

Credit Rating Agency UK Market Share Report for 2023

November 2024

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Chapter 1

Executive Summary

- 1.1** This is our third annual Market Share Report (Report) for UK registered credit rating agencies (CRAs). This Report includes the list of registered CRAs, their total market share and sector coverage.
- 1.2** 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 2 2019/266 the Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 (collectively called the 'CRA Regulation').
- 1.3** One of the aims of the CRA Regulation is to promote competition among credit rating agencies by encouraging the use of smaller CRAs. Under Article 8d of the CRA Regulation, where issuers or related third parties intend to use two or more CRAs, they should consider appointing at least one CRA with no more than 10% of the total market share. Where an issuer or related third party does not do this, they should document that decision.
- 1.4** To facilitate this evaluation, 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.
- 1.5** In 2023, the number of UK registered CRAs remained steady at nine. Three CRAs account for a total of 91% market share, which is a slight increase from 90% from the prior year. The remaining six UK registered CRAs each hold less than 10% of market share.
- 1.6** We conclude from analysis of the data that the CRA market in the UK remains highly concentrated and we are yet to see greater competition by the smaller firms develop. This echoes the findings of our recent Wholesale Data Market Study Report (MS23/1) (Market Study) which we summarise in Chapter 6.
- 1.7** As highlighted in our Portfolio Letter, we will continue our supervisory work to understand the effectiveness of Article 8d. Further, as concluded in our Market Study, we consider that the best way to tackle these competition issues is to look at them holistically as part of the wider regulatory work in wholesale financial markets. It is expected that the CRA Regulation will be reviewed as part of the wider review of assimilated law and alongside international developments.

Chapter 2

Requirements on Issuers and Intended Outcomes

- 2.1** We publish this Report annually to enable the identification of UK registered CRAs and their total market share. Therefore, issuers can use this Report as a starting point for their consideration when appointing two or more CRAs and meeting their obligation in Article 8d.
- 2.2** To encourage the use of smaller CRAs, Article 8d(1) of the CRA Regulation requires issuers or related third parties intending to appoint at least two CRAs to consider appointing at least one 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.
- 2.3** In line with last year's report, we continue to use the Herfindahl-Hirschman Index (HHI) as a measure for market concentration. The HHI is calculated by squaring the market share of each firm in the market and then summing the resulting numbers. Markets where the HHI lies between 1,500 and 2,500 are considered moderately concentrated, while an HHI greater than 2,500 is considered highly concentrated.
- 2.4** Based on the data in this Report for 2023, the UK CRA market has an HHI score of 2,789 which is a slight increase from 2,776 in calendar year 2022. This shows the market for credit ratings and related services in the UK remains highly concentrated, as observed last year and in 2021. From this data, we conclude that there is more work to be done to create a more competitive sector for CRAs and achieve the intended outcome of Article 8d of the CRA Regulation.
- 2.5** As part of our supervisory approach under the CRA Regulation, we continue to engage with market participants to understand the effectiveness of Article 8d in promoting competition among CRAs. In line with ongoing supervision, we may engage with issuers or related third parties, such as advisors and arrangers, to understand whether they are considering smaller CRAs, how they are evidencing their selection decision and how they ensure their compliance with the CRA Regulation.
- 2.6** Users of credit ratings also have a role to play in promoting competition by considering the full list of CRAs. UK firms which use credit ratings for regulatory purposes in the UK can use credit ratings from any CRA provided that the credit rating is issued or endorsed by a UK registered or certified CRA. For information on current FCA registered and certified firms, please refer to the [Financial Services Register](#).

Chapter 3

Method of Market Share Calculation

- 3.1** As required under Article 8d(3) of the CRA Regulation, the total market share is calculated with reference to annual turnover figures generated from credit rating activities and ancillary services at group level reported annually by each CRA to the FCA for the prior calendar year.
- 3.2** This Report calculates the total market share based on the final turnover figures provided by each CRA. This represents a data source change from prior year reports when the calculation was based on turnover figures submitted as part of annual fee notifications. We are making this change to reflect final turnover figures. To enable comparison with previous years, we have re-stated the 2021 and 2022 figures in accordance with this new methodology (see Chapter 4).
- 3.3** The CRA Regulation defines credit ratings 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 4

UK Market Share by CRA 2021 – 2023

- 4.1** Table 1 below lists the nine UK registered CRAs, in order of decreasing market share for 2023. We state their business model, market share percentage and direction of change from the prior year. For ease, we include a final column indicating whether the CRA has no more than 10% of total market share.
- 4.2** Based on the information provided to us, the majority of the UK market for CRA services is split between three CRAs with a combined 91% of the total market share. A further six CRAs make up the remaining market share.

