

The Credit Rating Agency Market in Africa

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Abstract

In this paper, we present the credit rating agency market on the continent of Africa as a potential research setting for accounting-related research. Largely unexplored in prior literature, Africa-based rating agencies provide access to information about a broad range of corporate and sovereign entities across the continent. We highlight the credit ratings and availability of credit ratings data from the largest Africa-based credit rating agency, GCR Ratings. We also discuss the potential limitations and challenges of working with the data. Principally, the data for some of the firms lack a consistent time series, as these entities may seek one-time ratings to secure a large capital raise. Finally, we propose a few questions that can be explored in future research using the features and data from the African rating agency market.

Key Words: Africa, Credit Ratings, Credit Rating Agencies, Regulation, Regulatory Strength, Conflicts of Interest

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1. Introduction

Credit ratings play a significant role in the growth of financial markets by providing critical insights into credit across a range of issuers, securities, economies, and sectors. A credit rating represents the estimated likelihood that an issuer will be able to meet its debt obligations as they become due. Accordingly, investors and other external stakeholders use credit ratings to mitigate their disadvantage of informational asymmetry relative to borrowers (Ferri, 2004). In turn, credit ratings facilitate borrowers' access to capital markets. Ratings can be used as a basis for contracting in debt markets, and various global regulations require certain market participants to invest only in entities and securities that have high credit ratings (Partnoy, 2009). These benefits of credit ratings are particularly critical in still-developing financial markets, such as those on the continent of Africa. Yet, the research on credit ratings has largely left the African credit rating agency market unexplored.

The vast majority of credit rating research focuses on the corporate, sovereign, or other ratings issued by the so-called "Big Three" U.S.-based credit rating agencies: S&P Global Ratings (S&P), Moody's Investors Services (Moody's), and Fitch Ratings (Fitch). Together, the Big Three control over 90% of the debt credit rating agency market for rated borrowers accessing the global capital markets. Unfortunately, despite their immense global footprint, the reach of the Big Three on the African continent is limited, with the gap in coverage being filled by a number of local and regional credit rating agencies. Numerous local and regional credit rating agencies around the world cover several hundreds of corporations and debt issues that are not covered by the Big Three agencies (Marandola, 2016), and these agencies also play a critical role in enabling the local capital markets on the continent of Africa.

Accordingly, in this article we consider the local credit rating agency market on the continent of Africa as potential setting for future research. Specifically, we focus our discussion on Global Credit Ratings Company Limited (GCR Ratings or GCR), which is the leading credit rating agency based in Africa. GCR focuses primarily on rating Africa-

based entities and rates corporates, financial institutions, insurance companies, municipalities, and structured finance products across 27 countries in Africa. It has greater coverage of African entities than any other credit rating agency, including S&P and Moody's. For this reason, GCR's ratings and research, along with its operating structure, ownership arrangements, and regulatory environment, provide a unique opportunity to perform credit rating and credit risk related research on the African continent. To facilitate this, we provide an in-depth discussion of the type of data available and how to access the data from GCR. We identify credit rating reports as an important source of qualitative and quantitative information on rated entities across Africa. We also describe the process of accessing tabulated rating history and, using a flat file of most outstanding ratings in February 2022, we highlight the distribution of ratings assigned by GCR to various entities and securities.

A distinctive feature of GCR's ratings is the emphasis on using local expertise to develop credible and meaningful national scale ratings. The national scale ratings provide a ranking of issuers based on their abilities to meet a financial obligation in a single country, relative to other issuers or issues in that same country. The national scale ratings are particularly critical in Africa (and also other emerging capital markets) because the traditional international scale ratings provide inadequate differentiation among credits due to the low sovereign ratings in these markets. Accordingly, GCR's ratings show greater variations of credit risk in various markets in Africa and can facilitate research inquiry about various issues of interest to academics, regulators, and capital market participants.

To facilitate research based on GCR's ratings coverage and operations, as well as the African credit rating agency market in general, we highlight a few potential research questions to explore. For example, researchers can exploit GCR's singular focus on rating Africa-based entities and emphasizing local expertise to study the impact of country-level and issuer idiosyncratic information. The data reveal that GCR identifies a set of highest AAA-rated firms in every market in Africa, indicating that a firm can receive a very high

rating based on its own merits. Existing research suggests that there is greater emphasis on country-level risk information than idiosyncratic information when rating firms in emerging markets such as Africa (Ferri and Liu, 2003; Eliner et al., 2021). Moreover, research can also examine the relative accuracy of local African rating agencies compared to the international agencies, especially for the issuers that are rated by both GCR and other international agencies. We elaborate on these and other proposed research questions in subsequent sections.

The remainder of the paper proceeds as follows. In section 2, we present GCR's background, describe its operating structure and ratings process, and discuss how to access qualitative information and credit ratings from GCR's credit rating reports and website. In section 3, we present and discuss credit rating regulation on the continent of Africa. We discuss potential research questions to explore using the data from GCR and the regulatory regimes across Africa in section 4. Section 5 concludes.

2. Example of an Africa-focused credit rating agency: GCR Ratings

To better understand the credit rating agency market and potential opportunities to conduct related research on the continent of Africa, we present an example of an Africa-focused credit rating agency, Global Credit Rating Company Limited (GCR Ratings/GCR). We propose that GCR provides an ideal setting for research through its fairly extensive ratings coverage of African entities, as well as its corporate structure and how it interacts with the various regulatory regimes in the countries in which it operates.

Background on GCR

GCR traces its origins back to 1996, when it was established as the African arm of the New York Stock Exchange-listed Duff & Phelps. A large international Development Finance Institution, the German Deutsche Investitions und Entwicklungsgesellschaft, acquired a significant stake in 2007 and further increased its shareholding in both 2012 and 2014. The Carlyle Group acquired a 49.9% stake in GCR toward the end of 2016, and on February 2, 2022, Moody's Corporation announced that it had agreed to acquire a

majority (51%) stake in GCR (Moody's 2022). The management team also holds an ownership stake in the company.

GCR operates as a group. The holding company, Global Credit Rating Company Limited ("the GCR Group"), is domiciled in Mauritius, and subsidiaries are incorporated as separate legal entities in other parts of Africa (see Table 1 for a depiction of the group legal entity structure). The GCR Group is licensed as a credit rating agency in Mauritius with the Financial Services Commission and is also recognized as an eligible External Credit Assessment Institution (ECAI) by the Bank of Mauritius. The GCR Group and/or its subsidiaries are then licensed to operate in a number of other markets across Africa, including Kenya with the Capital Markets Authority, Nigeria with the Securities and Exchange Commission, Zimbabwe with the Reserve Bank of Zimbabwe, and West Africa with the Financial Market Authority of West African Monetary Union (AMF-UMOA). In South Africa, GCR is registered as a Credit Rating Services Provider by the Financial Services Conduct Authority (FSCA) and an eligible External Credit Assessment Institution by the Reserve Bank.

