16 April 2026
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Reply form

for the Call for Evidence on restricted subscription and private credit ratings

Responding to this paper

ESMA invites comments on all matters in this call for evidence and in particular on the specific questions. Comments are most helpful if they:

- indicate the specific question to which the comment relates;
- contain a clear rationale; and
- respond to the question stated;

ESMA will consider all comments received by **31 May 2026.**

Instructions

In order to facilitate analysis of responses to the Call for Evidence, respondents are requested to follow the below steps when preparing and submitting their response:

1. Insert your responses to the questions in the Call for Evidence in the present response form.
2. Use this form and send your responses in Word format (**pdf documents will not be considered except for annexes**);
3. Please do not remove tags of the type <ESMA_QUESTION _RSR_1>. Your response to each question has to be framed by the two tags corresponding to the question.
4. If you do not wish to respond to a given question, please do not delete it but simply leave the text “TYPE YOUR TEXT HERE” between the tags.
5. When you have drafted your response, name your response form according to the following convention: ESMA_RSR_nameofrespondent_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESMA_RSR_ABCD_RESPONSEFORM.
6. Upload the form containing your responses, **in Word format**, to ESMA’s website (www.esma.europa.eu under the heading “Your input – Open Consultations” -> Call for evidence on restricted subscription and private ratings”).

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESMA’s rules on access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESMA’s Board of Appeal and the European Ombudsman.

Data protection

Information on data protection can be found at www.esma.europa.eu under the heading Legal Notice.

Who should read this paper?

This paper is addressed to all financial market participants and in particular credit rating agencies, issuers, investors and competent authorities involved in the issuance and use of credit ratings for regulatory purposes.

General information about respondent

Name of the company / organisation	
Activity	
Are you representing an association?	☐
Country/Region	Choose an item.

Questions on restricted subscription credit ratings

Q.1 What are the main purposes and market needs that restricted subscription credit ratings are intended to serve? In what circumstances are they preferred over publicly disseminated credit ratings or other credit assessments? Please provide concrete examples where possible.

<ESMA_QUESTION_RSR_1>

Fitch Ratings (“Fitch”) does not currently offer restricted subscription credit ratings. We are aware of significant market demand for such ratings, and we would like to make them available. Following a close review of the relevant legislation, we consider restricted subscription credit ratings to already be within the scope of the Credit Rating Agency Regulation (“CRAR”). If ESMA were to agree with this position, we believe the net impact would be to strengthen the regulatory environment, as such recognition would bring these credit ratings under ESMA’s oversight without reducing the availability of public credit ratings.

Given the current uncertainty over the regulatory status of restricted subscription credit ratings, Fitch agrees with ESMA that its response to this Call For Evidence should result in a clear outcome as to the application of CRAR in order to ensure a level playing field for all Credit Rating Agencies (“CRAs”) and clarity for market participants (see in particular our responses to questions 8 and 15 below).

Demand for restricted subscription credit ratings has increased alongside the growth of private credit markets. Private credit generally consists of privately negotiated financing arrangements between a borrower and a limited number of sophisticated institutional counterparties, which may include banks, insurers, asset managers, pension funds, specialist credit or sovereign wealth funds or other institutional entities acting as lenders, investors, or hedging counterparties. Unlike transactions in the public credit markets, these transactions do not typically involve standardised, more broadly offered, freely traded securities. Rather, they are generally privately negotiated, limited in distribution and trading, and entered into among sophisticated counterparties capable of evaluating and managing the relevant risks.

The principal use case for restricted subscription credit ratings arises where private credit market participants require an external credit rating in relation to a transaction or entity that is not public and where they would like that non-public credit rating to be usable for regulatory purposes (including regulatory reporting and capital calculations) within the meaning of CRAR. In these circumstances, Fitch understands neither a private credit rating nor a publicly-disseminated credit rating would be suitable. As recently clarified by the European Banking Authority for banks, and by the European Insurance and Occupational Pensions Authority for insurers in 2023, a private credit rating would not be usable for regulatory capital calculation purposes. However, a publicly disseminated credit rating would be fundamentally misaligned with the needs of private credit market participants.

Analysis of private credit transactions often relies on highly sensitive confidential information. This may include, for example, detailed information on a private entity's assets or holdings, intellectual property, confidential corporate information, trading or investment strategies, financing terms, or other proprietary information. In most cases, Fitch understands there is therefore no appetite among participants for a publicly disseminated credit rating due to the confidentiality of both the financing and the underlying information supporting the analysis.

