



Brussels, 8 February 2018

NOTICE TO STAKEHOLDERS

WITHDRAWAL OF THE UNITED KINGDOM AND EU RULES IN THE FIELD OF CREDIT RATING AGENCIES

The United Kingdom submitted on 29 March 2017 the notification of its intention to withdraw from the Union pursuant to Article 50 of the Treaty on European Union. This means that, unless a ratified withdrawal agreement¹ establishes another date, all Union primary and secondary law will cease to apply to the United Kingdom from 30 March 2019, 00:00h (CET) ('the withdrawal date').² The United Kingdom will then become a 'third country'.³

Preparing for the withdrawal is not just a matter for EU and national authorities but also for private parties.

In view of the considerable uncertainties, in particular concerning the content of a possible withdrawal agreement, credit rating agencies, institutions and financial market participants are reminded of legal repercussions, which need to be considered when the United Kingdom becomes a third country.

Subject to any transitional arrangement that may be contained in a possible withdrawal agreement, as of the withdrawal date, the EU rules in the field of the Credit Ratings Agencies (CRAs) and in particular Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies⁴ ("CRA Regulation") no longer apply to the United Kingdom.

This has in particular the following consequences:

- **Deregistration.** In accordance with Article 4(1) of the CRA Regulation, CRAs established in the EU need to be registered and supervised by the European Securities and Markets Authority (ESMA), in order for their ratings to be recognised for regulatory purposes in the EU. As CRAs established in the United Kingdom will no longer be considered established in the EU, ESMA will have to

¹ Negotiations are ongoing with the United Kingdom with a view to reaching a withdrawal agreement.

² Furthermore, in accordance with Article 50(3) of the Treaty on European Union, the European Council, in agreement with the United Kingdom, may unanimously decide that the Treaties cease to apply at a later date.

³ A third country is a country not member of the EU.

⁴ OJ L 302, 17.11.2009, p. 1.

withdraw their registrations with effect on the withdrawal date, in accordance with Articles 14 and 20 of the CRA Regulation.

- Use of ratings for regulatory purposes. As a consequence of UK established CRAs' deregistration, credit institutions, investment firms, insurance undertakings, reinsurance undertakings, institutions for occupational retirement provision, management companies, investment companies, alternative investment fund managers and central counterparties in the EU-27 will no longer be able to use ratings issued by these CRAs for regulatory purposes (e.g. Solvency II for insurance undertaking, Capital Requirements Regulation for credit institutions).
- Endorsement. Ratings issued by a CRA established in a third country which is part of a group to which a CRA established in the EU and registered by ESMA belongs can be "endorsed" provided that certain conditions are met in accordance with Article 4(3) CRA Regulation, e.g. the conduct of the credit ratings activities by CRA established in a third country fulfils requirements which are at least as stringent as the EU specific framework, there is an objective reason for the rating to be elaborated in the third country and there is an appropriate cooperation arrangement between ESMA and the relevant supervisory authority. When "endorsed", ratings may be used for regulatory purposes.
- Prospectus. In accordance with Article 4(1) of the CRA Regulation where a prospectus contains a reference to a credit rating or credit ratings issued by a CRA established in the United Kingdom, it will need to include clear and prominent information stating that those credit ratings are not issued by a credit rating agency established in the EU and registered under the CRA Regulation.

This notice is without prejudice to any equivalence decisions that may be adopted by the EU.⁵

The website of the Commission on regulating credit rating agencies (https://ec.europa.eu/info/business-economy-euro/banking-and-finance/financial-supervision-and-risk-management/managing-risks-banks-and-financial-institutions/regulating-credit-rating-agencies_en) provide for general information concerning CRAs. These pages will be updated with further information, where necessary.

European Commission
Directorate-General for Financial Stability, Financial Services and Capital Markets
Union

⁵ Article 5 of the CRA Regulation.