

Consultation Response

AFME response to Call for Evidence On the restricted subscription and private credit ratings

29 May 2026

The Association for Financial Markets in Europe (AFME) welcomes the opportunity to comment on the Call for Evidence On the restricted subscription and private credit ratings. The Association for Financial Markets in Europe (AFME) is the voice of the leading banks in Europe's financial markets, providing expertise across a broad range of regulatory and capital markets issues. We represent over 150 leading global and European banks and other significant market players. Our members play a vital role in Europe's financial ecosystem, underwriting around 90% of European corporate and sovereign debt, and 85% of European listed equity capital issuances. Importantly, AFME members are market makers, providing liquidity, which is essential for ensuring financial markets can function efficiently. We also represent law firms and other associate members which advise market participants and support AFME's legal and regulatory initiatives.

AFME is registered on the EU Transparency Register, registration number 65110063986-76. We summarise below our high-level response to the consultation, which is followed by answers to the individual questions raised.

Overarching comments

AFME welcomes this call for advice on the use of restricted subscription and private credit ratings. We consider there is a strong case for ESMA to clarify the regulatory viability for restricted subscription ratings. This is relevant in the context of CRR3, given the high level of unrated corporates in the EU and the impact of the Output Floor which is being phased in by 2032.

Currently the CRR3 does provide some mitigation of the standardised risk weight of 100% for unrated corporates in the context of the floor, namely the transitional arrangement under Article 465 whereby when IRB banks calculate the floor, they can apply a 65% RW for investment grade (IG) corporates until 31 December 2032. The 100% RW still applies for non-IG corporates. While this is a useful transitional mitigation, we note that it still falls short of addressing the impact on financing many unrated corporates which will never get a public credit rating. For instance, according to [a study AFME conducted with Global Credit data in 2025](#) to assess the riskiness of funds relative to the 65% transitional standardised RW applied to these exposures for calculating the floor under CRR3, across all collected funds (~41,000 funds), the average IRB RW is approximately 22%, which is materially below the 65% standardized RW under CRR3. The above-mentioned study shows that for mutual funds, pension funds, REITs and most non-hedge fund structures, observed default rates, TTC PDs and recoveries are consistent with significantly lower credit risk, with typical IRB RWs of 10%–20%, and 30%–40% for funds of funds, private equity funds and private debt funds. Therefore, applying a 65% RW floor therefore implies a conservatism multiple of around three times the estimated IRB RW for most funds. This is not just relevant for funds which fall into the corporate exposure class, but financing the European real economy and ensuring the highest quality corporate counterparties can get the best access to financing according to their risk profile.

Restricted subscription ratings provide a proportionate and supervised mechanism to restore prudential risk sensitivity in cases where public ratings are structurally unavailable. These ratings are produced by CRAs operating as External Credit Assessment Institutions (ECAIs) under the EU regulatory framework and are subject to ESMA supervision pursuant to Regulation 1060/2009.

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The restricted nature of these ratings reflects structural market features rather than any attempt to avoid scrutiny. For many funds and corporate borrowers, public ratings are neither appropriate nor feasible given confidentiality expectations and the nature of the investor base. Disallowing the use of these ratings could reduce capacity in low-risk financing activities and could therefore have unintended consequences for market functioning.

Consequently, we would look to ESMA to clarify that restricted subscription ratings fall under ‘*distributed by subscription*’ as per CRA Regulation (Regulation (EC) No 1060/2009) given such ratings are - in terms of how they are developed - fully aligned with the methodology of determining public credit ratings. This is with the intention that they will be recognised as “distributed by subscription” under CRR and thus can be used by banks for prudential capital requirements.

For the avoidance of doubt, we would request ESMA to confirm that its working definitions of public ratings and restricted subscription credit ratings are as follows:

- Ratings that are available to anyone willing to pay for access are considered public ratings; and
- **Ratings that are available only to those who are willing to pay for access and have an economic interest are considered as restricted subscription credit ratings.** For these purposes, **the number of subscribers is not relevant** to the assessment of economic interest; a rating may still be restricted even if it is distributed to only a small number of subscribers, where access is limited by reference to economic interest.

In so doing **we are seeking confirmation from ESMA that restricted subscription credit ratings can be considered as publicly available, hence allowed for regulatory purposes.**

Questions:

Subscription Ratings

Q.1 What are the main purposes and market needs that restricted subscription credit ratings are intended to serve? In what circumstances are they preferred over publicly disseminated credit ratings or other credit assessments? Please provide concrete examples where possible.

