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Final Report

Draft implementing technical standards amending Implementing Regulation (EU) 2016/1800 on the allocation of credit assessments of external credit assessment institutions to an objective scale of credit quality steps in accordance with Directive 2009/138/EC

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1. Executive Summary

The Solvency II Delegated Regulation¹ establishes in Article 4(1) that insurance or reinsurance undertakings may use an external credit assessment for the calculation of the Solvency Capital Requirement in accordance with the standard formula only where it has been issued by an External Credit Assessment Institution (ECAI) or endorsed by an ECAI in accordance with the Credit Rating Agencies Regulation ('CRA Regulation')². According to Article 109a(1) of the Solvency II Directive³, the draft Implementing technical standard (ITS) developed by the European Supervisory Authorities (ESAs) through the Joint Committee (JC) has to specify the allocation of relevant credit assessments of ECAIs to the credit quality steps set out in Article 3 of the Solvency II Delegated Regulation.

According to Article 136(1) of the Capital Requirements Regulation ('CRR')⁴, 'mappings' should be specified for all ECAIs, which are defined in Article 4(98) of the CRR 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. By way of Article 111(1)(n) of Solvency II, which stipulates cross-sectoral consistency with reference to the CRR, the same requirements apply within the scope of Solvency II.

On 11 October 2016, the Commission adopted the Implementing Regulation (EU) 2016/1800 laying down implementing technical standards with regard to the allocation of credit assessments of external credit assessment institutions to an objective scale of credit quality steps in accordance with Directive 2009/138/EC (Solvency II) ('the Implementing Regulation')⁵. The Implementing Regulation is based on the draft ITS submitted by the JC of the ESAs. The Annex of the Implementing Regulation provided mapping tables for 26 ECAIs, which covered one central bank and all the CRAs registered or certified in accordance with the CRA Regulation at the time the ESAs started preparing the draft ITS.

This Implementing Regulation was subsequently amended on 25 April 2018⁶, to incorporate mappings for five new ECAIs, that had been registered or certified after the ESAs submitted the original draft ITS to the Commission, and to remove references to a de-registered ECAI, thereby providing in total mappings for 30 ECAIs. Further, a second amendment was adopted on 4 June 2020⁷ to reflect a monitoring exercise on the adequacy of existing mappings, which was based on objective quantitative and qualitative information collected since the original mappings were produced. Finally, a third

¹ Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ L 12, 17.01.2015, p. 1-797).

² 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. 1-33).

³ Directive 2009/138/EC of 25 November 2009 of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ L 335, 17.12.2009, p. 1-155).

⁴ 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 648/2012 (OJ L 176, 27.6.2013, p. 1-337).

⁵ Commission Implementing Regulation (EU) 2016/1800 of 11 October 2016 (OJ L 275, 12.10.2016, p.19-26).

⁶ Commission Implementing Regulation (EU) 2018/633 of 24 April 2018 (OJ L 105, 25.4.2018, p. 14-20).

⁷ Commission Implementing Regulation (EU) 2020/744 of 4 June 2020 (OJ L 176, 5.06.2020, p. 4-10).

amendment was adopted on 16 November 2021⁸ to reflect the production of mappings for two newly established ECAIs, together with an updated mapping for ten ECAIs identified by the monitoring exercise.

Since the third amendment to the draft ITS was developed, ESMA has withdrawn the registration of three CRAs.⁹ Further, the JC of the ESAs is required to monitor the existing mappings and has therefore analysed whether the mapping of existing ECAIs remains appropriate. The monitoring has identified that the existing mapping tables of the ITS are to be amended for nine ECAIs, either as a result of i) changes in the allocation of credit quality steps (CQS) due to an updated assessment of risk in line with the EBA methodology based on additional information collected since the last amendment was produced, ii) assignment of mappings for newly introduced or replaced credit rating scales by existing ECAIs, or iii) changes in the name of the CRA or the rating scale/ rating category symbols.

