

Press Release

ESMA fines Scope EUR 2,197,500 for breaches of conflict of interest obligations

The European Securities and Markets Authority (ESMA), the EU's financial markets regulator and supervisor, has fined Scope Ratings GmbH (Scope) a total of EUR 2,197,500, and issued a [public notice](#), for breaches of the Credit Rating Agencies Regulation (CRA Regulation).

ESMA found that Scope fell short of the CRA Regulation's requirements on handling conflicts of interest. This finding resulted from structural failures and specific breaches of the conflict of interest obligations in the CRA Regulation.

Verena Ross, ESMA's Chair, said:

“Scope failed to comply with their obligations when it comes to avoidance of potential conflicts of interest. ESMA places the protection of investors and the pursuit of stable and orderly markets at the core of its mission. Failures by credit rating agencies to properly identify, prevent and manage potential conflicts can damage the proper functioning of markets and create harm for investors.

Through its supervisory role, ESMA will continue to focus on ensuring that credit rating agencies comply with all of their responsibilities, including those relating to conflicts of interest.”

The five breaches covered by the fine specifically relate to:

- structural shortcomings in Scope's policies and procedures, internal control mechanisms and organisational and administrative arrangements;
- two further specific breaches related to Scope's failure linked to a potential conflict of interest regarding one particular individual; and to disclose in the final rating report the provision of ancillary services to a rated entity.

All breaches were found to have resulted from negligence on the part of Scope. In calculating the fine, ESMA considered both aggravating and mitigating factors provided for in the CRA Regulation.

Notes for editors

1. [ESMA43-1868696574-770 Decision](#)
2. [ESMA43-1868696574-745 Public Notice](#)
3. Scope is a credit rating agency headquartered in Germany and registered in the EU since 24 May 2011.
4. ESMA's investigation found 5 breaches by Scope of the CRA Regulation (detailed below):
 - Infringements in relation to structural failures

While Scope had in place policies and procedures concerning the avoidance and management of conflicts of interest, these policies and procedures were not adequate to ensure compliance with its obligations. ESMA fined Scope EUR 687,500 in this respect. Scope's internal control mechanisms applicable to conflicts of interest had substantial shortcomings in relation to the guidance issued to staff, the type of control activities to be carried out, the persons in charge of them, and the processes for documenting controls and recording the checks carried out. Consequently, ESMA fined Scope EUR 687,500 for not having internal control mechanisms adequate to ensure compliance with its obligations under the CRA Regulation. Scope's organisational and administrative arrangements related to conflicts of interest were not appropriate nor effective as they were not capable of preventing, identifying, eliminating or managing and disclosing conflicts of interest. This infringement was established, but due to the specific facts of the case, no fine was applied to ensure that Scope was not fined twice for the same act.

- Infringement related to identification and management of a potential conflict of interest

Scope failed to adequately identify, eliminate, or manage and disclose in a clear and prominent manner a potential conflict of interest that may influence its credit rating activities. There were several relevant interactions between a specific individual, a group of rated entities and companies of Scope's group, which gave rise to the potential conflict of interest and was not properly identified and managed. ESMA fined Scope EUR 687,500 for this infringement.

- Infringement related to the provision of ancillary services

Scope published a credit rating for an entity to which it also provided ancillary services and failed to mention the provision of ancillary services in the final rating report, which is in breach of the CRA Regulation. ESMA fined Scope EUR 135,000 for failing to disclose the provision of ancillary services.

5. Right to appeal

Scope may appeal against this decision to the Board of Appeal of the European Supervisory Authorities. Such an appeal does not have suspensive effect, although the Board of Appeal may decide to suspend the application of the decision.

6. ESMA's supervisory mandate:

Since July 2011, ESMA has been responsible for the supervision of credit rating agencies in the European Union, including their registration, in line with the requirements of the CRA Regulation. ESMA has the power to take appropriate enforcement action where it discovers a breach of the CRA Regulation, ranging from the issuance of public notices to the imposition of fines and withdrawal of registration.

7. ESMA is the EU's financial markets regulator and supervisor. Its mission is to enhance investor protection and promote stable and orderly financial markets.

Further information:



Sarah Edwards
Senior Communications Officer
Email: press@esma.europa.eu