Restricted subscription ratings fall under the same CRAR methodologies, rating scales and rating committee governance, and the same supervisory requirements that apply to public ratings. No major difference exists in terms of prices, commission, fees, other than the issuer does not pay for the rating. This has the benefit that the end users (corporate, mid-market and SMEs) generally do not bear the cost, while also reducing costs from those soliciting the rating. From the investors perspective, key benefits are i) flexibility and customization as well as ii) diversification; restricted subscription ratings often cater to a specialized group of investors or lenders who have a direct economic interest in the rated debt or fund.

These types of ratings are also useful for a wide range of market participants from SMEs to mid-caps and investment funds exposures (e.g. pension funds or private funds), where the availability of public ratings is generally limited, given the type of counterparties and their own reluctance to solicit ratings from rating agencies due to the nature of their own business model or size. Fund managers use restricted ratings for internal portfolio monitoring, governance and risk evaluation. Clarifying the regulatory treatment of restricted subscription ratings could therefore fill a gap where public ratings are absent or impractical, including exposures otherwise treated as unrated, and support better financing conditions for the real economy. Restricted subscription ratings contribute to make private assets easier to distribute and trade among eligible institutional and secondary market’s participants.

Furthermore, it is important to have regulated ratings for private transactions to preserve confidentiality where appropriate for business purposes in some instances (e.g. financing to private funds, such as subline facilities). The limited distribution, by subscription, is not discriminatory given other market participants do not have an economic interest in the business transaction. From a bank/subscriber perspective, restricted subscription credit ratings are typically used to assess exposures to entities for which a public credit rating from the main international agencies is not available, for a number of reasons:

- Corporates that do not access public debt markets and have no incentive to bear the cost and disclosure burden of obtaining a public rating, even where the underlying credit quality fully supports a rating.
- Entities owned by private sponsors (private equity, family-owned) that prefer not to disclose credit information publicly.
- Sovereigns and corporates in emerging markets where the main international agencies have limited or no coverage, and where European ECAIs registered under the CRA Regulation are often the only available alternative.
- Mid-caps and niche sectors for which the cost of a public rating is disproportionate, whereas subscription ratings provide a more proportionate cost basis.
- Private funds that are very sensitive to dissemination of confidential information, hence publication of a rating report to the wider public is not broadly accepted (e.g. subscription line financing backed by third party investors); as indicated by several studies and reports¹, the use of credit ratings for subscription credit facilities has been growing; several quantitative and qualitative factors contribute to rating assessment (e.g. credit quality, quality of commitments, fund manager's and fund's characteristics, structural terms of subscription credit facility) a number of benefits are associated to this rating (e.g. increased marketability, risk distribution, more favorable pricing relative to unrated facilities, assistance to lenders' underwriting efforts). Restricted subscription credit ratings allow disclosure only to a limited number of counterparties, namely those with a subscription and an economic interest in the transaction.
- Restricted subscription ratings are also used in the middle-market corporate credit, structured finance and subscription credit facilities spaces.

Firms are considering the use of restricted subscription credit ratings i) for external assessments of the creditworthiness of private arrangements and in this context also for credit model development and validation ii) for portfolio management purposes, including in the context of SRT transactions iii) for regulatory purposes in the context of CRA.

Q.2 How are subscribers defined in practice, including with respect to criteria for access, the assessment of “economic interests” and restrictions on onward disclosure?

Subscribers are typically regulated financial institutions (banks, asset managers, insurance companies) with a legitimate economic interest in the credit risk of the rated entity, for purposes such as credit decisioning, portfolio monitoring or capital requirement calculations. Subscribers are typically defined through contractual eligibility criteria and technical access controls. In practice, this includes parties with a direct economic exposure to the rated entity or instrument (e.g., lenders, arrangers, investors, insurers/guarantors) and, where relevant, potential participants that can evidence a credible intention to engage (e.g., prospective syndicate members subject to confidentiality). Economic interest is evidenced through documentation such as mandate letters, term sheets, confidentiality agreements, investor qualification statements or evidence of holdings. Access is governed by a subscription agreement with the ECAI that prohibits onward disclosure to third parties and restricts use to the subscriber's internal credit, risk management processes and regulatory purposes (such as regulatory capital).

We would anticipate that the definition of “economic interest” would include any current lender in such a facility as well as any lender evaluating participation in a certain transaction by way of original participation or by way of transfer of interest from another lender.

Q.3 What information is provided to subscribers alongside the credit rating (e.g., rationale, key assumptions, sensitivity analysis)? How does this information compare with that accompanying publicly disseminated credit ratings, and how are any differences addressed?

Restricted ratings reports include full analytical reports, including methodology, key assumptions and stress testing. Disclosure is equivalent to public ratings reports, given rating methodology and rating processes are fully aligned.