The Implementing Regulation will therefore need to be amended accordingly. The revised draft ITS will propose amendments to the Mapping tables specified in the Annex of the Implementing Regulation 2016/1800. The following changes will be made:

- Removal from the mapping table of the three CRAs that have lost ECAI status following their de-registration as CRAs under the CRA Regulation,¹⁰ and reflection of name changes of a registered entity.¹¹
- Amendments due to the re-allocation of CQS (EthiFinance Ratings, S.L. (previously Axesor Risk Management, S.L.), Creditreform Ratings AG, ICAP CRIF S.A. (previously ICAP S.A.), Nordic Credit Rating AS) and amendments due to new or amended credit rating scales (ARC Ratings S.A., Banque de France, Bulgarian Credit Rating Agency (BCRA), EthiFinance Ratings, S.L. (previously Axesor Risk Management, S.L.), Kroll Bond Ratings Agency and Scope Ratings GmbH).

Additionally, Fitch Ratings Ireland Limited informed the ESAs during the consultation that its derivative counterparty rating scale does not reflect the rating categories related to restricted default and default in the draft ITS. The ESAs agreed to reflect these rating categories, which are associated by definition to the credit quality step denoting the lowest creditworthiness, i.e. CQS 6.

The amendments also include changes due to methodological alignment (A.M. Best (EU) Rating Services B.V., CRIF Ratings S.r.l, DBRS Ratings GmbH, Fitch Ratings Ireland Limited). Furthermore, an inconsistency between the mappings for Solvency II and CRR that was introduced in the last update of the ITS was corrected (Creditreform Rating AG).

⁸ Implementing Regulation (EU) 2021/2006 of 16 November 2021 (OJ L 407, 17.11.2021, p. 18–26).

⁹ Rating-Agentur Expert RA GmbH captured in the Consultation Paper, and additionally Qivalio SAS (previously Spread Research) and Scope Hamburg GmbH (previously Euler Hermes Rating GmbH) reflected as de-registered in the Final Report. Please refer to the ESMA website for a list of de-registered or de-certified CRAs: <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>

¹⁰ As per CRR Article 4(1) subparagraph 98, 'external credit assessment institution' or 'ECAI' means a credit rating agency that is registered or certified in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies or a central bank issuing credit ratings which are exempt from the application of Regulation (EC) No 1060/2009.

¹¹ "Axesor Risk Management S.L." has been renamed "EthiFinance Ratings" and "ICAP S.A." has been renamed "ICAP CRIF S.A.".

Individual mapping reports for the mapping under CRR are also published on the EBA website, including for those ECAIs that i) expanded to additional SA exposure classes or credit assessment types within their existing structure of credit rating scales or ii) updated their qualitative factors: EthiFinance Ratings, S.L. (previously Axesor Risk Management, S.L.), Fitch Ratings Ireland Limited, GBB-Rating Gesellschaft für Bonitätsbeurteilung GmbH and Scope Ratings GmbH.

2. Background and rationale

The nature of ITS under EU law

These revised draft ITS are produced in accordance with Article 15 of Regulation (EU) No 1093/2010 (EBA regulation)¹², Article 15 of Regulation (EU) No 1094/2010 (EIOPA Regulation)¹³ and Article 15 of Regulation (EU) No 1095/2010 (ESMA Regulation)¹⁴.

Background to these revised draft ITS

Use of external credit assessments in Solvency II

Solvency II allows the use of external credit assessments of ECAIs for the purpose of calculating technical provisions and the Solvency Capital Requirement (Article 44(4a)). This provision represents an element of risk-sensitivity and prudential soundness of the credit risk rules.

In line with the G-20 conclusions and the Financial Stability Board (FSB) principles for reducing reliance on external credit ratings the analysis behind the allocation of each ECAI and its regular monitoring over time should alleviate any mechanistic overreliance of the credit risk rules on external assessment, insurance and reinsurance undertakings are required to assess the appropriateness of external credit assessments as part of their risk management by using additional assessments wherever practicably possible in order to avoid any automatic dependence on external assessments (Article 44(4a) of Solvency II).

