CRAs to include Australian samples where relevant. The sample selected for review needs to be representative of the total population in order to form valid conclusions about the subject matter; and
- the observations, recommendations and remediation steps resulting from the review.

## Analytical evaluation of credit ratings

- 22 Our review noted that some CRAs have established teams, which include analytical staff members, to review and evaluate credit rating files from an analytical perspective rather than a traditional compliance perspective. These analytical reviews involve:
- (a) assessment of adherence to analytical policies and procedures and methodologies for determining credit ratings;
  - (b) assessment of adherence to criteria methodology;
  - (c) review of assumptions made and credit rating analysis; and
  - (d) a review of the published rationales for credit ratings.
- 23 We consider reviews of this nature are important as they help CRAs to ensure that credit ratings are being issued following the relevant criteria methodologies, and analytical policies and procedures. This in turn better helps CRAs to ensure they are complying with their obligations under the IOSCO CRA Code.

**ASIC recommendation 3**

CRA should perform reviews to evaluate credit rating files from an analytical perspective, and ensure these reviews include an adequate coverage of Australian activities.

**Human resources**

- 24 The IOSCO CRA Code requires CRAs to assign analysts who, individually or collectively (particularly where credit rating committees are used), have appropriate knowledge and experience for assessing the creditworthiness of the type of entity or obligation being rated: see IOSCO CRA Code, provision 1.8. A CRA should also ensure that it has and devotes sufficient resources to carry out and maintain high-quality credit ratings: see IOSCO CRA Code, provision 1.11.
- 25 CRAs are also subject to a training requirement for representatives under their AFS licence conditions. A CRA must ensure that any person who, on behalf of the licensee, performs credit analysis for a credit rating or is involved in determining a credit rating:
- (a) has completed, or is in the process of completing, training courses that have been assessed as adequate or appropriate by an independent assessor; or
  - (b) has been individually assessed as competent by an independent assessor.
- 26 We examined each CRA's processes for ensuring their analysts have appropriate knowledge and experience to assess creditworthiness. We observed that:
- (a) all CRAs required that new staff were trained in relevant policies and procedures, and passed a series of exams on themes such as ratings methodologies and industry and market trends before being certified to participate and vote on credit ratings. Some CRAs had specific academies that coordinated these activities while others hired professional training firms to create a specific curriculum. It can take anywhere between 6–12 months for an analyst to achieve the requisite certification (depending on experience);
  - (b) CRAs report to ASIC annually on compliance with the AFS licence training condition. Some CRAs had persons located outside Australia performing credit analysis for an Australian credit rating or involved in determining a credit rating. In one case, a CRA had not fully complied with the AFS licence training condition for persons located outside Australia performing credit analysis or involved in determining a credit rating;

- (c) broadly, each credit analyst was responsible for between 10 and 20 ratings, with the specific number often based on the complexity and nature of the issuer and product; and
- (d) all of the CRAs generally had processes to periodically monitor their level of human resources either at board, committee or management level, with updates often coming from the human resources team.

#### ASIC recommendation 4

CRAs that have persons located outside Australia that perform credit analysis for a credit rating or are involved in determining a credit rating must ensure that they fully comply with the AFS licence training condition. CRAs should ensure that annual reporting on the training requirements includes information about persons based offshore.

## Monitoring a credit rating

- 27 Provision 1.15 of the IOSCO CRA Code notes that once a credit rating is issued, a CRA should monitor the credit rating on an ongoing basis, including by regularly reviewing the creditworthiness of the rated entity.

### Monitoring process

- 28 We reviewed the CRAs' processes for monitoring a credit rating, including examining credit rating activity for one issuer/product from each CRA. We selected our samples to review the same transaction for each of the three large CRAs—Fitch, Moody's and S&P. For the remaining CRAs, we selected a rating action which involved a subsequent default or which resulted in a withdrawal by an issuer. We observed that:

- (a) all of the CRAs undertook periodic monitoring, as well as event-based reviews of a credit rating once it was issued. These often included reviews of financial information, meetings with the relevant issuers and keeping track of market developments;

Note: Some CRAs issue credit ratings that are not subject to ongoing monitoring, for example ratings that are based on a set of circumstances at a point in time.

- (b) the process generally was that an analyst was assigned an issuer/product and was responsible for monitoring news/events concerning the issuer that could cause a change to the credit rating. Where such a change may be expected and was considered material, the analyst, in consultation with their supervisor/manager, convened a rating committee and prepared a recommendation for consideration;
- (c) once the matter was considered by the rating committee and a consensus decision reached, a draft press release was prepared and sent to the issuer to comment on any factual inaccuracies, before the revised rating was released to the market; and

- (d) CRA compliance teams monitored these processes to ensure that policies and procedures were followed.
- 29 Given the critical nature of the monitoring process we would expect boards and management to continue their important efforts in this area.

