



European Securities and  
Markets Authority

# Competition and choice in the credit rating industry

**Market share calculation required by Article 8d of Regulation 1060/2009  
on Credit Rating Agencies as amended**



## Acronyms used

CEREP database	Central Repository of credit rating data reported by CRAs to ESMA according to Commission Delegated Regulation 448/2012 of 21 March 2012 with regard to regulatory technical standards for the presentation of the information that credit rating agencies shall make available in a central repository established by the European Securities and Markets Authority.
CRA	Credit Rating Agency.
CRA Regulation	Regulation 1060/2009 on credit rating agencies as amended by Regulation 513/2011 of 11 May 2011 and Regulation 462/2013 of 21 May 2013.
ESMA	European Securities and Markets Authority.
Technical Advice	ESMA's Technical Advice on Competition, Choice and Conflicts of Interest in the CRA Industry of 30 September 2015.

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# 1 Executive Summary

## Reasons for publication

One of the objectives of the EU's regulation of credit rating agencies (the CRA Regulation) is to stimulate competition in the credit rating industry by encouraging issuers and related third parties to appoint a variety of credit rating agencies (CRAs) to rate their entities and financial instruments.

Article 8d of the CRA Regulation states that where issuers or related third parties intend to use two or more CRAs, they should consider appointing one CRA with less than a 10% market share. In the event that the issuer or related third party does not appoint one of these CRAs, they must document their decision.

In order to assist with this assessment, Article 8d of the CRA Regulation requires the European Securities and Markets Authority (ESMA) to publish a list of registered CRAs and the types of credit ratings they issue together with a calculation of CRAs' market shares each year. The market shares are calculated using CRAs' revenues from credit rating activities and ancillary services at group level.

## Contents

Section 2 of this document explains the obligations set out in Article 8d of the CRA Regulation and ESMA's views on the information which might help issuers and related third parties to assess the merits of the CRAs registered in the EU.

Section 3 provides a table setting out the categories of credit ratings offered by EU registered CRAs over time. Section 4 presents the market share calculation required by Article 8d of the CRA Regulation, Section 5 then provides additional information about CRAs' share of supply of issued credit ratings and Section 6 sets out ESMA's next steps.

## Next steps

ESMA encourages issuers and related third parties to consider this information as a part of the due diligence they carry out before appointing CRAs. ESMA would welcome feedback on the information to be presented with this market share calculation in future.

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## 2 Introduction

1. Article 8d of Regulation 1060/2009 on credit rating agencies as amended (the CRA Regulation)<sup>1</sup> aims to stimulate competition in the credit rating industry by encouraging issuers and related third parties to appoint smaller credit rating agencies (CRAs).
2. Article 8d states that where issuers or related third parties intend to use two or more CRAs they should consider appointing one CRA with less than a 10% market share, if one of these CRAs is capable of providing a credit rating of their entity or instrument. In the event that the issuer or related third party does not appoint at least one CRA with less than a 10% market share, they must document their decision.
3. Article 8d of the CRA Regulation is supervised and enforced at Member State level by Sectoral Competent Authorities (SCAs). The role of the European Securities and Markets Authority (ESMA) is to promote supervisory convergence by encouraging the SCAs to adopt common approaches to the supervision and enforcement of this article.
4. In order to assist issuers and related third parties, Article 8d of the CRA Regulation requires ESMA to publish a list of registered CRAs and the types of credit ratings they issue together with a calculation of CRAs' market shares. The article specifies that the calculation should be made using annual revenues from credit rating activities and ancillary services at group level.
5. On 30 September 2015, ESMA provided Technical Advice to the European Commission on Competition, Choice and Conflicts of Interest in the Credit Rating Industry.<sup>2</sup> In its advice on competition between CRAs, ESMA stated that the market share calculation carried out for the purposes of Article 8d should be used with caution as there is currently no one single EU market for credit ratings.
6. ESMA found that there are currently separate markets for credit ratings of different categories issued in different national markets within the EU as well as international markets used by global issuers and investors. This means that different CRAs can have expertise in some types of credit ratings and/or in some national markets without having a significant presence in the EU overall.<sup>3</sup>
7. For this reason, ESMA has included additional information in this year's market share calculation<sup>4</sup> and encourages issuers and related third parties to consider this, as well

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<sup>1</sup> OJ L 302 of 17.11.2009, page 1 as amended by Regulation 513/2011 of 11 May 2011, OJ L 145 of 31.5.2011, page 30 and Regulation 462/2013 of 21 May 2013, OJ L 146 of 31.5.2013, page 1.

