

Regulatory Requirements

Use of multiple credit rating agencies and double credit rating requirement for structured finance

EU credit rating agencies regulation (CRAR) incorporates requirements in relation to the appointment of EU credit rating agencies by issuers in certain circumstances.

In summary:

- (a) where an issuer or their related third party intends to appoint at least two credit rating agencies for the credit rating of the same issuance or entity, they shall consider appointing at least one credit rating agency with no more than 10% of the total market share, based on information published on the website of the European Securities and Markets Association (ESMA) and document their consideration when they do not use a small credit rating agency; and
- (b) where an issuer or a related third party intends to solicit a credit rating of a structured finance instrument, it shall appoint at least two independent credit rating agencies to provide credit ratings. These independent credit rating agencies cannot be shareholders or members of one another, belong to the same group, have voting rights over one another, have common directors or the right to appoint or remove directors, or exercise control or dominant influence over the other.

IMPORTANT NOTE: The above descriptions are only high level summaries of these specific provisions to give a brief outline of potentially impacted parties. There may be other provisions that are relevant to your organization. Moody's cannot provide legal or regulatory advice or guidance on these issues but wishes to draw attention to these provisions. Those who think that they may be affected should consult the actual legislation and obtain independent legal advice. The relevant legislation can currently be found on the official website of the EU, www.europa.eu.