Press release

Credit rating agencies: BVI and GDV campaign EU Commission for stricter rules

Frankfurt – 7 September 2020. German Investment Funds Association BVI and Insurance Association GDV are making a joint appeal to the EU Commission to regulate US rating agencies more strictly and to monitor them more closely in respect of the pricing of rating data. ‘The major US rating agencies are exploiting their dominant market position to set their pricing, but the EU securities authority ESMA lacks the regulatory tools to bring such abusive licence and fee demands to an end. This is to the detriment of investors. It cannot go on like this,’ says BVI CEO Thomas Richter.

BVI and GDV have proposed that the EU Commission tighten up the Credit Rating Agency Regulation (CRA). In concrete terms, they propose to make rating agencies provide greater transparency on pricing and costs, analogous to the MiFID II rules for stock exchanges. In addition, it must be clarified that all data providers within the same rating group are subject to the CRA regulation. Currently this is not the case. As a third measure BVI and GDV advocate strengthening ESMA‘s supervisory competence in this area. European fund managers, insurers and institutional investors are reliant on obtaining rating information and data, not least due to increased regulation. They need, the data among other things for use in portfolio and risk management, for compliance and accounting purposes and for regulatory reporting.

BVI fights for fair pricing

The joint letter reflects the joint fight by both institutional investors’ and asset managers to get appropriate conditions when buying financial market data of all kinds. This is because data is becoming an increasingly important competitive factor for European asset managers. The entire market data infrastructure is shaped by monopolies and oligopolies. According to ESMA, licence costs for market data on European stock exchanges have risen by around 400 per cent since 2017.

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