

Credit Rating Agency UK Market Share Report for 2022

November 2023

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Chapter 1

Executive Summary

- 1.1** This 2022 Market Share Report (the Report) for UK registered credit rating agencies (CRAs) follows the inaugural report published last year. We supervise UK CRAs in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies as amended by SI 2019/266 the Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 (collectively called the 'CRA Regulation').
- 1.2** One of the aims of the CRA Regulation is to increase competition among credit rating agencies by encouraging the use of smaller credit rating agencies through the application of Article 8d.
- 1.3** Article 8d(1) states that where issuers or related third parties intend to use 2 or more CRAs, they should consider appointing one of these CRAs that has no more than 10% of total market share. Where an issuer or related third party does not do this, they should document that decision. To facilitate this evaluation by issuers, or related third parties, the FCA is required to publish annually the list of UK registered CRAs, their total market share and the rating sectors in which they are active (Article 8d(2) of the CRA Regulation).
- 1.4** In summary, 3 credit rating agencies represent 90% of the total market, a slight decline from the previous year (92%). The number of registered CRAs remain the same with 9 registered CRAs, 6 of which are below the 10% level. These market share calculations are based on turnover figures reported by each CRA.
- 1.5** Given the intent of Article 8d to promote competition, we also address our competition objective and Approach to Competition in this report.

Chapter 2

Regulatory Requirements for Issuers

- 2.1** To encourage the use of smaller credit rating agencies, Article 8d(1) of the CRA Regulation requires issuers or related third parties intending to appoint at least 2 CRAs to consider appointing at least 1 CRA with no more than 10% of total market share. Where the issuer does not appoint a smaller CRA, it is required to document this decision.
- 2.2** As part of our supervision of the CRA Regulation and Article 8d, we engage with the market to understand how effectively this article is promoting competition among CRAs. We remind issuers of their regulatory obligation under Article 8d(1) to consider the use of a smaller CRA and to document their decision for rating agency selection. We may engage with issuers or related third parties, such as advisors and arrangers, to understand the nature of their 'consideration' of a smaller CRA and how they are evidencing their selection decision. Issuers are responsible for ensuring that they understand the CRA Regulation and comply with it.

Chapter 3

Aim of this Report in Promoting Competition

- 3.1** To help market participants in the ongoing identification of individual CRA market share, we publish this Report annually and include the list of registered credit rating agencies and their total market share. We also publish coverage of CRAs by sector, such as non-financial corporate, financial institutions, insurance, sovereign and public finance and structured finance.
- 3.2** We want issuers to use this Report as a starting point for their consideration when appointing 2 or more CRAs and meeting their obligation in Article 8d. Users of credit ratings also have a role to play in promoting competition by considering the full list of credit rating agencies. UK firms using ratings for regulatory use in the UK, such as credit ratings in calculating their capital requirements, can use ratings from any CRA provided that the rating is issued or endorsed by a UK registered or certified CRA. For the current FCA registered and certified firms, please refer to the [Financial Services Register](#).

Chapter 4

Method of Market Share Calculation

- 4.1** The Report calculates total market share as total annual turnover generated from credit rating activities and ancillary services, at the UK group level. The calculation is based on the calendar year end 2022 turnover each CRA submits in their periodic fee notification to us.
- 4.2** The CRA Regulation defines credit rating activities as 'an opinion regarding the creditworthiness of an entity, a debt or financial obligation, debt security, preferred share or other financial instrument, or of an issuer of such a debt or financial obligation, debt security, preferred share or other financial instrument, issued using an established and defined ranking system of rating categories.' (Article 3 (1) of the CRA Regulation). It defines ancillary services as '...not part of credit rating activities; they comprise market forecasts, estimates of economic trends, pricing analysis and other general data analysis as well as related distribution services (Annex 1, part B, paragraph 4 of the CRA Regulation).

Chapter 5

UK Market Share by CRA

- 5.1** Table 1 below lists the 9 UK-registered CRAs, in order of decreasing market share. We state their business model, market share percentage and direction of change from last year. For ease, we include a final column indicating whether the CRA has no more than 10% of total market share.
- 5.2** Based on our analysis, we looked at concentration in the CRA market using the Herfindahl–Hirschman Index (HHI); a commonly accepted measure of market concentration. The HHI is calculated by squaring the market share of each firm in the market and then summing the resulting numbers. This method considers the relative size distribution of the firms in a market. Markets in which the HHI is between 1,500 and 2,500 are considered moderately concentrated while HHI in excess of 2,500 would be highly concentrated. The UK CRA market has a HHI score of 2,779 a slight improvement from 2,887 last year but still reflects a highly concentrated market. The reduction in the HHI for 2022, as well as the year-on-year changes shown in Table 1 below shows a greater market share being held by smaller CRAs (10%), than that shown in the same table for 2021 (8%).

