

FSCA COMMUNICATION 16 OF 2020 (CRA)

Publication of FSCA CRA Notice 2 of 2020 on the Exemption of Fitch Ratings Limited from the requirements of Section 3(2) and certain regulated persons from the requirements of Section 4(1) of the Credit Rating Services Act, 2012.

06 APRIL 2020

1. Purpose

The purpose of this Communication is to inform stakeholders that the Financial Sector Conduct Authority (“Authority”), pursuant to section 281(4) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017), have published FSCA CRA Notice 2 of 2020 (“Exemption Notice”) exempting Fitch Ratings Limited (“Fitch Ratings”) from the requirements of Section 3(2) of the Credit Rating Services Act, 2012 (Act No. 12 of 2012) (“the Act”) and certain regulated persons from the requirements of Section 4(1) of the Act. FSCA CRA Notice 2 of 2020 is available to download from the Authority’s website: www.fsca.co.za.

2. Background

- 2.1 Fitch Ratings issues sovereign ratings, which are crucial for the ability of the Republic to raise debt and to maintain macroeconomic stability. Fitch Ratings is not registered in terms of the Act.
- 2.2 National Treasury, as a client of Fitch Ratings, requested the Authority to exempt Fitch Ratings from the provisions of the Act for the issuance of sovereign ratings for a period of two years. In motivating this request, the National Treasury set out the following grounds:
 - (a) Fitch Ratings provides ratings on sovereign debt. Foreign and domestic investors rely on these ratings to make investment decisions and as such the ratings are crucial for the Republic’s ability to raise debt and to maintain macroeconomic stability.
 - (b) A temporary exemption will not prejudice the interest of-
 - i. the clients of the registered credit rating agencies;
 - ii. the users of credit ratings or credit rating services; or
 - iii. regulatory authorities that rely on, refer to or use credit ratings in their supervision and regulation activities.
- 2.3 Fitch Ratings is registered and certified in the European Union as a credit rating agency in accordance with Regulation No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies and supervised

by the European Securities and Markets Authority. As such, an exemption will not frustrate the achievements of the objectives of the Act.

- 2.4 It is therefore in the public interest for Fitch Ratings to continue to issue sovereign credit ratings as defined. For it to do so it must be able to continue to perform credit rating services in the Republic. The Authority is exercising the powers afforded to it in section 27(1) of the Act decided to exempt Fitch Ratings from the provisions of the Act for the issuance of sovereign credit ratings. The Authority is satisfied that the exemption under section 27(1) of the Act complies with the requirements of paragraphs (a) and (b) of the same section.

3. The Exemption

- 3.1 The exemption from section 3(2) of the Act permits Fitch Rating to perform credit rating services relating to the issuing of sovereign ratings for a period of two years from the date of publication of FSCA CRA Notice 2 of 2020.
- 3.2 The exemption will also allow certain regulated persons to use sovereign ratings published by Fitch Ratings during the period of exemption for regulatory purposes as contemplated in section 4(1) of the CRSA.

4. ENQUIRIES

For more information regarding this Communication please contact the Regulatory Framework Department of the Authority by emailing Roslynne van Wyk at Roslynne.vanwyk@fsc.co.za.