## Conflicts of interest

- 30 Provision 2.6 of the IOSCO CRA Code requires CRAs to establish, maintain, document and enforce policies, procedures and controls to identify and eliminate, or manage and disclose, as appropriate, any actual or potential conflicts of interest that may influence the credit rating methodologies, credit rating actions, or analyses of the CRA or the judgement and analyses of the CRA's employees. Such conflict situations can arise, for instance, where a CRA is being paid to issue a credit rating by the rated entity or by the obligor, originator, underwriter or arranger of the rated obligation.

### Process for managing conflicts of interest

- 31 We reviewed the CRAs' processes for managing conflicts of interest and how they were implemented in practice. We observed that generally:
- (a) CRAs had detailed documentation relating to managing conflicts of interest and policies that precluded analysts who hold interests in a rated entity or product from participating or voting in the credit rating for that particular issuer or product;
  - (b) the CRAs' policies also precluded employees who were involved in determining, monitoring or approving credit ratings, from initiating, discussing, negotiating or arranging rating service fees. The majority of CRAs required analysts that were involved in credit ratings to inform the compliance team if they inadvertently received any information relating to fees. Further, some CRAs had policies that precluded analysts who had received fee information from being involved in determining, monitoring or approving credit ratings for a set period;
  - (c) the CRAs' remuneration policies precluded compensation for rating analysts and associated staff being evaluated on the basis of the amount of revenue generated;
  - (d) CRA compliance teams performed a number of activities as part of their monitoring programs for conflicts, including:
    - (i) maintaining a conflict of interest register with details of each conflict incident and how it was handled;
    - (ii) chaperoning sensitive communications;
    - (iii) following up emails that have been tagged by automated software that scan emails for relevant keywords; and
    - (iv) monitoring attestations of employee personal security declarations.

- 32 Given the critical extent to which the management of conflicts of interest goes to the integrity of the credit rating process, we would expect boards and management to continue their important efforts in this area.

### Rating committee composition

- 33 We also examined the composition arrangements for rating committees. We observed different practices employed across the industry. Some CRAs selected committees randomly from a pool of analysts, while others consisted of analysts from the immediate team. In some cases where the products were more complex, other senior staff members with specialised expertise were asked to contribute.
- 34 It was common practice for the analyst responsible for reviewing the rating and subsequently presenting their paper to a rating committee, along with their supervisor/manager, to also vote on the recommendation. Rating committee sizes often varied depending on the nature of the issuer/product, and could be between three and nine people.
- 35 We query the appropriateness of the analyst who is presenting the recommendation having a vote at the rating committee, along with their relevant supervisor. We consider that this may compromise the robustness of the decision and may also be perceived as a conflict of interest, particularly where the rating committee is made up of only a small number of members.

#### ASIC recommendation 5

CRAs should review whether conflicts can be practically managed with the analyst that has made a recommendation, and their supervisor, voting at a rating committee. CRAs should consider whether changing the composition and voting processes of their rating committees would lead to a more robust decision-making process.

## Annual compliance report

- 36 CRAs must give a compliance report to ASIC once a year that includes the information, statements, explanations or other matters specified by ASIC in writing, relating to their compliance with the IOSCO CRA Code, arrangements to monitor and update credit ratings and training requirements for representatives (annual compliance report).
- 37 A CRA's annual compliance report must address a number of topics that have been drawn from the IOSCO CRA Code and certain AFS licence conditions: see [Information Sheet 147](#) *Credit rating agencies: Lodging a compliance report with ASIC* (INFO 147). These include the quality and integrity of the credit rating process, arrangements for monitoring credit ratings, training requirements and avoiding conflicts of interest.

- 38 A CRA's annual compliance report must provide a narrative description of any implemented measures that aim to ensure compliance with the associated IOSCO CRA Code provisions or AFS licence conditions, as well as details of the testing and validation of those measures.
- 39 We observed that all of the six CRAs provided annual compliance reports within the required time frame. Most of the annual compliance reports provided a summary description of the policies, procedures and processes each CRA had in place for the various IOSCO CRA Code provisions and AFS licence conditions.
- 40 Some CRAs included copies of reviews that had been conducted as annexures to the annual compliance report.
- 41 Most compliance reports, however, did not provide sufficient information on the testing and reviews of the measures that were in place, and the results of those tests and reviews. For example:
- (a) evidence of testing in many reports was limited to indicating that a form of testing occurred (by internal audit or another body), without specifying what was being tested;
  - (b) in many cases, the annual compliance report indicated that compliance with a procedure had been tested but no specifics were provided;
  - (c) in some cases, reference was made to internal audit conducting reviews on 'relevant procedures' but no information was provided on what was specifically reviewed and whether there were any findings or recommendations made;
  - (d) in many cases, information on the results of the tests and reviews was limited to a statement that there were 'no significant findings' or that 'the review demonstrated compliance with procedures', rather than providing details of any observations and/or findings that may have been made;
  - (e) in many cases, information provided about testing did not make it clear whether the testing included any Australian staff and/or Australian products;
  - (f) in many cases, the discussion of testing did not make the parameters and scope of the testing clear. For example, where a report noted that the reviewer had considered 10 rating actions covering a two-week period in a specified month, no information was provided about how this sample compared to the total number of rating actions. In our view, the report needs to include more details of the review methodology, including greater transparency about the selected sample. Further, the sample selection needs to be sufficient and appropriate in order to form valid conclusions about the subject.