ECAIs and relevant external credit assessments

As stated in Article 4(1) of the Solvency II Delegated Regulation, external credit assessments can only be used by insurance and reinsurance undertakings if they have been issued or endorsed by an ECAI in accordance with the CRA Regulation. These draft ITS specify the allocations that should be used for determining the credit risk for the purpose of calculating the Solvency Capital Requirement with the standard formula.

ECAIs are defined as credit rating agencies 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 Regulation¹⁵.

¹² 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).

¹³ Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ L 331, 15.12.2010, p. 48).

¹⁴ Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).

¹⁵ Article 13(4) of the Solvency II Directive.

Since the third amendment to the draft ITS three CRAs have lost ECAI status following their deregistration as CRA under the CRA Regulation,¹⁶ and two registered entities have been renamed.¹⁷

Furthermore, in line with recital 24 of the Implementing Regulation, which stipulates that compliance with the CRR is required at all times and it is therefore necessary to monitor the performance of the mappings on a continuous basis, the adequacy of the existing mappings have also been reviewed. The performance of the mappings has been monitored based on the additional quantitative information collected after the Implementing Regulation entered into force and on the qualitative developments registered by the ECAIs. While ESMA updates the Central Repository of credit rating (CEREP) database infrastructure, expected in the course of 2023, the ESAs have conducted technical meetings and developed a bridge interim solution from ESMA's CEREP and RADAR (Ratings Data Repository) that allows for the transmission of relevant statistics on ratings performance in an aggregate manner for this ITS amendment.

As a result of this monitoring exercise, the Implementing Regulation needs to be amended to reflect developments on credit rating scales and the allocation of CQS for those ECAIs that have experienced changes in the quantitative or qualitative factors of their credit assessments.

- Amendments due to re-allocation of credit quality steps: Nordic Credit Rating AS, Ethifinance Ratings, S.L. (previously Axesor Risk Management, S.L.), ICAP CRIF S.A. (previously ICAP S.A.), Creditreform Ratings AG.
- Amendments due to changes in credit rating scales: ARC Ratings S.A., Banque de France, Bulgarian Credit Rating Agency (BCRA), Ethifinance Ratings, S.L. (previously Axesor Risk Management, S.L.), Fitch Ratings Ireland Limited, Kroll Bond Ratings Agency and Scope Ratings GmbH.

The amendments also include changes due to methodological alignment (A.M. Best (EU) Rating Services B.V., CRIF Ratings S.r.l, DBRS Ratings GmbH, Fitch Ratings Ireland Limited). For those rating scales where the allocation to CQS 1 to 6 is derived based on the internal relationship with another rating scale (being typically a long-term issuer rating scale), that approach was also followed for the allocation to CQS 0. The allocation was then determined based on the most frequent CQS assigned to the related long-term issuer rating categories. In case of draw, the more conservative CQS was considered.

Furthermore, an inconsistency between the mappings for Solvency II and CRR that was introduced in the last update of the ITSs was corrected (Creditreform Rating AG).

Individual mapping reports for the mapping under CRR are also published on the EBA website, including for those ECAIs that expanded to additional SA exposure classes or credit assessment types within their existing structure of credit rating scales, or those that updated their qualitative factors: Ethifinance Ratings, S.L. (previously Axesor Risk Management, S.L.), Fitch Ratings Ireland Limited, GBB-Rating Gesellschaft für Bonitätsbeurteilung GmbH, and Scope Ratings GmbH.

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

¹⁷ "Axesor Risk Management S.L." was renamed "Ethifinance Ratings S.L." and "ICAP S.A." was renamed "ICAP CRIF S.A."

