

An aerial night view of a port. The foreground is dominated by a dense grid of stacked shipping containers in various colors (blue, red, yellow, green). In the background, a large ship is docked at a pier, illuminated by bright lights. The overall scene is dark, with the primary light sources being the port's infrastructure and the ship's lights, creating a high-contrast, industrial atmosphere.

FitchRatings

Brexit Impact on Credit Ratings Agencies

Fitch Ratings FAQ

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After Brexit, who will regulate credit rating agencies (CRAs) based in the UK and EU?

After Brexit but during the implementation period (currently intended to expire on 31st December 2020), both Fitch Ratings Limited and its EU subsidiaries will remain registered with, and supervised, by the European Securities & Markets Authority (ESMA).

After the implementation period it is expected that the Financial Conduct Authority (FCA) will replace ESMA as the supervisor of UK CRAs.

Has Fitch applied to be regulated by the FCA?

Fitch Ratings operates in the UK through two companies – Fitch Ratings Ltd and Fitch Ratings CIS Ltd. Both of these Fitch Ratings companies have already registered with the FCA for conversion of their respective registrations with ESMA into registrations with the FCA. As a result, it is Fitch Ratings' understanding that at the end of the implementation period, both companies will be deemed registered with the FCA.

On 15 March 2019, the FCA published a list of Credit Rating Agencies (CRAs) that have applied or have stated that it is their intention to apply to offer CRA services in the UK when the UK leaves the EU. This list includes Fitch Ratings Limited and Fitch Ratings (CIS) Limited.

How is Fitch Ratings structured in the UK and EU?

Our UK-based CRAs are Fitch Ratings Ltd (including a branch in Dubai) and Fitch Ratings CIS Ltd (including a branch in Moscow). In the EU-27, we have ESMA-registered CRAs in Germany, Italy, France, Poland and Spain (including a branch in Stockholm). These are subsidiaries of Fitch Ratings Ltd.

After the end of the implementation period, the Moscow and Dubai branches of our U.K. companies will be considered to be U.K. entities for the purposes of U.K. CRA law.

Will international scale credit ratings published by a Fitch credit rating agency based in the UK still be eligible to be used for regulatory purposes by investors based in the EU?

The answer is yes. After Brexit but during the implementation period, our UK-based CRAs will continue to be ESMA-registered. After the implementation period, the FCA will assume regulatory oversight of our UK-based CRAs in place of ESMA and the answer to this question will remain yes based on the principle of endorsement. Endorsement is available with respect to each non-EU country (i) whose supervisory framework for CRAs has been assessed by ESMA as meeting the conditions for endorsement and (ii) where ESMA has entered into a cooperation agreement with that country's CRA supervisor. The EU endorsement regime allows credit ratings issued by a CRA in that third country, and endorsed by an EU CRA, to be used for regulatory purposes in the EU.

On 15 March 2019, ESMA and the FCA published separate statements confirming that they have deemed each other's regulatory regimes to be "as stringent as" their own regime. Also, on 1 February 2019 the FCA and ESMA separately confirmed that they had entered into a cooperation agreement with respect to the supervision of CRAs.

As a result, Fitch Ratings will be able to endorse UK public international scale credit ratings into the EU, and EU public international scale credit ratings into the UK after the implementation period. Consequently, these credit ratings will continue to be used for regulatory purposes in the EU and the UK, thereby minimizing the impact of Brexit on the users of our international scale credit ratings.

More specific points on endorsement are to be found in the appendix at the end of this FAQ document.



How has Brexit impacted Fitch Ratings?

We are certain that we have done all we can to ensure the smooth and effective operation of our business going forward.

Our post-Brexit EU infrastructure is in place through our existing network of offices.

Under our Brexit plan, we have created an operational hub in Frankfurt, which will be our primary office in the EU. Our offices in Spain will also play a greater role by acting as our operational hub in Southern Europe.

As a result of Brexit, a considerable proportion of our ratings portfolio of EU issuers will need to be covered from the EU27. This means the lead analyst must be located in the EU (unless an exception applies).

Likewise, UK issuers must be covered from the UK, or one of the branches of our UK CRAs (unless an exception applies).

The process of relocating coverage of the affected ratings, as well as ensuring we have the appropriate staff in the EU27 and the UK (or branches), as the case may be, to cover and support those ratings, was completed well ahead of the (original) 29 March 2019 Brexit deadline.

Germany and Spain are the primary countries where we expanded headcount in advance of Brexit.

Our EU-based headcount was increased by approximately 50 positions, through a combination of internal transfers (people or positions) and new hires. We have sought as much as possible to minimize the impact on our employees.

Appendix

Further information on endorsement

Fitch Ratings Ltd (FRL), our current EU hub based in the UK, continues to endorse on an ongoing basis the international scale credit ratings published by the following entities:

- Fitch Ratings, Inc.
- Fitch Australia Pty Ltd. (including its branches in Taiwan and Korea)
- Fitch Ratings Brasil Ltda.
- Fitch (Hong Kong) Ltd.
- Fitch Ratings Japan Ltd.
- Fitch Mexico S.A. de C.V.
- Fitch Singapore Pte. Ltd.

After the implementation period, since FRL will no longer be an ESMA-registered CRA, Fitch Ratings España S.A.U. (Fitch Spain) will endorse the international scale credit ratings published by the Fitch entities listed above.

After the implementation period, Fitch Spain will also endorse international scale credit ratings published by FRL and Fitch Ratings CIS Ltd (including their respective branches in Dubai and Moscow). In addition, after the implementation period,

FRL will endorse the international scale credit ratings published by the Fitch entities listed above, as well as the international scale credit ratings published by the Fitch entities registered with ESMA (listed below).

- Fitch Deutschland GmbH.
- Fitch Ratings España S.A.U. (including its Stockholm branch)
- Fitch France S.A.S.
- Fitch Italia S.p.A.
- Fitch Polska SA.



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