Q.4 What arrangements apply in practice to ensure that restricted subscription credit ratings are produced in line with the requirements of the CRA Regulation, including those relating to governance, independence, conflicts of interest, internal controls, and application methodologies? How do these arrangements compare with those applicable to publicly disseminated credit ratings?

¹ See: [The Advantages of Credit Ratings for Subscription Credit Facilities | Insights | Mayer Brown and Funds: Subscription Facilities in Focus.](#)

We understand the regulatory requirements and process for developing restricted subscription ratings as set out in the question are fully aligned with that which is required for public ratings.

Q.5 What risks or unintended consequences may arise from the production, distribution and use of restricted subscription credit ratings (e.g., information asymmetry, cherry-picking, market signalling, procyclicality)?

We cannot immediately identify any unintended consequences of the kind outlined above. Specifically, in relation to cherry-picking, Article 138(f) CRR already provides that if an institution has access to several ratings, it is required to use the most conservative one (“where more than two credit assessments are available from nominated ECAIs for a rated item, the two assessments generating the two lowest risk weights shall be referred to. If the two lowest risk weights are different, the higher risk weight shall be assigned. If the two lowest risk weights are the same, that risk weight shall be assigned;”).

Still in regards of potential cherry-picking concerns, when there aren't several ratings available which is likely the case for unsolicited ratings, we would like to recall as well that the CRR 138 already allows for the use of such unsolicited ratings provided EBA confirms they are of same quality than solicited ones. We would also highlight the [European Banking Authority \(EBA\)](#) assessment of the potential for "cherry-picking" between solicited and unsolicited credit ratings. This analyzed whether unsolicited ratings are systematically different in quality or rating level compared to solicited ones, which could indicate "rating shopping" or pressure from credit rating agencies (CRAs). Based on its analysis, the EBA has generally found **no evidence of significant differences in quality** between the two for many External Credit Assessment Institutions (ECAIs).² This assessment should be valid for restricted subscription ratings.

Q.6 What mitigants are currently applied to address such risks and how effective are they? To what extent are these risks addressed by the existing requirements of the CRA Regulation?

The counterparty/ facility is the object of assessment not only by ECAIs and the CRAR but also by institutions such as banks.

ESMA could clarify that restricted subscription ratings are made by a licensed CRA and that such CRA shall apply the same ratings methodology for such ratings as it applies for its public ratings (or if there is no ratings methodology for the particular type of rating, that it applies a ratings methodology that is at least of the same standard as those applied to its public ratings).

Q.7 To what extent do issuers seek restricted subscription credit ratings from more than one credit rating agency for the same exposure? Please describe how common this practice is and the reasons for seeking, or not seeking, multiple restricted subscription credit ratings.

Seeking restricted subscription credit ratings from more than one credit rating agency for the same exposure is not a common practice in the market. This might happen, for example, when the rating agency engaged by the borrower/issuer is not onboarded by a market participant, who might seek a rating from a different onboarded agency.

Q.8 Are there any additional considerations or evidence related to restricted subscription credit ratings that stakeholders consider relevant for the purposes of this Call for Evidence, but which have not been addressed in the questions above?

² <https://www.eba.europa.eu/publications-and-media/press-releases/eba-confirms-use-unsolicited-credit-ratings-determining> and [EBA Report on Unsolicited Credit Assessments \(Article 138 CRR\).pdf](#). With specific respect to the qualitative analyses, the parameters taken into account by EBA were: The selected qualitative criteria employed in the assessment consist of the following: 1) policy regarding the assignment and review of unsolicited ratings 2) rating methodology for unsolicited ratings. 3) data availability for unsolicited ratings. 4) management of the pressure on the rated entity when assigning unsolicited ratings. The outcomes for each ECAI under consideration have generally suggested what follows: i) there is no material difference with respect to the policies concerning the assignment and review of unsolicited ratings of an ECAI compared to solicited ratings of that ECAI; ii) there is no material difference with respect to the methodologies applied for the assignment of unsolicited ratings of an ECAI compared to solicited ratings of that ECAI; iii) although data availability restrictions might be present for unsolicited ratings of an ECAI compared to its solicited ratings, procedures are in place to guarantee that there is no underestimation of risks and/or difference in quality with respect to its solicited ratings; iv) the ECAI employs measures to prevent that the usage of unsolicited ratings puts pressure on the rated entity that would lead the latter to place an order for a credit assessment or other services.

The industry would welcome greater clarity in the definitions of public, subscription and private ratings, alongside a more consistent application of CRA requirements. Any changes should avoid restricting the regulatory use of restricted subscription ratings or introducing disclosure requirements that would limit access to external ratings for non-public exposures, while preserving risk sensitive treatment for such exposures.

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