

## Public Notice

**Moody's Deutschland GmbH** ('Moody's Germany') is a registered credit rating agency ('CRA') headquartered in Germany. It is part of the Moody's Investors Service group together with five other EU registered CRAs.

Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the 'CRA Regulation') lays down obligations for CRAs in the conduct of their activities. In conjunction with its role of supervisor of CRAs under Article 21 of the CRA Regulation, the European Securities and Markets Authority ('ESMA') has functions and powers to take enforcement actions in relation to infringements of the CRA Regulation by CRAs.

According to the CRA Regulation, CRAs must submit to ESMA up-to-date rating information when issuing a credit rating or a rating outlook. Further, CRAs must ensure that all historical performance data and credit rating changes are made available in ESMA's central repository in the required standard form. These obligations ensure important aspects of investor protection, as reporting to ESMA enables it to assess supervisory risks and to detect suspicious behaviours or patterns in rating actions, and overall transparency of credit ratings.

The CRA Regulation also requires CRAs to establish adequate policies and procedures to ensure compliance with their obligations under the CRA Regulation and to have sound administrative and accounting procedures, internal control mechanisms, effective procedures for risk assessment, and effective control and safeguard arrangements for information processing systems.

In December 2024, following preliminary investigations, ESMA Supervisors found that with respect to Moody's Germany, there were serious indications of the possible existence of facts liable to constitute one or more of the infringements listed in Annex III to the CRA Regulation concerning misreporting to ESMA, inadequate policies and procedures and failures regarding internal controls.

The matter was then referred to an Independent Investigating Officer who, after having conducted an independent investigation, submitted her findings to the Board of Supervisors (the 'Board').

Having considered the evidence, the Board found that Moody's Germany negligently committed the below infringements of the CRA Regulation.

On this basis, the overall fine to be imposed on Moody's Germany for four infringements committed with negligence amounts to EUR 2,145,000.

## **First Infringement – Moody’s Germany committed an infringement of the CRA Regulation by not submitting up-to-date rating information to ESMA**

### **A) Relevant legal provisions**

Article 11a(1) of the CRA Regulation provides:

“A registered or certified credit rating agency shall, when issuing a credit rating or a rating outlook, submit to ESMA rating information, including the credit rating and rating outlook of the rated instrument, information on the type of credit rating, the type of rating action, and date and hour of publication”.

Point 4a of Section II of Annex III of the CRA Regulation provides:

“The credit rating agency infringes Article 11a(1) by not making available the required information or by not providing that information in the required format as referred to in that paragraph”.

### **B) Factual findings**

Moody’s Germany failed to ensure that the information about credit ratings and rating outlooks reported (also on behalf of other EU CRAs of its group) to ESMA via the European Rating Platform was correct. This meant the data available to ESMA was unreliable. The errors affected only data submitted to ESMA and did not affect any of the credit ratings published by Moody’s Germany (or other EU CRAs of its group). These discrepancies were repeated and systemic. They manifested in various forms, including missing ratings and rating actions, non-withdrawn ratings and errors in the submitted information.

### **C) Finding of the infringement**

On the basis of the assessment of the complete file and the arguments raised in the written submissions, the Board found that Moody’s Germany failed to comply with Article 11a(1) of the CRA Regulation, by not submitting correct up-to-date rating information, when issuing a credit rating or a rating outlook, to ESMA. Therefore, it committed the infringement set out at Point 4a of Section II of Annex III to the CRA Regulation.

Furthermore, the Board found that Moody’s Germany failed to meet the special standard of care expected from a CRA as a professional firm in the financial services sector. Therefore, the Board found that Moody’s Germany had committed the infringement negligently and was liable to a fine.

The basic amount of the fine was calculated pursuant to Article 36a of the CRA Regulation. In addition, the Board applied the relevant aggravating factors (the infringement has been committed repeatedly, for more than six months and revealed systemic weaknesses in the organisation of the CRA) prescribed by Annex IV to the CRA Regulation and therefore fined Moody’s Germany EUR 292,500.

### **D) Supervisory measure and fine**

#### **Public notice**

Pursuant to Article 24 of the CRA Regulation, the Board decided that the infringement warranted a supervisory measure in the form of the publication of this public notice.

**Fine**

The fine imposed on Moody's Germany is EUR 292,500.

