Single Rulebook Q&A

Question ID	2014_760
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	External Credit Assessment Institutions (ECAI)
Article	137
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	-
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Disclose name of institution / entity	Yes
Name of institution / submitter	Deutsche Börse AG
Country of incorporation / residence	Germany
Type of submitter	Investment firm
Subject matter	High Income OECD countries and High Income Euro Area countries as defined in the OECD
Question	High Income OECD countries and High Income Euro Area countries as defined in the OECD (currently e.g. USA, UK, Germany, Luxembourg, Canada, Finland, etc.) receive since early 2013 no longer a country risk classification, due to their high solvency, tax income as well as tax possibilities etc. As a consequence, it is not possible to derive a risk weight according to article 137 (2) CRR without using any appropriate mechanism for determining the corresponding country risk classification. Can it be assumed, that High Income OECD countries and High Income Euro Area countries which are supposed to be even "better" than country risk classification 0 can be treated under Article 137 with an MEIP being equal to 0?
Background on the	At the beginning of 2013 OECD revised its methodology for country risk

question	classification (Arrangement on Officially Supported Export Credits – “the Arrangement”). According to the rules of the Arrangement, two groups of countries are not classified. The first group is not classified for administrative purposes and is comprised of very small countries that do not generally receive official export credit support. The second group of countries is comprised of High Income OECD countries and High Income Euro Area countries. Especially the second group was introduced due to their high solvency, tax income as well as tax possibilities and reputation. Despite this fact, a variety of Export Credit Rating Agencies continue to rate those countries 0 but include additional information regarding the export credit premium to be paid. Others like the OECD itself do not publish a rating but a list of the High Income OECD countries and High Income Euro Area countries. As CRR based on the Basel framework is offering the choice to use OECD country classifications for solvency and large exposure purposes, it seems to be obvious that countries being classified better than the best status rewarded should be treated like the best status and not like an “unrated” counterparty. Consequently, we strongly recommend to handle such High Income OECD countries and High Income Euro Area countries like countries with MEIP = 0.
Final answer	Exposures to central governments and central banks of Member States or third countries for which a consensus risk score according to Article 137(1)(a) of Regulation (EU) No. 575/2013 (CRR) does not exist may only be risk-weighted according to Article 137(2) if a credit assessment of an Export Credit Assessment Agency that the institution has nominated is available and the conditions of Article 137(1)(b) are met.
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