Corporate governance

A critical element in the credit rating agency market is the combination of corporate governance and compliance functions to ensure the highest levels of accountability and transparency. GCR has a two-tier governance structure consisting of the Board of Directors and its subcommittees and the executive management team (See Table 2 for biographies of the board of directors as of March 2022). The risk management subcommittee reports to the Board of Directors and their sub-committees.

The Compliance Function at GCR is independent from the rating analytical units, commercial unit and day to day operations of GCR and has a direct reporting line into the Board of Directors as well as a dotted line to the Chief Executive Officer for operational purposes. This ensures that the Compliance Officer can perform the legislated duties under Section 16 of the Credit Rating Services Act. The Compliance Officer ensures that there are effective compliance controls to minimize the risk of non-

compliance with governance, legal and ethical principles (including conflicts of interests) and the resultant business and reputation risks.

Credit ratings coverage and types

GCR assigns credit ratings to corporates, financial institutions, insurance companies, and public finance entities. The public finance entities include supranational entities, municipalities, and other sub-national entities. GCR does not assign sovereign ratings, but to facilitate a more comprehensive rating process that accounts for the rated entities' environmental risks, GCR generates sovereign and sector risk scores as a foundation for all ratings. GCR also assigns ratings to structured finance securities backed by other assets. The ratings can be long-term and short-term issuer and issue ratings, financial strength ratings, servicer quality ratings, asset manager management quality ratings, and funds ratings.

An important feature of GCR's ratings is its use of both the international rating scale and a diverse number of national rating scales. GCR notes that the underlying methodology is exactly the same for both the international and national rating scales, but these ratings differ in how they facilitate global and national comparison. International scale ratings are an opinion of creditworthiness relative to a global pool of issuers and issues, and national scale ratings measure creditworthiness of an issuer or issue relative to issuers and issues within its own country. That is, national scale ratings reflect GCR's opinion on the ability of an issuer to meet a financial obligation in a single country, relative to other issuers or issues in that same country. The national rating scales are particularly critical in emerging capital markets, where the international rating scale provides inadequate differentiation among credits due to the low sovereign ratings in these markets. Thus, rather than tie entity ratings to a sovereign and end up with ratings concentrated around a sovereign rating, GCR's national ratings yield greater spread in ratings and are better able to identify the best issuers or issues in any given country. GCR indicates that its credit rating framework not only allow maximum differentiation amongst its ratings but also achieve comparability between various national scales and

the international scale rating.

GCR credit ratings data and access

GCR has since established itself as the leading Africa-based and Africa-focused credit rating agency, accounting for the majority of all ratings assigned on the African continent. Overall, GCR provides comprehensive corporate-level ratings data, both quantitative and qualitative.

At the accordance of a public rating, GCR publishes a credit rating report. The report is a research report providing detailed analysis utilized by GCR in the accordance of the credit rating. Academic research can utilize textual analysis tools to extract information from these reports regarding the quantitative and qualitative factors driving a firm's credit risk. A typical report contains the name of the rated issuer or issue, its country of domicile, and its sector. Moreover, in addition to providing the rationale for the assigned rating and the factors that could lead to an upgrade or a downgrade, the reports also provide extended analyses of the company, its competitive position, an assessment of its industry and country, and present financial statements. Users can obtain samples of the rating reports free of charge from GCR's website <https://gcrratings.com/>. For access to all the available reports, users may subscribe to the GCR's research for an annual fee. Information is available at <https://gcrresearch.com/subscriptions>.

A user can also use the credit rating report to generate an issuer's credit rating history. A typical report contains assigned rating, along with the type or class of rating (long-term or short-term), the rating scale used (national or international), and the rating outlook. The credit report contains the date the report is published which also represent the start date of the assigned rating, and it also contains the date that the assigned credit rating expires. For example, Table 3 shows an extract from a credit rating report for a rated bank entity from Zimbabwe for a rating assigned in October 2017. The rating expires in October 2018. The rating BBB(ZW) indicates a long-term, national rating scale for Zimbabwe (ZW). In addition, the credit rating reports provide a rating history, showing the initial rating and the last rating prior to the current assigned rating. Also provided are the names, title, and contact details of

the primary credit rating analysts and the chairperson of the rating committee.

The credit rating history can also be generated from the GCR website as furnished for free in accordance with standards and regulations governing credit ratings. To obtain an issuer's credit rating history, a user can visit the appropriate credit rating information page and search by issuer at: https://gcratings.com/rating_information/.² Upon searching for a given issuer, the website returns a tabulated rating history. See Table 4 for screenshots of this ratings search approach.³

Moreover, upon request GCR can furnish academic users with a flat file that contains its current ratings, but not the full tabulated rating history. The flat file contains the company name, country, sector, current rating date, rating announcement link, national scale rating, and international scale rating. The file comes in the form an excel workbook. We use such a file, as requested in February 2022, to illustrate the extent of GCR's credit rating entity coverage.

First, in Table 5 we show the comparison of entity coverage between GCR and S&P Global, one of the international credit rating agencies. To identify the full extent of S&P coverage of African-based entities, we obtain a variety of rating types from S&P CapitalIQ: long- and short-term ratings, local and foreign currency ratings, and full rating history. We compare these to GCR's available ratings across long- and short-term, national and international scale, and include entities with a history of ratings even if the ratings have been withdrawn in the current period.^{4,5} Overall, we show that GCR has substantially greater rating coverage across Africa compared with S&P. For example, GCR rates 22 financial institutions and 154 total entities (excluding 125 structured finance

² Similarly, a user can obtain assigned credit ratings from Moody's at www.moody.com with a free registration.

³ An example search for Ecobank Ghana Limited in the rating information page returns a link to the bank's tabulated rating history at: <https://gcratings.com/gcratings/?myCountry=Ecobank%20Ghana%20Limited> in Table 4.

⁴ The long-term ratings make up 72% of the national scale ratings and 54% of the international scale ratings for GCR's ratings. The remaining 46% of the international national scale rating is financial stability rating (FS rating). Subsequent tables separate out national and international scale ratings, showing that international scale ratings are a small proportion of GCR ratings.

⁵ A review of a few credit reports of the firms with withdrawn ratings indicate some firms that are still in existence but that only sought one-time credit ratings, possibly for a large capital raise. We confirmed with one privately-owned micro-finance institution that it sought a one-time credit rating when it was issuing a public bond.

securities) in South Africa compared with 34 financial institutions and 56 total entities for S&P. In Nigeria, GCR rates 62 financial institutions and 171 total entities compared with 16 financials and 20 total entities by S&P. Another important and growing market is Kenya, where GCR has a local office and rates 13 financial institutions and 49 total entities compared with S&P's 3 financials and 4 total entities. GCR also rates 16 financial institutions and 34 total entities in Zimbabwe, but S&P does not have any ratings in Zimbabwe. The country of Zimbabwe does not have a sovereign rating from any of the international rating agencies.