<sup>2</sup> ESMA 2015/1472 Technical Advice on Competition, Choice and Conflicts of Interest in the Credit Rating Industry, 30 September 2015, available at: [https://www.esma.europa.eu/sites/default/files/library/esma-2015-1472\\_technical\\_advice\\_on\\_competition\\_choice\\_and\\_conflicts\\_of\\_int.pdf](https://www.esma.europa.eu/sites/default/files/library/esma-2015-1472_technical_advice_on_competition_choice_and_conflicts_of_int.pdf)

<sup>3</sup> *Ibid* at page 85.

<sup>4</sup> When compared to the information published in 2014 in ESMA/2014/1583, Credit Rating Agencies' 2014 Market Share Calculations for the purposes of Article 8d, 22 December 2014, available at: [https://www.esma.europa.eu/sites/default/files/library/2015/11/2014-1583\\_credit\\_rating\\_agencies\\_market\\_share\\_calculation\\_2014.pdf](https://www.esma.europa.eu/sites/default/files/library/2015/11/2014-1583_credit_rating_agencies_market_share_calculation_2014.pdf)

as the detailed share of supply charts set out in its Technical Advice, before appointing CRAs.<sup>5</sup>

### **3 Categories of credit ratings offered by registered credit rating agencies**

8. Table 1 below shows the categories of credit ratings offered by each CRA registered in the EU between 2011 and 2015. This information has been drawn from ESMA's central repository of credit rating information (the CEREP database) as well as from information provided by CRAs during the registration process and through notifications. This table presents more categories of credit ratings than the table included in last year's calculation. Providing greater detail here helps to reflect the subtypes of sovereign credit ratings issued by some CRAs, such as sub-sovereign credit ratings (for example of local authorities) and supranational credit ratings (for example of organisations like the European Investment Bank).

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<sup>5</sup> See footnote 2 above at pages 41-53.