Structure of the ITS

These revised draft ITS amend the Annex of the Implementing Regulation to take into account the performance of the mappings and their adequacy together with the removal of the mapping of deregistered ECAIs. This is in line with the second subparagraph of Article 136(1) of the CRR, which states that revised draft ITS shall be submitted where necessary. The requirement of Article 111(1)(n) of Solvency II obliges the external credit assessment used by insurance and reinsurance undertakings for the Solvency Capital Requirement calculation to be consistent with the afore mentioned CRR provision.

3. Draft implementing technical standards amending Implementing Regulation (EU) 2016/1800 on the allocation of credit assessments of external credit assessment institutions to an objective scale of credit quality steps in accordance with Directive 2009/138/EC

COMMISSION IMPLEMENTING REGULATION (EU) No .../...

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amending Implementing Regulation (EU) 2016/1800 laying down implementing technical standards with regard to the allocation of credit assessments of external credit assessment institutions to an objective scale of credit quality steps in accordance with Directive 2009/138/EC of the European Parliament and of the Council

THE EUROPEAN COMMISSION,

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

Having regard to Directive 2009/138/EC of 25 November 2009 of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)¹⁸, and in particular the third subparagraph of Article 109a(1), thereof,

Whereas:

- (1) Commission Implementing Regulation (EU) 2016/1800¹⁹ specifies, in its Annex, the correspondence between the relevant credit assessments issued by an external credit assessment institution ('ECAI') and the credit quality steps referred to in Article 3 of Commission Delegated Regulation (EU) 2015/3²⁰ ('External credit assessments').
- (2) Since the latest amendments introduced by Commission Implementing Regulation (EU) 2021/2006²¹, the quantitative and qualitative factors underpinning the credit assessments of some mappings in the Annex to Implementing Regulation (EU) 2016/1800 have changed. In addition, some ECAIs have extended their credit assessments to new market segments, resulting in new rating scales and new credit rating types. It is therefore necessary to update the mappings of the ECAIs concerned.
- (3) Since the adoption of Implementing Regulation (EU) 2021/2006, three ECAIs for which Implementing Regulation (EU) 2016/1800 provided a mapping have been deregistered. Therefore the Implementing Regulation (EU) 2016/1800 should be amended to remove the mapping of the deregistered ECAIs.

¹⁸OJ L 335, 17.12.2009, p. 1.

¹⁹Commission Implementing Regulation (EU) 2016/1800 of 11 October 2016 laying down implementing technical standards with regard to the allocation of credit assessments of external credit assessment institutions to an objective scale of credit quality steps in accordance with Directive 2009/138/EC of the European Parliament and of the Council (OJ L 275, 12.10.2016, p. 19).

²⁰Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ L 12, 17.1.2015, p. 1).

²¹Commission Implementing Regulation (EU) 2021/2006 of 16 November 2021 amending Implementing Regulation (EU) 2016/1800 laying down implementing technical standards with regard to the allocation of credit assessments of external credit assessment institutions to an objective scale of credit quality steps in accordance with Directive 2009/138/EC of the European Parliament and of the Council (OJ L 176, 5.6.2020, p. 4).

- (4) In addition, two ECAIs registered in accordance with Articles 14 to 18 of Regulation (EC) No 1060/2009²², and for which a mapping was provided in Implementing Regulation (EU) 2016/1800, have changed their name and one registered ECAI amended the symbols used to denote the rating categories of its rating scales. It is therefore necessary to amend the mapping for those ECAIs to reflect the name changes and current symbols used by those ECAIs.
- (5) Implementing Regulation (EU) 2016/1800 should therefore be amended accordingly.
- (6) This Regulation is based on the draft implementing technical standards submitted by the European Banking Authority (the EBA), the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA) jointly (the European Supervisory Authorities) to the Commission.
- (7) The European Supervisory Authorities have 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 Council²³; the opinion of the Securities and Markets Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council²⁴; and the opinion of the Insurance and Reinsurance Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1094/2010 of the European Parliament and of the Council²⁵.

