

PUBLIC STATEMENT

Endorsement of credit ratings elaborated in the United Kingdom after end of transition period

Summary

1. The European Securities and Markets Authority (ESMA) is issuing this public statement to set out the implications of Brexit for credit rating agencies (CRAs) based in the United Kingdom (UK). The statement follows ESMA's previous statements of [15 March 2019](#) and [9 November 2018](#).
2. With this statement ESMA confirms that EU CRAs will be able to endorse credit ratings elaborated in the United Kingdom after the end of the transition period.

Implications of Brexit for UK based CRAs

3. ESMA currently supervises [the following CRAs](#) located in the UK¹ (hereinafter: "UK-based CRAs"): *AM Best Europe-Rating Services Ltd.*; *DBRS Ratings Limited*; *Fitch Ratings Limited*; *Fitch Ratings CIS Limited*; *Moody's Investors Service Ltd*; and *The Economist Intelligence Unit Ltd*.
4. After the end of the UK's transition period from the EU, which ends on 31 December 2020², UK-based CRAs will no longer meet the conditions for registration under the Regulation 1060/2009 on CRAs (hereinafter: [the CRA Regulation](#)) and their registrations will be withdrawn, changing their status to third-country CRAs.
5. In preparation for the UK's withdrawal from the EU, ESMA has requested UK-based CRAs to take all the necessary steps to ensure the continuity of their operations in the EU. As a result, UK-based CRAs have, in the course of the last three years, transferred business and rating activities to existing and in some cases newly established and registered EU CRAs.
6. At this point, and until the European Union may adopt an equivalence decision in respect of the UK legal and supervisory framework for CRAs, the outstanding credit ratings of UK-based CRAs can only continue to be usable for regulatory purposes in the EU if these

¹ S&P Global Ratings Europe Limited is established in the EU. S&P does not have any registered entity based in the UK but currently operates in the EU via a unique EU legal entity based in Dublin with branches in various EU locations.

² In accordance with Article 126 of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community 2019/C 384 I/01

credit ratings are “endorsed” by a CRA which is located in an EU Member State (hereinafter: “an EU CRA”). Where the outstanding credit ratings of UK-based CRAs are not endorsed by an EU CRA, these credit ratings will cease to be usable for regulatory purposes in the EU as set out in Article 24(4) of the CRA Regulation.

The UK legal and supervisory framework meets the conditions for endorsement

6. Endorsement is one of two regimes provided for in the CRA Regulation which allow credit ratings issued in a third country to be used for regulatory purposes in the EU. The other being equivalence.
7. It is a condition for endorsement that the UK has a legal and supervisory framework in place for CRAs which meets certain standards. In March 2019 ESMA communicated that it had completed an assessment of the legal and supervisory framework for CRAs foreseen by the [UK statutory instrument 266 of 13 February 2019](#), which will take effect after the end of the transition period. In this communication ESMA concluded that the foreseen UK legal and supervisory framework for CRAs met the conditions for endorsement, if it fully entered into force on the date of Brexit in unaltered form. ESMA is now satisfied that the previously foreseen UK legal and supervisory framework will fully enter into force after the end of the transition period, and that this requirement of the endorsement regime can be considered as being met.
8. It is also a condition for endorsement that ESMA has a cooperation agreement with the supervisory authority of the UK. This condition was met by the [memorandum of understanding](#) which will take effect at the end of the transition period.

Objective reasons for elaborating a credit rating outside the EU

8. The CRA Regulation only allows for endorsement of a credit rating where there is an objective reason for elaborating the credit rating outside the Union (e.g. where the rating relates to a non-EU entity or instrument). As part of their preparation for Brexit, UK-based CRAs have been transferring the issuance of credit ratings to an affiliated EU entity in order to meet this requirement where necessary.

The final decision to endorse credit ratings lies with the CRA

9. Endorsement requires that an EU CRA is willing to endorse the credit ratings issued by a UK-based CRA from the same group. The EU CRA must notify ESMA of its intention to endorse credit ratings from the UK-based CRA. As of today, all UK-based CRAs except *The Economist Intelligence Unit Ltd* have taken steps to ensure that an EU CRA is willing and able to endorse its credit ratings after the end of the transition period.
10. Whilst ESMA can confirm that the necessary conditions for endorsement are currently met, the decision to endorse some or all of the credit ratings issued by UK-based CRAs lies exclusively with the EU CRAs.