

EBA/CP/2021/44

17 December 2021

Consultation Paper

Draft implementing technical standards amending Implementing Regulation (EU) 2016/1801 on the mapping of ECAIs' credit assessments for securitisation in accordance with Regulation (EU) No 575/2013

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1. Responding to this consultation

The EBA invites comments on all proposals put forward in this paper.

Comments are most helpful if they:

- respond to the question stated;
- indicate the specific point to which a comment relates;
- contain a clear rationale;
- provide evidence to support the views expressed/ rationale proposed; and
- describe any alternative regulatory choices the EBA should consider.

Submission of responses

To submit your comments, click on the 'send your comments' button on the consultation page by 31 January 2022. Please note that comments submitted after this deadline, or submitted via other means may not be processed.

Publication of responses

Please clearly indicate in the consultation form if you wish your comments to be disclosed or to be treated as confidential. A confidential response may be requested from us in accordance with the EBA's rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the EBA's Board of Appeal and the European Ombudsman.

Data protection

The protection of individuals with regard to the processing of personal data by the EBA is based on Regulation (EU) 1725/2018 of the European Parliament and of the Council of 23 October 2018. Further information on data protection can be found under the Legal notice section of the EBA website.

2. Executive Summary

Regulation (EU) 2017/2401 of 12 December 2017 (the new Securitisation Framework) entered into force on 1 January 2019 and amended Chapter 5 of Regulation (EU) No 575/2013 (CRR)¹, aiming, *inter alia*, to reduce the mechanistic reliance on external credit ratings. Following the amendments, a hierarchy of approaches was set out to calculate capital requirements for positions in a securitisation, whereby institutions using the Securitisation External Ratings Based Approach (SEC-ERBA) shall calculate risk-weighted exposure amounts based on Credit Quality Steps (CQS) set out in CRR Article 263 and CRR Article 264. The amended Regulation reflects 18 CQSs for long-term external credit assessments, which introduces enhanced granularity and risk sensitivity, while previously 12 CQS were considered for the Ratings Based Method, and 5 for the Standardised Approach.

Commission Implementing Regulation (EU) 2016/1801 of 7 October 2016² specifies the mapping tables correspondence with the CQS set out in Chapter 5 of Part Three, Title II of the CRR, as applicable before 1 January 2019. The CRR amendments brought by the new Securitisation Framework make it necessary to update the Implementing Regulation on ECAIs mapping for securitisation positions accordingly.

Further, Article 270e of the CRR states that 'mappings' should be specified for all ECAIs, which are defined according to point (98) of CRR Article 4(1) as Credit Rating Agencies (CRAs) registered or certified in accordance with the CRA Regulation³ or a central bank issuing credit ratings that are exempt from the application of the CRA Regulation. Since the draft ITS on ECAIs' mapping of securitisation positions was developed, one additional CRA has been established in the EU with methodologies and processes in place for producing credit assessments for securitisation instruments, while two existing ECAIs have extended their credit assessments to cover securitisations. Finally, ESMA has withdrawn the registration of a CRA that was previously reflected in the mapping tables. The mapping tables are to be updated to reflect these changes accordingly.

Individual mapping reports are also published on the EBA website to enhance transparency.

Next steps

This consultation is issued over a one-month period. The final ITS will be subsequently submitted to the Commission for endorsement before being published in the Official Journal of the European Union.

¹ Regulation (EU) 2017/2401 of 12 December 2017 amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

² Commission Implementing Regulation (EU) 2016/1801 of 11 October 2016 laying down implementing technical standards with regard to the mapping of credit assessments of external credit assessment institutions for securitisation in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council (OJ L 275, 12.10.2016, p. 27).

³ Regulation (EC) No 1060/2009 of 16 September 2009 on credit rating agencies (OJ L 302, 17.11.2009, p. 1-33). <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02009R1060-20150621>.