Second, Table 6 expands the GCR ratings to show the distribution of the ratings across sectors by country. In the top two markets, South Africa and Nigeria, corporates (including healthcare) make up the most of rated entities, followed by financial institutions (i.e., banking) and insurance. South Africa has 72 corporates plus healthcare and 22 financial institutions. Nigeria has 73 corporates and 62 financial institutions under banking. For all other countries, banking and insurance are the most prevalent sectors. For example, Kenya has the most ratings in the insurance sector (21), followed by banking (13), and corporates (11). Notably, nearly all of the 34 Zimbabwe ratings are in the banking (16) and insurance (16) sectors.

Third, to illustrate the variations in GCR ratings arising from GCR's approach to national scale, Table 7 separately presents the distribution of GCR ratings by the national rating scale and the international rating scale for the ratings outstanding as of February 2022. In particular, as stated earlier, rather than tie entity ratings to a sovereign and end up with ratings concentrated around a sovereign rating, GCR's national ratings yield greater spread in ratings and are better able to identify the best issuers or issues in any given country. Table 7 confirms this by showing the distribution of ratings for all national scale ratings across all sectors in Panel A and for a subset of sectors (excluding Fund Rating, Management, and Structured Finance) in Panel B. In Panel C we present the

distribution of the full sample of international scale ratings.⁶ Using the national scale, the data shows that there are several African entities assigned the highest AAA ratings. Overall, the ratings are fairly distributed across the upper ranges of the rating scale and there are very few entities assigned the low credit quality ratings. In contrast, for the subset of entities with international scale ratings, the African entities are concentrated in the lower end of the credit quality scales, consistent with existing evidence that international ratings tend to be much lower for African and other emerging economies (Ferri and Liu, 2003; Eliner et al., 2021).

Limitations and challenges with GCR ratings data

A few limitations and challenges warrant mention. First, although GCR has a 25-year rating history, ratings data for several entities lack a consistent time series. For various reasons, especially the financial and reputation costs of maintaining an ongoing monitoring rating, some entities seek a one-time rating when they are initially raising capital. Other entities may choose to discontinue ratings if their credit risk deteriorates. Nonetheless, regulators and investors across the continent are increasingly requiring credit ratings. Thus, the data consistency improves over time.

Second, the sample size is still relatively small. As the tabulations above show, GCR provides rating coverage than S&P on the continent of Africa and yet there is only a maximum of 622 ratings (in the current set of ratings as of February 2022 – this number would fluctuate from year to year as new firms are added and others dropped). Moreover, the 622 ratings are a mix of long- and short-term, which would likely need to be separated out for analyses. However, researchers generally use long-term ratings, which make up over 72% of the GCR sample.

Third, there are potential conflicts of interest. GCR was majority-owned by Carlyle, a private equity firm that may impose demands for profitability over entity

⁶ The ratings scale is: AAA, AA+, AA, AA-, A+, A, A-, BBB+, BBB, BBB, BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C, SD, and D, with AAA as highest credit quality to D and lowest quality.

coverage. For example, the private equity firm may push for ratings of higher quality and larger firms to ensure stable revenues, growth, and profitability in an effort to secure a profitable exit. GCR's growth and performance can be credit to its eventual acquisition by Moody's Corporation. On February 2, 2022 Moody's Corporation announced that it had agreed to acquire a majority stake (51%) in GCR. Accordingly, it is not clear what other conflicts of interests may have existed in the period leading up to the acquisition to increase the chances of GCR as a potential acquisition target. For example, it was reported that the South African regulator FSCA imposed a hefty fine on GCR for conflict of interest, when GCR's management extended an issuer's expired rating in the interest of securing continued business with the issuer (Smith 2019).

Overall, the data limitations create challenges with formulating more robust empirical analyses and generalization of the results. Nonetheless, the GCR setting provide a unique and the best opportunity to gain insights in the credit rating agency market on the African continent. In addition, the conflict of interest concerns present opportunities for research inquiry about the effects of ownership structures in the growth economies and the effectiveness of various regulations to curtail conflicts of interests and thereby improve the credibility of capital markets. Next, we discuss credit rating agency market regulation on the continent.

3. Regulation in the African credit rating agency market

GCR operates against the backdrop of a variety of regulatory regimes, some of which are intended to mitigate concerns, such as those arising from conflicts of interest. Country-specific regulatory requirements have gained momentum over the past few years, resulting in varying regulatory requirements across the continent. Some of the African countries model their credit rating regulations on the guidelines provided by The International Organization of Securities Commissions (IOSCO). However, these guidelines are not consistently adopted and/or the regulatory frameworks often lack the relevant resources to ensure sufficient, ongoing monitoring of the rating agencies. For

most of the African countries, regulation becomes merely a registration tool for credit rating agencies, devoid of ongoing monitoring mechanisms. Furthermore, in some countries, credit rating agencies that provide complex insurance ratings can easily bypass credit rating regulatory requirements under the auspices of performing services considered critical to the functioning of the financial system.

To shed light on the specific regulations and guidelines enacted in different places, Table 8 describes the various credit rating agency regulations and requirements across Africa. As stated above, some of the regulations are concerned solely with registration of rating agencies and are based in countries that do not have an office dedicated to the ongoing monitoring of credit rating agencies. While no continent-wide regulator exists, some economic regions in Africa (i.e., the Central African Economic and Monetary Union and the West African Monetary Union) adopted a centralized regulatory approach that apply to all member countries. Overall, the regulation of credit ratings in Africa is still in its infancy.

An external assessment of the credit rating agency regulation on the continent of Africa concluded that only South Africa has strong regulations. The European Securities and Markets Authority (ESMA), the securities markets regulator in the European Union (EU), found that the regulatory framework for credit rating agencies in South Africa is as stringent as EU rules (ESMA 2016). Such an evaluation allows EU rating agencies to endorse credit ratings assigned by GCR and other South Africa-based rating agencies for regulatory purposes in the EU.

GCR's operating structure, however, exposes some general weaknesses in the regulatory environment on the continent. Although GCR's operating headquarters is located in South Africa, not all of GCR's operations are subject to the stringent South African regulations. One of the regulatory loopholes on the continent is that credit rating agencies can bypass stringent country-specific regulations when operating in other countries by registering as separate entities in other jurisdictions where they operate. This means that their activities in the subsequent countries are subject to the regulations

within that country. For example, GCR's annual reports filed with the South African regulator are limited only to information about operations in South Africa or operations handled by South Africa-based analysts with the specific South Africa-based legal entity: Global Credit Rating Co. (Pty) Ltd.⁷ Accordingly, there is limited publicly available data about some aspects of GCR's operations in other countries such as Kenya and Nigeria. As noted earlier, Mauritius is the seat of GCR's holding company. This is because Mauritius has favorable tax policies and accommodating laws regarding capital flows to and from foreign investors, such as those invested in GCR.⁸

4. Potential research questions to explore

Our discussions above show that, having been largely unexplored in prior literature, the credit rating agency market on the African continent presents an opportunity to expand the type of firms included in rating-related analyses beyond those typically rated by the Big Three rating agencies. This opens up avenues for revisiting important research questions and exploring the institutional environments in various African countries. For example, prior research shows that rated firms tend to manage their financial reporting to attain a desired credit rating (e.g., Alissa et al. 2013). With regard to entities on the African continent, prevailing sentiment assumes that accounting quality is low or that availability of accounting data is simply limited. Credit rating reports from GCR contain financial information that can be used for a wide range of analyses to examine how the firms' accounting quality changes in the period leading up to a credit rating.

