

What are Unsolicited Credit Ratings?

Educational Series #8



Definitions	The Credit Rating Agency Regulation (Regulation (EC) No 1060/2009) defines an unsolicited rating in Article 3(1)(x) as “a credit rating or a sovereign rating assigned by a credit rating agency other than upon request.”
Purpose	Investors may request credit ratings from an agency before investing in an unrated entity or simply to receive an additional opinion on the creditworthiness of that entity. Credit Rating Agencies (CRAs) may also issue credit ratings at their own initiative (<i>pure</i> unsolicited ratings) in order to expand their rating coverage.
ESMA Interpretation	In December 2015, ESMA clarified in its “Questions and Answers on the implementation of the CRA regulation” that it considers that a “solicited credit rating implies a process involving the request of the rated entity (...)” ¹ , thereby limiting solicited ratings to issuer-pays ratings only.
Requirements	Paragraphs 4 and 5 of Article 10 of the CRA regulation prescribe, respectively, that “A credit rating agency shall disclose its policies and procedures regarding unsolicited credit ratings. “ and “Where a credit rating agency issues an unsolicited credit rating, it shall state prominently in the credit rating, using a clearly distinguishable different colour code for the rating category, whether or not the rated entity or a related third party participated in the credit rating process and whether the credit rating agency had access to the accounts, management and other relevant internal documents for the rated entity or a related third party. Unsolicited credit ratings shall be identified as such.” Additionally, regardless of solicitation status, CRAs must disclose the credit rating to the rated entity ahead of general publication to allow for the correction of factual errors.
Under ESMA supervision	Solicited and unsolicited ratings fall under the scope of the CRA Regulation and may therefore be used for regulatory purposes by a wide range of investors across the European Economic Area. These ratings are supervised by ESMA and must be monitored and reviewed regularly.
Use by Banks	Under the Banking regulation, Article 138 states that an institution “shall use solicited credit assessments. However, it may use unsolicited credit assessments if EBA has confirmed that unsolicited credit assessments of an ECAI do not differ in quality from solicited credit assessments of this ECAI ”. EBA regularly monitors this requirement and determined that it is currently met by all agencies issuing unsolicited ratings ² .
Use by Insurances	Under the Insurance regulation, insurances may use both solicited and unsolicited ratings without the need for any additional decision by EIOPA.

¹ See Question 9 page 15 and 17 of the Q&A document available at: [esma33-5-87_questions_and_answers_on_the_implementation_of_the_regulation_eu_no_463_2013_on_credit_rating_agencies.pdf \(europa.eu\)](https://www.esma.europa.eu/press-material/press-conferences-and-events/question-and-answers/question-and-answers-on-the-implementation-of-the-regulation-eu-no-463-2013-on-credit-rating-agencies.pdf)

² See latest decision by the European Banking Authority dated June 2021 available at: [EBA BS 2021 397 \(EBA Revised Decision on the Use of Unsolicited Credit Assessments\) \(part 1\) - signed.pdf \(europa.eu\)](https://www.eba.europa.eu/media/1000000/attachment/1344222/1/EBA_BS_2021_397_(EBA_Revised_Decision_on_the_Use_of_Unsolicited_Credit_Assessments)_part_1_-_signed.pdf)

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.