One example, and potentially the main source of demand for restricted subscription credit ratings, is financing from EU banks and insurers to private capital funds. Such facilities enable these funds to manage liquidity and investor capital calls more efficiently, which in turn supports investment into the EU economy and smoother functioning of private markets overall. This matters because, as recognised in the Draghi report on EU competitiveness, private markets and institutional investors such as insurers are an important source of financing for businesses across the EU that rely on varying tenors of capital to invest, expand and create jobs.

Private markets and non-banks entities are an increasingly important source of financing for the EU economy, particularly at a time when Europe faces substantial investment needs in infrastructure, the energy transition and corporate funding. Public data from the European Supervisory Authorities show that EU private equity funds held approximately EUR 800 billion in assets under management as of March 2025, while EU private credit funds held around EUR 100 billion, underscoring the scale these vehicles have reached within the EU financial system.[1] This expansion is also reflected in fundraising trends: Europe-focused private credit funds raised USD59 billion in the first nine months of 2025 (2024: USD45 billion), according to Preqin, while Europe accounted for 46% of global private credit fundraising in the first three quarters of 2025, compared with 23% in 2024.[2] The European Central Bank has also noted that private markets can help channel savings into the investments needed to modernise Europe's economy.[3] Taken together, these developments suggest that private non-bank financing represents a material and growing complement to public market financing in supporting investment and growth in the EU economy.

Using restricted subscription credit ratings for regulatory purposes would not create a capital or regulatory advantage over publicly disseminated credit ratings, but it would put them on a level footing. As explained in our response to later questions, if Fitch were to issue restricted subscription credit ratings, they would be just as robust as publicly disseminated credit ratings. This approach would therefore support consistency and comparability by ensuring that issuers/securities with the same fundamental risk, assessed via the same methodology and to the same standard would result in the same capital outcome for regulated entities with the credit exposure.

This approach would also be consistent with CRAR, which is clear that subscription credit ratings are within scope. While CRAR recognises that subscription credit ratings are distributed exclusively to subscribers, it does not place any limitations on who would or would not be able to subscribe (see also our response to question 8 below).

As explained above, we expect restricted subscription credit ratings to be requested by participants in private transactions. Currently, the majority of these transactions are either unrated or have private credit ratings. Participants are generally unwilling to seek public credit ratings because of the need for confidentiality, both with respect to the information upon which the rating analysis and accompanying rationale is based and with respect to the structures of the transactions themselves. In addition, given the lack of overlap between public transactions and private transactions, there is no indication to Fitch that entities or transactions that are currently publicly rated would seek to move to a restricted subscription credit rating.

In Fitch's opinion, wider availability of restricted subscription credit ratings would therefore have no detrimental impact on overall market transparency, as there is no indication of potential migration away from public credit ratings. However, Fitch would expect wider availability of restricted subscription credit ratings to increase the number of credit ratings within scope of CRAR, as many financings that are currently privately rated, or that would otherwise be privately rated, would instead opt for a restricted subscription credit rating. This would increase ESMA's oversight of a market that is growing, with interconnections to regulated financial entities.

References

1. European Supervisory Authorities, *Joint Committee Update on Risks and Vulnerabilities*, Spring 2026, p. 18, available at: https://www.esma.europa.eu/sites/default/files/2026-03/JC_2026_06_-_JC_Update_on_Risks_and_Vulnerabilities_Spring_2026.pdf.
2. Allianz Global Investors, "Private credit investors are turning to Europe," 2026, available at: https://www.allianzgi.com/en/insights/private-credit-investors-are-turning-to-Europe.
3. Bloomberg, "Private Markets Could Support Europe's Financing Push, ECB Says," 7 May 2026, reporting public remarks by the European Central Bank, available at: https://www.bloomberg.com/news/articles/2026-05-07/private-markets-could-support-europe-s-financing-push-ecb-says.

<ESMA_QUESTION_RSR_1>

Q.2 How are subscribers defined in practice, including with respect to criteria for access, the assessment of "economic interests" and restrictions on onward disclosure?

<ESMA_QUESTION_RSR_2>

Fitch does not currently offer restricted subscription credit ratings so we do not have a definition of subscribers or how we would determine whether a subscriber has an "economic interest". However, we would expect parties with an "economic interest" to include:

- The borrower, or issuer of capital, and the lenders or investors in a transaction;
- Prospective lenders or investors;
- Actual and prospective hedging counterparties; and
- Agents, arrangers, administrators, trustees or other representatives acting on behalf of such parties who have a need to know the credit rating in order to perform their duties for one or more such parties.

