

EXECUTIVE SUMMARY

Objective: To define “ancillary business” and to set out the EU CRA Regulation and UK CRA Regulation disclosure requirements with respect to “ancillary services”.

Application: Global Fitch Ratings analytical staff and global BRM staff; the provision with respect to EU and UK disclosure requirements applies to analytical staff and BRM staff based in any EU CRA, EU Endorsed CRA, UK CRA or UK Endorsed CRA.

Effective Date: December 14, 2020¹

1. OVERVIEW

This Policy sets forth Fitch Ratings’ definition of “ancillary business”, as well as disclosure requirements applicable to each EU CRA, EU Endorsed CRA, UK CRA and UK Endorsed CRA with respect to “ancillary services” as defined in the EU CRA Regulation and UK CRA Regulation.

2. DEFINITIONS

“BRM” means the Fitch Ratings Business & Relationship Management team.

“EU CRA” means Fitch Ratings Ireland Limited (including any its branches (wherever located)).

“EU CRA Regulation” means Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (as amended from time to time).

“EU Endorsed CRA” means any of Fitch Ratings, Inc., Fitch Ratings Ltd., Fitch Ratings CIS Ltd., Fitch Australia Pty Ltd., Fitch Ratings Brasil Ltda., Fitch (Hong Kong) Ltd., Fitch Ratings Japan Ltd., Fitch Mexico S.A. de C.V. or Fitch Singapore Pte. Ltd. (including any of their branches (wherever located)).

“EU Endorsed CRA Analyst” means an analyst based in an EU Endorsed CRA.

“EU Endorsed Rating” means an international scale Public Rating where the relevant primary analyst is an EU Endorsed CRA Analyst.

“Fitch Group” means Fitch Group, Inc. and its subsidiaries and affiliates.

“Fitch Ratings” means, collectively, Fitch Ratings, Inc. and each of its credit rating affiliates that issues ratings under the trade name “Fitch Ratings”.

“Public Rating” means a “credit rating” as described in Fitch Ratings’ Rating Definitions, available on its website, www.fitchratings.com which is published, or is intended to be published, by Fitch Ratings on its public website.

“RAC” means a rating action commentary.

“Rated Entity” means (i) the issuer or obligor with respect to any security that has received a Public Rating from Fitch Ratings or (ii) an entity to which Fitch Ratings has assigned a Public Rating.

“Related Third Party” means the originator, arranger, sponsor, servicer or any other party that interacts with Fitch Ratings on behalf of a Rated Entity, including any person directly or indirectly linked to that Rated Entity by control.

“UK CRA” means each of Fitch Ratings Ltd. and Fitch Ratings CIS Ltd. (including any of their branches (wherever located)).

¹ The UK CRA Regulation requirements contained in this Bulletin do not take effect until the completion of the implementation period, scheduled for 31 December 2020. Prior to the completion of the implementation period, entities defined as UK CRAs must be treated as EU CRAs and not UK CRAs or EU Endorsed CRAs.

“UK CRA Regulation” means Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 (as amended from time to time).

“UK Endorsed CRA” means any of Fitch Ratings, Inc., Fitch Ratings Ireland Limited, Fitch Australia Pty Ltd., Fitch Ratings Brasil Ltda., Fitch (Hong Kong) Ltd., Fitch Ratings Japan Ltd., Fitch Mexico S.A. de C.V. or Fitch Singapore Pte. Ltd. (including any of their branches (wherever located)).

“UK Endorsed CRA Analyst” means an analyst based in a UK Endorsed CRA.

“UK Endorsed Rating” means an international scale Public Rating where the relevant primary analyst is a UK Endorsed CRA Analyst.

3. ANCILLARY BUSINESS AND ANCILLARY SERVICES

3.1. Definition of Ancillary Business

The term “ancillary business” with respect to Fitch Ratings means any business other than the provision of independent analysis and rating and other opinions regarding a variety of risks in the financial markets. Over time, Fitch Ratings has developed, and will continue to develop, new rating scales, surveillance products, research products and other analytical services; however, these new scales, products and services will always reflect Fitch Ratings’ independent risk analysis. Fitch Ratings’ rating and other opinions — for example, credit ratings, rating assessments, credit opinions, scores and other relative measures of financial or operational strength — do not comment on the suitability of any particular type of investment or the appropriate level of risk for any user of these opinions. In preparing its opinions, Fitch Ratings is indifferent to the rating or assessment levels achieved and neither suggests nor cautions against individual “target” levels of rating or assessment. Consequently, Fitch Ratings does not provide advisory or consulting services to any entity; advisory or consulting services would constitute ancillary businesses.