3. Background and rationale

1. Regulation (EU) 2017/2401 of 12 December 2017 (the new Securitisation Framework) amended Chapter 5 of Regulation (EU) No 575/2013 (CRR)⁴, aiming, *inter alia*, to reduce the mechanistic reliance on external credit ratings. Following the amendments, capital requirements for positions in a securitisation under the CRR should be subject to the same calculation methods for all institutions, following a hierarchy of approaches as set out in CRR Article 254. Institutions using the Securitisation External Ratings Based Approach (SEC-ERBA) in accordance with that article shall calculate risk-weighted exposure amounts based on the Credit Quality Steps (CQS) established in CRR Article 263 and CRR Article 264. The amended Regulation reflects 18 CQSs for long-term external credit assessments, which introduces enhanced granularity and risk sensitivity compared to the previous Regulation, where Chapter 5 of Part Three, Title II of the CRR considered 12 CQS for the Ratings Based Method, and 5 for the Standardised Approach.
2. Commission Implementing Regulation (EU) 2016/1801 of 7 October 2016⁵ specifies the mapping tables correspondence, for securitisation positions subject to the Standardised Approach and the Ratings-Based Method, with the CQS set out in Chapter 5 of Part Three, Title II of the CRR. The CRR amendments brought by the new Securitisation Framework make it necessary to update the mapping tables accordingly.
3. Further, according to Article 270e of the CRR, 'mappings' should be specified for all ECAIs, which are defined according to point (98) of CRR Article 4(1) as Credit Rating Agencies (CRAs) registered or certified in accordance with the CRA Regulation^{6, 7} or a central bank issuing credit ratings that are exempt from the application of the CRA Regulation. Since the draft ITS on ECAIs' mapping of securitisation positions was developed, one additional CRA has been established in the EU with methodologies and processes in place for producing credit assessments for securitisation instruments, two existing ECAIs have extended their credit assessments to cover securitisations, while ESMA has withdrawn the registration of a CRA that was previously reflected in the mapping tables.
4. Implementing Regulation (EU) 2016/1801 will therefore need to be amended accordingly. The following changes should be made:

⁴ Regulation (EU) 2017/2401 of 12 December 2017 amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

⁵ Commission Implementing Regulation (EU) 2016/1801 of 11 October 2016 laying down implementing technical standards with regard to the mapping of credit assessments of external credit assessment institutions for securitisation in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council (OJ L 275, 12.10.2016, p. 27).

⁶ Regulation (EC) No 1060/2009 of 16 September 2009 on credit rating agencies (OJ L 302, 17.11.2009, p. 1-33). <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02009R1060-20150621>.

⁷ Please refer to the ESMA website for a list of CRAs registered or certified in accordance with the CRA Regulation. <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>

- References to the Securitisation External Ratings Based Approach (SEC-ERBA) are introduced, while those made to the Ratings Based Method, and to the Standardised Approach, are removed.
- The higher granularity of CQS for long-term credit assessments associated with the SEC-ERBA are reflected in the mapping table, displaying 18 CQSs.
- New mappings are introduced for:
 - One ECAI that was established after the publication of the final draft ITS on ECAIs mapping for securitisation positions, and which has in place the methodologies and procedures to issue credit assessments for securitisation positions (HR Ratings de México, S.A. de C.V.)
 - Two existing ECAIs that have extended their credit assessments to cover securitisation positions (A.M. Best (EU) Rating Services B.V. and ICAP S.A.)
- The references to the CRA that has lost ECAI status following their de-registration under the CRA Regulation (Feri EuroRating Services AG)⁸ are being removed from the mapping tables.

Together with the revised draft ITS, individual mapping reports are also published on the EBA website.

⁸ [esma71-99-376 ferri eurorating services credit rating agency registration withdrawn.pdf \(europa.eu\)](https://esma71-99-376.feri.eurorating-services.credit-rating-agency.registration.withdrawn.pdf.europa.eu)

4. Draft implementing technical standards amending Implementing Regulation (EU) 2016/1801 on the mapping of credit assessments of external credit assessment institutions for securitisation in accordance with Regulation (EU) No 575/2013

In between the text of the draft ITS that follows, further explanations on specific aspects of the proposed text are occasionally provided, which either offer examples or provide the rationale behind a provision, or set out specific questions for the consultation process. Where this is the case, this explanatory text appears in a framed text box.

