



Group

ECB's seal of approval for Scope Ratings: How is the credit rating data market evolving?

DKF – 7 May 2024

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Group

ECB's seal of approval



The European Central Bank accepts Scope Ratings in the ECAF

On 10 November 2023, the ECB accepted Scope Ratings in the Eurosystem credit assessment framework (ECAF)



EUROPEAN CENTRAL BANK | EUROSISTEM

PRESS RELEASE

ECB accepts Scope Ratings within Eurosystem Credit Assessment Framework

10 November 2023

- > Scope Ratings GmbH accepted as a new external credit assessment institution



Small caveat: The ECB's *operational integration* of Scope Ratings is ongoing



Credit assessment source	Credit assessment system / provider	Coverage
ECAI	DBRS Morningstar	Eligible assets / issuers / debtors / guarantors from EEA or non-EEA G10 countries
	FitchRatings	Eligible assets / issuers / debtors / guarantors from EEA or non-EEA G10 countries
	Moody's	Eligible assets / issuers / debtors / guarantors from EEA or non-EEA G10 countries
	Standard & Poor's	Eligible assets / issuers / debtors / guarantors from EEA or non-EEA G10 countries
	Scope Ratings*	Eligible assets (with the exception of ABSs) / issuers / debtors / guarantors from EEA or non-EEA G10 countries

Scope:
The operational integration is expected to be finalised in the next months, incl. ABS

* The operational integration of Scope Ratings into the Eurosystem IT infrastructure is ongoing. Therefore, the ratings provided by Scope Ratings are not currently used by the Eurosystem to assess the credit quality of eligible collateral for monetary policy operations, with the usability of these ratings entering into effect at a later date, to be pre-announced on the ECB's website.

The European Central Bank accepts Scope Ratings under ECAF

ECB senior representatives: *“The acceptance of Scope Ratings is a milestone for the Eurosystem.”*

✓ ECAF status - consequences and impact:

- **Higher liquidity value for issuers (5% additional coverage)**
- **Wider investor acceptance**
- **CRA competition and accelerated growth**



THE ECB BLOG

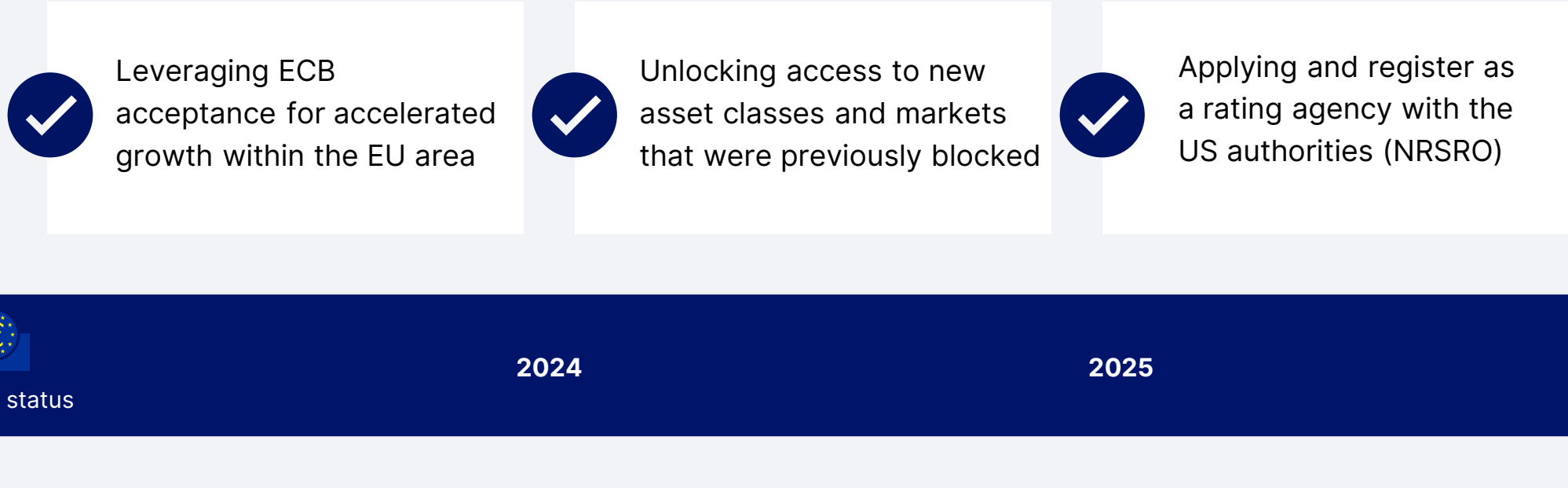
Added Scope: Eurosystem accepts a fifth rating agency