**Table 1: Categories of credit ratings offered by EU registered credit rating agencies 2011-2015**

CRA	2011										2012										2013										2014										2015 (First Semester)									
	FI	IN	CO	SV	SS	PE	SN	SF	CB	FI	IN	CO	SV	SS	PE	SN	SF	CB	FI	IN	CO	SV	SS	PE	SN	SF	CB	FI	IN	CO	SV	SS	PE	SN	SF	CB	FI	IN	CO	SV	SS	PE	SN	SF	CB					
AM Best Europe-Rating Services Ltd. (AMBERS)		IN	CO							IN	CO								IN	CO								IN	CO								IN	CO												
ARC Ratings, S.A.			CO							FI	CO									CO									CO	SV								CO	SV					SF						
ASSEKURATA Assekuranz Rating-Agentur GmbH		IN								IN									IN									IN									IN													
Axesor SA											CO									CO									CO									CO						SF						
BCRA-Credit Rating Agency AD	FI	IN	CO		SS				FI	IN	CO		SS					FI	IN	CO		SS					FI	IN	CO	SV	SS					FI	IN	CO	SV	SS										
Capital Intelligence (Cyprus) Ltd	FI		CO	SV					FI		CO	SV						FI		CO	SV						FI		CO	SV						FI		CO	SV											
CERVED Group S.p.A.			CO								CO									CO									CO									CO												
Creditreform Rating AG			CO								CO						SF	CB			CO						SF	CB			CO						CO			CO						SF	CB			
CRIF S.p.A.			CO								CO										CO										CO									CO										
Dagong Europe Credit Rating Srl (Dagong Europe)																					FI										FI	IN	CO							FI	IN	CO								
DBRS Ratings Limited	FI	IN	CO	SV	SS	PE		SF	CB	FI	IN	CO	SV	SS	PE		SF	CB	FI	IN	CO	SV	SS	PE		SF	CB	FI	IN	CO	SV	SS	PE		SF	CB	FI	IN	CO	SV	SS	PE		SF	CB					
The Economist Intelligence Unit Ltd																						SV										SV									SV									
Euler Hermes Rating GmbH	FI		CO						FI		CO							FI		CO							FI		CO							FI		CO												
European Rating Agency, a.s.					SS									SS																			SS									SS								
EuroRating Sp. z o.o.																														FI		CO							FI		CO									
Feri EuroRating Services AG				SV								SV								FI		CO	SV							FI		CO	SV						FI		CO	SV			SF					
Fitch Ratings Limited	FI	IN	CO	SV	SS	PE		SF	CB	FI	IN	CO	SV	SS	PE		SF	CB	FI	IN	CO	SV	SS	PE		SF	CB	FI	IN	CO	SV	SS	PE		SF	CB	FI	IN	CO	SV	SS	PE		SF	CB					
GBB-Rating Gesellschaft für Bonitätsbeurteilung mbH	FI		CO						FI		CO							FI		CO							FI		CO							FI		CO												
ICAP Group SA			CO								CO									CO									CO									CO												
INC Rating Sp. z o.o.																																				SS														
modeFinance S.r.l.																																				CO														
Moody's Investors Service Ltd	FI	IN	CO	SV	SS	PE		SF	CB	FI	IN	CO	SV	SS	PE		SF	CB	FI	IN	CO	SV	SS	PE		SF	CB	FI	IN	CO	SV	SS	PE		SF	CB	FI	IN	CO	SV	SS	PE		SF	CB					
Rating-Agentur Expert RA GmbH																																							FI	IN	CO	SV		PE						
Scope Ratings AG			CO								CO									CO							SF	FI		CO				SF		FI	FI		CO						SF					
Spread Research SAS																					CO										CO									CO										
Standard & Poor's Credit Market Services Europe Limited	FI	IN	CO	SV	SS	PE		SF	CB	FI	IN	CO	SV	SS	PE		SF	CB	FI	IN	CO	SV	SS	PE		SF	CB	FI	IN	CO	SV	SS	PE		SF	CB	FI	IN	CO	SV	SS	PE		SF	CB					

**Legend:**

FI	Corporate - Financial	PE	Public entities
IN	Corporate - Insurance	SN	Supranational
CO	Corporate - Non Financial	SF	Structured Finance
SV	Sovereign	CB	Covered Bonds
SS	Sub-sovereign		Non registered

Source: ESMA, CEREP

## 4 Registered credit rating agencies' EU market shares

9. Table 2 below provides the market share calculation required by Article 8d of the CRA Regulation. The calculation has been made using the revenues from credit ratings<sup>6</sup> and ancillary services<sup>7</sup> reported to ESMA by CRAs in their 2014 accounts. The three CRAs registered during the course of 2015 are therefore shown to have a market share of 0%.<sup>8</sup>

**Table 2: Market share calculation based on 2014 turnover from credit rating activities and ancillary services at group level in the EU**

Registered Credit Rating Agency	Market share
AM Best Europe-Rating Services Ltd. (AMBERS)	0.79%
ARC Ratings, S.A.	0.02%
ASSEKURATA Assekuranz Rating-Agentur GmbH	0.21%
Axesor S.A.	0.61%
BCRA-Credit Rating Agency AD	0.02%
Capital Intelligence (Cyprus) Ltd	0.12%
CERVED Group S.p.A.	1.20%
Creditreform Rating AG	0.50%
CRIF S.p.A.	0.33%
Dagong Europe Credit Rating Srl	0.02%
DBRS Ratings Limited	1.47%
Euler Hermes Rating GmbH	0.20%
European Rating Agency, a.s.	0.00%
EuroRating Sp. Zo.o.	0.00%
Feri EuroRating Services AG	0.64%
Fitch Group <sup>9</sup>	16.80%
GBB-Rating Gesellschaft für Bonitätsbeurteilung mbH	0.32%
ICAP Group SA	0.55%
INC Rating Sp. Zo.o. <sup>10</sup>	0.00%
ModeFinance S.A. <sup>11</sup>	0.00%
Moody's Group <sup>12</sup>	34.67%
Rating-Agentur Expert RA GmbH <sup>13</sup>	0.00%
Scope Credit Rating GmbH	0.14%
Spread Research SAS	0.11%
Standard & Poor's Group <sup>14</sup>	40.42%
The Economist Intelligence Unit Ltd	0.87%
<b>TOTAL</b>	<b>100</b>