COMMISSION IMPLEMENTING REGULATION (EU) No .../... laying down implementing technical standards amending Implementing Regulation (EU) 2016/1801 as regards the mapping of credit assessments of external credit assessment institutions for securitisation in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council

of **XXX**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012⁹, and in particular Article 270e, third subparagraph, thereof,

Whereas:

- (1) Commission Implementing Regulation (EU) 2016/1801 of 11 October 2016¹⁰ specifies the mapping tables of the relevant credit assessments of all ECAIs to the credit quality steps set out in Chapter 5 of Title II of Part Three of Regulation (EU) No 575/2013.
- (2) Regulation (EU) 2017/2401 of 12 December 2017¹¹ amended Regulation (EU) No 575/2013, thereby changing the available approaches making use of ECAI credit assessments and the number of credit quality steps set out in Chapter 5 of Title II of Part Three of Regulation (EU) No 575/2013. It is therefore necessary to update the mapping in Implementing Regulation (EU) 2016/1801 to reflect the new structure of credit quality steps set out in the Regulation (EU) No 575/2013, as amended.
- (3) Further, since the adoption of Implementing Regulation (EU) 2016/1801, two ECAIs have extended their credit assessments to cover securitisation instruments, resulting in new rating scales. It is therefore necessary to update the mappings of the ECAIs concerned also for this reason.
- (4) Furthermore, since the adoption of Implementing Regulation (EU) 2016/1801, one additional credit rating agency with methodologies and processes in place for producing credit assessments for securitisation instrument has been registered in accordance with Articles 14 to 18 of Regulation (EC) No 1060/2009 of the European Parliament and of the Council¹² while one ECAI for which Implementing Regulation (EU) 2016/1801 provided a mapping has been deregistered. As Article 270e of Regulation (EU) No 575/2013 requires the specification of mappings for all ECAIs, Implementing

⁹ OJ L 176, 27.6.2013, p. 1.

¹⁰ Commission Implementing Regulation (EU) 2016/1801 of 11 October 2016 laying down implementing technical standards with regard to the mapping of credit assessments of external credit assessment institutions for securitisation in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council (OJ L 275, 12.10.2016, p. 27).

¹¹ Regulation (EU) 2017/2401 of 12 December 2017 amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

¹² Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (OJ L 302, 17.11.2009, p. 1).

Regulation (EU) 2016/1801 should be amended to provide mappings for the newly registered ECAI, and to remove the mapping for the deregistered ECAI.

- (5) This Regulation is based on the draft implementing technical standards submitted to the Commission by the European Banking Authority to the Commission.
- (6) The European Banking Authority has conducted open public consultations on the draft implementing technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the advice of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council¹³;
- (7) Implementing Regulation (EU) 2016/1801 should therefore be amended accordingly,

HAS ADOPTED THIS REGULATION:

Article 1
Amendments to Regulation (EU) 2016/1801

Regulation (EU) 2016/1801 is amended as follows:

- (1) Article 1 is deleted.
- (2) Article 2 is replaced by the following:

‘Article 2
Mapping tables under the External Ratings Based Approach (SEC-ERBA)

The correspondence of the rating categories of each ECAI for securitisation positions subject to the External Ratings Based Approach (SEC- ERBA) with the credit quality steps set out in Articles 263 and 264 of Regulation (EU) No 575/2013 is that set out in the Annex to this Regulation.’
- (3) Annex I to Implementing Regulation (EU) 2016/1801 is deleted.
- (4) Annex II to Implementing Regulation (EU) 2016/1801 is replaced by the text set out in the Annex to this Regulation.

Article 2

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

¹³ Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC(OJ L 331, 15.12.2010, p. 12).

*For the Commission
The President*

**ANNEX
'ANNEX**

Mapping tables for the purposes of Article 1

CQS	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	All other
<i>A.M. Best (EU) Rating Services B.V.</i>																		
Long-term issue credit rating scale																		
	aaa(sf)	aa+(sf)	aa(sf)	aa-(sf)	a+(sf)	a(sf)	a-(sf)	bbb+(sf)	bbb(sf)	bbb-(sf)	bb+(sf)	bb(sf)	bb-(sf)	b+(sf)	b(sf)	b-(sf)	ccc+(sf), ccc(sf), ccc-(sf)	Below ccc-(sf)
Short-term issue rating scale																		
	AMB-1+(sf), AMB-1(sf)	AMB-2(sf)	AMB-3(sf)															Below AMB-3(sf)
<i>ARC Ratings S.A.</i>																		
Medium- and long-term issue rating scale																		
	AAA _{SF}	AA _{SF}	AA _{SF}	AA _{SF}	A _{SF}	A _{SF}	A _{SF}	BBB _{SF}	BBB _{SF}	BBB _{SF}	BB _{SF}	BB _{SF}	BB _{SF}	B _{SF}	B _{SF}	B _{SF}	CCC _{SF}	Below CCC _{SF}
Short-term issue rating scale																		
	A-1 _{SF} , A-1 _{SF}	A-2 _{SF}	A-3 _{SF}															Below A-3 _{SF}