HAS ADOPTED THIS REGULATION:

Article 1
Amendment to Implementing Regulation (EU) 2016/1800

The Annex to Implementing Regulation (EU) No 2016/1800 is replaced by the text in the Annex to this Regulation.

Article 2
Entry into force

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.

²² 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. 1–31).

²³ 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).

²⁴ Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).

²⁵ Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ L 331, 15.12.2010, p. 48).

Done at Brussels,

For the Commission
The President

ANNEX

Allocation of credit assessments of external credit assessment institutions to an objective scale of credit quality steps

Credit quality step	0	1	2	3	4	5	6
<i>A.M. Best (EU) Rating Services B.V.</i>							
Long-term issuer credit ratings scale	aaa	aa, aa-	a+, a, a-	bbb+, bbb, bbb-	bb+, bb, bb-	b+, b, b-	ccc+, ccc, ccc-, cc, c, d, e, f, s
Long-term issue ratings scale	aaa	aa, aa-	a+, a, a-	bbb+, bbb, bbb-	bb+, bb, bb-	b+, b, b-	ccc+, ccc, ccc-, cc, c, d, s
Financial strength ratings scale	A++	A+	A, A-	B++, B+	B, B-	C++, C+	C, C-, D, E, F, S
Short-term issuer ratings scale		AMB-1+	AMB-1-	AMB-2, AMB-3	AMB- 4, d, e, f, s		
Short-term issue ratings scale		AMB-1+	AMB-1-	AMB-2, AMB-3	AMB- 4, d, s		
<i>ARC Ratings S.A.</i>							
Medium and long-term issuers rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Medium and long-term issue rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Insurance Financial Strength Rating Criteria scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Short-term issuers rating scale		A-1+	A-1	A-2, A-3	B, C, D		
Short-term issue rating scale		A-1+	A-1	A-2, A-3	B, C, D		

Credit quality step	0	1	2	3	4	5	6
<i>ASSEKURATA Assekuranz Rating-Agentur GmbH</i>							
Long-term credit rating scale	AAA	AA	A	BBB	BB	B	CCC, CC/C, D
Short-term corporate rating scale		A++	A		B, C, D		
<i>Banque de France</i>							
Global ANACOT long-term issuer credit rating scale		1+	1, 1-	2+, 2, 2-	3+, 3, 3-, 4+, 4, 4-, 5+	5, 5-, 6+, 6, 6-	7, 8, P
<i>BCRA – Credit Rating Agency AD</i>							
Global long-term rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Global short-term rating scale		A-1+	A-1	A-2, A-3	B, C, D		
Pension-insurance company long-term scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Pension-insurance company short-term scale		A-1+	A-1	A-2, A-3	B, C, D		
Pension fund long-term scale	AAA pf	AA pf	A pf	BBB pf	BB pf	B pf	C pf
<i>Capital Intelligence Ratings Ltd</i>							
International long-term issuer rating scale	AAA	AA	A	BBB	BB	B	C, RS, SD, D
International long-term issue rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
International long-term insurer financial strength rating scale	AAA	AA	A	BBB	BB	B	C,RS, SD, D
International short-term issuer rating scale		A1+	A1	A2, A3	B, C, RS, SD, D		

Credit quality step	0	1	2	3	4	5	6
International short-term issue rating scale		A1+	A1	A2, A3	B, C, D		
International short-term insurer financial strength rating scale		A1+	A1	A2, A3	B, C, RS, SD, D		
<i>Cerved Rating Agency S.p.A.</i>							
Corporate long-term rating scale	A1.1	A1.2, A1.3	A2.1, A2.2, A3.1	B1.1, B1.2	B2.1, B2.2	C1.1	C1.2, C2.1
Corporate short-term rating scale		S-1	S-2	S-3	V-1, R-1		
<i>Creditreform Rating AG</i>							
Long-term rating scale	AAA	AA	A	BBB	BB	B	C, SD, D
Long-term issue rating scale	AAA	AA	A	BBB	BB	B	C, D
Short-term rating scale		L1	L2	L3	NEL, D		
<i>CRIF Ratings S.r.l.</i>							
Long-term issuer rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D1S, D
Long-term issue rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, DS
SME rating scale	SME1	SME2		SME3	SME4	SME5, SME6	SME7, SME8
Short-term issuer rating scale		IG-1		IG-2	SIG-1, SIG-2, SIG-3, SIG-4		
Short-term issue rating scale		IG-1		IG-2	SIG-1, SIG-2, SIG-3, SIG-4		