Given the private nature of these transactions and the fact that they are typically based on highly sensitive confidential information, Fitch would expect to require representations and warranties from all subscribers and potential subscribers that they have an economic interest in the transaction and to refresh those representations and warranties regularly. Fitch would also ensure that it retained the ability to disclose such credit ratings for legal and/or regulatory purposes, including to fulfil reporting requirements to ESMA.

This Call for Evidence appears to suggest that onward disclosure of restricted subscription credit ratings would present similar risks to onward disclosure of private credit ratings. We do not believe this is the case.

ESMA's *Guidelines on the Scope of the CRA Regulation* introduced an expectation that CRAs should track the onward disclosure of private credit ratings and ensure such disclosure is limited to 150 natural or legal persons. These Guidelines are intended to ensure that a private credit rating is not distributed widely enough to be considered public, and therefore to fall within the scope of CRAR.

Fitch considers restricted subscription credit ratings to be within scope of CRAR. If ESMA were to agree with that conclusion, then further guidelines or rules on onward disclosure would be unnecessary. Instead, the question of how restricted subscription credit ratings are distributed, and what contractual or technical controls are in place to prevent onward distribution by subscribers, should be considered a commercial issue between the CRA and participants in the relevant transaction. We believe this point stands for both restricted subscription and other subscription models. We note that CRAR does not indicate that subscribers sharing a credit rating with non-subscribers would create any breach of CRAR (although parties to the transaction may decide among themselves to implement non-disclosure agreements or other restrictions).

ESMA may have concerns about entities using restricted subscription credit ratings that they have received via onward distribution, rather than as subscribers, due to the fact that credit ratings received in this way would not include the same level of information as that available to subscribers. If that is a concern, Fitch suggests a better solution would be for ESMA to clarify that where a credit rating is distributed by subscription, only subscribers to that credit rating may use it for regulatory purposes under Article 4 of CRAR.

<ESMA_QUESTION_RSR_2>

Q.3 What information is provided to subscribers alongside the credit rating (e.g., rationale, key assumptions, sensitivity analysis)? How does this information compare with that accompanying publicly disseminated credit ratings, and how are any differences addressed?

<ESMA_QUESTION_RSR_3>

Fitch does not currently offer restricted subscription credit ratings and we are not familiar with the content of restricted subscription credit ratings offered by other CRAs. However, if ESMA identifies any difference between the information currently provided to subscribers by other CRAs and that provided with publicly disseminated credit ratings, it should not be seen as a fundamental limitation or weakness of restricted subscription credit ratings.

Fitch would expect to include similar types and amount of information in the context of restricted subscription credit ratings and publicly disseminated credit ratings. Fitch would apply the same analytical standards (including requirements as to the minimum information we need to receive in order to produce a credit rating and the application of the same rating methodology), as we do for a public credit rating. Therefore, the information disclosures would also be substantially the same and would include the rationale, key assumptions and sensitivity analysis.

It is possible that some elements of disclosure provided with a public credit rating could be considered unnecessary for restricted subscription credit ratings due to the fact that subscribers would all have an economic interest in the transaction and would therefore already have knowledge of this information. However, in any event, Fitch would ensure that its disclosures to subscribers were compliant with CRAR. Clear acknowledgement by ESMA that restricted subscription credit ratings are within the scope of CRAR would also mean ESMA could ensure consistency of information disclosures by CRAs.

<ESMA_QUESTION_RSR_3>

Q.4 What arrangements apply in practice to ensure that restricted subscription credit ratings are produced in line with the requirements of the CRA Regulation, including those relating to governance, independence, conflicts of interest, internal controls, and application methodologies? How do these arrangements compare with those applicable to publicly disseminated credit ratings?

<ESMA_QUESTION_RSR_4>

Fitch does not currently offer restricted subscription credit ratings, so we do not have specific arrangements in place for them. If Fitch were to provide restricted subscription credit ratings, our expectation would be to apply the same standards in relation to governance, independence, conflicts of interest and the analytical process, and the related implementing measures, as we do for publicly disseminated credit ratings. Indeed, most of our policies and procedures applicable to the rating process (along with the related internal controls) apply irrespective of the type of credit rating being provided.

For example, the core elements of the analytical process in Fitch's Rating Process Manual are identical for all international scale credit ratings, irrespective of how they are distributed and whether or not they are within the scope of CRAR.

Similarly, Fitch's Code of Conduct & Ethics and Global Securities Trading and Conflicts of Interest Policy apply irrespective of the type of credit rating being provided – as do our restrictions on assigning credit ratings to affiliated entities, our prohibition on analysts being involved in fee negotiations, our restrictions on how business relationship management staff may communicate with analysts, our recordkeeping requirements, our error resolution procedure and other policies and procedures related to compliance with CRAR.