Researchers can also examine the limited levels of sovereign rating coverage on the African continent and the rationale behind this. Credit ratings allow countries to access international capital markets, and yet, over 40 percent of African countries are not

⁷ Links to the annual reports are available on the GCR website at <https://gcratings.com/regulatory-environment/>. The reports are required by law in accordance with Section 15 of the Credit Rating Services Act 24 of 2012 In South Africa.

⁸ The holding company was once incorporated in the British Virgin Islands (see, for example, the legal structure and ownership in 2013 annual report at https://gcratings.com/wp-content/uploads/2019/05/CRA_Annual_Report_Submission_-_Public_website_version.pdf)

rated (Country Economy 2022). Sovereign risk scores that GCR provides may illuminate whether countries' perceived or actual risk plays a role in the decision to seek a sovereign rating. Relatedly, GCR and other local rating agencies have greater coverage of small and medium enterprises than the global rating agencies. This provides an opportunity to study the potential effects of ratings on economic growth and access to capital.

Even more relevant to accounting research is the singular focus on rating Africa-based entities and emphasizing local expertise. This potentially provides a setting to study the decomposition of credit ratings into country-level information and a rated firm's idiosyncratic information. While existing research indicates that global ratings agencies emphasize country-level risk information over idiosyncratic information when rating firms in emerging markets, GCR's superior/more thorough coverage of African firms offers the opportunity to develop more nuanced and accurate ratings/analyses. Additionally, comparisons of accuracy between local African rating agencies could generate a new path of research within the field.

A long-standing concern and subject of academic research is the perceived or actual conflict of interest in credit ratings. Data from GCR offers alternative approaches for examining conflicts of interest. First, there are regulatory concerns that large shareholders of credit rating agencies can influence the rating process (Kedia et al. 2017), and, given its shareholder profile, GCR appears likely to encounter such issues. In particular (as noted earlier), GCR was majority-owned by a private equity firm before majority ownership by Moody's Corporation. These types of owners have different incentives for the rating agency and can influence the ratings. In addition, GCR's management team also has an ownership stake in the business. This provides another important avenue for future research, especially one that examines the ratings and the ratings process in the period leading up to ownership changes.

Second, GCR sovereign risk scores can provide a benchmark to assess conflicts of interest and associated catering behavior of the international rating agencies. Specifically, assuming they are more comprehensive and more accurately reflect sovereign and sector

credit risk, one can use GCR country and sector risk scores to investigate whether Moody's and S&P have incentives to maintain or quickly return sovereign ratings at or above investment-grade because their rating methodologies automatically trigger rating downgrades in corporate sectors when a sovereign is downgraded. Unlike in the US, for example, where a corporate entity can have a higher rating than the sovereign, ratings in African countries are limited by the sovereign rating ceiling.

GCR's interactions with the African regulatory environment presents other interesting research avenues. Our discussions above highlight frequent inconsistencies in the application of credit rating agency regulations across the African continent, resulting in various separate legal entity schemes to circumvent costs of navigating stringent regulatory regimes. While the operating structure via separate legal entity is visible, it is not clear whether and to what extent GCR (or any other rating agency) would allocate its resources conditionally on the strength of the local credit rating agency regulation.

These and many other potential research questions warrant exploration, given the long-term economic and socio-economic benefits that are linked to stable and developed financial markets. Credit rating agencies offer critical support to market participants developing and upholding the financial system. This is especially salient in Africa, where capital markets are still developing. Given that investors rely on credit ratings to allocate capital, failures in the credit rating agency market can lead to loss of investor confidence in the financial system, ultimately impairing capital market development (Bernanke 2018).

Conclusion

In this paper, we present the credit rating agency market on the African continent as a largely unexplored research setting. We highlight the largest Africa-based credit rating agency, GCR, and show that it provides a much larger sample size of African-based firms than the global agencies. While there are limitation and challenges to working with the data from GCR, we identify some of the challenges as opportunities for research

exploration. For instance, the opportunities for GCR and other agencies to create separate entities in different jurisdictions and thereby sidestep stringent regulations in South Africa raises a questions of how regulatory strength influences resources allocation and ratings outcomes. In addition to this line of inquiry, we propose other future research areas to explore using the data from GCR and the African regulatory environment.

Overall, the paper introduces researchers with limited institutional knowledge of Africa to the credit rating agency market on the continent in the hopes of sparking interest in exploiting the setting for academic research. Equally important, the paper highlights the relevance of the setting to encourage researchers who are more familiar with institutions in Africa to seek out leading academic journals, such as the *Journal of Financial Reporting*, as viable publication outlets for interesting studies that leverage this expertise.

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Table 1: GCR Ratings Group Structure and Governance

The figure below depicts GCR group and legal entity structure as of March, 2022. The information is obtained from the company website: <https://gcrratings.com/about-us-2/>.

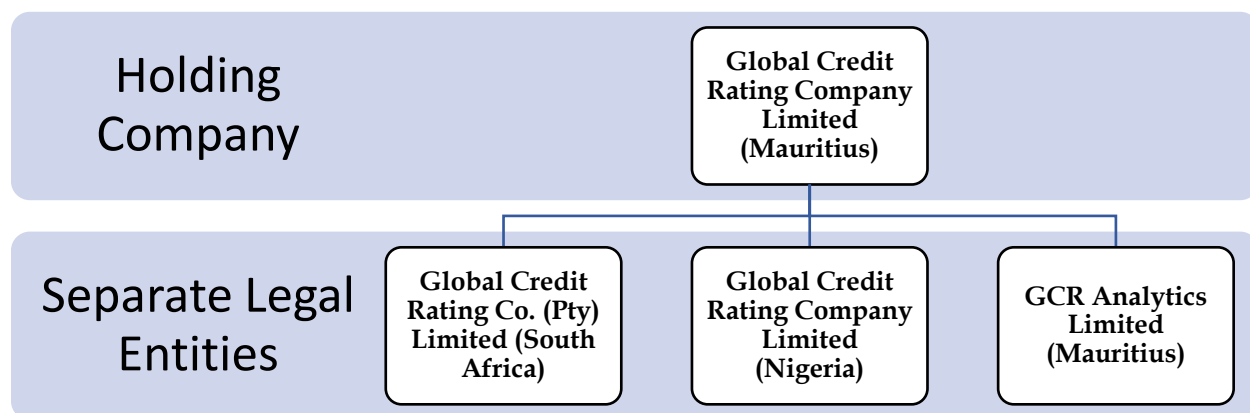


Table 2: GCR Ratings Group Structure and Governance

This table lists biographies of GCR Ratings Group's Board of Directors as of March 9, 2022. The information is obtained as is from the company website:

<https://gcrratings.com/board-of-directors/>.

