

Credit Rating Agency UK Market Share Report for 2021

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Contents

| | | |
|----------|---|---|
| 1 | Executive Summary | 3 |
| 2 | Regulatory Requirements for Issuers | 4 |
| 3 | Aim of this Report in Promoting Competition | 5 |
| 4 | Method of Market Share Calculation | 6 |
| 5 | UK Market Share by CRA | 7 |
| 6 | Sector Type by CRA | 8 |
| 7 | FCA Approach to Competition | 9 |



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1 Executive Summary

The FCA is publishing its first Market Share Report (the Report) for UK registered credit rating agencies (CRAs). Post-Brexit and following the end of the transition period, we supervise UK CRAs in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies as amended by SI 2019/266 the Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 (referred to collectively as the 'CRA Regulation').

One of the aims of the CRA Regulation is to increase competition among the credit rating agencies by encouraging the use of smaller credit rating agencies through the application of Article 8d.¹

Article 8d(1) states that where issuers or related third parties intend to use two or more CRAs, they should consider appointing one CRA with no more than 10% of total market share. Where an issuer or related third party does not appoint at least one CRA with no more than 10% of total market share, this decision shall be documented. As required by Article 8d(2) of the CRA Regulation, to facilitate this evaluation by issuers, or related third parties, the FCA is required to publish annually the list of UK registered CRAs, their total market share and the rating sectors in which they are active.

This Report is the first of these annual FCA reports and uses revenue data from the end of December 2021 which represents our first year supervising the firms.

The Report covers the nine registered credit rating agencies in the UK. In summary, three CRAs represent 92% of the total market, with six firms below the 10% level, based on turnover figures reported by each CRA.

Given the intent of Article 8d to promote competition, the Report speaks to the FCA's competition objective and Approach to Competition.

1 Recital 11 of EU Regulation 462/2013.

2 Regulatory Requirements for Issuers

To encourage the use of smaller credit rating agencies, Article 8d(1) of the CRA Regulation places a requirement on issuers or related third parties intending to appoint at least two CRAs to consider appointing at least one CRA with no more than 10% of total market share. Where a smaller CRA is not appointed, the issuer is required to document this decision.

We expect issuers to be able to demonstrate evidence of these decisions. As part of our supervision of the CRA Regulation and Article 8d, we may reach out to issuers. Further, we will continue to engage with the market to understand the effectiveness of this article in promoting competition amongst CRAs.

3 Aim of this Report in Promoting Competition

To assist market participants in the ongoing identification of individual CRA market share, this Report will be published annually and include the list of registered credit rating agencies and their total market share. Further, we publish market shares of CRAs by sector, such as non-financial corporate, financial institutions, insurance, sovereign and public finance and structured finance.

We intend for issuers to use this Report as a starting point for their consideration when appointing two or more CRAs and meeting their obligation in Article 8d. Users of credit ratings can also have a role to play in promoting competition by considering the full list of credit rating agencies. UK firms using ratings for regulatory use in the UK, such as credit ratings in the calculation of their capital requirements, may use ratings from any CRA provided that the rating is issued or endorsed by a UK registered or certified CRA.²

² For the most up to date list of FCA registered and certified firms please refer to the [Financial Services Register](#).

4 Method of Market Share Calculation

As required by Article 8d(3) of the CRA Regulation, the Report calculates total market share as total annual turnover generated from credit rating activities and ancillary services, at the UK group level. The calculation is based on calendar year end 2021 turnover submitted by each CRA in their periodic fee notification to the FCA.

Credit rating activities are defined in the CRA Regulation as “an opinion regarding the creditworthiness of an entity, a debt or financial obligation, debt security, preferred share or other financial instrument, or of an issuer of such a debt or financial obligation, debt security, preferred share or other financial instrument, issued using an established and defined ranking system of rating categories.”³ Ancillary services are defined in the CRA Regulation as “...not part of credit rating activities; they comprise market forecasts, estimates of economic trends, pricing analysis and other general data analysis as well as related distribution services.”⁴

3 Article 3 (1)(o) in the CRA Regulation.

4 Annex I, section B, paragraph 4 in the CRA Regulation.

5 UK Market Share by CRA

Table 1 provides the list of nine UK-registered CRAs, in order of decreasing market share. We state their business model, regulatory status and market share percentage. For ease, we include a column indicating whether the CRA has no more than 10% of total market share.