In those cases where a relevant policy or requirement only applies to publicly disseminated credit ratings, we would ensure the policy was updated to also apply to restricted subscription credit ratings, as required.

<ESMA_QUESTION_RSR_4>

Q.5 What risks or unintended consequences may arise from the production, distribution and use of restricted subscription credit ratings (e.g., information asymmetry, cherry-picking, market signalling, procyclicality)?

<ESMA_QUESTION_RSR_5>

We do not believe any of the examples listed would present significant risks and we are not aware of any other risks that would be unique or particularly heightened for restricted subscription credit ratings compared to publicly disseminated credit ratings or traditional subscription models.

In particular, information asymmetry between subscribers and non-subscribers is an essential component of all subscription credit ratings – indeed, CRAR does not specify requirements as to who must or may subscribe, nor are market participants forced to subscribe. For example, under the traditional subscription model, subscribers can choose which categories of credit ratings they wish to pay for and receive. Allowing anyone with an economic interest in a transaction to subscribe to a restricted subscription credit rating means that it is simply a commercial decision for the potential subscriber as to whether access to the information is worth the cost, in exactly the same way as for other subscription models.

Indeed, compared to an unrated transaction, restricted subscription credit ratings provided for a transaction would reduce information asymmetry among parties who have an economic interest in that transaction, by providing an independent external credit view where otherwise only bilateral or internal assessments might exist. Meanwhile, parties with no economic interest would have no need for the credit rating.

If cherry-picking is a reference to the risk of ratings shopping, we do not believe there is any particular reason why there would be a greater risk of ratings shopping for restricted subscription credit ratings than for other types of credit ratings. Such risks, where they exist, would be addressed by each CRA (to the extent CRAs can address such behaviour), through maintaining the same criteria, governance, analytical independence, consistent adherence to rating methodologies and internal control frameworks that apply to other types of credit ratings. Acknowledgment that restricted subscription credit ratings are within scope of CRAR, and therefore subject to oversight by ESMA, would be the best way to address ESMA's concerns in this regard by ensuring ESMA has oversight of these credit ratings.

If ESMA's reference to market signalling suggests a concern that information about general credit trends in markets could be lost due to the introduction of restricted subscription credit ratings, then we would again point out that we do not expect a migration of publicly disseminated credit ratings to restricted subscription credit ratings. Therefore, we would expect no negative impact on the volume of publicly available data.

Indeed, there could be an increase in information available to the broader market as we would expect data on restricted subscription credit ratings to be included in CRAs' transition and default studies alongside publicly disseminated credit ratings.

If the concern relates to market signalling around the specific transaction being rated then we do not see any risk, as entities with an economic interest will be able to subscribe if they wish and the broader market would have no need for these credit ratings.

We do not believe that the availability of restricted subscription credit ratings would have a procyclical impact. The use of restricted subscription credit ratings would not lead to any relative benefit from a regulatory capital perspective for investors compared to the use of publicly disseminated credit ratings, and thus the results should receive the same regulatory capital treatment. To the extent that there is an impact on regulatory capital calculations for regulated entities with credit exposures, we would therefore see this as creating a level playing field, rather than introducing procyclical drivers. Similarly, our analytical approach for restricted subscription credit ratings would be to rate through-the-cycle in the same way we do for all other credit ratings. This limits volatility in credit ratings and means changes are driven by any fundamental impact on through-the-cycle creditworthiness, rather than short-term market or economic volatility.

<ESMA_QUESTION_RSR_5>

Q.6 What mitigants are currently applied to address such risks and how effective are they? To what extent are these risks addressed by the existing requirements of the CRA Regulation?

<ESMA_QUESTION_RSR_6>

As noted above, Fitch does not believe that these risks are significantly different from those associated with publicly disseminated credit ratings, and we therefore believe that they would be adequately addressed by the existing requirements of the CRAR.

<ESMA_QUESTION_RSR_6>

Q.7 To what extent do issuers seek restricted subscription credit ratings from more than one credit rating agency for the same exposure? Please describe how common this practice is and the reasons for seeking, or not seeking, multiple restricted subscription credit ratings.

<ESMA_QUESTION_RSR_7>

Fitch does not currently offer restricted subscription credit ratings. However within private markets (in contrast to public markets), in Fitch's experience, it is relatively uncommon for participants to seek more than one credit rating for the same exposure.

In some cases, however, an issuer or arranger may seek multiple credit ratings in order to enhance the marketability of the exposure to a broader set of potential institutional investors or lenders, some of whom may have internal preferences, mandates or eligibility criteria tied to particular CRAs.

