

Question ID	2013_240
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Transparency and Pillar 3
Article	431
Paragraph	4, 5
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	431
Date of submission	13/09/2013
Published as Final Q&A	06/12/2013
Disclose name of institution / entity	No
Type of submitter	Investment firm
Subject matter	How shall an institute explain a rating decision?
Question	Article 431, paragraph 4 says that "institutions shall, if requested, explain their rating decisions to SMEs and other corporate applicants for loans, providing an explanation in writing when asked." Shall this be interpreted as institutions shall show the exact probability of default for the applicants or the applicants rating on the institutions internal rating scales or in any other way?
Background on the question	Unclear meaning of the paragraph.
EBA answer	Article 431(4)(5) of Regulation (EU) No 575/2013 (CRR) requires institutions, if requested, to explain their rating decisions to SMEs and other corporate applicants for loans, providing an explanation in writing when asked. To this end, institutions should take a pragmatic, proportional and common sense approach when dealing with these requests, and provide information such as: the rating, the applied methodology, and, where relevant, information on probability of default or PD bands.
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_240