Credit quality step	0	1	2	3	4	5	6
<i>DBRS Ratings GmbH</i>							
Long-term obligations rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Commercial paper and short-term debt rating scale		R-1 H, R-1 M	R-1 L	R-2, R-3	R-4, R-5, D		
Financial Strength rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, R
Expected loss rating scale	AAA(el)	AA(el)	A(el)	BBB(el)	BB(el)	B(el)	CCC(el), CC(el), C(el)
<i>Egan-Jones Ratings Co.</i>							
Long-term credit rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Short-term credit rating scale		A-1+	A-1	A-2	A-3, B, C, D		
<i>EthiFinance S.L. (formerly Axesor Risk Management S.L.)</i>							
Global long-term rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Global short-term rating scale		EF1+		EF1, EF2	EF3, EF4 EF5		
<i>EuroRating Sp. z o.o.</i>							
Global long-term rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
<i>Fitch Ratings Ireland Limited</i>							
Long-term issuer default ratings scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, RD, D
Corporate finance obligations - Long-term ratings scale	AAA	AA	A	BBB	BB	B	CCC, CC, C

Credit quality step	0	1	2	3	4	5	6
Long-term international Insurer Financial Strength rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C
Derivative counterparty ratings scale	AAA dcr	AA dcr	A dcr	BBB dcr	BB dcr	B dcr	CCC dcr, CC dcr, C dcr, RD dcr, R dcr
Short-term rating scale		F1+	F1	F2, F3	B, C, RD, D		
Short-term IFS rating scale		F1+	F1	F2, F3	B, C		
<i>GBB-Rating Gesellschaft für Bonitätsbeurteilung GmbH</i>							
Global long-term rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
<i>HR Ratings de México, S.A. de C.V.</i>							
Global long-term rating scale	HR AAA(G)	HR AA(G)	HR A(G)	HR BBB(G)	HR BB(G)	HR B(G)	HR C(G)/HR D(G)
Global short-term rating scale	HR+1(G)	HR1(G)	HR2(G)	HR3(G)	HR4(G), HR5(G), HR D(G)		
<i>ICAP CRIF S.A. (previously ICAP S.A.)</i>							
Global long-term issuer rating scale	AAA	AA	A	BBB	BB	B, CCC	CC,C, D
Global long-term issue rating scale	AAA	AA	A	BBB	BB	B, CCC	CC, C, D
<i>INBONIS SA</i>							
Long-term rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D

Credit quality step	0	1	2	3	4	5	6
<i>Japan Credit Rating Agency Ltd</i>							
Long-term issuer rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, LD, D
Long-term issue rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Short-term issuer rating scale		J-1+	J-1	J-2	J-3, NJ, LD, D		
Short-term issue credit rating scale		J-1+	J-1	J-2	J-3, NJ, D		
<i>Kroll Bond Rating Agency Europe</i>							
Long-term credit rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Short-term credit rating scale		K1+	K1	K2, K3	B, C, D		
Insurance Financial Strength rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
<i>modeFinance S.r.l.</i>							
Global long-term rating scale	A1	A2	A3	B1	B2	B3	C1, C2, C3, D
<i>Moody's Investors Service</i>							
Global long-term rating scale	Aaa	Aa	A	Baa	Ba	B	Caa, Ca, C
Global short-term rating scale		P-1	P-2	P-3	NP		
<i>Nordic Credit Rating AS</i>							
Long-term rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D, SD