CQS	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	All other
<i>Axesior Risk Management S.L.</i>																		
Long-term structured finance credit rating scale																		
	AAA(sf)	AA+(sf)	AA(sf)	AA-(sf)	A+(sf)	A(sf)	A-(sf)	BBB+(sf)	BBB(sf)	BBB-(sf)	BB+(sf)	BB(sf)	BB-(sf)	B+(sf)	B(sf)	B-(sf)	CCC+(sf), CCC(sf), CCC-(sf)	Below CCC-(sf)
<i>Creditreform Rating AG</i>																		
Long-term credit rating scale																		
	AAA _{sf}	AA+ _{sf}	AA _{sf}	AA- _{sf}	A+ _{sf}	A _{sf}	A- _{sf}	BBB+ _{sf}	BBB _{sf}	BBB- _{sf}	BB+ _{sf}	BB _{sf}	BB- _{sf}	B+ _{sf}	B _{sf}	B- _{sf}	CCC _{sf}	Below CCC _{sf}
<i>DBRS Ratings GmbH</i>																		
Long-term obligations rating scale																		
	AAA(sf)	AA(high)(sf)	AA(sf)	AA(low)(sf)	A(high)(sf)	A(sf)	A(low)(sf)	BBB(high)(sf)	BBB(sf)	BBB(low)(sf)	BB(high)(sf)	BB(sf)	BB(low)(sf)	B(high)(sf)	B(sf)	B(low)(sf)	CCC(high)(sf), CCC(sf), CCC(low)(sf)	Below CCC(low)(sf)
Commercial paper and short-term debt rating scale																		
	R-1(high)(sf), R-1(middle)(sf), R-1(low)(sf)	R-2(high)(sf), R-2(middle)(sf), R-2(low)(sf)	R-3(sf)															Below R-3(sf)

CQS	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	All other
<i>Fitch Ratings Ireland Limited</i>																		
Long-term rating scale																		
	AAA _{SF}	AA _{+SF}	AA _{SF}	AA _{-SF}	A _{+SF}	A _{SF}	A _{-SF}	BBB _{+SF}	BBB _{SF}	BBB _{-SF}	BB _{+SF}	BB _{SF}	BB _{-SF}	B _{+SF}	B _{SF}	B _{-SF}	CCC _{SF}	Below CCC _{SF}
Short-term rating scale																		
	F1 _{+SF} , F1 _{SF}	F2 _{SF}	F3 _{SF}															Below F3 _{SF}
<i>HR Ratings de México, S.A. de C.V.</i>																		
Long-term credit rating scale																		
	HR AAA (E)	HR AA+ (E)	HR AA (E)	HR AA- (E)	HR A+ (E)	HR A (E)	HR A- (E)	HR BBB+ (E)	HR BBB (E)	HR BBB- (E)	HR BB+ (E)	HR BB (E)	HR BB- (E)	HR B+ (E)	HR B (E)	HR B- (E)	HR C+ (E)	Below HR C+ (E)
<i>ICAP S.A.</i>																		
Global credit rating scale																		
	AAA _{SF} , AAA _{-SF}	AA _{+SF}	AA _{SF}	AA _{-SF}	A _{+SF}	A _{SF}	A _{-SF}	BBB _{+SF}	BBB _{SF}	BBB _{-SF}	BB _{+SF}	BB _{SF}	BB _{-SF}	B _{+SF}	B _{SF}	B _{-SF}	CCC _{+SF} , CCC _{SF} , CCC _{-SF}	Below CCC _{-SF}

CQS	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	All other
<i>Japan Credit Rating Agency Ltd</i>																		
Long-term issue rating scale																		
	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC	Below CCC
Short-term issue rating scale																		
	J-1+, J-1	J-2	J-3															Below J-3
<i>Kroll Bond Rating Agency Europe Limited</i>																		
Long-term credit rating scale																		
	AAA _(sf)	AA _(sf) ⁺	AA _(sf)	AA _(sf) ⁻	A _(sf) ⁺	A _(sf)	A _(sf) ⁻	BBB _(sf) ⁺	BBB _(sf)	BBB _(sf) ⁻	BB _(sf) ⁺	BB _(sf)	BB _(sf) ⁻	B _(sf) ⁺	B _(sf)	B _(sf) ⁻	CCC _(sf) , CCC _(sf) ⁻ , CCC _(sf) ⁻	Below CCC _(sf) ⁻
Short-term credit rating scale																		
	K1 _(sf) ⁺ , K1 _(sf)	K2 _(sf)	K3 _(sf)															Below K3 _(sf)