8 February 2024

Source:

<https://www.ecb.europa.eu/press/blog/date/2024/html/ecb.blog240208~6b987d0cf3.en.html>

Scope's outlook and what you can expect next



Scope is challenging the credit rating oligopoly in their most profitable business area by offering investors an alternative that is global, high quality and more cost efficient

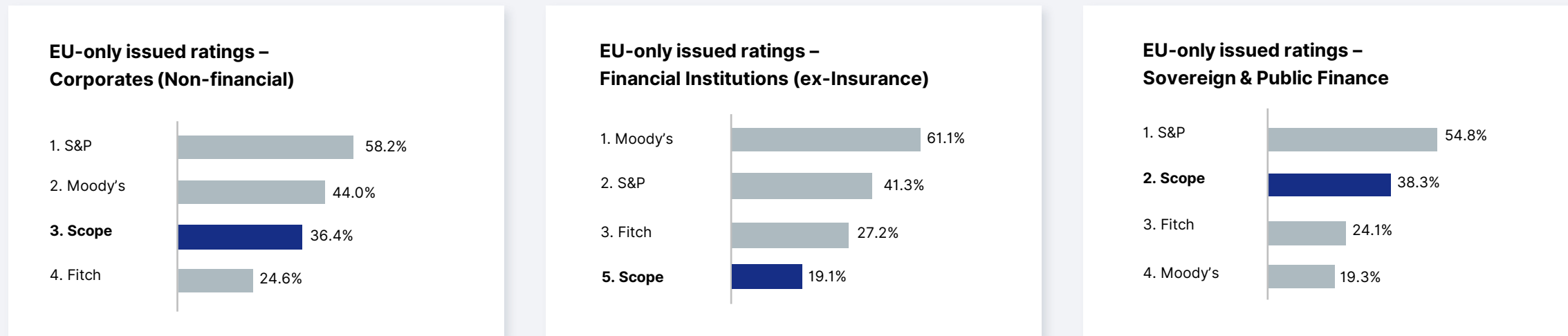


How is the credit rating data market evolving?



Scope's market share for credit ratings

Scope is rating provider #2 for Public-sector and #3 for non-financial Corporates in Europe. Scope is the largest European Rating Agency.



Credit quality steps (regulatory equivalences)

	1	2	3	4	5	6
Scope	AAA, AA	A	BBB	BB	B	CCC, CC, C, D
Standard & Poors	AAA, AA	A	BBB	BB	B	CCC, CC, R, SD/D
Moody's	Aaa, Aa	A	Baa	Ba	B	Caa, Ca, C
Fitch	AAA, AA	A	BBB	BB	B	CCC, CC, C, RD, D

Source: ESMA supervisory data as of 30/09/2023

For each rating type, percentage of the total number of instrument (ISINs) that have at least one rating assigned by a CRA registered in the EU.

esma.europa.eu/sites/default/files/2023-12/ESMA84-2037069784-2106_2023_CRA_Market_Share_Calculation.pdf

Status with European public institutions (Sample)

Licences & registrations



European Securities & Markets Authority

registered since 2011



Financial Conduct Authority

Temporary registration since Brexit

Permanent registration since 03 Nov 2023



Swiss Financial Market Supervisory Authority

registered since 2018



French, Swedish & Norwegian central banks

Accepted since 2016, 2020 and 2022 respectively



European Central Bank

Accepted as ECAI and for ECAF purposes since 10 Nov 2023. Scope is the only European CRA



U.S. Securities Exchange Commission

NRSRO application is planned for 2025



Collaborations



EC debt instrument Credit Ratings. Scope is the first European CRA mandated



SME ABS Credit Ratings. Scope is the sole CRA.



