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PRESS RELEASE

ESMA raises concerns on fees charged by CRAs and Trade Repositories

The European Securities and Markets Authority (ESMA) has published a *Thematic Report on fees charged by Credit Rating Agencies (CRAs) and Trade Repositories (TRs)*, following the conclusion of ESMA's supervisory review of the current fee structures in the credit rating and trade repository industries.

In conducting its review, ESMA has collected and analysed information from publically available resources, periodical submissions to ESMA and dedicated requests for information from supervised entities. ESMA also maintained regular engagement with users of credit rating and trade repositories services who provided further information.

Based on this evidence, the Thematic Report provides ESMA's views on the application of the requirements that fees charged by CRAs should be non-discriminatory and cost-based, and TRs provide non-discriminatory access and charge publicly disclosed and cost-related fees. It equally identifies the areas for improvement regarding transparency and disclosure, the fee-setting process and the interaction with entities related to CRAs and TRs. Going forward, these areas will form the core of ESMA's supervisory focus.

Supervisory concerns

The three main areas that raise supervisory concerns are:

- **Transparency and disclosure** – CRAs/TRs need to ensure sufficiency and clarity of information provided to actual and potential clients as well as to ESMA.
    - CRA clients should be able to understand the key elements of the fee schedule, reasons for deviations from it, in addition to the reasons of price increases/decreases;
    - TRs can achieve more transparency through reducing complexity and increasing comparability of fee schedules, as well as disclosing sufficient information to enable clients to estimate any additional reporting cost;
- **Fee-setting process** – CRAs/TRs need to ensure that cost is a key pricing factor and

sufficient controls are in place to demonstrate that the regulatory objectives regarding pricing are met;

- **Interaction with entities related to CRAs and TRs** –
    - CRAs need to ensure that provision of rating related services by affiliated entities does not conflict with the non-discrimination and cost-based principles;
    - TRs that are part of a group need to ensure that intra group transactions are on reasonable terms and on an arm's–length principle to prevent discriminatory access and unfair cost allocation.

Steven Maijoor, Chair, said:

> "ESMA has found that there are areas for significant improvement by both CRAs and TRs in their current fee practices, particularly in the areas of transparency and disclosure. While some improvements have been made, in the context of the overall findings, ESMA will give supervisory priority to the issues identified regarding transparency and disclosure, the fee-setting process and interaction with entities related to CRAs and TRs.
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> "ESMA also obtained valuable insights from users and will continue such interaction as an additional information source in monitoring CRAs and TRs' pricing and commercial practices. The ultimate aim is to ensure that customers know exactly what they are paying for and how the fees they are charged are set."

Next Steps

ESMA will continue to engage with both supervised entities and their clients to ensure effective application of the fee provisions, e.g. on costs, price deviations and controls in place.

ESMA may also decide to provide further supervisory guidance to ensure compliance with the relevant requirements.

Notes for editors

1. ESMA80-196-954 Thematic Report on fees charged by Credit Rating Agencies and Trade Repositories
2. ESMA71-99-924 Fact Sheet on the Thematic Report – Credit Rating Agencies
3. ESMA71-99-923 Fact Sheet on the Thematic Report – Trade Repositories
4. The CRA Regulation (CRAR) requires CRAs to ensure that fees for the credit rating and ancillary services are not discriminatory and based on actual costs. The European Markets Infrastructure Regulation (EMIR) requires TRs to provide non-discriminatory access and charge publicly disclosed and cost-related fees.
5. ESMA's mission is to enhance investor protection and promote stable and orderly financial markets.

   It achieves these objectives through four activities:

   i. assessing risks to investors, markets and financial stability;
   ii. completing a single rulebook for EU financial markets;
   iii. promoting supervisory convergence; and
   iv. directly supervising specific financial entities.
6. ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Systemic Risk Board, and with national authorities with competencies in securities markets (NCAs).

Further information:

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