3.2. Examples of Fitch Ratings’ Core Business

Examples of Fitch Ratings’ “core” business include, but are not limited to, the following:

- assignment and monitoring of public and private ratings;
- issuance of opinions other than in the form of a rating — for example, credit assessments, credit opinions and scores;
- issuance of preliminary ratings, expected ratings and indicative or initial ratings;
- issuance of rating assessments which provide corporate entities the opportunity to receive an indication of what impact a certain set of events would have upon their ratings or credit assessments (e.g., an acquisition or recapitalization);
- confirmation of existing ratings, based on a proposed action or inaction;
- in the context of structured finance transactions, provision of feedback to the transaction parties with respect to rating levels based on information provided by the transaction parties and their advisors;
- model development;
- dissemination of RACs, rating reports, research reports and other publications, including, inter alia, methodologies, models, newsletters, commentaries and industry studies;
- regular verbal and written dialogue with all market participants, including, inter alia, investors, intermediaries, regulators and the media; and
- organizing and participating in conferences, speaking engagements and educational seminars.

3.3. EU CRA Regulation Requirements and UK CRA Regulation Requirements Regarding Ancillary Services

Any ancillary business, as defined in Section 3.1, conducted within the Fitch Group is provided by separate companies outside Fitch Ratings or by separate divisions, all of which are subject to Fitch Group's *Firewall Policy – Segregation of Credit Rating Activities* and therefore do not present any conflicts of interest for Fitch Ratings.

- If a separate division of an EU CRA or of an EU Endorsed CRA provides any services to a Rated Entity, or to any Related Third Party of such Rated Entity, that are within the definition of “ancillary services” as determined pursuant to the EU CRA Regulation, then that EU CRA or EU Endorsed CRA, as the case may be, will disclose such “ancillary services” in the relevant RAC for such Rated Entity.
- If a separate division of a UK CRA or of an UK Endorsed CRA provides any services to a Rated Entity, or to any Related Third Party of such Rated Entity, that are within the definition of “ancillary services” as determined pursuant to the UK CRA Regulation, then that UK CRA or UK Endorsed CRA, as the case may be, will disclose such “ancillary services” in the relevant RAC for such Rated Entity.

The relevant BRM staff of the EU CRA, EU Endorsed CRA, UK CRA or UK Endorsed CRA, where the primary analyst is based, will be responsible for ensuring such disclosures are made by providing the necessary disclosure language to the relevant analytical staff for inclusion in the relevant RAC.

4. QUESTIONS

For questions or issues concerning this Policy, please contact Regulatory Affairs, Policies and Procedures at RAPPRRegAffairs@fitchratings.com.

Owner:	Susan Launi, Regulatory Affairs, Policies and Procedures
Summary of Changes:	Appendix A
Supplements:	Fitch Group Bulletin 8: <i>Firewall Policy – Segregation of Credit Rating Activities</i>

Appendix A

Summary of Changes

The following definition changes have been made:

- Replaced Credit Rating with Public Rating.
- Replaced Endorsed CRA with EU Endorsed CRA and UK Endorsed CRA.
- Replaced Endorsed Rating with EU Endorsed Rating and UK Endorsed Rating.
- Replaced EU Fitch CRA with EU CRA and UK CRA.
- Added EU Endorsed CRA Analyst, UK Endorsed CRA Analyst and UK CRA Regulation.
- Definition of Related Third Party has been amended to align with the EU CRA Regulation and UK CRA Regulation definitions.

Section 3.3 has been expanded in order to include the disclosure requirements applicable a separate division of a UK CRA or a UK Endorsed CRA that has provided ancillary services to a Rated Entity.

The above changes have been made in light of the completion of the implementation period regarding the exit of the UK from the EU (scheduled for 31 December 2020) and to incorporate standardised definitions.