**ASIC recommendation 6**

We expect CRAs to ensure that their annual compliance report contains the required information, including sufficient information on the testing and reviews of the measures that are in place, and the results of those tests and reviews (as set out in INFO 147). The annual compliance report should also be considered by the CRA's board.

**Cyber resilience**

- 42 Cyber resilience is vital to all organisations operating in the digital economy. Nowhere is this more important than the financial markets sector, where the trust between an organisation and its clients is essential to its future.
- 43 Over the past 24 months, we have been proactive in assessing and measuring the cyber preparedness of individual organisations in the financial services industry. This has involved engaging with over 100 firms across the financial markets sector to complete a self-assessment survey on their cyber resilience.
- 44 The results of these surveys show that while firms are getting better at managing cyber risk, there is still work to do: see [Report 555](#) *Cyber resilience of firms in Australia's financial markets* (REP 555).
- Note: Equifax is a wholly owned subsidiary of Equifax Inc, a company registered in the United States and listed on the New York Stock Exchange. In September 2017, Equifax Inc announced that it had been the subject of a cyber incident in the United States. Equifax Inc reviewed the incident and established that the systems of Equifax in Australia and New Zealand were not compromised.
- 45 Survey participants were made up of a cross-section of organisations in Australia's financial markets, including stockbrokers, investment banks, market licensees, post-trade infrastructure providers and CRAs. All Australian licensed CRAs participated in the survey.
- 46 We used two surveys, based on the size and complexity of the respondents:
- (a) 29 large firms provided answers to the [National Institute of Standards in Technology Cybersecurity Framework](#). This was the survey completed by the CRAs; and
  - (b) 72 small to medium-sized firms provided answers to the [UK Cyber Essentials](#) survey.
- 47 Using the surveys, respondents assessed themselves against six cyber resilience categories using a maturity scale of where they were at present (current) and where they intended to be in 12–18 months' time (target). The cyber resilience categories included information governance and risk management, user access management, monitoring and detection, user education and awareness, protective IT security policies and processes, and incident response.



- 48 Based on the way in which they assessed their own readiness, CRAs as a market segment were generally quite confident about their current level of cyber preparedness.
- 49 Particularly given the critical nature of the information stored and maintained by CRAs, we will continue to engage with them on their progression and any areas they identified for improvement.

## International engagement

- 50 We are actively engaged internationally with credit rating agencies through our membership of IOSCO Committee 6: Credit Rating Agencies (IOSCO C6). IOSCO C6's recent work has focused on deepening its evaluation of the credit rating industry and, in particular, certain non-traditional, credit-related products and services. It has also conducted a survey to understand how outsourcing integrates with cloud computing, and how outsourcing and cloud computing are used by CRAs and incorporated in their organisational strategies and structures.
- 51 We also participate in supervisory colleges for Fitch, Moody's and S&P. Supervisory colleges were established to facilitate the exchange of information between the supervisors of internationally active CRAs in order to foster more effective supervision of these firms. The most recent supervisory college meetings were held in December 2017.

## Key terms

Term	Meaning in this document
AFS licence	An Australian financial services licence under s913B of the Corporations Act that authorises a person who carries on a financial services business to provide financial services  Note: This is a definition contained in s761A.
AFS licensee	A person who holds an AFS licence under s913B of the Corporations Act  Note: This is a definition contained in s761A.
A.M. Best	A.M. Best Asia-Pacific Limited
ASIC	Australian Securities and Investments Commission
Australian Ratings	Australia Ratings Pty Ltd
Corporations Act	<i>Corporations Act 2001</i> , including regulations made for the purposes of that Act
CRA	Credit rating agency
Equifax	Equifax Australasia Credit Ratings Pty Limited
Fitch	Fitch Australia Pty Limited
IOSCO	International Organization of Securities Commissions
IOSCO CRA Code	IOSCO's <i>Code of Conduct Fundamentals for Credit Rating Agencies</i>
Moody's	Moody's Investor Services Pty Limited
S&P	S&P Global Ratings Australia Pty Ltd