Credit Rating on the EFSF & ESM



50+ Corporate Credit Ratings for Hungarian National Bank's bond purchase programme

Scope Ratings – The European perspective








Scope is among the Big 5 in Europe - as the only European CRA

- We provide clients opinion-driven, forward-looking and non-mechanistic credit risk analysis, creating a **greater diversity of opinion** for institutional investors.
- ESMA (the European regulator for credit rating agencies) has started referring to Scope as one of the **“Big 5” CRAs**, with the others being S&P, Moody’s, Fitch and DBRS.
- The classification as “Big 5” reflects Scope’s rating coverage across all credit asset classes – from corporate debt to structured finance, project finance, financial institutions and public finance.

Source: [ESMA EU Credits Market Report 2023](#)

Big 5

Scope	
S&P	
Moody’s	
Fitch	
DBRS/Morningstar	

An oligopolistic market structure for credit rating agencies creates issues



Reduced business potential

Limiting to US CRA perspectives does not support growth in Europe

Concentration of US CRA opinions reduces business potential for risk managers and investors



Restricted use of the credit ratings

Inflexible models for clients' different requirements

Restricted use by location, type of use and update frequency all increase operational costs



Excessive charging

US CRAs charge both issuers and investors for the same product

Oligopolistic practices lead to expensive licensing fees and regular price hikes

Why access Scope's credit ratings?

Around 700 institutional investors and asset managers access Scope's credit ratings to broaden their perspectives on credit risk and achieve better results with confidence



1. European

Lens:

- Investors appreciate Scope's **European angle** on credit risk, creating a **greater diversity of opinions**.
- This European perspective (i.e. different from the common US views) also **supports fiduciary investors** with meeting the prudent person principle.

Coverage:

- Scope is the **largest European rating agency** and rates certain debt issuers not rated by US CRAs, which increases the investment universe for most investors
- Scope is also the **only European CRA with ECAF status** with the ECB.
- When investors nominated Scope as an ECAI or replaced an existing US CRA then most achieved a **capital optimisation benefit**

Why access Scope's credit ratings?

Around 700 institutional investors and asset managers access Scope's credit ratings to broaden their perspectives on credit risk and achieve better results with confidence



2. Easy to use

Enterprise licences:

- It is easy for investors to use Scope's credit ratings across the company and for any purpose, as there are **no restrictions for their internal use cases**.
- Customers can also **opt to distribute Scope's credit ratings and/or Credit Quality Steps** to their clients.

Easy Access:

- Scope is a **European supplier**. Investors often connect to **ScopeOne and/or the ScopeOne API** to get access to Scope's ratings.
- Alternatively, they receive access to the ratings from **select distribution and delivery partners** of Scope, such as asset managers or market data vendors.

Why access Scope's credit ratings?

Around 700 institutional investors and asset managers access Scope's credit ratings to broaden their perspectives on credit risk and achieve better results with confidence



3. Fair charging

Different approach:

- Investors find it fairer that we **only charge the market once** for the use of our ratings, since Scope does not charge investors for the internal use of its ratings already paid for by the issuer.

Competitive:

- Scope offers its **rating licences from the regulated rating agency itself** (not by an unregulated sister-company like the US CRAs).
- Most investors are seriously disgruntled with the US CRAs since they are unclear about the permitted use cases and suffer from **oligopolistic pricing practises**.
- Scope's pricing structure is **fair and predictable**.