Name	Biography
Independent Non-Executive Director	
OLIVIER BEROUD	Olivier Beroud has extensive experience in rating agencies and banking. He was until recently Managing Director, Head of EMEA for Moody's, based in London, where he was responsible for the Rating Agency's strategy and operations. He was previously a Managing Director in Moody's corporate ratings business. Olivier ran Barclays Banks Plc's Ratings Advisory Group from 2006 to 2011 and prior to that, he spent 10 years at Standard & Poor's as a senior analyst and worked as a banker for Natixis and as a consultant for Moore Stephens. He has an MBA from Cass Business School. Olivier currently runs his own pension consultancy, and is a visiting professor at the London Institute of Banking and Finance. He is a board member on a variety of organizations in the rating, trade finance and charity sectors. Olivier specializes in training on topics such as credit ratings and rating systems, corporate finance, corporate governance and financial analysis. He sits on the audit and assurance committee of the Financial Reporting Council in London and lectures in risk and corporate governance at Skema business school as well as at the London Institute of Banking and Finance. He is a trustee and chair of the risk committee on the Stratford Art Trust. He has provided training to senior executives all over the world and coached board members.
SANTOSH GUJADHUR	Mr. Santosh K. Gujadhur was the co-founder and director of GFin Corporate Services Ltd ("GFin"). Mr Santosh K. Gujadhur is now the Managing Director of Apex Fund & Corporate Services (Mauritius) Ltd ("AFCS") since February 2021 as well as member on the Board of AFCS. He has been on the board of investment funds and investment companies that have deployed in excess of \$15 billion in venture, debt or equity capital participations. Prior to the set-up of GFin in 2010, he was a corporate associate in the New York office of Sidley Austin LLP, where he focused his practice on capital markets and equity derivatives transactions and general corporate transactional work. Prior to that, he worked at Clarel Benoit Chambers, one of the band-1 rated firms in Mauritius by Chambers and Partners (UK). He has extensive experience in interacting with lawyers, tax advisers and boards of directors of funds/ SPVs in various jurisdictions to structure, close and maintain investment vehicles. He received his Doctor of Law degree, with a concentration in Business Law and Regulation, from Cornell University and a B.S.C in Biochemistry from Boston College. Mr. Gujadhur is also a licensed legal practitioner and is admitted to the New York State bar in the USA.
TEJ GUJADHUR	Mr. Tej Gujadhur co-founded GFin Corporate Services Ltd ("GFin") in Mauritius and that is now fully integrated into Apex Group as from February 2021. Mr Tej Gujadhur is now a member of the Board of Apex Fund & Corporate Services (Mauritius) Ltd ("AFCS") following an acquisition by Apex Consolidation Entity Ltd ("ACEL") of GFin on February 15, 2021 whereby GFin changed its name to AFCS. Prior to the set-up of GFin in 2010 and acquisition of GFin by ACEL in 2021, Mr Tej Gujadhur was the Chief Financial Officer ("CFO") of Apollo Management's European distressed and principal finance business. He has been in the financial sector of Europe and USA for 16 years, with a focus on the private equity and hedge fund industries in London, Dublin and New York both as a senior manager with Ernst & Young and senior in-house positions. He has also been CFO of The Children's Investment Fund and its affiliates, with assets in excess of \$15billion. Mr. Gujadhur received his MA in International Banking and Financial Services from the University of Reading, UK and a BSc. (Hons) in Computational Science and Economics from the University of Leeds, UK. Mr. Gujadhur is a Chartered Accountant from the Institute of Chartered Accountants of England and Wales. Mr Gujadhur continues to serve several asset managers as a board director in Europe and India.

Non-Executive Director	
MICHAEL FISCHER	Michael Fischer is DEG Director of Financial Institutions Africa and the Director of the Regional Officer for Southern Africa. Michael has a degree in engineering and business administration. His career spans more than 25 years, having occupied senior positions at Dresdner Bank before joining DEG. DEG was founded in 1962 with the mandate to promote business initiative in developing and emerging market countries as a contribution to sustainable growth and improved living conditions of the local population. Michael has senior level experience in corporate financing, financial structuring, investment banking, private equity and much more. He is well known by his colleagues for his experience and inputs into structured finance markets and related activities.
DAVID CHARLES KING	Dave King is a former member of the Technical Advisory Committee of the South African Institute of Chartered Accountants. Prior to co-founding the debt ratings initiative in Africa in the early 1990's, he was a senior manager with one of the major South African banks. His expertise lies in the field of credit and strategic risk analysis, with over 25 years senior management experience in this field, including 24 years with a credit rating agency.
ERIC KUMP	Eric Kump is Head of the Carlyle Sub Sahara Africa Fund and an advisor of the Carlyle European Partners investment committee. Eric has more than 20 years of private equity experience spanning four continents and numerous sectors. Prior to joining Carlyle European Partners in 2010, Eric was a Managing Director and Head of the European Private Equity team of Dubai International Capital (DIC). Prior to that, he was a Managing Director with Merrill Lynch Global Private Equity (MLGPE) where he was a member of the global investment committee. Eric received his M.B.A. from Harvard Business School and he received a B.A. in finance and accounting from Pace.
BRUCE STEEN	Bruce Steen is a senior investment professional with 3 years accounting, and a further 11 years of private equity experience in both developed and emerging markets. He is currently a Director for Sub-Saharan Africa at the Carlyle Group, where he is responsible for sourcing and evaluating private equity investment opportunities. Bruce is a founding member of Carlyle's Africa Fund, and is involved in all aspects of raising and staffing the fund. Bruce is a Chartered Accountant and Chartered Financial Analyst.
Executive Director	
MARC JOFFE	Marc Joffe is GCR's Chief Executive Officer, and is responsible for the Rating Agency's strategy and operations for Africa. He has more than eighteen years of experience in the credit rating industry, all served at GCR, and spanning multiple sectors and countries across the African continent. Marc also previously held various senior analytical roles at GCR. He has a Bachelor of Commerce Degree in Business Economics from the University of the Witwatersrand.

