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Credit rating agency performance in terms of profit

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Abstract

This article aims to answer to certain issues of great interest: how profitable are rating agencies, that are their operating incomes, how a credit rating is assigned, who pays credit rating. This study follows the evolution of the three major agencies rating, Standard & Poor's, Moody's, Fitch, during 2003-2012, data were collected from official websites of the agencies published from annual reports.

Article is structure on two parts. The first part describes the agencies, their role in the market, what is their purpose. The second part presents the performance indicators and their evolution, and then presents the main strategies of agencies achieved through product diversification, increasing the quality agencies, etc.

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1. Introduction

Credit rating agencies are considered intermediaries of information as pursuing long-term evolution of a debt. Mostly, the rating agencies do not supervise short-term market and thus they do not respond to them in a short period fluctuations. Credit rating agencies are known as independent providers of credit opinions and play an important role in the market. Credit ratings agencies provide an assessment of the creditworthiness of issuers, which is essentially an assessment they made timely payment of debt, loans in general (Rousseau, 2009).

All the credit rating agencies listed below appear registered or certified in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies on the ESMA official web site (European Securities and Markets Authority).

Table 1. List of registered and certified CRAs

Name of CRA	Country of residence	Status	Effective date
Euler Hermes Rating GmbH	Germany	Registered	16 November 2010
Japan Credit Rating Agency Ltd	Japan	Certified	6 January 2011
Feri EuroRating Services AG	Germany	Registered	14 April 2011
BCRA-Credit Rating Agency AD	Bulgaria	Registered	6 April 2011
Creditreform Rating AG	Germany	Registered	18 May 2011
Scope Ratings AG (previously PSR Rating GmbH)	Germany	Registered	24 May 2011
ICAP Group SA	Greece	Registered	7 July 2011
GBB-Rating Gesellschaft für Bonitätsbeurteilung GmbH	Germany	Registered	28 July 2011
ASSEKURATA Assekuranz Rating-Agentur GmbH	Germany	Registered	18 August 2011
ARC Ratings, S.A. (previously Companhia Portuguesa de Rating, S.A.)	Portugal	Registered	26 August 2011
AM Best Europe-Rating Services Ltd. (AMBERS)	UK	Registered	8 September 2011
DBRS Ratings Limited	UK	Registered	31 October 2011
Fitch France S.A.S.	France	Registered	31 October 2011
Fitch Deutschland GmbH	Germany	Registered	31 October 2011
Fitch Italia S.p.A.	Italy	Registered	31 October 2011
Fitch Polska S.A.	Poland	Registered	31 October 2011
Fitch Ratings España S.A.U.	Spain	Registered	31 October 2011
Fitch Ratings Limited	UK	Registered	31 October 2011
Fitch Ratings CIS Limited	UK	Registered	31 October 2011
Moody's Investors Service Cyprus Ltd	Cyprus	Registered	31 October 2011
Moody's France S.A.S.	France	Registered	31 October 2011
Moody's Deutschland GmbH	Germany	Registered	31 October 2011
Moody's Italia S.r.l.	Italy	Registered	31 October 2011
Moody's Investors Service España S.A.	Spain	Registered	31 October 2011
Moody's Investors Service Ltd	UK	Registered	31 October 2011

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