EXECUTIVE SUMMARY

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

Application: Global Fitch Ratings analytical staff and global BRM staff; the provision with respect to EU disclosure requirements applies to analytical staff and BRM staff in any EU Fitch CRA

Effective Date: December 31, 2018

Version: 3


1. OVERVIEW

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

2. DEFINITIONS

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

“Credit Rating” means a published “Rating”, as defined in Bulletin 7: Credit Products – Defined; Ratings, Assessments, Opinions and Scores, that assesses the creditworthiness of an issuer or an issuance.

“Endorsed CRA” means any of Fitch Ratings, Inc., 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. (or any branch of one of these entities, wherever located).

“Endorsed Rating” means an international scale public Credit Rating where the relevant primary analyst is employed by an Endorsed CRA.


“EU Fitch CRA” means each of Fitch Ratings Ltd and its CRA subsidiaries located and registered in the EU (including any of their branches (wherever located)).

“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”.

“RAC” means a rating action commentary.

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

“Related Third Party” means (i) with respect to an entity, any other entity (x) who holds, directly or indirectly, a 20% or more equity interest in the first entity (y) in which 20% or more of the Equity Interest is held directly or indirectly by the first entity1 or (z) who is otherwise, directly or indirectly linked to it by control; and (ii) with respect to any security that is part of a structured finance transaction, a sponsor, servicer, originator or arranger with

1 Related Third Parties of Related Third Parties are not included. For example, where Company A is the Rated Entity and it owns a 20% Equity Interest in Company B, Company B is a Related Third Party of Company A, but if Company C also owns a 20% or more Equity Interest in Company B, Company C is not a Related Third Party of Company A unless there is some other link of control between Company A and Company C.

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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 Regarding Ancillary Services; Endorsed CRAs

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 Fitch CRA or of an Endorsed CRA provides any services to a Rated Entity to whom a Credit Rating, or Endorsed Rating, as the case may be, has been provided, or to any Related Third Party of such Rated Entity, that are within the definition of “ancillary services” as provided in Section 3.1, the Fitch Group will ensure that any such services are provided by separate companies or separate divisions of the Fitch Group that are subject to the Firewall Policy and therefore do not present any conflicts of interest for Fitch Ratings.

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determined pursuant to the EU CRA Regulation, then that EU Fitch CRA or 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 that EU Fitch CRA or Endorsed CRA, as the case may be, 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 RAPP@fitchratings.com.

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

Summary of Changes

We have added language to require that the disclosure re ancillary services will also apply to endorsed ratings and have conformed the definition of “related third party” to that now in B 10.