As the question indicates, in some cases the issuer would be the entity formally seeking a restricted subscription credit rating, but we expect that in other cases the initial request for such a credit rating would come from one or more investors, lenders or hedging providers to a transaction. Similarly, payment for such a credit rating could come from different sources. For example, an issuer might elect to pay for the subscription for itself and for all investors and other parties with an economic interest in the transaction, or these various parties could pay individually for a subscription.

We do not believe there would be any difference between these potential approaches from a governance standpoint, as Fitch's controls to manage conflicts of interest would apply in all circumstances and make the distinction irrelevant. The choice is therefore likely to come down to whatever is most practical for the participants. Ultimately, in the type of individually negotiated transactions for which restricted subscription credit ratings would be suitable, the cost of a credit rating is often effectively borne by the transaction as a whole. So if one entity were to pay a single subscription fee for all participants that would simply be part of the broader negotiation around the commercial terms of the transaction.

<ESMA_QUESTION_RSR_7>

Q.8 Are there any additional considerations or evidence related to restricted subscription credit ratings that stakeholders consider relevant for the purposes of this Call for Evidence, but which have not been addressed in the questions above?

<ESMA_QUESTION_RSR_8>

Fitch notes that this Call for Evidence repeatedly suggests that a subscription model that allows anyone to subscribe should be considered "public" and states in the Executive Summary that a restricted subscription model is one that is "**intended for distribution on a selective basis** to a limited number of subscribers with an economic interest in the rated entity, instrument or exposure, **rather than being disseminated publicly.**" (our emphasis).

Paragraph 2 then goes on to state that credit ratings intended for regulatory use "should be publicly available or distributed via subscription **on a non-selective basis**," citing Articles 4 and 10 of CRAR, implying that restricted subscription credit ratings are outside the scope of CRAR.

However, Article 4 states that a CRA is deemed to have issued a credit rating when the credit rating "has been published on the credit rating agency's website or by other means or distributed by subscription and presented and disclosed in accordance with the obligations of Article 10." Article 10 goes on to state that a CRA "shall disclose any credit rating or rating outlook, as well as any decision to discontinue a credit rating, on a non-selective basis and in a timely manner."

We believe it is clear from a combined reading of these Articles that there is no requirement to distribute/offer credit ratings on a non-selective basis (i.e., there is no requirement that could be interpreted to mean that anyone who wants to subscribe to a credit rating must be able to), only a requirement to disclose them non-selectively. We believe the only reasonable way to interpret the requirement in Article 10 is that credit ratings must be made available to everyone **who has the right to see them** on a non-selective basis (including any updates), and that restricted subscription credit ratings are therefore already within the scope of CRAR.

We believe this interpretation is the one most closely aligned with CRAR and its objectives. Clearly, the language in Article 10 cannot mean that a credit rating provided to subscribers must be disclosed to non-subscribers. Similarly, it would not be compatible with CRAs' wider responsibilities if it were interpreted to mean that a CRA may not be selective in determining whom it allows to subscribe. Even for a non-restricted subscription model, a CRA might choose to refuse subscriptions to certain persons or entities, such as non-professional investors, entities in jurisdictions where the CRA does not want to operate, or entities or persons who are subject to sanctions.

Moreover, we do not agree with the suggestion that subscription credit ratings that are made available to anyone who wants to subscribe to them can broadly be considered to be public, nor the implication that they therefore do not result in information asymmetries. Subscription credit ratings are specifically intended to create information asymmetries between those who have access to them (because they choose and are eligible to subscribe) and those that do not. No matter whether the credit rating is received by 10 subscribers or 10,000, there will always be a significant part of the market that is not aware of a subscription credit rating. Allowing anyone with an economic interest to subscribe to a restricted subscription credit rating, however, means that the information is available to anyone who has a direct reason to have and need for it, and allows the principle of confidentiality, a cornerstone of IOSCO's Code of Conduct Fundamentals for CRAs, and of CRAR, to be respected.

Finally, as ESMA acknowledges in Question 7, in some circumstances it will be issuers that formally seek a restricted subscription credit rating, while in other cases, such a credit rating will be sought by investors. The source of fees will also vary and could come from either or both.

If ESMA concludes that restricted subscription credit ratings are within scope of the CRAR, we suggest that it also clarify that such credit ratings will not be published on the European Rating Platform. The intent of the ERP is to provide a central resource for publicly disseminated credit ratings, but it is obviously not intended to cover subscription credit ratings, as free public dissemination would destroy the subscription credit rating business model.

