



Credit Rating Agencies



Area



Transparency and disclosure



Fee setting and cost monitoring



Credit rating industry and use of credit ratings

Focus

Supervisory

- ✓ Sufficient and clear information on fees and pricing drivers to prevent discriminatory practices and enable potential and actual clients to make informed choices.
- ✓ Need to enhance data reporting to ESMA to enable more effective supervision.

- ✓ Costs are a key factor of the fee-setting process.
- ✓ Thorough cost monitoring crucial to ensure cost-based pricing.
- ✓ Regular review and controls (i.e. on costs and their relation to fee; on deviation from fee schedules) to ensure cost-based and non-discriminatory fees are applied.

- ✓ Additional challenges and risks posed by credit rating-related services provided by entities related to the registered CRAs.
- ✓ ESMA to ensure it has sufficient and relevant information.

Observations

Key

⚠ Discrepancies between theoretical price (fee-schedule) & actual price charged.

⚠ Lack of clarity on drivers of price changes.

⚠ Insufficient information currently available in ESMA's repository.

⚠ Cost tracked at a high-level of aggregation, not used or usable in practice for the fee-setting process.

⚠ Lack of internal controls to ensure compliance with regulatory provisions on fees.

⚠ Few CRAs have significant market power. Their credit ratings are not substitutable services.

⚠ For some CRA groups, rating-related services (e.g. rating data delivery and licence to use ratings) are commercialised by entities related to registered CRAs with no controls from the registered CRA.