Credit quality step	0	1	2	3	4	5	6
Short-term rating scale		N1	N2	N3	N4, N5, N6		
<i>Scope Ratings GmbH</i>							
Long-term rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D/SD
Short-term rating scale		S-1+	S-1	S-2	S-3, S-4, D/SD		
<i>S&P Global Ratings Europe Limited</i>							
Long-term issuer credit rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, R, SD/D
Long-term issue credit rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Insurer financial strength rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, SD/D, R
Long-term Financial Institution Resolution Counterparty Ratings	AAA	AA	A	BBB	BB	B	CCC, CC, SD, D
Mid-Market Evaluation rating scale			MM1	MM2	MM3, MM4	MM5, MM6	MM7, MM8, MMD
Short-term issuer credit rating scale		A-1+	A-1	A-2, A-3	B, C, R, SD/D		
Short-term issue credit rating scale		A-1+	A-1	A-2, A-3	B, C, D		
Short-term Financial Institution Resolution Counterparty Ratings		A-1+	A-1	A-2, A-3	B, C, SD/D		

4. Accompanying documents

4.1 Cost-Benefit Analysis/Impact Assessment

Procedural issues

In accordance with the Regulations of the three ESAs, an analysis of costs and benefits is conducted when drafting ITS, unless the analysis is disproportionate in relation to the scope and impact of the draft ITS concerned.

Problem definition

Solvency II permits the use of external credit ratings for determining own fund requirements. The Solvency II Delegated Regulation establishes in Article 4(1) that insurance or reinsurance undertakings may use an external credit assessment for the calculation of the Solvency Capital Requirement in accordance with the standard formula only where it has been issued by an External Credit Assessment Institution (ECAI) or endorsed by an ECAI in accordance with the CRA Regulation.

The usage of external credit ratings for determining own fund requirements requires a mapping between the credit assessments issued by an ECAI and the Credit Quality Steps (CQS) of the standard formula (Article 109a(1) of Solvency II).

Mappings should be made available for all existing credit rating agencies registered or certified in accordance with the CRA Regulation and to central banks producing ratings that are not subject to that Regulation.

Recital 24 of Commission Implementing Regulation (EU) 2016/1799¹ points out that, given the fact that compliance with the CRR is required at all times, it is necessary to monitor the performance of the mapping on a continuous basis.

Policy Objectives

The main objective of the present revised draft ITS is to amend the Implementing Regulation to include changes in the mappings that have occurred since the third amendment to the draft ITS on Mapping was produced. As a result, the specific objectives of the revised draft ITS are to amend Annex on the mapping tables in order to:

- Remove the mapping for three deregistered ECAIs: Rating-Agentur Expert RA GmbH, Qivalio SAS (previously Spread Research) and Scope Hamburg GmbH (previously Euler Hermes Rating GmbH).

¹ Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016 laying down implementing technical standards with regard to the mapping of credit assessments of external credit assessment institutions for credit risk in accordance with Articles 136(1) and 136(3) of Regulation (EU) No 575/2013 of the European Parliament and of the Council (OJ L 275, 12.10.2016, p. 3).

- Reflect name changes of two registered entities: Ethifinance Ratings, S.L. (previously Axesor Risk Management, S.L.) and ICAP CRIF S.A. (previously ICAP S.A.).
- Reflect amendments due to re-allocation of credit quality steps: Creditreform Ratings AG, Ethifinance Ratings, S.L. (previously Axesor Risk Management, S.L.), ICAP CRIF S.A. (previously ICAP S.A.) and Nordic Credit Rating AS.
- Register amendments due to changes in credit rating scales: ARC Ratings S.A., Banque de France, Bulgarian Credit Rating Agency (BCRA), Ethifinance Ratings, S.L. (previously Axesor Risk Management, S.L.), Fitch Ratings Ireland Limited, Kroll Bond Ratings Agency, Nordic Credit Rating AS and Scope Ratings GmbH.

