



THE CREDIT RATING RESEARCH INITIATIVE

MONTHLY NEWSLETTER - JUNE 2021



INCLUDED THIS MONTH

BY DANIEL CASH

In this June edition of the CRRI's monthly newsletter, there are details on the latest updates from the credit rating world, ranging from warnings from the agencies, to an upgrade for Australia. There are a range of interesting articles reviewed.

Please do spread the word of the CRRI and this newsletter with your network, and if you have additions for next month's newsletter please do let us know!

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CRRI NEWSLETTER

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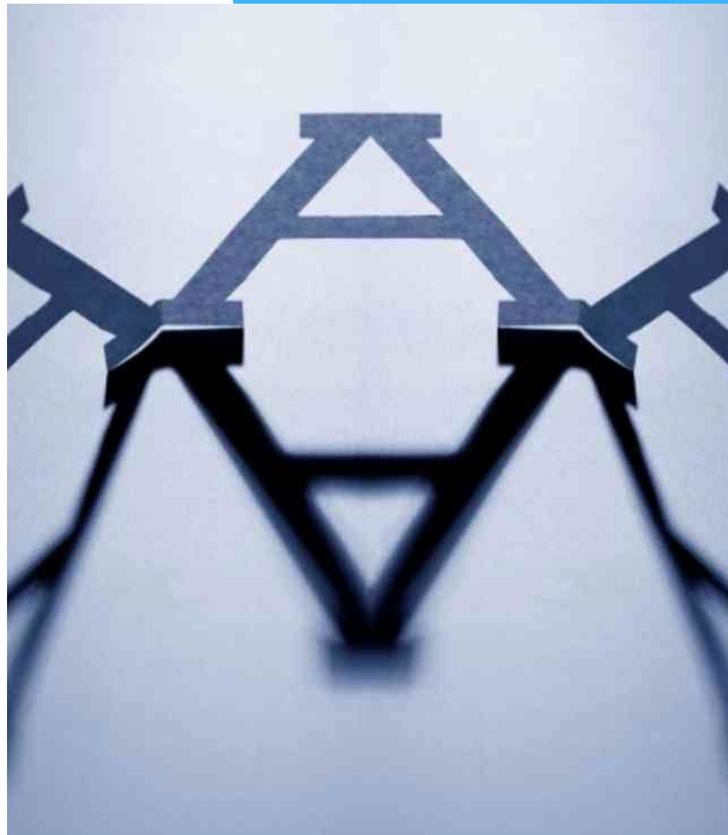
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Updates from the Credit Rating World

MOODY'S ISSUES WARNING TO ENERGY UTILITY COMPANIES/S&P UPGRADE AUSTRALIA

Moody's have issued research that backs their statement that 'ESG issues weigh on utility credit ratings' and they have cited companies like PG&E, Edison, and FirstEnergy as being particularly susceptible. More [here](#) from UtilityDive.

S&P recently upgraded its outlook on Australia's AAA rating to stable. Of particular note was the country's 'swift economic recovery' from the pandemic, although with the country still struggling with regional flare-ups, we await to see the economic impact. You can read more [here](#) from Reuters.



DEPARTMENT OF LABOR TRIES TO REDUCE CRA RELIANCE/FITCH WARNS ON BANK GOVERNANCE

The US Department of Labor has said that it is still trying to end reliance on the credit rating agencies, more than a decade after Dodd-Frank called for all reliance to be removed. The maintenance of referral to the usage of credit rating agencies within pension-related mechanisms - regarding exemptions given to companies handling retirement assets - is a testament to both the stickiness of credit ratings, and the misaligned regulation ordered by the Dodd Frank Act. Read more [here](#) via Bloomberg.

Fitch Ratings recently reported that Governance issues within some of the largest banks are being recognised by investors, and that 'G'overnance issues will continue to be a major issue for the banks and their credit ratings. More [here](#) from American Banker.

ESMA CHANGES ITS SUPERVISORY FEES/ FCA CONSULTS ON ESG RATING AGENCIES

ESMA has recommended that changes are made to the supervisory fees that are charged to credit rating agencies. There have been some increases, changes to the timetabling of payments, and the fees for larger credit rating agencies have been maintained as 'proportional'. You can read the final technical report [here](#).

The Financial Conduct Authority is consulting on issues relating to money managers, their obligations to report under TCFD rules, and the usage of ESG rating providers also. The usage of the unregulated ESG rating providers is of key concern. The deadline for responses is the 10th September and the request form can be found [here](#).



CREDIT RATING AGENCIES SUPPORT SDR SHARING

S&P and Fitch have both stated recently that the plans from the IMF to release cash via the Special Drawing Rights (SDRs) mechanism is still inadequate when thinking of assisting the world's poorest countries deal with the economic and health impacts of the pandemic. The two agencies have seemingly supported the idea of the richer countries foregoing their share and giving it to the most vulnerable, a plan which we have read elsewhere could be done without any cost to the world's richest economies. You can read more [here](#) via Reuters.



Latest Publications on the Credit Rating World

LATEST ARTICLES



There have been a number of interesting academic articles published recently. They include:

'CEO political preference and credit ratings' by Avishek Bhandari and Joanna Golden, available [here](#); 'Implications of Corporate Social Responsibility on Credit Rating: A Context of Developing Economy' by Muzammal Sindhu et al, available [here](#); 'Post-crisis banking regulation and credit rating adjustments. How Did the bail-in affect Eurozone banks' credit rating?' by Lavinia Franco, available [here](#); 'The connection between bank credit ratings and loan loss provisions in Western European banking sector' by Anna Salo, available [here](#); 'Stability and accuracy of credit ratings: Examining credit assessments from two Norwegian Banks' by Hua et al, available [here](#).

This Month's CRRI Blog Posts

there were no blogs this month, but the CRRI did launch its first set of research reports on the 'credit rating impasse' affecting the world's most vulnerable countries. We have developed an in-depth research report, together with a proposal brief on a potential way forward. You can read more [here](#) from Reuters, [here](#) from the Open Society Foundations, and on our website [here](#).



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Please do continue to support the CRRI and sharing this newsletter amongst your network! You can get in touch and share any news with us via Daniel Cash (d.cash@easton.ac.uk), via Daniel Cash on LinkedIn via direct message or including him in any news that you come across, or via the CRRI's Twitter account [@C R R I](https://twitter.com/CRRI).

EVENTS

There are a range of events being held this month, and the following provides you with access to those events:

[S&P](#)

[Moody's](#)

[Fitch](#)

[Morningstar](#)

[CountryRisk](#) (and [blog](#))

Fitch have launched a podcast series called China Perspectives hosted by their lead sovereign analyst for China, Andrew Fennell. The link to the series is [here](#).

If you would like your organisation added to this list, please just let us know!