Questions & Answers

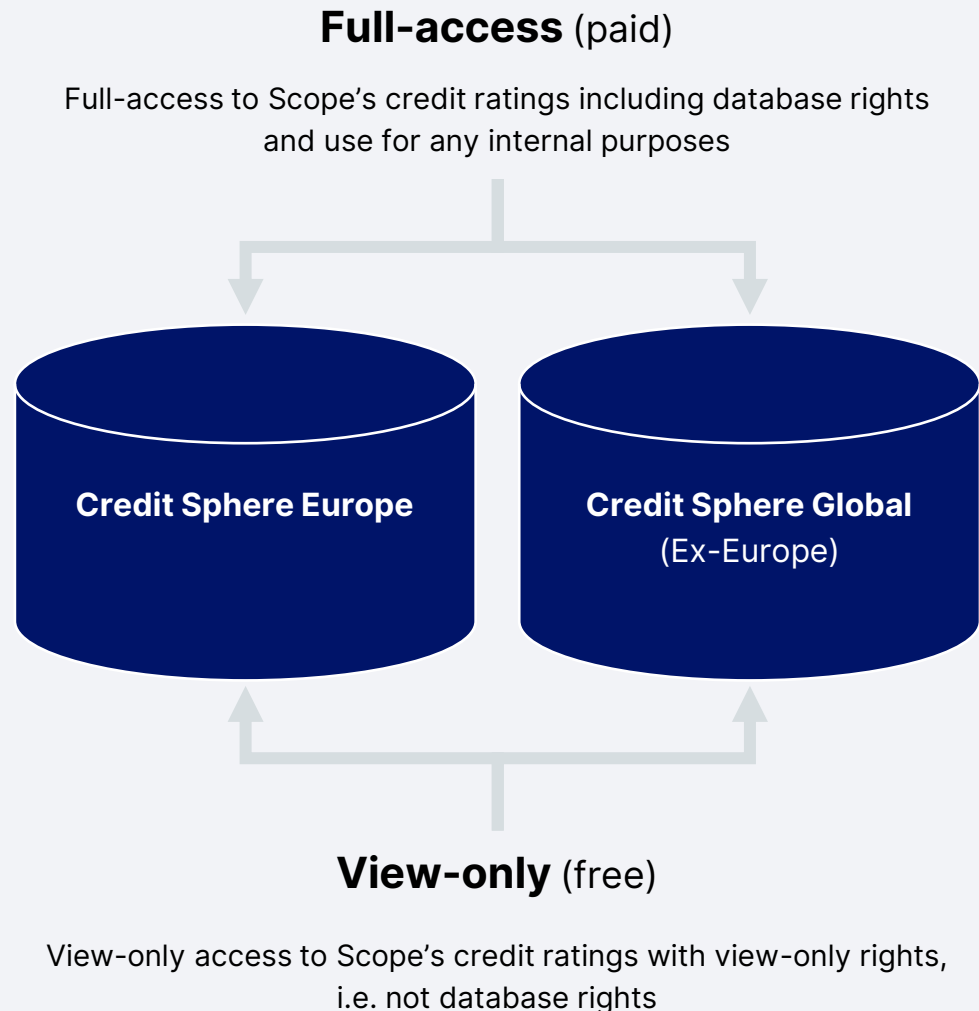




Appendix:
How can you get access to
Scope's credit ratings



Credit Sphere – access to Scope credit ratings – Internal use



Credit Sphere includes the unsolicited issuer and instrument ratings for the Corporate, Financial Institution, Sovereign and Public Sector

Separately, Scope's solicited ratings can be accessed free of charge and also include Structured Finance and Project Finance instruments

Scope offers full-access to the credit ratings through various channels:

- ScopeOne Excel downloads
- ScopeOne API
- Data Delivery Partners / Distributors, such as:
 - FinXN by Fact
 - BIQH Market Data Platform
 - WM Datenservice

Distribution of Scope's ratings by asset managers/servicers and others

Scope offers three distribution formats to support customers in sharing Scope's ratings with its clients

Distribution license

- ✓ Right to distribute Scope's ratings to your clients, as-is.