Table 1: UK Market Share by CRA for 2021-2023

UK CRA Entity	Business Model	Percent (2021)	Percent (2022)	Percent (2023)	Yoy Change (2022 to 2023)	10% or less Market Share
S&P Global Ratings UK Limited	Issuer-pay	34.76%	34.69%	34.39%	↓	
Moody's Investors Service Limited	Issuer-pay	30.37%	30.80%	30.22%	↓	
Fitch Ratings Limited	Issuer-pay	26.99%	24.48%	25.92%	↑	
DBRS Ratings Limited	Issuer-pay	3.76%	3.67%	3.31%	↓	YES
The Economist Intelligence Unit Limited	Issuer-pay	1.38%	2.34%	2.12%	↓	YES
A.M. Best Europe – Rating Service Limited	Investor Pay	1.43%	1.97%	1.87%	↓	YES
Kroll Bond Rating Agency UK Limited	Issuer-pay	0.84%	1.12%	1.36%	↑	YES
ARC Ratings (UK) Limited	Issuer-pay	0.22%	0.34%	0.40%	↑	YES
Scope Ratings UK Limited	Issuer-pay	0.24%	0.58%	0.40%	↓	YES

Source: Final turnover figures provided by each CRA for the calendar year as of 31 December 2023. Market share figures are rounded to the nearest two decimal places.

Chapter 5

Sector Coverage by CRA

- 5.1** 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 ratings data system (RADAT).

Table 2. Sector Type by CRA

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

Source: Data reported by each CRA as of 31 December 2023.

Chapter 6

Update on the Wholesale Data Market Study

- 6.1** 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 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.
- 6.2** 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 was competition in the provision of credit ratings data. In February 2024, we published the final findings of this market study in the [Wholesale Data Market Study Report \(MS23/1\)](#). We list below some of the key findings and next steps that are relevant to this Report.
- Using ratings data from the three largest CRAs is essential for many investors for comprehensive coverage of markets for investment strategy and regulatory requirements (particularly capital requirements calculations). Many investors require potential investments to have ratings from at least two CRAs. This creates a situation where data users need to multi-source data from multiple credit ratings data affiliates, to ensure coverage and completeness of data. This feature of demand limits the scope for users to substitute between data providers.
 - There are barriers to entry in the data feed market for smaller challenger CRAs, due to their limited market coverage in the ratings market, less historical data for modelling and weaker brand reputation. These CRAs may instead provide access to databases of their ratings online for free, but these databases are not viable substitutes for commercial data feeds, primarily as they do not have the same coverage as the largest three CRAs. Challengers also struggle to overcome reputational barriers. This means the three largest CRAs data affiliates face limited competitive pressure for their data feeds either from each other or from challenger CRAs.
 - Pricing of data feeds lacks transparency and users' ability to negotiate prices is limited. Data affiliates are not obliged to, and typically do not, publicly disclose their data feed prices. Users expressed their concern to us that this makes it hard to negotiate.
- 6.3** As set out in the Market Study, we consider the best way to tackle these issues is to look at them holistically as part of the wider regulatory work in wholesale financial markets and alongside international developments. The Financial Services and Markets Act 2023 provides the legal basis for the repeal of assimilated law and its replacement with regulators' rules. The CRA Regulation is assimilated law that is expected to be reviewed

as part of this in due course. It is possible that changes to the statutory framework for the provision of credit ratings in the UK driven by policy objectives is an outcome of this review.

6.4 In particular, we expect to explore through the above review of the CRA Regulation:

- potential ways to improve effective competition and help ensure credit ratings data is provided on transparent, fair, and reasonable terms.
- how free sources of credit ratings could be enhanced to act as a viable alternative to commercial data feeds for firms to meet their regulatory requirements.

6.5 In the meantime, where we see firm specific practices that harm competition, we will consider the full range of our tools to tackle these. For example, we have powers under the Competition Act 1998 to examine whether anti-competitive conduct or agreements underpin any competition issues, and if so, we can take action to tackle these.