However, the language in Article 11(a) of CRAR and in Commission Delegated Regulation (EU) 2015/2 is potentially unclear as to what is reportable to the ERP and what it will publish. The former states that reporting is not required for "credit ratings or rating outlooks which are exclusively produced for and disclosed to investors for a fee", while in Article 8 the latter refers to credit ratings that are "exclusively disclosed to investors for a fee" as not being reportable for the purposes of publication on the ERP.

We see this language as being an inexact attempt to distinguish between subscription credit ratings and publicly disseminated credit ratings, which are the two options available under CRAR. This is supported by the fact that paragraph 3 of Article 8 of Regulation 2015/2 assumes that any credit rating that is reportable for purposes of publication to the ERP will have a press release, which would only be the case if all publicly disseminated credit ratings were reportable and all subscription credit ratings were not. We therefore suggest that ESMA explicitly acknowledge that no subscription credit ratings, regardless of who requests such credit ratings and/or who pays for such credit ratings, are reportable for the purpose of publication on the ERP (or in due course, the European Single Access Point (ESAP)).

<ESMA_QUESTION_RSR_8>

Questions on private credit ratings

Q.9 What are the main purposes and market needs that private credit ratings are intended to serve? In what circumstances are they used instead of, or alongside, publicly disseminated ratings or other forms of credit assessment? Please provide concrete examples where possible.

<ESMA_QUESTION_PR_9>

As described above, the growth and increasing institutionalisation of Europe's private credit market has contributed to higher demand for private credit ratings. Europe-focused private credit fundraising reached a record level in 2025, with Europe also accounting for a materially larger share of global private debt fundraising than in recent years. As the market has expanded in size, complexity and investor diversity, participants have increasingly sought independent credit assessments to help support credit selection, portfolio monitoring, risk transparency and internal governance, particularly in private and less liquid transactions where public information is limited. In our view, the increase in the use of private credit ratings reflects this broader market development, as financing sourced from private markets becomes a more established funding channel across Europe.

Private credit ratings are intended to help support credit risk assessment in transactions and portfolios where public information may be limited, structures may be bespoke, and investors or other stakeholders require an independent and consistent view of credit quality. Their main purposes are to help inform investment decision-making, support internal credit approval and portfolio monitoring, enhance risk transparency, facilitate comparability across borrowers and transactions, and in some cases assist with reporting, governance or communication among lenders, arrangers, fund investors and other counterparties. They are particularly relevant in private credit markets, in countries such as Germany and in the Nordic region, where lending is often negotiated bilaterally or within a small syndicate and where there may be no need for a publicly available rating or broad secondary market price discovery.

Private credit ratings may be used instead of publicly disseminated ratings where the instrument or issuer is not seeking access to the public capital markets and therefore does not require, or does not wish to obtain, a public credit rating. This may be the case, for example, in direct lending transactions, privately placed debt, NAV facilities, subscription lines, warehouse financings or certain asset-backed and fund financing structures that are offered to a limited group of institutional investors. In such cases, a private credit rating can provide an independent credit opinion tailored to the needs of the relevant transaction participants, without broad public dissemination.

They may also be used alongside publicly disseminated ratings. For example, an issuer may have a public issuer credit rating, while a lender or investor seeks a private credit rating on a specific private instrument, facility, tranche or financing structure that is not itself publicly rated. Similarly, in structured or hybrid capital arrangements, market participants may use a private credit rating to help assess a particular exposure that differs in terms, collateral, covenant package, structural protections or recourse from the issuer's publicly rated debt. In these situations, the private credit rating complements rather than replaces other forms of credit assessment.

Private credit ratings are also used alongside internal credit analysis and other third-party assessments. Institutional investors and lenders typically do not rely on a single input; rather, a private credit rating may form one component of a broader credit risk due diligence and monitoring framework that includes internal underwriting, financial modelling, legal analysis, valuation work and ongoing borrower engagement. For example, a private debt fund may use a private credit rating to help benchmark risk across portfolio companies; an insurer may use it to support internal governance and capital allocation or portfolio risk processes; or a group of lenders in a club deal may use it to establish a common external reference point for credit quality at origination and during surveillance.

<ESMA_QUESTION_PR_9>

Q.10 To what extent do private credit ratings support investment decisions, credit risk assessments, risk management or internal capital allocation by market participants? In particular, how do they contribute to credit risk assessment and price discovery, including in private markets? Please provide examples where possible

<ESMA_QUESTION_PR_10>

Private credit ratings can support investment decisions and credit risk assessment by providing an independent, forward-looking opinion on the relative creditworthiness of an obligor or instrument. This may be particularly relevant in private markets, where transactions are often bespoke, public information may be limited and observable market pricing may be less readily available than in public markets.