Table 3: An excerpt from a credit rating report

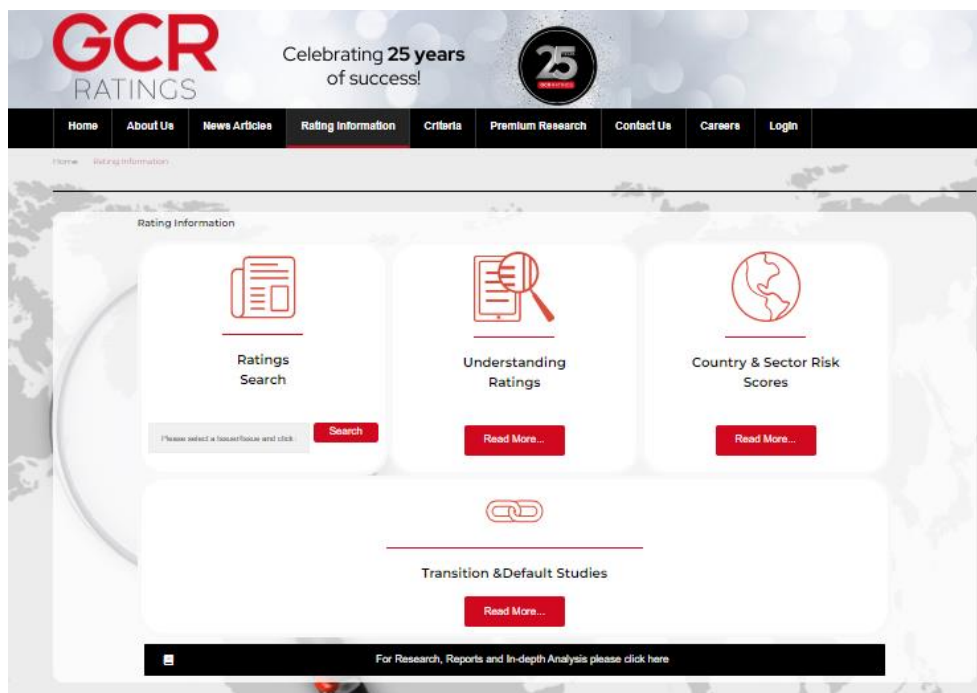
This table shows an excerpt from a credit rating report, showing the country (Zimbabwe) and sector (Bank) of the company being rated. The top right information (October 2017) is the date the credit rating report was published and the credit rating assigned. The column headers indicate relevant rating information: Rating class (long-term or short-term), Rating scale (national or international), Rating (the rating text and the two-letter code for the country of analysis), Rating outlook, and the Expiry date (when the assigned rating is no longer applicable). A credit rating report is available as discussed in this paper: a sample free of charge from GCR's website <https://gcrratings.com/>, or all reports by subscription: <https://gcrresearch.com/subscriptions>.

Zimbabwe Bank Analysis				October 2017
Rating class	Rating scale	Rating	Rating outlook	Expiry date
Long-term	National	BBB(ZW)	Stable	October 2018
Short-term	National	A3(ZW)		

Table 4: Accessing tabulated credit rating history from GCR’s website

This table presents screenshots from GCR’s website that demonstrate how to access the tabulated credit rating history. These data are available without a subscription. Panel A shows the “Ratings Search” page at https://gcrratings.com/rating_information/ and Panel B shows an example of a search output using Ecobank Ghana Limited, which opens at <https://gcrratings.com/gcrratingsc/?myCountry=Ecobank%20Ghana%20Limited>.

Panel A: “Ratings Search”



Panel B: Tabulated Rating History (An example)

Current Information

Issuer Name:

Ecobank Ghana Limited

Issue Name:

—

Country:

Ghana

Sector:

Banking

National Scale:

Long Term Rating: A⁺₁₀₀ Outlook: Positive

International Scale:

Short Term rating: A⁺₁₀₀ Outlook: Positive

Rating Action:

—

Announcement Link:

10-06-2021

Indicative:

Click Here

Please note that our website is scheduled to import updates from the day's credit rating announcements to our credit rating database at 00:00 South African time daily. At this time the ratings history will be in line with the announcements as released during the day.

CCR Ratings Credit Reports

CCR Ratings Credit Report - Where applicable, includes CCRs Rating and rationale along with comprehensive analytical commentary, detailed business overview and key financial data. Report Revision Date: 10-06-2021 (represents the latest significant change).

Tabulated Rating History

Issue Name	National Scale	International Scale	Rating Action	Read More
—	Long Term Rating: A ⁺ ₁₀₀ Outlook: Positive	—	10-06-2021	
—	Long Term Rating: A ⁺ ₁₀₀ Outlook: Stable	—	11-06-2020	
—	Long Term Rating: A ⁺ ₁₀₀ Outlook: Stable	—	11-12-2019	
—	Long Term Rating: A ⁺ ₁₀₀ Outlook: Negative	—	31-10-2018	
—	Long Term Rating: A ⁺ ₁₀₀ Rating Watch	—	21-12-2017	
—	Long Term Rating: A ⁺ ₁₀₀ Outlook: Stable	—		
—	Long Term Rating: A ⁺ ₁₀₀ Outlook: Stable	—		
—	Long Term Rating: A ⁺ ₁₀₀ Outlook: Stable	—		
—	Long Term Rating: A ⁺ ₁₀₀ Outlook: Stable	—		
—	Long Term Rating: A ⁺ ₁₀₀ Outlook: Stable	—		

Table 5: Number of entities covered by GCR compared with S&P

This table presents the number of current rated entities covered by GCR compared with S&P Global Ratings. The GCR ratings data was obtained directly via email on February 16, 2022, and represents the current ratings outstanding at that time; ratings data are also available from credit rating reports at <https://gcratings.com/>, as described in this paper. S&P rating data was obtained from S&P CapitalIQ, as accessed on March 2, 2022. Countries included in “Other” are: Morocco, Tunisia, Angola, Cape Verde, Democratic Republic of the Congo, Gabon, Liberia, Libya, Mali, Senegal, and Seychelles. For purposes of identifying full ratings coverage, this table includes all types of ratings (i.e., national and international scale ratings, long- and short-term ratings, and withdrawn ratings). All data sources are accessed by paid subscription, but public ratings data are also furnished on the credit ratings web sites free of charge as required by most regulatory regimes.

Country	S&P Ratings		GCR Ratings		
	Financials	Total	Financials	Structured Finance	Total
South Africa	34	56	22	125	279
Nigeria	16	20	62	0	171
Kenya	3	4	13	0	49
Zimbabwe	0	0	16	0	34
Mauritius	3	9	10	0	13
Tanzania	0	0	3	0	11
Ghana	2	3	5	0	10
Namibia	0	0	8	0	10
Botswana	1	2	3	0	7
Uganda	0	1	2	0	7
Rwanda	0	1	4	0	5
Zambia	0	1	0	0	5
Mozambique	0	1	1	0	4
Malawi	0	0	1	0	4
Ivory Coast/Côte d'Ivoire	1	3	1	0	3
Egypt	15	17	2	0	2
Eswatini (formerly, Swaziland)	0	0	0	0	2
Togo	1	2	0	0	1
Benin	0	1	0	0	1
Burkina Faso	0	1	0	0	1
Cameroon	0	1	0	0	1
Ethiopia	0	1	0	0	1
Madagascar	0	0	0	0	1
Other	20	32	0	0	0
Grand Total	96	156	153	125	622

Table 6: GCR ratings coverage by sector

This table presents the number of GCR ratings by sector. The data was obtained via email on February 16, 2022, and represents outstanding ratings; the data are also available from rating reports at <https://gcratings.com/>, as described in this paper. For purposes of identifying full ratings coverage, this table includes all types of ratings (i.e., national and international scale ratings, long- and short-term ratings, and withdrawn ratings). Subsequent tables separate the national from the international scale ratings, separate the long-term from the short-term ratings, and drop withdrawn ratings.