Table 1: UK Market Share by CRA – Calendar Year end 2022

CRA UK Entity Name	Business Model	Percentage (2021)	Percentage (2022)	YOY Change	10% or less market share
S&P Global Ratings UK Limited	Issuer-pay	34.81%	34.71%	↓	
Moody's Investors Service Limited	Issuer-pay	30.42%	30.82%	↑	
Fitch Ratings Ltd	Issuer-pay	27.03%	24.49%	↓	
DBRS Ratings Limited	Issuer-pay	3.77%	3.67%	↓	Yes
The Economist Intelligence Unit Limited	Investor-pay	1.38%	2.34%	↑	Yes
A.M. Best Europe – Rating Services Limited	Issuer-pay	1.47%	2.14%	↑	Yes
Kroll Bond Rating Agency UK Limited	Issuer-pay	0.59%	0.85%	↑	Yes

CRA UK Entity Name	Business Model	Percentage (2021)	Percentage (2022)	YOY Change	10% or less market share
Scope Ratings UK Ltd	Issuer-pay	0.24%	0.58%	↑	Yes
ARC Ratings (UK) Limited	Issuer-pay	0.29%	0.40%	↑	Yes
Grand Total		100.00%	100.00%		

Source: Calendar year end 2022 turnover reported by each CRA in their periodic fee notification.

5.3 To note as part of the above table:

- As of the publication of this report, all nine firms are fully registered by the FCA.
- Fitch Ratings Ltd includes turnover from Fitch CIS which was deregistered on 30 June 2022 pursuant to this entity having ceased rating operations.
- Given The Economist Intelligence Unit Limited investor pay business model, credit rating activity is defined as Country Risk Service (CRS) subscription turnover.

Chapter 6

Sector Type by CRA

- 6.1** Table 2 highlights in grey, the sectors in which each CRA has UK-issued or UK-endorsed ratings. Rating sectors are classified as follows: non-financial corporate, financial institution, insurance, sovereign and public finance, and structured finance. This table is based on rating data reported by each CRA to the FCA supervisory database (RADAT).

Table 2: Sector Type by CRA

CRA UK Entity Name	10% or less market share	Non-Financial Corporate	Financial Institution	Insurance	Sovereign and Public Finance	Structured Finance
S&P Global Ratings UK Limited						
Moody's Investors Service Limited						
Fitch Ratings Ltd						
DBRS Ratings Limited	Yes					
The Economist Intelligence Unit Limited	Yes					
A.M. Best Europe – Rating Services Limited	Yes					
Kroll Bond Rating Agency UK Limited	Yes					
Scope Ratings UK Ltd	Yes					
ARC Ratings (UK) Limited	Yes					

Source: Rating data reported by each CRA as of 31 December 2022, in order of decreasing market share.

Chapter 7

Our Approach to Competition and Wholesale Data Market Study

- 7.1** As Article 8d aims to promote competition in the CRA market, we take this opportunity to refer to our competition objective. We have a range of tools we can use to protect and promote competition. These include powers to undertake market studies and make market investigation references to the Competition Markets Authority, as well as to enforce the prohibitions in the Competition Act 1998 on anticompetitive agreements and concerted practices, and on abuse of a dominant position.
- 7.2** On 2 March 2023, we launched a market study following persistent user concerns about how well wholesale data markets are working. One of the key areas of focus is on competition in the provision of credit ratings data. On 31 August 2023, we published an [update report](#) on the market study.
- 7.3** Based on our work to date, we propose not to refer any of the markets in scope of the study to the CMA at this stage. While we believe there are reasonable grounds to suspect there are features of each of the relevant markets that prevent, restrict, or distort competition in the UK, our provisional view is that it is most appropriate for us to take forward further work to identify and address potential harm caused by these features ourselves.
- 7.4** In the remainder of the market study, we plan to extend and develop our analysis of the information we have collected. Our market study report will include our findings on competition in these markets and our decision whether to make an MIR, an explanation of our decision and other actions to address the issues identified. We will publish this report by 1 March 2024.
- 7.5** Credit ratings are overwhelmingly paid for by debt-issuing firms, with the resulting ratings given to CRAs' data affiliates to license and distribute as part of data services. The credit ratings data market is highly concentrated among data affiliates of the 3 largest CRAs: Moody's Analytics, S&P Global Market Intelligence and Fitch Solutions. Our analysis indicates that, among credit ratings data originators, data affiliates of the 3 largest CRAs account for a large majority of revenues from UK-domiciled end users.
- 7.6** As outlined in the [update report](#) on the market study, in response to our survey, data users highlighted a perceived lack of transparency around how prices were set for credit ratings data. Some users suggested they were paying significantly different prices to their peers. Fees schedules are not typically publicly available. Data users were unclear about pricing factors, and their respective weightings on end prices. Many larger firms said regulatory and end investor requirements meant they had to license credit ratings data from all of the 3 largest CRA's data affiliates, with ratings from smaller CRAs not viewed as a viable alternative. This limits many users' choice of credit ratings data services. This situation may allow CRA data affiliates to price discriminate in ways which can limit competition, such as charging higher prices to firms who cannot switch service providers.