In this context, private credit ratings can contribute to credit risk assessment by offering a consistent analytical reference point across borrowers, instruments, structures, and tenors. They may also assist market participants in comparing credit characteristics across transactions and over time, including where differences in leverage, collateral, seniority, covenant protections or structural features are important to the assessment.

Private credit ratings may also contribute indirectly to price discovery in private markets by informing discussions around relative credit risk and transaction terms. However, they are only one possible input into that process, and the extent to which they are used as one element supporting investment decisions, risk management or internal capital allocation will depend on the specific circumstances and the practices of the relevant market participant.

<ESMA_QUESTION_PR_10>

Q.11 What risks, if any, may arise from the use of and reliance on private credit ratings, including potential market-level risks (e.g. information asymmetries or financial stability concerns) as well as risks related to rating quality or governance?

<ESMA_QUESTION_PR_11>

As noted previously, Fitch uses the same methodologies for private and publicly disseminated credit ratings, and the majority of Fitch's policies and procedures apply to both private and publicly disseminated credit ratings. We do this for three main reasons:

Firstly, market participants who use private credit ratings also use public credit ratings and such users want both these credit ratings to be produced to the same standard to ensure comparability and consistency in their management of credit risk.

Secondly, some private credit ratings may eventually become public. For example, an issuer may request a private credit rating to get an understanding of how we view its credit risk ahead of a potential debt issuance, and may then seek a public credit rating when the debt issuance goes ahead. Applying a different analytical approach, or different policies, to those two views would be unhelpful to the issuer and would create more work for analysts and increase the potential risk of mistakes.

Thirdly, Fitch's private credit ratings are not unregulated. While European private credit ratings do not fall within the scope of CRAR, Fitch Ratings Ireland Limited is a Credit Rating Affiliate of Fitch Ratings, Inc., which is a Nationally Recognized Statistical Rating Organization by the United States Securities and Exchange Commission (the "SEC") under Section 15(E) of the Securities Exchange Act of 1934, and these credit ratings are therefore within scope of U.S. regulation and the SEC's Office of Credit Ratings supervision.

We therefore do not believe that Fitch's private credit ratings are subject to any significant additional risks in relation to quality or governance compared to our publicly disseminated credit ratings.

Regarding market-level risks, similar to the situation with restricted subscription credit ratings, we do not believe any of the examples listed would present significant risks and we are not aware of any other risks that would be unique or particularly heightened for private credit ratings. In particular, information asymmetry is an expectation of private credit ratings purely based on their definition under CRAR, including the requirement that they be provided exclusively to the person who placed the order for them. This is reinforced by ESMA's *Guidelines on the Scope of the CRA Regulation*.

In addition, while the question refers to “reliance” we note that CRAR Article 5a is clear that entities should not solely or mechanistically rely on credit ratings and that sectoral competent authorities have a role in reducing such reliance, further reducing any potential risk.

<ESMA_QUESTION_PR_11>

Q.12 To what extent, if any, do private credit ratings differ from publicly disseminated regulated ratings in terms of governance, independence, conflicts of interest, internal controls, and application methodologies; and what risks, if any, arise from such differences? Please provide examples where possible.

<ESMA_QUESTION_PR_12>

In the case of our private credit ratings, Fitch does not see any significant difference compared to its publicly disseminated credit ratings in terms of governance, independence, conflicts of interest, internal controls and application of methodologies.

As explained previously, we use the same methodologies and substantially the same policies and procedures for private credit ratings as we do for public credit ratings (see our responses to questions 4 and 11). Where differences do exist, they generally reflect practical differences in the two types of credit ratings. For example, the timeframe for issuer notification differs between public and private credit ratings. Also, private credit rating letters, while they explain the analytical rationale, do not include all of the disclosures that are required for a publicly disseminated credit rating because private credit ratings are provided exclusively to the person who ordered them and certain disclosures are therefore unnecessary.

<ESMA_QUESTION_PR_12>

Q.13 To what extent do current disclosure practices and market practices around private credit ratings adequately support market transparency and investor protection? If relevant, please indicate areas where improvements may be warranted.

<ESMA_QUESTION_PR_13>

Fitch communicates its private credit ratings via private rating letters. These letters provide recipients with related information, including a description of any rating actions taken along with the rationale, rating methodology used, and other relevant descriptions and disclaimers.

Investors who may have access to private credit ratings consist of institutional and/or sophisticated investors and we therefore do not see any investor protection issues around the provision of such credit ratings.

