

While both credit ratings and investment research provide insights into financial instruments, credit ratings offer a regulated, consistent opinion on credit risk, whereas investment research delivers broader market views to support investment decisions.

ASPECTS	CREDIT RATINGS	INVESTMENT RESEARCH
Purpose	Assess credit risk (i.e. likelihood of default or timely payment)	Provide investment opinions (e.g., buy/sell/hold, valuation insight)
Issuer	Published by Credit Rating Agencies (CRAs)	Published by analysts, brokers, or investment banks
Scope	Focused on default probability and creditworthiness	Covers market trends, valuation, financial performance, news
Inputs	Based on audited financials, economic data, legal structure and consistent methodologies.	Combines financial data with market news, forecasts, sentiment, and analyst discretion.
Output Format	Symbolic rating (e.g., AAA, BB+, etc.), not a buy/sell recommendation	Narrative reports, target prices, and qualitative analysis, often includes buy/sell/hold calls
Update frequency	Monitored on an on-going basis, reviewed at least annually	Monitored on an on-going basis, updated quarterly as financial results get disclosed
Time Horizon	Generally medium to long-term (through the cycle)	Often short-term, linked to trading strategies
Consistency	Must follow published and approved methodologies	Varies widely; often based on analyst discretion
Conflict of Interest Rules	Subject to strict separation of analysis and commercial functions	Potential conflicts if the analyst's firm has investment banking ties
Users	Investors, regulators, issuers, banks	Investors, traders, fund managers
Regulation	Heavily regulated under CRA Regulation, supervised by the European Securities and Markets Authority (ESMA)	Regulated under MiFID (Markets in Financial Instruments Directive) II and MAR (Market Abuse Regulation), with rules on independence, transparency, and conflicts of interest

About EACRA:

The European Association of Credit Rating Agencies (EACRA), set up in November 2009 and registered in Paris, was established to act as a platform for cooperation for EU-based Credit Rating Agencies (CRAs). Our mission is to support and facilitate the compliance of CRAs with regulatory requirements through effective communication, cross-border know how, and the promotion of best practices. In addition, EACRA seeks to promote Credit Ratings and the interests of CRAs across Europe, as well as enhance the financial community and general public's understanding of Credit Ratings. The association is registered under French directory of Association N° W751202513 and under EU Transparency Register ID 24205924101-57.

Disclaimer: This presentation is intended solely for informational and educational purposes. It does not constitute investment advice, credit advice, or any other form of recommendation. While efforts have been made to ensure the accuracy of the information, neither EACRA nor the authors accept any liability for errors, omissions, or actions taken based on this material.