

Regulatory Principles

CRAs → cost based and non-discriminatory fees independent from rating or work performed

TRs → publicly disclosed prices, cost-related fees and non-discriminatory access to TR services

Good practices for supervised firms

Clients may expect

>>> CRAs

- ✓ Published pricing policies
- ✓ Standardised fee schedule and discount criteria provided before fee negotiations
- ✓ Clear explanations of:
 - any fee increases
 - any deviation from fee schedules
 - how fees charged reflect the costs of credit ratings and ancillary services
- ✓ CRAs' websites to allow credit ratings and related announcements to be used for internal and regulatory reporting purposes
- ✓ Customers of information services companies affiliated to CRAs not charged additional licence fees for the use of credit rating information for regulatory purposes

>>> TRs

- ✓ Published fee schedules for all services (including porting and connectivity fees)
- ✓ Advance notice of fee schedule updates
- ✓ Opportunities to provide feedback to TRs on transparency of fee schedules and challenge potentially discriminatory practices, for example through surveys

Supervised firms should consider implementing

>>> CRAs

- ✓ Fee setting documents ensure fees charged (including deviations) are non-discriminatory and based on actual costs
- ✓ Costs monitored by categories and at the same level of granularity as fee schedules
- ✓ Estimates of non-quantifiable costs to be included in the fee setting process
- ✓ Staff training on fee setting and cost monitoring requirements

>>> TRs

- ✓ Fee setting documents ensure non-discriminatory access and cost-related fees
- ✓ Fees charged on a sliding scale which decrease with the increase of reporting volumes instead of being capped at a fixed level
- ✓ Differentiated fee caps used per product to reflect differences in costs
- ✓ Revised or removed fee caps for reporting service providers reporting on behalf of many counterparties
- ✓ Regular, documented costs reviews
- ✓ Dedicated staff member oversees pricing process

Enhanced controls for all supervised firms

Internal control framework oversees the end-to-end fee setting and costs monitoring process:

- Business controls over fees charged
- Compliance function actively monitors and promotes adherence to fee-related regulatory requirements through established work programme
- Internal Audit function tests and assesses the effectiveness of controls over fee setting and cost monitoring processes in meeting regulatory requirements and supervisory expectations

ESMA Next steps

- ✓ Continue monitoring of the changes in practices adopted by CRAs and TRs
- ✓ Further work to improve access to and use of credit ratings