Based on our analysis, we looked at concentration in the CRA market using the Herfindahl–Hirschman Index (HHI). The Herfindahl–Hirschman Index is a commonly accepted measure of market concentration. The HHI is calculated by squaring the market share of each firm competing in the market and then summing the resulting numbers. This method considers the relative size distribution of the firms in a market. Markets in which the HHI is between 1,500 and 2,500 are considered moderately concentrated while HHI in excess of 2,500 would be highly concentrated. The UK CRA market has a HHI score of 2,887 which shows that the market is highly concentrated.

Table 1: UK Market Share by CRA – Calendar Year end 2021

| CRA UK Entity Name | Business Model | Regulatory status | Percentage | 10% or less market share |
|--|----------------|-------------------------------|----------------|--------------------------|
| S&P Global Ratings UK Limited | Issuer-pay | Registered | 34.81% | |
| Moody's Investors Service Limited | Issuer-pay | Registered | 30.42% | |
| Fitch Ratings Ltd ⁵ | Issuer-pay | Registered | 27.03% | |
| DBRS Ratings Limited | Issuer-pay | Registered | 3.77% | Yes |
| A.M. Best Europe – Rating Services Limited | Issuer-pay | Registered | 1.47% | Yes |
| The Economist Intelligence Unit Limited ⁶ | Investor-pay | Registered | 1.38% | Yes |
| Kroll Bond Rating Agency UK Limited | Issuer-pay | Temporary Registration Regime | 0.59% | Yes |
| ARC Ratings (UK) Limited | Issuer-pay | Temporary Registration Regime | 0.29% | Yes |
| Scope Ratings UK Ltd | Issuer-pay | Temporary Registration Regime | 0.24% | Yes |
| Grand Total | | | 100.00% | |

Source: Calendar year end 2021 turnover reported by each CRA in their period fee notification.

5 Includes full year turnover from the Russian Branch subsidiary (Fitch CIS) which was de-registered on 30 June 2022.

6 Given EIU's investor pay business model, credit rating activity is defined as Country Risk Service (CRS) subscription turnover.

6 Sector Type by CRA

Table 2 indicates the sectors in which each CRA has UK-issued or UK-endorsed ratings. Rating sectors are classified as follows: non-financial corporate, financial institution, insurance, sovereign and public finance, and structured finance. This table is based on rating data reported by each CRA to the FCA supervisory database.

Table 2: Sector Type by CRA

| CRA UK Entity Name | 10% or less market share | Non-Financial Corporate | Financial Institution | Insurance | Sovereign and Public Finance | Structured Finance |
|--|--------------------------|-------------------------|-----------------------|-----------|------------------------------|--------------------|
| S&P Global Ratings UK Limited | | | | | | |
| Moody's Investors Service Limited | | | | | | |
| Fitch Ratings Ltd ⁷ | | | | | | |
| DBRS Ratings Limited | Yes | | | | | |
| A.M. Best Europe – Rating Services Limited | Yes | | | | | |
| The Economist Intelligence Unit Limited | Yes | | | | | |
| Kroll Bond Rating Agency UK Limited | Yes | | | | | |
| ARC Ratings (UK) Limited | Yes | | | | | |
| Scope Ratings UK Ltd | Yes | | | | | |

Source: Rating data reported by each CRA as of 31 December 2021, in order of decreasing market share.

⁷ Includes rating activity from the Russian Branch subsidiary (Fitch CIS) which was de-registered on 30 June 2022.

7 FCA Approach to Competition

As the aim of Article 8d is to promote competition in the CRA market, we take this opportunity to reference the FCA's competition objective.

The FCA is one of very few financial regulators in the world with a core objective to promote competition. To deliver our objectives, we have a range of tools, and independent powers including but not limited to: market studies, Competition Act 1998 (CA98) enforcement powers and market investigation references (MIR) to the Competition Markets Authority.

In January 2022, we announced that we will undertake a market study looking at competition in the sale of credit rating data. The study will look at issues such as pricing and contractual relationships, barriers to entry and the scope for and level of innovation. For more details, please see the [Wholesale Data page](#).

