Final Report

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
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1. 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), 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 Articles 263 and 264 of the CRR. The amended Regulation reflects 18 CQSs for long-term external credit assessments, which introduces enhanced granularity and risk sensitivity, while previously 12 CQSs were considered for the Ratings Based Method, and 5 for the Standardised Approach.

Commission Implementing Regulation (EU) 2016/1801 of 7 October 2016 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 about by the new Securitisation Framework make it necessary to update the Implementing Regulation on the mapping of credit assessments of ECAIs 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 Regulation or a central bank issuing credit ratings that are exempt from the application of the CRA Regulation. Since the draft ITS on the mapping of credit assessments of ECAIs for securitisation positions was drawn up, 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 Finally, ESMA has withdrawn the registration of a CRA that was previously reflected in the mapping tables.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

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The final draft ITS will be submitted to the Commission for endorsement before being published in the Official Journal of the European Union. The technical standards will apply 20 days after their publication in the Official Journal of the European Union.

2. **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 Article 254 of the CRR. 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 Articles 263 and 264 of the CRR. 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 2016\(^5\) 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 about 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.

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\(^7\) 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](https://www.esma.europa.eu/supervision/credit-rating-agencies/risk)
4. Implementing Regulation (EU) 2016/1801 will therefore need to be amended accordingly. The following changes should be made:

- References to the Securitisation External Ratings Based Approach (SEC-ERBA) are introduced, while references 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 the mapping of credit assessments of ECAIs for securitisation positions, and which has the methodologies and procedures in place 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 its de-registration under the CRA Regulation (Feri EuroRating Services AG)\(^8\) will be 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_feri_eurorating_services_credit_rating_agency_registration_withdrawn.pdf](europa.eu)

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.

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

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(5) This Regulation is based on the draft implementing technical standards submitted to the Commission by the European Banking Authority to the Commission.


(7) Implementing Regulation (EU) 2016/1801 should therefore be amended accordingly.

HAS ADOPTED THIS REGULATION:

\textit{Article 1}
\textit{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:

\textit{Article 2}
\textit{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.

\textit{Article 2}

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

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

Done at Brussels,
For the Commission
The President
### Mapping tables for the purposes of Article 1

#### A.M. Best (EU) Rating Services B.V.

| CQS | 1  | 2  | 3  | 4  | 5  | 6  | 7  | 8  | 9  | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | All other |
|-----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|-----|
|     |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |     |

**Long-term issue credit rating scale**

- aaa(sf)
- aa+(sf)
- aa(sf)
- a+(sf)
- a-(sf)
- bbb+(sf)
- bbb(sf)
- bbb-(sf)
- bb+(sf)
- bb-(sf)
- b-(sf)
- b(sf)
- b-(sf)
- ccc+(sf)
- ccc(sf)
- ccc-(sf)

**Short-term issue rating scale**

<table>
<thead>
<tr>
<th>A.MB-1+(sf)</th>
<th>A.MB-1(sf)</th>
<th>A.MB-2(sf)</th>
<th>A.MB-3(sf)</th>
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</thead>
</table>

#### ARC Ratings S.A.

**Medium- and long-term issue rating scale**

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<th>AAA+SF</th>
<th>AAA+SF</th>
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<th>A-3SF</th>
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<th>BBB+SF</th>
<th>BB+SF</th>
<th>BB-3SF</th>
<th>B+SF</th>
<th>B-3SF</th>
<th>CCC+SF</th>
<th>CCC+SF</th>
<th>CCC+SF</th>
<th>Below CCC-SF</th>
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**Short-term issue rating scale**

|----------|---------|---------|---------------|
### Axesor Risk Management S.L.

**Long-term structured finance credit rating scale**

| Rating | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | All other |
|--------|---|---|---|---|---|---|---|---|---|----|----|----|----|----|----|----|-----|
| AAA(sf) | AAA | AA+ | AA | AA | A+ | A | A- | BBB+ | BBB | BBB- | BB+ | BB | BB- | B+ | B | B- | CCC+ | Below CCC |

### Creditreform Rating AG

**Long-term credit rating scale**

| Rating | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | All other |
|--------|---|---|---|---|---|---|---|---|---|----|----|----|----|----|----|----|-----|
| AAA(sf) | AAA | AA+ | AA | AA | A+ | A | A- | BBB+ | BBB | BBB- | BB+ | BB | BB- | B+ | B | B- | CCCsf | Below CCCsf |

### DBRS Ratings GmbH

**Long-term obligations rating scale**

| Rating | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | All other |
|--------|---|---|---|---|---|---|---|---|---|----|----|----|----|----|----|----|-----|
| AAA(H) | AAA | AA+ | AA | AA | A+ | A | A- | BBB+ | BBB | BBB- | BB+ | BB | BB- | B+ | B | B- | CCCsf | Below CCCsf |

**Commercial paper and short-term debt rating scale**

| Rating | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | All other |
|--------|---|---|---|---|---|---|---|---|---|----|----|----|----|----|----|----|-----|
| R-1 | R-2(H) | R-3 | R-1(M) | R-1(B) | R-2 | R-1(M) | R-2(B) | R-3 | | | | | | | | | Below R-3 |