CQS	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	All other
<i>Moody's Investors Service</i>																		
Global long-term rating scale																		
	Aaa _(sf)	Aa1 _(sf)	Aa2 _(sf)	Aa3 _(sf)	A1 _(sf)	A2 _(sf)	A3 _(sf)	Baa1 _(sf)	Baa2 _(sf)	Baa3 _(sf)	Ba1 _(sf)	Ba2 _(sf)	Ba3 _(sf)	B1 _(sf)	B2 _(sf)	B3 _(sf)	Caa1 _(sf) , Caa2 _(sf) , Caa3 _(sf)	Below Caa3 _(sf)
Global short-term rating scale																		
	P-1 _(sf)	P-2 _(sf)	P-3 _(sf)															Below P-3 _(sf)
<i>Scope Ratings GmbH</i>																		
Long-term credit rating scale																		
	AAA _{SF}	AA _{+SF}	AA _{SF}	AA _{-SF}	A _{+SF}	A _{SF}	A _{-SF}	BBB _{+SF}	BBB _{SF}	BBB _{-SF}	BB _{+SF}	BB _{SF}	BB _{-SF}	B _{+SF}	B _{SF}	B _{-SF}	CCC _{SF}	Below CCC _{SF}
Short-term credit rating scale																		
	S-1 _{+SF} , S-1 _{SF}	S-2 _{SF}	S-3 _{SF}				,											Below S-3 _{SF}

CQS	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	All other
<i>S&P Global Ratings Europe Limited</i>																		
Global long-term issue credit rating scale																		
	AAA _(sf)	AA _{+(sf)}	AA _(sf)	AA _{-(sf)}	A _{+(sf)}	A _(sf)	A _{-(sf)}	BBB _{+(sf)}	BBB _(sf)	BBB _{-(sf)}	BB _{+(sf)}	BB _(sf)	BB _{-(sf)}	B _{+(sf)}	B _(sf)	B _{-(sf)}	CCC _(sf) , CCC _(sf) , CCC _{-(sf)}	Below CCC _{-(sf)}
Global short-term issue credit rating scale																		
	A-1 _{+(sf)} , A-1 _(sf)	A-2 _(sf)	A-3 _(sf)															Below A-3 _(sf)

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5. Accompanying documents

5.1 Draft Cost-Benefit Analysis/Impact Assessment

A. Problem identification

According to Article 270e of the CRR, the usage of external credit ratings for determining risk-weighted exposure amounts under the Securitisation External Ratings Based Approach (SEC-ERBA) requires a mapping between the credit assessments issued by an ECAI and the Credit Quality Steps (CQS) set out in Chapter 5 of Title II of Part Three of the CRR.

Commission Implementing Regulation (EU) 2016/1801 of 7 October 2016¹ specified the mapping tables correspondence with the CQS set out in Chapter 5 of Part Three, Title II of the CRR. The CRR amendments brought by the new Securitisation Framework in December 2017² reflected 18 Credit Quality Steps for long-term external credit assessments, which introduces enhanced granularity and risk sensitivity with respect to the previous Regulation, where 12 CQS were considered for the Ratings Based Method, and 5 for the Standardised Approach. Therefore, it is necessary to update accordingly the mapping tables for securitisation positions to reflect the new CQS structure.

Further, according to Article 270e of the CRR, 'mappings' should be specified for all ECAIs, which are defined according to point (98) of CRR Article 4(1) as Credit Rating Agencies (CRAs) registered or certified in accordance with the CRA Regulation^{3,4} or a central bank issuing credit ratings that are exempt from the application of CRA Regulation. Since the draft ITS on ECAIs' mapping of securitisation positions was developed, one additional CRAs has been established in the EU with methodologies and processes in place for producing credit assessments for securitisation instruments, two existing ECAIs have extended their credit assessments to cover securitisations, while ESMA has withdrawn the registration of one CRA that was previously reflected in the mapping tables. The mapping tables are to be updated accordingly.