If ESMA’s concerns as to market transparency relate to transparency of the private credit rating itself, then we would again point out that CRAR and ESMA’s *Guidelines on the*

Scope of the CRA Regulation are intended to limit this transparency. If, on the other hand, the concern relates to transparency around CRAs' processes for private credit ratings, then we would reiterate that we use the same rating methodology and analytical approach for both private and publicly distributed credit ratings.

In addition, if there are concerns in the market regarding CRA disclosures or processes in relation to private credit ratings, then we do not believe it is within ESMA's remit to address such concerns. ESMA's *Guidelines on the Scope of the CRA Regulation* set a limit on the distribution of a credit rating beyond which it may no longer be considered private. However, where distribution remains below that limit and a credit rating is clearly private, it is explicitly outside the scope of CRAR.

Private credit ratings would remain subject to US regulation (including the requirement to provide a Rating Information Disclosure Form). If market participants have any concerns beyond this, then those concerns should be considered as a commercial matter to be addressed directly with CRAs.

<ESMA_QUESTION_PR_13>

Q.14 What are the main benefits associated with the use of private credit ratings by market participants? In which areas do they provide added value, and in which contexts are they considered a desirable product (e.g. private markets)? Please explain and provide examples where possible.

<ESMA_QUESTION_PR_14>

Private credit ratings can provide added value by offering an independent, forward-looking and consistent opinion on the relative creditworthiness of an obligor or instrument. This can be particularly useful in private markets, where transactions are often bespoke, public information may be limited and observable market pricing may be less readily available than in public markets. These markets are also typically characterised by a high degree of confidentiality: transactions are often privately negotiated, limited in distribution and often supported by sensitive non-public information. That may include confidential information on financing terms, investor arrangements, assets or holdings, business strategy, intellectual property or other proprietary matters. In many cases, this makes public dissemination of a credit rating neither suitable nor desired.

Their main benefit is therefore in supporting credit risk assessment through a common analytical reference point across borrowers, instruments and structures. They may be especially valuable where market participants need an external benchmark to complement their own analysis, including in transactions with complex features such as differing seniority, collateral packages, covenant protections or structural enhancements.

Private credit ratings may also add value by improving comparability across transactions and over time. In less transparent markets, this can help support a more consistent assessment of relative credit risk and can contribute indirectly to discussions around pricing and other transaction terms. In that sense, credit ratings that are not disseminated publicly are a desirable product particularly in private credit, private placements and other illiquid or less standardised markets where public information and secondary market signals are limited, and where the confidential nature of the financing itself may make a public credit rating impractical.

More generally, the growth and increasing institutionalisation of Europe's private credit market has led to increased demand for independent credit assessment in the form of non-public credit ratings. In our view, this growth helps explain why private credit ratings may be seen as increasingly useful in private market contexts.

<ESMA_QUESTION_PR_14>

Q.15 In your view, does the current regulatory framework adequately support the market need for external credit risk assessments in private markets? If not, please indicate in which areas improvements may be warranted.

<ESMA_QUESTION_PR_15>

As explained in our response to Question 8, Fitch believes that restricted subscription credit ratings are within the scope of CRAR as it is written, and that it would be possible to apply the requirements of CRAR to the same standard for both restricted subscription and publicly disseminated credit ratings. Therefore, Fitch believes that the main element missing to ensure the current regulatory framework adequately supports the market need for external credit risk assessments in private markets, is a clear direction from ESMA that it agrees restricted subscription credit ratings are within the scope of CRAR and thus useable for regulatory purposes.

<ESMA_QUESTION_PR_15>

Q.16 Are there any additional considerations or evidence related to private ratings that stakeholders consider relevant for the purposes of this Call for Evidence, but which have not been addressed in the questions above?

<ESMA_QUESTION_PR_16>

Fitch believes that ESMA's *Guidelines on the Scope of the CRA Regulation*, while helpful in clarifying ESMA's position on onward distribution of private credit ratings, have created some confusion among users of private credit ratings and that the limit on distribution is cumbersome to implement.

Specifically, the need to count both the number of natural and legal persons receiving a private credit rating makes the process more complicated for little clear benefit. We therefore suggest that the limit should simply be set at 150 entities (thus excluding natural persons from being counted in this limit). In addition, we believe ESMA should make it clear that the count only includes legal persons who have access to the credit rating since it was last reviewed by the CRA. Persons that were aware of the level of a private credit rating two or three years previously but do not currently have access and do not know the current credit rating cannot really do anything with their out-of-date knowledge, and it should therefore be explicitly clear that they are no longer counted as part of the 150 legal person limit.

<ESMA_QUESTION_PR_16>