

An aerial photograph of a city, likely London, featuring a prominent skyscraper with a unique, curved, and textured facade. The surrounding area includes various other buildings, roads, and green spaces. The image is used as a background for the document.

FitchRatings

Brexit Impact on Credit Ratings Agencies

Fitch Ratings FAQ

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How has Brexit impacted Fitch Ratings?

We are certain that we have done all we can to ensure the smooth and effective operation of our business going forward.

Our post-Brexit EU infrastructure is in place through our existing network of offices.

Under our Brexit plan, we created an operational hub in Frankfurt, which is our primary office in the EU. Our offices in Spain also play a greater role by acting as our operational hub in Southern Europe.

As a result of Brexit, a considerable proportion of our ratings portfolio of EU issuers need to be covered from the EU. This means the lead analyst must be located in the EU (unless an exception applies).

Likewise, UK issuers must be covered from the UK, or one of the branches of our UK CRAs (unless an exception applies).

The process of relocating coverage of the affected ratings, as well as ensuring we have the appropriate staff in the EU and the UK (or branches), as the case may be, to cover and support those ratings, was completed well ahead of the (original) 29 March 2019 Brexit deadline.

Germany and Spain are the primary countries where we expanded headcount in advance of Brexit.

Our EU-based headcount was increased by approximately 50 positions, through a combination of internal transfers (people or positions) and new hires. We have sought as much as possible to minimize the impact on our employees.

How is Fitch Ratings structured in the UK and the EU?

Fitch Ratings' UK-based Credit Rating Agencies (CRAs) are Fitch Ratings Ltd (FRL), which includes a branch in Dubai, and Fitch Ratings CIS Ltd (FRCIS) which includes a branch in Moscow.

In the EU, we have reorganised our European Securities and

Markets Authority (ESMA)-registered CRAs into one ESMA-registered entity, Fitch Ratings Ireland Limited (FRIL). FRIL includes our branches in France, Germany, Italy, Poland, Spain and Sweden.

FRIL is owned by FRL and Fitch Ratings Inc. (FRI).

After the end of the Brexit transition period, the Moscow and Dubai branches of our UK CRAs are considered to be UK entities for the purposes of UK CRA law.

After Brexit, who regulates credit rating agencies based in the UK and EU?

After the Brexit transition period expired on 31st December 2020, the Financial Conduct Authority (FCA) replaced ESMA as the CRA supervisor of both FRL and FRCIS, including any of their branches (wherever located).

FRIL, including any of its branches (wherever located) remains registered with, and supervised, by ESMA.

Has Fitch Ratings been registered by the FCA?

Yes, FRL and FRCIS submitted applications to convert their ESMA registrations to FCA registrations, in line with FCA requirements. This was part of the Registration Conversion regime the FCA established.

Is there any difference between the UK CRA Regulation and the EU CRA Regulation?

The current EU Credit Rating Agencies Regulation (Regulation (EC) No 1060/2009) (EU CRAR) was onshored into UK law on 31 December 2020, with the necessary modifications contained in the [Credit Rating Agencies \(Amendment etc.\) \(EU Exit\) Regulations 2019 \(UK CRAR\)](#).

This means that currently UK regulatory obligations are broadly the same as EU regulatory obligations.



Will these similar regulatory obligations continue or will the UK adopt a different approach towards the regulation of CRAs?

At this stage, it is not possible to determine the likelihood (or content) of any regulatory divergence occurring between the EU and the UK. This is a matter for the UK government to establish, and on which to provide direction to the FCA.

Will international scale credit ratings published by a Fitch credit rating agency based in the UK be eligible to be used for regulatory purposes by investors based in the EU?

Yes. After the transition period, the FCA assumed supervisory oversight of our UK-based CRAs in place of ESMA but public international scale credit ratings issued by our UK CRAs are still eligible for use for regulatory purposes in the EU through the principle of endorsement.

Endorsement is available with respect to public credit ratings issued by a CRA established in a non-EU country where the requirements for endorsement are met, including the conditions providing that: (i) ESMA has determined that the legal and supervisory framework for CRAs in the non-EU country achieves the same objectives in practice as the EU framework, (ii) ESMA has entered into a cooperation agreement with that country's CRA supervisor and (iii) the EU CRA has verified and is able to demonstrate to ESMA that the conduct of the credit rating activities by the non-EU CRA resulting in the issuing of the credit rating to be endorsed fulfils requirements (regardless of the local law/regulations) which are at least as stringent as the relevant requirements under the EU CRA Regulation. The EU endorsement regime allows credit ratings issued by a CRA in that third country, and endorsed by an EU CRA, to be considered as credit ratings issued by an EU CRA and to be used for regulatory purposes in the EU.

On 1 February 2019 the FCA and ESMA separately confirmed that they had entered into a cooperation agreement with respect to the supervision of CRAs. On 15 March 2019, ESMA and the FCA published separate statements confirming that they have deemed each other's regulatory regimes to meet the conditions for endorsement.

As a result, FRIL (as Fitch's ESMA-registered EU CRA) endorses UK (as well as other non-EU) public international scale credit ratings into the EU. Consequently, these credit ratings can continue to be used for regulatory purposes in the EU, thereby minimizing the impact of Brexit on the users of our public international scale credit ratings.

More specific points on endorsement are to be found in the appendix at the end of this FAQ document.

By contrast, will international scale credit ratings published by a Fitch credit rating agency based in the EU still be eligible to be used for regulatory purposes by investors based in the UK?

Yes. The UK CRAR is currently broadly identical to the EU CRAR and also incorporates the principle of endorsement.

As such, endorsement is available with respect to credit ratings issued by a non-UK CRA (including EU CRAs) provided that similar requirements as set forth in the EU CRAR are met (except for the requirement to enter into a cooperation agreement between the FCA and the third country's CRA supervisor). Like the EU endorsement regime, the UK endorsement regime allows public credit ratings issued by a CRA in that third country, and endorsed by a UK CRA, to be considered as credit ratings issued by a UK CRA and to be used for regulatory purposes in the UK.

As a result, FRL endorses non-UK (including EU) public international scale credit ratings into the UK. Consequently, these credit ratings can continue to be used for regulatory purposes in the UK.

Appendix

Further information on endorsement.

Both FRIL (endorsement into the EU) and FRL (endorsement into the UK) endorse international scale credit ratings published by the following entities:

- Fitch Ratings, Inc.
- Fitch Australia Pty Ltd. (including its branches in Taiwan and Korea)
- Fitch Ratings Brasil Ltda.
- Fitch (Hong Kong) Ltd.
- Fitch Ratings Japan Ltd.
- Fitch Mexico S.A. de C.V.
- Fitch Singapore Pte. Ltd.

FRIL (endorsement into the EU) endorses the international scale credit ratings published by:

- Fitch Ratings Ltd
- Fitch Ratings CIS Ltd

FRL (endorsement into the UK) endorses the international scale credit ratings published by:

- Fitch Ratings Ireland Limited