¹ Commission Implementing Regulation (EU) 2016/1801 of 11 October 2016 laying down implementing technical standards with regard to the mapping of credit assessments of external credit assessment institutions for securitisation in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council (OJ L 275, 12.10.2016, p. 27).

² Regulation (EU) 2017/2401 of 12 December 2017 amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

³ Regulation (EC) No 1060/2009 of 16 September 2009 on credit rating agencies (OJ L 302, 17.11.2009, p. 1-33). <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02009R1060-20150621>.

⁴ Please refer to the ESMA website for a list of CRAs registered or certified in accordance with the CRA Regulation. <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>

B. Policy objectives

The main objective of the present revised draft ITS is to amend the Implementing Regulation to align it with the revisions introduced by the new securitisation framework, whereby a revised hierarchy of approaches is presented to calculate risk-weighted exposures amounts, in accordance with CRR Article 254. The new structure of the Credit Quality Steps associated with SEC-ERBA, which increases the number of Credit Quality Steps to 18, require the mapping tables to be updated to allow for the determination of risk weights as set out in CRR Articles 263 and 264.

Further, the amendment of the mapping tables for securitisation positions will in turn also lead to a benefit in terms of other parts of the regulation that make reference to the CQS of SEC-ERBA. It is noted that Commission Delegated Regulation (EU) 2018/1620⁵ (the amended LCR Delegated Act) amended Article 13 on Level 2B securitisations to reflect the CRR changes introduced by the new securitisation framework, by including references to Article 264 on the treatment of simple, transparent and standardised (STS) securitisations under SEC-ERBA.

The specific objective of the revised draft ITS is to introduce amendments that reflect:

- References to the Securitisation External Ratings Based Approach (SEC-ERBA), while those referring to the Ratings Based Method, and to the Standardised Approach are removed.
- The higher granularity of CQS for long-term credit assessments associated with SEC-ERBA is reflected in the mapping table, displaying 18 CQS.
- Mappings are introduced for:
 - One ECAI that was established after the publication of the final draft ITS on ECAIs mapping for securitisations was produced, and which has in place the methodologies and procedures to issue credit assessments for securitisation positions (HR Ratings de México, S.A. de C.V.)
 - The two existing ECAIs that have extended their credit assessments to cover securitisation positions (AM Best Europe-Rating Services Ltd and ICAP S.A.)
- The credit rating agency that has lost ECAI status following its de-registration as a Credit Rating Agency under the CRA Regulation (Feri EuroRating Services AG)⁶ is being removed from the mapping tables.

⁵ Commission Delegated Regulation (EU) 2018/1620 of 13 July 2018 amending Delegated Regulation (EU) 2015/61 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for credit institutions

⁶ [esma71-99-376 ferri_eurorating_services_credit_rating_agency_registration_withdrawn.pdf\(europa.eu\)](https://esma71-99-376.feri.eurorating.services.credit.rating.agency.registration.withdrawn.pdf(europa.eu)).

Figure 1: Newly registered ECAIs

ECAI	Country of residence	Status
HR Ratings de México, S.A. de C.V. (HR Ratings)	Mexico	Certified

Figure 2: Existing ECAIs that have extended their credit assessments to cover securitisation positions

ECAI	Country of residence	Status
A.M. Best (EU) Rating Services B.V.	The Netherlands	Registered
ICAP S.A	Greece	Registered

Figure 3: De-registered ECAIs

ECAI	Country of residence	Status
Feri EuroRating Services AG	Germany	De-registered

C. Baseline scenario

The Commission adopted on 7 October 2016 the Implementing Regulation laying down ITS with regard to the mapping of credit assessments of ECAIs for securitisation of the CRR⁷.

That Implementing Regulation provided mapping tables assigning a correspondence between the rating categories of each ECAI for securitisation positions and the five CQS under the Standardised Approach, as well as the correspondence with the 12 CQS under the Ratings-Based Method.

Regulation (EU) 2017/2401 of 12 December 2017 (the new Securitisation Framework) amended Chapter 5 of Part Three, Title II of Regulation (EU) No 575/2013 (CRR)⁸. Following the amendments, capital requirements for positions in a securitisation under the CRR should be subject to the same calculation methods for all institutions, based on the a hierarchy of approaches in accordance with Article 254 CRR. Institutions using the Securitisation External Ratings Based Approach (SEC-ERBA) in

⁷ Commission Implementing Regulation (EU) 2016/1801 of 11 October 2016 (OJ L 275, 12.10.2016, p. 27).