Source: ESMA

<sup>6</sup> In accordance with Article 3(1)(a) of the CRA Regulation.

<sup>7</sup> In accordance with Annex I Section B point 4 of the CRA Regulation.

<sup>8</sup> Please consult the CRAs' websites for details of the credit ratings they have issued.

<sup>9</sup> Fitch France S.A.S.; Fitch Deutschland GmbH; Fitch Italia S.p.A.; Fitch Polska S.A.; Fitch Ratings España S.A.U.; Fitch Ratings Limited and Fitch Ratings CIS Limited.

<sup>10</sup> Registered with effect from 27 October 2015.

<sup>11</sup> Registered with effect from 10 July 2015.

<sup>12</sup> Moody's Investors Service Cyprus Ltd; Moody's France S.A.S.; Moody's Deutschland GmbH; Moody's Italia S.r.l.; Moody's Investors Service España S.A.; Moody's Investors Service Ltd; and Moody's Investors Services EMEA Ltd.

<sup>13</sup> Registered with effect from 1 December 2015.

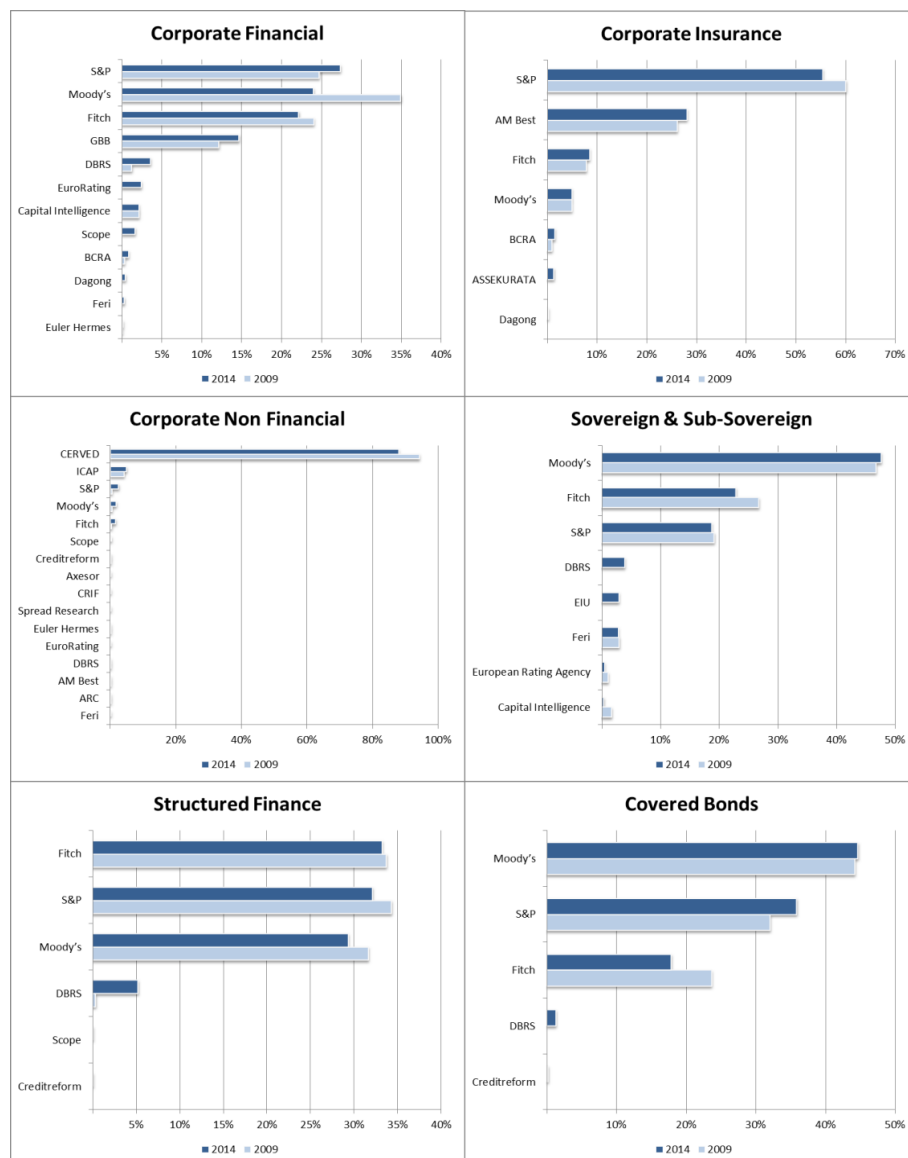
<sup>14</sup> Standard & Poor's Credit Market Services France S.A.S.; Standard & Poor's Credit Market Services Italy S.r.l.; and Standard & Poor's Credit Market Services Europe Limited.