Country	Corporates	Healthcare	Public Sector	Banking	Insurance	Fund Rating	Management	Structured Finance	All Ratings
South Africa	61	11	7	22	29	24	0	125	279
Nigeria	73	0	25	62	8	3	0	0	171
Kenya	11	0	4	13	21	0	0	0	49
Zimbabwe	0	1	0	16	16	0	1	0	34
Mauritius	1	0	0	10	2	0	0	0	13
Tanzania	0	0	0	3	8	0	0	0	11
Ghana	0	0	0	5	5	0	0	0	10
Namibia	1	0	0	8	1	0	0	0	10
Botswana	0	0	0	3	4	0	0	0	7
Uganda	0	0	0	2	5	0	0	0	7
Rwanda	0	0	0	4	1	0	0	0	5
Zambia	0	0	0	0	5	0	0	0	5
Malawi	0	0	0	1	3	0	0	0	4
Mozambique	0	0	0	1	3	0	0	0	4
Côte d'Ivoire	1	0	0	1	1	0	0	0	3
Egypt	0	0	0	2	0	0	0	0	2
Eswatini	0	0	0	0	2	0	0	0	2
Benin	0	0	0	0	1	0	0	0	1
Burkina Faso	0	0	0	0	1	0	0	0	1
Cameroon	0	0	0	0	1	0	0	0	1
Ethiopia	0	0	0	0	1	0	0	0	1
Madagascar	0	0	0	0	1	0	0	0	1
Togo	0	0	0	0	1	0	0	0	1
Grand Total	148	12	36	153	120	27	1	125	622

Table 7: Current GCR ratings by rating scale

This table presents the ratings distribution across the national and international ratings scale. Panel A consists of the full sample of current national scale letter ratings, while Panel B excludes three sectors: Fund Rating, Management, and Structured Finance. Panel C consists of international scale ratings. The ratings scale is: AAA, AA+, AA, AA-, A+, A, A-, BBB+, BBB, BBB, BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C, SD, and D, with AAA as the highest credit quality and D as the lowest quality. Long-term ratings make up 72% of the national scale ratings and 54% of the international scale ratings. The remaining 46% of the international national scale rating corresponds to financial stability rating (FS rating).

Panel A: National scale ratings – full sample with current letter ratings (excluding withdrawn ratings)

	CC	CCC-	CCC+	B-	B	B+	BB-	BB	BB+	BBB-	BBB	BBB+	A-	A	A+	AA-	AA	AA+	AAA	Total
South Africa	1						2	1	1	4	4	5	23	20	7	25	18	32	42	185
Nigeria		2			1	1		1	2	15	28	24	31	6	13	7	7	4	17	159
Kenya								2	1	2	6	5	2	1	5	5	4	1	5	39
Zimbabwe								1	1	1	1	2	5	2	4	2	2	2	1	24
Mauritius						1							1		1				10	13
Ghana									2				2	2	1	1		1	1	10
Namibia		1						1			1			3		1	1	1	1	10
Tanzania										1				3	1	1	2		2	10
Uganda														1	3				3	7
Rwanda									1					1			1	1	1	5
Zambia			1										1		1				1	4
Botswana				1												1			1	3
Mozambique												1	1						1	3
Côte d'Ivoire								1											1	2
Malawi										1							1			2
Swaziland															1			1		2
Benin										1										1
Burkina Faso														1						1
Cameroon															1					1
Egypt																			1	1
Ethiopia																	1			1
Madagascar																	1			1
Togo																			1	1
Grand Total	1	3	1	1	1	2	2	7	8	25	40	37	66	40	38	43	38	43	89	485

Panel B: National scale ratings – subsample with current letter ratings (excluding structured finance)

Country	CC	CCC-	CCC+	B-	B	B+	BB-	BB	BB+	BBB-	BBB	BBB+	A-	A	A+	AA-	AA	AA+	AAA	Total
Nigeria		2			1	1		1	2	15	28	23	30	6	12	7	7	4	17	156
South Africa	1						1		1	3	2	5	17	19	7	14	13	10	3	96
Kenya								2	1	2	6	5	2	1	5	5	4	1	5	39
Zimbabwe								1	1	1	1	2	5	2	4	2	2	2	1	24
Mauritius						1							1		1				10	13
Ghana									2				2	2	1	1		1	1	10
Namibia		1						1			1			3		1	1	1	1	10
Tanzania										1				3	1	1	2		2	10
Uganda														1	3				3	7
Rwanda									1					1			1	1	1	5
Zambia			1										1		1				1	4
Botswana				1												1			1	3
Mozambique												1	1						1	3
Côte d'Ivoire								1											1	2
Malawi										1							1			2
Swaziland															1			1		2
Benin										1										1
Burkina Faso														1						1
Cameroon															1					1
Egypt																			1	1
Ethiopia																	1			1
Madagascar																	1			1
Togo																			1	1
Grand Total	1	3	1	1	1	2	1	6	8	24	38	36	59	39	37	32	33	21	50	393

Panel C: International scale ratings – full sample with current letter ratings (excluding withdrawn ratings)

Country	CCC-	CCC	B-	B	B+	BB	BB+	BBB-	BBB	BBB+	A-	Total
South Africa			1	1	7	5				1		15
Kenya			1	2				1	1			5
Zimbabwe		3	1									4
Nigeria			2		1							3
Botswana			1			1						2
Egypt											2	2
Mauritius						1				1		2
Tanzania			1					1				2
Zambia	1		1									2
Ethiopia			1									1
Ghana			1									1
Malawi		1										1
Mozambique			1									1
Namibia			1									1
Rwanda								1				1
Swaziland			1									1
Togo							1					1
Uganda								1				1
Grand Total	1	4	13	3	8	7	1	4	1	2	2	46

Table 8: Regulation of Credit Ratings in Africa

This table presents an overview of the various credit rating regulatory regimes in place across different parts of the continent of Africa.