⁸ Regulation (EU) 2017/2401 of 12 December 2017 amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

accordance with that Article shall calculate risk-weighted exposure amounts based on the Credit Quality Steps (CQS) established in CRR Article 263 and CRR Article 264. The amended Regulation reflects 18 Credit Quality Steps for long-term external credit assessments.

Under the baseline scenario the Implementing Regulation on the mapping for securitisation positions⁹ is not aligned with the amendments brought to the CRR by the new securitisation framework

Further, according to Article 270e of the CRR, 'mappings' should be specified for all ECAIs, which are defined according to point (98) of CRR Article 4 as Credit Rating Agencies (CRAs) registered or certified in accordance with the CRA Regulation^{10, 11} or a central bank issuing credit ratings that are exempt from the application of CRA Regulation.

Under the baseline scenario the Implementing Regulation on the mapping for securitisation positions does not reflect the additional ECAI that has been established in the EU with methodologies and processes in place for producing credit assessments for securitisation instruments, the two existing ECAIs that have extended their credit assessments to cover securitisations, and the de-registration of a CRA that was previously reflected in the mapping tables. The mapping tables are to be updated accordingly.

D. Options considered

When developing the current ITS, the EBA considered the following options:

Option 1: maintaining the ITS unchanged

This option would imply that:

- the correspondence between the credit assessments of ECAIs and the credit quality steps specified in in the Implementing Regulation on ECAIs mappings for securitisation positions does not align with that presented in Chapter 5 of Part Three, Title II of Regulation (EU) No 575/2013, as amended by Regulation (EU) 2017/2401
- only those ECAIs that were reflected in the mapping tables of the Implementing Regulation on ECAIs mappings for securitisation positions are operational for capital determination purposes regarding securitisation positions.
- references to de-registered ECAIs would remain outdated.

Option 2: reviewing the ITS

This option would imply that:

⁹ Commission Implementing Regulation (EU) 2016/1801 of 11 October 2016 laying down implementing technical standards with regard to the mapping of credit assessments of external credit assessment institutions for securitisation in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council (OJ L 275, 12.10.2016, p. 27).

¹⁰ Regulation (EC) No 1060/2009 of 16 September 2009 on credit rating agencies (OJ L 302, 17.11.2009, p. 1-33). <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02009R1060-20150621>.

¹¹ Please refer to the ESMA website for a list of CRAs registered or certified in accordance with the CRA Regulation. <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>

- the mapping tables would be updated to reflect the correspondence between the credit assessments of ECAIs and the credit quality steps as amended by Regulation (EU) 2017/2401.
- mappings are produced for newly established ECAIs with methodologies and procedures in place to produce credit ratings for securitisation positions, and existing ECAIs that have extended their credit assessments to cover securitisation positions.
- the outdated mapping for the de-registered ECAI would be removed from the mapping tables.

E. Cost-Benefit Analysis

Costs

There are one-off costs for dedicating resources to the drafting of the ITS. For ECAIs, there is an associated cost of filling in a qualitative questionnaire.

There are potential risks that ECAIs with insufficient ratings could produce credit assessments that are less conservative than the mapping would suggest. Less conservative credit assessments would be associated with lower risk weights, which would result in an underestimation of own funds requirements. Subsequent monitoring of mapping reports should allow these situations to be identified, which would warrant a mapping review.

The G-20 conclusions and the Financial Stability Board (FSB) principles for reducing reliance on external credit ratings should also be taken into account. Therefore, although the analysis behind the 'mapping' of each ECAI and its regular monitoring over time should alleviate any mechanistic overreliance of the credit risk rules on external ratings, institutions should be encouraged to use internal ratings rather than external credit ratings, even for the purpose of calculating own fund requirements as a way to reduce overreliance on external credit ratings.

Benefits

The mapping tables set out in the Implementing Regulation on the mapping for securitisation positions¹² became outdated with the amendments of Regulation (EU) 2017/2401 of 12 December 2017 (the new Securitisation Framework), which amended Chapter 5 of Part Three, Title II of Regulation (EU) No 575/2013 (CRR)¹³, aiming, *inter alia*, to reduce the mechanistic reliance on external credit ratings.