## 5 EU-wide share of supply data by category of credit ratings

10. In addition to the information required by Article 8d of the CRA Regulation, ESMA noted in its Technical Advice that share of supply data may better help users of credit ratings to understand the relative market positions of CRAs in different markets within the CRA industry. For this reason, ESMA has supplemented the market share calculation in Section 4 above with two of the figures from the Technical Advice which were created using data from the CEREP database available on 30 September 2015.
11. ESMA highlights that this share of supply data is presented at issue level for structured finance instruments and covered bonds but at issuer level for the corporate financial, non-financial and insurance rating categories.

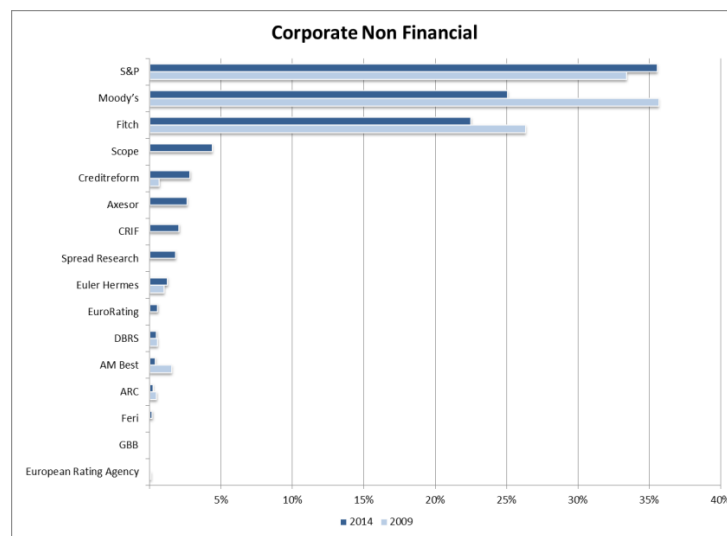
**Figure 1: EU-wide share of supply by category included in the CEREP database**



Source: ESMA, CEREP

12. As credit ratings in the corporate non-financial category set out in figure 1 above are reported at issuer level, the proportion of outstanding credit ratings appears much higher for CRAs whose ratings base consists mainly of smaller corporations, such as CERVED and ICAP. To address this issue, the following figure provides the share of supply of corporate non-financial credit ratings issued by all CRAs registered in the EU excluding these CRAs.

**Figure 2: Share of supply of corporate non-financial ratings issued by all CRAs excluding CERVED and ICAP**



Source: ESMA, CEREP

## 6 Next steps

13. ESMA will review the information published alongside the market share calculation carried out for the purposes of Article 8d of the CRA Regulation during the course of 2016.
14. In the event that your organisation has any feedback on this document or the information it should present in future, please provide this by email to: [CRA-info@esma.europa.eu](mailto:CRA-info@esma.europa.eu).