## **Second Infringement – Moody’s Germany committed an infringement of the CRA Regulation by not having made available to ESMA’s central repository complete and accurate historical performance data and information on credit ratings and rating changes**

### **A) Relevant legal provisions**

Article 11(2) of the CRA Regulation provides:

“A registered or certified credit rating agency shall make available in a central repository established by ESMA information on its historical performance data, including the ratings transition frequency, and information about credit ratings issued in the past and on their changes. Such a credit rating agency shall provide information to that repository on a standard form as provided for by ESMA. ESMA shall make that information accessible to the public and shall publish summary information on the main developments observed on an annual basis”.

Point 4 of Section II of Annex III of the CRA Regulation provides

“The credit rating agency infringes Article 11(2) by not making available the required information or by not providing that information in the required format as referred to in that paragraph”.

### **B) Factual findings**

Moody’s Germany (also on behalf of other EU CRAs of its group) submitted to ESMA incomplete or incorrect historical performance data and credit rating changes to be made available in ESMA’s central repository. This meant the data available to ESMA was unreliable. These deficiencies persisted over an extended period of time. The errors affected only data submitted to ESMA and did not affect any of the credit ratings published by Moody’s Germany (or other EU CRAs of its group).

### **C) Finding of the infringement**

On the basis of the assessment of the complete file and the arguments raised in the written submissions, the Board found that Moody’s Germany failed to comply with Article 11(2) of the CRA Regulation, by not having made available to ESMA’s central repository complete and accurate historical performance data and information on credit ratings and rating changes. Therefore, it committed the infringement set out at Point 4 of Section II of Annex III to the CRA Regulation.

Furthermore, the Board found that Moody’s Germany failed to meet the special standard of care expected from a CRA as a professional firm in the financial services sector. Therefore, the Board found that Moody’s Germany had committed the infringement negligently and was liable to a fine.

The basic amount of the fine was calculated pursuant to Article 36a of the CRA Regulation. In addition, the Board applied the relevant aggravating factors (the infringement lasted more than

six months and revealed systemic weaknesses in the organisation of the CRA) prescribed by Annex IV to the CRA Regulation and therefore fined Moody's Germany EUR 202,500.

#### **D) Supervisory measure and fine**

##### **Public notice**

Pursuant to Article 24 of the CRA Regulation, the Board decided that the infringement warranted a supervisory measure in the form of the publication of this public notice.

##### **Fine**

The fine imposed on Moody's Germany is EUR 202,500.

## **Third Infringement – Moody’s Germany committed an infringement of the CRA Regulation by not having policies and procedures adequate to ensure compliance with the CRA Regulation**

### **A) Relevant legal provisions**

Article 6 of the CRA Regulation provides:

“1. A credit rating agency shall take all necessary steps to ensure that the issuing of a credit rating or a rating outlook is not affected by any existing or potential conflicts of interest or business relationship involving the credit rating agency issuing the credit rating or the rating outlook, its shareholders, managers, rating analysts, employees or any other natural person whose services are placed at the disposal or under the control of the credit rating agency, or any person directly or indirectly linked to it by control”.

“2. In order to ensure compliance with paragraph 1, a credit rating agency shall comply with the requirements set out in Sections A and B of Annex I”.

Point 3 of Section A of Annex I to the CRA Regulation provides:

“A credit rating agency shall establish adequate policies and procedures to ensure compliance with its obligations under this Regulation”.

Point 11 of Section I of Annex III to the CRA Regulation provides:

“The credit rating agency infringes Article 6(2), in conjunction with point 3 of Section A of Annex I, by not establishing adequate policies or procedures to ensure compliance with its obligations under this Regulation”.

### **B) Factual findings**

The main documents governing the reporting to ESMA by Moody’s Germany (also on behalf of other EU CRAs of its group), lacked clarity as to the allocation of responsibilities and the validation of submissions, and were not properly reviewed or updated. This lack of formalisation directly caused the failure of Moody’s Germany to process error reports as no single, validated source for an error correction process was established through these policies and procedures.

### **C) Finding of the infringement**

On the basis of the assessment of the complete file and the arguments raised in the written submissions, the Board found that Moody’s Germany failed to comply with the requirements of Article 6(2), in conjunction with Point 3 of Section A of Annex I to the CRA Regulation, by not having policies and procedures adequate to ensure compliance with its obligations under the CRA Regulation. Therefore, it committed the infringement set out at Point 11 of Section I of Annex III to the CRA Regulation.