Following the amendments, capital requirements for positions in a securitisation under the CRR should be subject to the same calculation methods for all institutions, based on the given hierarchy of

¹² Commission Implementing Regulation (EU) 2016/1801 of 11 October 2016 laying down implementing technical standards with regard to the mapping of credit assessments of external credit assessment institutions for securitisation in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council (OJ L 275, 12.10.2016, p. 27).

¹³ Regulation (EU) 2017/2401 of 12 December 2017 amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

approaches as set out in the CRR. Institutions using the Securitisation External Ratings Based Approach (SEC-ERBA) in accordance with CRR Article 254 shall calculate risk-weighted exposure amounts based on the Credit Quality Steps (CQS) established in CRR Article 263 and CRR Article 264. The amended Regulation reflects 18 CQSs for long-term external credit assessments, which introduces enhanced granularity and risk sensitivity compared to the previous Regulation, where Chapter 5 of Part Three, Title II of the CRR considered 12 CQS for the Ratings Based Method, and 5 for the Standardised Approach.

Aligning the Implementing Regulation on the mapping for securitisation positions with the amendments brought to the CRR by the new securitisation framework will benefit the financial sector by providing the correspondence between the credit assessments of ECAIs and the new structure of CQS set out under CRR Chapter 5 of Part Three, Title II of the CRR, which allows the use of credit assessments for securitisation positions for the purposes of determining capital requirements.

Further, the amendment of the mapping tables for securitisation positions will in turn benefit other parts of the regulation that include references to the CQS of SEC-ERBA. It is noted that Commission Delegated Regulation (EU) 2018/1620¹⁴ (the amended LCR Delegated Act) amended Article 13 on Level 2B securitisation positions to reflect the CRR changes introduced by the new securitisation framework, by including references to CRR Article 264 on the treatment of simple, transparent and standardised (STS) securitisations under SEC-ERBA.

Further, according to Article 270e of the CRR, 'mappings' should be specified for all ECAIs, which are defined according to point (98) of CRR Article 4(1) as Credit Rating Agencies (CRAs) registered or certified in accordance with the CRA Regulation^{15, 16} or a central bank issuing credit ratings that are exempt from the application of CRA Regulation. Since the draft ITS on ECAIs' mapping of securitisation positions was developed, one additional CRA has been established in the EU with methodologies and processes in place for producing credit assessments for securitisation instruments, two existing ECAIs have extended their credit assessments to cover securitisations, while ESMA has withdrawn the registration of one CRA that was previously reflected in the mapping tables.

Providing the correspondence between their credit assessments of the newly registered ECAI and the CQS under Chapter 5 of Part Three, Title II of the CRR, would also allow the use of those credit assessments for determining own fund requirements. This increases competition in the industry, where certain ECAIs exercise a significant market power.

The two ECAIs that have extended their credit assessments to securitisation positions after the original draft ITS on the mapping of securitisation positions was produced will see the associated new rating scales becoming operational for the purposes of risk-weight determination.

¹⁴ Commission Delegated Regulation (EU) 2018/1620 of 13 July 2018 amending Delegated Regulation (EU) 2015/61 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for credit institutions

¹⁵ Regulation (EC) No 1060/2009 of 16 September 2009 on credit rating agencies (OJ L 302, 17.11.2009, p. 1-33). <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02009R1060-20150621>.

¹⁶ Please refer to the ESMA website for a list of CRAs registered or certified in accordance with the CRA Regulation. <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>

Given that the mappings of any ECAI will be equally applicable in all EU Member States, these ITS will also contribute to ensure a high level of harmonisation and consistent practice in this area and contribute to achieving the objectives of the CRR of enhancing the risk sensitivity of the credit risk rules.

The analysis performed to arrive at each individual mapping and its regular monitoring over time should contribute to mitigate any mechanistic overreliance of the credit risk rules on external ratings, although due caution should continue to be exercised. This is one of the objectives of the CRR derived from the G-20 conclusions and the FSB principles for reducing reliance on external credit ratings.

F. Preferred option

The EBA considers that the benefits of updating the Implementing Regulation on ECAIs mapping for securitisation positions outweigh the costs, notably as the Regulation became outdated with the introduction of the new securitisation framework, whereby a new external ratings-based approach with a different CQS structure was introduced. Further, in order to enhance competition in the credit risk agencies market, updating the ITS would give the opportunity to new market participants of becoming operational for capital determination purposes.

Question for Consultation:

Do you agree with the proposed revised draft Implementing Technical Standards?