Country/Region and Relevant Regulations/Laws	Comments
<p>Egypt:</p> <p>Banking Law No. 194 for 2020 (The Banking Law).</p> <p>Law No. 10 for 2009 regarding the supervision of non-banking financial markets and instruments.</p>	<p>The regulations in place are geared toward the registration/ licensing of new credit rating agencies and originate from the Financial Regulatory Authority's laws and regulations (previously the Egyptian Financial Supervisory Authority's (EFSA)). There is no specific credit rating regulatory office monitoring the activities of credit rating agencies in the country or requiring annual regulatory submissions from these organizations.</p> <p>Egypt has recently updated the credit rating registration requirements. The major change involves scrapping the previous requirement of a 10% shareholding from a major international rating agency for all locally created rating agencies. The change in this requirement should open the way for the development of local credit rating agencies.</p>
<p>Ghana:</p> <p>The Securities Industry Act 2016 (Act 929) as amended by the Securities Industry (Amendment) Act, 2021 (Act 1062). Guidelines 2021 Sec/gui/001/11/2021</p>	<p>Ghana has recently updated its specific regulations related to credit rating agencies and now has a comprehensive set of requirements related to the registration of new credit rating agencies within the country.</p> <p>There isn't a specific credit rating regulation office, and the regulations in place are geared more toward the registration/ licensing of new credit rating agencies within the country.</p>
<p>Kenya:</p> <p>Section 23 (2) of the Capital Markets Act (Cap 485A of the Laws of Kenya)</p>	<p>The Capital Markets Authority of Kenya regulates credit rating agencies within the country from more of a licensing perspective than a formal ongoing monitoring perspective (in the form of a credit rating regulatory office). Kenya is the third-largest credit rating market in Africa, and the CMA has been tasked with ensuring that the rating agencies within the country conduct themselves in a prudent and professional manner.</p>
<p>Mauritius:</p> <p>The Banking Act 2004 and the Bank of Mauritius Act 2004 (The Direct Recognition method in the corporate sector).</p> <p>Section 14 of the Financial Services Act 2007, Amended by FSC Rules [GN No. 113 of 2019] and the Financial Services (Consolidated Licensing and Fees) Rules 2008</p>	<p>The regulatory environment in Mauritius involves a dual regulatory function in which rating agencies are regulated by both the Bank of Mauritius (the country's central bank) and the Financial Services Commission. The dual regulatory framework is common practice in countries that are in a regulatory "transition" period in which new regulation (generally from the financial services commission/ conduct authority) has been put in place without doing away or merging with the old regulations (generally from the Central Bank).</p> <p>Viewed in totality, the country's regulations are quite comprehensive and consistently applied in practice.</p>

Country/Region and Relevant Regulations/Laws	Comments
<p>Nigeria:</p> <p>The Credit Reporting Act, 2017</p> <p>Section 57 of the Central Bank of Nigeria Act, 2007</p>	<p>The credit rating acts within the country are enforced by the Securities & Exchange Commission of Nigeria. Credit rating agencies in the country need to be registered with the SEC, which has a comprehensive set of regulatory requirements.</p> <p>There isn't a specific credit rating regulatory office, and the regulations in place are geared toward the registration/ licensing of new credit rating agencies within the country.</p>
<p>Rwanda:</p> <p>Law n° 16/2010 of 07/05/2010 governing credit information system in Rwanda</p> <p>Regulation No.27/2019 of 09/09/2019 relating to the Credit Reporting system</p> <p>Regulation no23 of 05/07/2016 relating to the registration of credit rating agencies in Rwanda</p>	<p>The Capital Markets Authority in Rwanda governs the registration of new credit rating agencies in the country via regulation no23 of 05/07/2016 relating to the registration of credit rating agencies in Rwanda.</p> <p>There is no specific credit rating regulation office, and the regulations in place are geared toward the registration/ licensing of new credit rating agencies.</p>
<p>South Africa:</p> <p>The Credit Rating Services Act, 2012 (Act No.24 of 2012) ("the Act").</p> <p>The Financial Sector Regulations Act, 2017 (Act No. 9 of 2017) (Regulation 51)</p>	<p>South Africa boasts a dual regulatory system in which credit rating agencies are regulated by both the Financial Sector Conduct Authority and the South African Reserve Bank. The regulations are in the process of converging so that there are no regulatory overlaps and to avoid rating agencies from exploiting any loopholes with the dual framework.</p> <p>South Africa's regulatory system, housed within the FSCA, can be viewed as one of the most comprehensive, as there is a dedicated credit rating office that provides ongoing monitoring of rating agencies operating within the country. The regulatory offices also require these agencies to provide them with comprehensive annual reports on their activities over the most recent period. The European Securities and Exchange Commission considers South Africa's regulations to be on par with the European Union's rules (ESMA, 2016).</p>
<p>Zambia:</p> <p>The Credit Reporting Act, 2018 (Government of Zambia Act No.8 of 2018)</p> <p>The Credit Reference Services Act No. 000 of 2007</p> <p>The Banking and Financial Services (Credit Reference Agency Licensing)</p>	<p>The Credit Reporting Act of 2018 is the primary act governing the conduct of credit rating agencies in Zambia. The Securities and Exchange Commission of Zambia enforces the act by including a comprehensive set of registration requirements that need to be met before a rating agency can operate within a specified country.</p> <p>There is no specific credit rating regulatory office, and the regulations in place are geared toward the registration/ licensing of new credit rating agencies within the country.</p>

Country/Region and Relevant Regulations/Laws	Comments
Guidelines of 2006	
<p>Zimbabwe:</p> <p>Guideline No. 04-2004/BSD: Accreditation of Credit Rating Agencies</p>	<p>The regulations put in place in Zimbabwe are predominantly related to the registration of new credit rating agencies within the country. The country has a growing credit rating industry, and the regulations ensure that rating agencies operating within the country have been properly screened and are capable of adequately conducting credit rating activities.</p>
<p>Central African Economic and Monetary Union:</p> <p>Regulations No.03/18/CEMAC/UMAC/CM of the 21st December 2018</p>	<p>The Central African Economic and Monetary Union provides a regional credit rating framework by which related credit rating agencies must abide. The credit rating industry is still within its infancy stage in central Africa, but the regulations ensure that prospective credit rating agencies within the region have the requisite expertise to carry out credit rating activities. However, the regulations might need further expansion as the industry grows within the region.</p>
<p>West African Monetary Union:</p> <p>General regulations no.001/97 of 28 November 1997 relating to the functioning and control of the regional financial market</p> <p>Instruction 37/2009 relating to the conditions for exercising Rating agency activity on the regional financial market of the UMOA of 23 November 2009</p>	<p>The West African Monetary Union provides a regional credit rating framework by which related credit rating agencies must abide. The credit rating industry is still within its infancy stage in West Africa, but the regulations ensure that prospective credit rating agencies within the region have the requisite expertise to carry out credit rating activities.</p> <p>The West African Monetary Union also has a unique policy in place whereby regulations mandate that corporate companies take up solicited credit ratings as a pre-requisite when raising debt from capital markets. The increased credit rating activity then warrants the regulatory framework that has been put in place to govern the credit rating agencies in the country. However, the regulations might need further expansion as the industry grows within the region.</p>