



To:

**Financial Conduct Authority**

12 Endeavour Square  
London, E20 1JN  
United Kingdom  
Submitted via web response form

Date: January 14<sup>th</sup>, 2019

Reference: Consultation paper 18/34 on Regulatory fees and levies: policy proposals for 2019/2020

Dear Sir,

With reference to your consultation paper (“CP”) dated November 15<sup>th</sup>, 2018, we are pleased to hereby submit the views of our association, currently representing 10 ESMA registered Credit Rating Agencies (“CRAs”). The short profiles of our members is attached to this letter. Our responses exclusively focus on fees relating to CRAs

**Q1: Do you agree that we should charge a moderately complex application fee of £5,000 from applicants who wish to set up credit rating agencies or trade repositories? Please give reasons for your answer.**

Your proposal to charge a uniform application fee of GBP 5.000 departs from the rules applicable in the European Union, where ESMA charges different level of fee’s depending on the size of the applicant (in terms of employees) and on the organisational complexity of the applicant (whether it is active in the Structured Finance market, whether is has branches and whether it endorses ratings). The application fee’s charged by ESMA may range from EUR 2.000 to EUR 125.000.

According to §2.6 of the CP, existing CRAs based in the UK and registered with ESMA will not pay any application fee, the proposed fees will apply only to new players. Given that our association supports competition and therefore market entry of new players, we support the uniform fee as proposed by yourself.

**Q2: Do you have any comments on our proposals for calculating and charging periodic fees for credit rating agencies and trade repositories? Are there any significant aspects of the ESMA fees regime which we have overlooked or misinterpreted?**

According to §2.19, the basis for calculation of the periodic fees will be the revenues from rating activities and ancillary services during the calendar year- this approach is currently practiced by ESMA in the EU. But, your CP mentions that you usually use the annual financial information based



on the supervised entities own financial year. Given that the current ESMA approach creates additional burdens and costs to agencies using a financial year departing from the calendar year, we believe that you should not follow ESMA's approach and instead use the financial information as presented by the agencies. Additionally, we believe that agencies should not be automatically mandated to audit their financial statements only for the purpose of calculating supervisory fees payable to you.

We welcome that agencies having less than EUR 10m applicable turnover will not be subject to periodic fees. In order to avoid a material increase of supervisory fees for agencies crossing the threshold of EUR 10m, we recommend that revenues below the threshold should be excluded from the tariff base.

With reference to the section "Cost recovery" in §2.26 and 2.27, we appreciate the guidance provided in terms of estimated running costs and set-up cost. On the other hand, we believe that the transitional arrangements under the ESMA supervisory fees for 2011 could equally be used. Furthermore, we believe that the cost recovery principle should apply only to direct supervisory costs and should exclude eg project costs relating to IT infrastructure and CRA policy costs.

**Q3: Do you agree with our proposals for charging third country certified credit rating agencies and recognised trade repositories?**

With reference to your website section on credit rating agencies, we note that you are currently allowing only the pre-registration of ESMA certified agencies. Agencies based in countries where the legislation on rating agencies has been assessed equivalent to the European Union laws by the European Commission, may therefore request pre-registration with you.

But, at this stage, there is NO procedure foreseen for EU based rating agencies to get certified with you. We are highly concerned that, post Brexit, EU based agencies will lose their regulatory recognition in the UK and therefore access to the UK market. Given that the UK has transposed the EU legislation on rating agencies into UK laws without any material changes (except the change from ESMA to the FCA and similar items), we believe that the UK could easily and quickly adopt a decision on the equivalence of the EU with the UK in order to allow uninterrupted access to the UK market to EU based agencies.

Reference the periodic fees on certified CRAs, we agree with the structure proposed.

We remain at your disposal for any clarification or additional information. We thank you for the opportunity to provide this comment.

Sincerely yours

Thomas Missong  
EACRA President

Adolfo Estevez Beneyto  
EACRA Secretary General



## **About EACRA**

The European Association of Credit Rating Agencies ("EACRA"), registered in Paris, was established in November 2009. The Members of the Association currently originate from 8 countries and include the following companies:

### **ESMA registered Credit Rating Agencies**

**A.M. Best Europe - Rating services Limited** (AMBERS) is a subsidiary of A.M. Best Inc who have been providing ratings to the Insurance Sector since 1899. AMBERS' rating coverage includes regional, national and global insurers located throughout Europe, the Middle East and Africa.

**Assekurata Assekuranz Rating-Agentur** is the first independent German rating agency that has specialized on the quality evaluation of insurance companies

**Axesor**: The first Spanish Rating agency registered with ESMA. Specialized in the middle market segment, with ample coverage of the Spanish corporate market.

**Capital Intelligence** (CI) offers independent rating opinions on financial institutions, corporates and governments in a wide range of countries, especially the emerging markets of Asia, Europe and the Middle East.

**Cerved Rating Agency** is a European Rating Agency providing solicited and unsolicited credit ratings on non-financial companies. The Agency is also recognized by the European Central Bank as a Rating Tool authorized to assess the credit quality of eligible assets used in ECB monetary policy operations.

**Creditreform Rating**: based in Germany, a company of the Creditreform Group that is European market leader in the sector of business information was founded 2000 and is specialised in ratings of companies, bonds, funds and structured finance products across Europe.

**CRIF Ratings**: International Credit Rating Agency based in Italy providing both solicited and unsolicited Corporate ratings.

**Euler Hermes Rating** is a European rating agency located in Hamburg, Germany. We offer credit ratings and research about debt capital market instruments of corporates of all sorts of industries, project finance ratings and credit portfolios. Euler Hermes Rating is a member of Euler Hermes Group and a company of Allianz

**Nordic Credit Rating** assigns credit ratings to financial institutions and corporate entities based primarily in Denmark, Finland, Iceland, Norway and Sweden.

**Scope Ratings** is the leading European credit rating agency, offering clients opinion-driven, forward-looking and non-mechanistic credit risk analysis and contributes to a greater diversity of opinions for institutional investors. Scope Ratings is a credit rating agency registered in accordance with the EU rating regulation and operating in the European Union with External Credit Assessment Institution (ECAI) status. It provides ratings and analysis on Corporates, Financial Institutions, Covered Bonds, Public Finance, Structured Finance and Project Finance.

### **CRAs registered or recognized according to national legislation outside of the European Union**

**Fedafin AG** : is registered with the Swiss Financial Markets Authority and acts as rating provider to the Swiss stock exchange

**JCR Eurasia** is an international credit rating institution based in Turkey.

### **Other EACRA Members**

**Informa** is the Marketing, Financial and Business Information leading company in Spain, offering currently more than 3.7 million online scores on Spanish companies