Furthermore, the Board found that Moody’s Germany failed to meet the special standard of care expected from a CRA as a professional firm in the financial services sector. Therefore,

the Board found that Moody's Germany had committed the infringement negligently and was liable to a fine.

The basic amount of the fine was calculated pursuant to Article 36a of the CRA Regulation. In addition, the Board applied the relevant aggravating (the infringement lasted more than six months) and mitigating (voluntary measures were taken to ensure that similar infringement cannot be committed in the future) factors prescribed by Annex IV to the CRA Regulation and therefore fined Moody's Germany EUR 825,000.

#### **D) Supervisory measure and fine**

##### **Public notice**

Pursuant to Article 24 of the CRA Regulation, the Board decided that the infringement warranted a supervisory measure in the form of the publication of this public notice.

##### **Fine**

The fine imposed on Moody's Germany is EUR 825,000.

## **Fourth Infringement – Moody’s Germany committed an infringement of the CRA Regulation by not having sound administrative and accounting procedures, internal control mechanisms and effective procedures for risk assessment**

### **A) Relevant legal provisions**

Article 6 of the CRA Regulation provides:

“1. A credit rating agency shall take all necessary steps to ensure that the issuing of a credit rating or a rating outlook is not affected by any existing or potential conflicts of interest or business relationship involving the credit rating agency issuing the credit rating or the rating outlook, its shareholders, managers, rating analysts, employees or any other natural person whose services are placed at the disposal or under the control of the credit rating agency, or any person directly or indirectly linked to it by control”.

“2. In order to ensure compliance with paragraph 1, a credit rating agency shall comply with the requirements set out in Sections A and B of Annex I”.

Point 4 of Section A of Annex I to the CRA Regulation provides:

“A credit rating agency shall have sound administrative and accounting procedures, internal control mechanisms, effective procedures for risk assessment, and effective control and safeguard arrangements for information processing systems.

Those internal control mechanisms shall be designed to secure compliance with decisions and procedures at all levels of the credit rating agency.

A credit rating agency shall implement and maintain decision-making procedures and organisational structures which clearly and in a documented manner specify reporting lines and allocate functions and responsibilities”.

Point 12 of Section I of Annex III to the CRA Regulation provides:

“The credit rating agency infringes Article 6(2), in conjunction with point 4 of Section A of Annex I, by not having sound administrative or accounting procedures, internal control mechanisms, effective procedures for risk assessment, or effective control or safeguard arrangements for information processing systems or by not implementing or maintaining decision-making procedures or organisational structures as required by that point”.

### **B) Factual findings**

Moody’s Germany’s internal control framework had important shortcomings in its internal control mechanisms and risk assessment regarding its reporting obligations (also on behalf of other EU CRAs of its group). It did not ensure adequate checks and roles and responsibilities within the control framework were ill-defined. Documentation of performed checks was incomplete, preventing traceability and oversight.

### **C) Finding of the infringement**

On the basis of the assessment of the complete file and the arguments raised in the written submissions, the Board found that Moody's Germany failed to comply with the requirements of Article 6(2), in conjunction with Point 4 of Section A of Annex I to the CRA Regulation, by not having sound administrative and accounting procedures, internal control mechanisms and effective procedures for risk assessment. Therefore, it committed the infringement set out at Point 12 of Section I of Annex III to the CRA Regulation.

Furthermore, the Board found that Moody's Germany failed to meet the special standard of care expected from a CRA as a professional firm in the financial services sector. Therefore, the Board found that Moody's Germany had committed the infringement negligently and was liable to a fine.

The basic amount of the fine was calculated pursuant to Article 36a of the CRA Regulation. In addition, the Board applied the relevant aggravating (the infringement lasted more than six months) and mitigating (voluntary measures were taken to ensure that similar infringement cannot be committed in the future) factors prescribed by Annex IV to the CRA Regulation and therefore fined Moody's Germany EUR 825,000.

#### **D) Supervisory measure and fine**

##### **Public notice**

Pursuant to Article 24 of the CRA Regulation, the Board decided that the infringement warranted a supervisory measure in the form of the publication of this public notice.

##### **Fine**

The fine imposed on Moody's Germany is EUR 825,000.