Derivative content

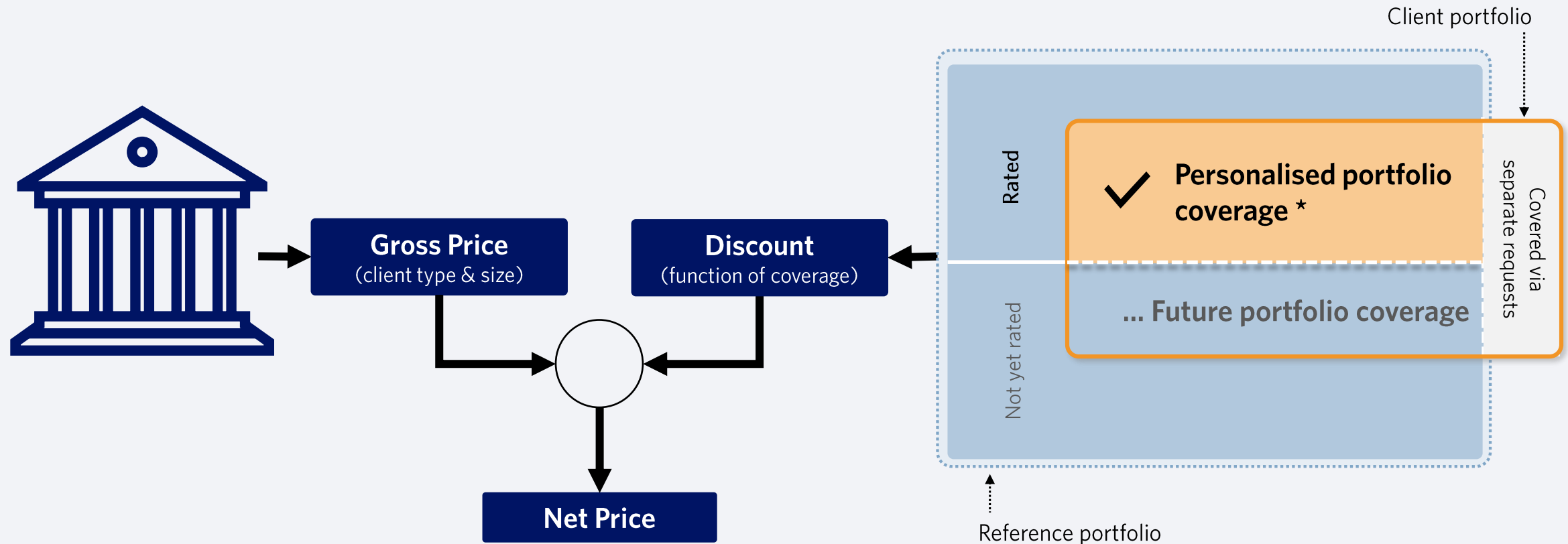
- ✓ Right to use Scope's ratings to calculate and provide Credit Quality Steps to your clients is included by default
- Other derivative content discussed on a case-by-case basis

Distribution Formats

1. **View-only** = Display/PDF report, no internal use permitted by your client
2. **Pass-through** = Display/PDF report + editable format (e.g. Excel / API), no internal use permitted by your client unless they have a Credit Sphere license with Scope
3. **Full-Access** = Any format, includes internal use rights by your client. Asset Managers pays on behalf of (some of) its clients

Personalised portfolio coverage drives personalised price

The annual licence fee for Credit Sphere full-access is determined by the type & size of the organisation and the discount derived by the personalised portfolio coverage check.



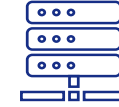
What happens next



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updates on portfolio
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