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### Fitch Ratings Ireland Limited

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<td>F3SF</td>
<td>B1SF</td>
<td>B2SF</td>
<td>B3SF</td>
<td>B4SF</td>
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#### Long-term rating scale

- AAA SF
- AA+SF
- AA SF
- A+SF
- A SF
- BBB+SF
- BBB SF
- BB+SF
- BB SF
- B+SF
- B SF
- CCC SF
- Below CCC SF

#### Short-term rating scale

- F1+SF
- F2SF
- F3SF
- Below F3SF

### HR Ratings de México, S.A. de C.V.

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<th>HR BBB (E)</th>
<th>HR BB+ (E)</th>
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#### Long-term credit rating scale

### ICAP S.A.

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<th>BB SF</th>
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**Japan Credit Rating Agency Ltd**

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**Short-term issue rating scale**

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<th>J-1+, J-1</th>
<th>J-2</th>
<th>J-3</th>
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**Kroll Bond Rating Agency Europe Limited**

| AAA (s) | AA+ (s) | AA (s) | AA- (s) | A+ (s) | A (s) | A- (s) | BBB+ (s) | BBB (s) | BBB- (s) | BB+ (s) | BB (s) | BB- (s) | B+ (s) | B (s) | B- (s) | CCC (s) | Below CCC |
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**Short-term credit rating scale**

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<th>K2 (s)</th>
<th>K3 (s)</th>
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Below K3 (s)
| CQS | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | All other |
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**Moody’s Investors Service**

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**Scope Ratings GmbH**

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*S&P Global Ratings Europe Limited*

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) | Below CCC | |
|-----------|---------|---------|----------|---------|--------|--------|----------|----------|-----------|---------|--------|--------|--------|-------|--------|--------|----------|-----------|---|

Global short-term issue credit rating scale

| A-1+ (sf) | A-2 (sf) | A-3 (sf) | | | | | | | | | | | | | | | | | Below A-3 (sf) |
|-----------|---------|----------|| | | | | | | | | | | | | | | | | |

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4. Accompanying documents

4.1 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 2016\(^1\) 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 2017\(^2\) reflected 18 CQS 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 the mapping tables for securitisation positions accordingly to reflect the new CQS structure.

Further, according to Article 270e of the CRR, ‘mappings’ should be specified for all ECAsIs, 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 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 one CRA that was previously reflected in the mapping tables. The mapping tables are to be updated accordingly.

\(^4\) 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 these 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 CQS associated with SEC-ERBA, which increases the number of CQS to 18, require the mapping tables to be updated to allow for the determination of risk weights as set out in Articles 263 and 264 of the CRR.

Further, the amendment of the mapping tables for securitisation positions will in turn produce 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) 2018/1620\(^5\) (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 the following amendments:

- References to the Securitisation External Ratings Based Approach (SEC-ERBA) are introduced, while references 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)\(^6\) will be removed from the mapping tables.

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C. Baseline scenario

On 7 October 2016 the Commission adopted the Implementing Regulation laying down ITS with regard to the mapping of credit assessments of ECAIs for securitisation of the CRR\footnote{Commission Implementing Regulation (EU) 2016/1801 of 11 October 2016 (OJ L 275, 12.10.2016, p. 27).}

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\footnote{Regulation (EU) 2017/2401 of 12 December 2017 amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.} (the new Securitisation Framework) amended Chapter 5 of Part Three, Title II of Regulation (EU) No 575/2013 (CRR). 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 a hierarchy of approaches in accordance with Article 254 CRR. 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 Articles 263 and 264 of the CRR. 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 positions 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 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 drawing up 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 CQS specified 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:

- the mapping tables would be updated to reflect the correspondence between the credit assessments of ECAIs and the CQS as amended by Regulation (EU) 2017/2401.

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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
- 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 positions\textsuperscript{12} 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)\textsuperscript{13}, aiming, \textit{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 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,


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

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) 2018/1620 (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 ECAs, 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 or a central bank issuing credit ratings that are exempt from the application of CRA Regulation. Since the draft ITS on ECAs’ 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 ECAs 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 ECAs exercise a significant market power.

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

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.

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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
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.

4.2 Feedback on the public consultation

The EBA publicly consulted on the draft proposal contained in this paper.

The consultation period lasted for 1 month and ended on 31 January 2022. One response was received, of which one was published on the EBA website.

This paper presents a summary of the key points and other comments arising from the consultation, the analysis and discussion triggered by these comments and the actions taken to address them if deemed necessary.

No changes to the draft ITS have been incorporated as a result of the responses received during the public consultation.

Summary of key issues and the EBA’s response

One response was provided in the Consultation Period agreeing with the proposal and expressing appreciation for the work done.
Summary of responses to the consultation and the EBA’s analysis

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<th>EBA analysis</th>
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<tr>
<td>Agreement with the proposal</td>
<td>None</td>
<td>None</td>
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