Figure 1: Deregistered ECAI

ECAI	Country of residence	Status
Rating-Agentur Expert RA GmbH	Germany	Deregistered
Qivalio SAS (previously Spread Research)	France	Deregistered
Scope Hamburg GmbH (previously Euler Hermes Rating GmbH)	Germany	Deregistered

Figure 2: Renamed ECAI

ECAI	Previous name	Country of residence
Ethifinance ratings S.L.	Axesor Risk Management S.L.	Spain
ICAP CRIF S.A.	ICAP S.A.	Greece

Figure 3: Mapping amendments from the monitoring exercise

ECAI	Amendments to:	
	Credit Quality Steps Allocation	Credit rating scales
ARC Ratings S.A.	No	Yes
Banque de France	No	Yes
Bulgarian Credit Rating Agency	No	Yes
Creditreform Ratings AG	Yes	No
Ethifinance Ratings, S.L. (previously Axesor Risk Management, S.L.)	Yes	Yes

Fitch Ratings Ireland Limited	No	Yes
ICAP CRIF S.A. (previously ICAP S.A.)	Yes	No
Kroll Bond Rating Agency	No	Yes
Nordic Credit Rating As	Yes	Yes
Scope Ratings GmbH	No	Yes

Individual mapping reports are also published on the EBA website, including for those ECAIs that expanded to additional SA exposure classes or credit assessment types within their existing structure of credit rating scales, or for those ECAIs that amended their qualitative factors: EthiFinance Ratings, S.L. (previously Axesor Risk Management, S.L.), Fitch Ratings Ireland Limited, GBB-Rating Gesellschaft für Bonitätsbeurteilung GmbH and Scope Ratings GmbH.

Notwithstanding the principle stated in the previous paragraph, 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.

These ITS will contribute to a common understanding among institutions and the EU’s national competent authorities about the methodology that the Joint Committee should use to specify the ‘mappings’. 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 in the CRR of enhancing the risk sensitivity of the credit risk rules.

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 credit risk in accordance with Articles 136(1) and 136(3) of the CRR.²

That Implementing Regulation provided mapping tables for 26 ECAIs, which covered one central bank and all the CRAs registered or certified in accordance with the CRA Regulation at the time the ESAs started preparing the draft ITS. The Implementing Regulation was subsequently amended on 25 April 2018³ to incorporate mappings for the five new ECAIs, that had been registered or certified after the ESAs submitted the original draft ITS to the Commission, and to remove references to a de-registered ECAI, thereby providing in total mappings for 30 ECAIs. A second amendment was adopted on 29

² Implementing Regulation (EU) 2016/1799 of 7 October 2016 (OJ L 275, 12.10.2016, p.3-18).

³ Implementing Regulation (EU) 2018/634 of 24 April 2018 (OJ L 105, 25.4.2018, p. 14–20).

November 2019⁴ to reflect a monitoring exercise on the adequacy of existing mappings, which was based on objective quantitative and qualitative information collected since the original mappings were produced. The third and most recent amendment was adopted on 16 November 2021⁵ to reflect the production of mappings for two newly established ECAs, together with an updated mapping for 9 ECAs identified by the monitoring exercise.

Options considered

The ITS are to be amended following Article 136(1) of Regulation (EU) No 575/2013, which requires the specification of mappings for all ECAs. Therefore, three deregistered ECAs were removed from the mapping. Further, given the fact that compliance with Regulation (EU) No 575/2013 is required at all times, it is necessary to monitor the performance of the mapping on a continuous basis. The current draft ITS aims to amend the Implementing Regulation to include changes in the mappings resulting from this continuous monitoring.

The elements that describe the degree of risk expressed by a credit assessment of an ECA (quantitative and qualitative factors) and the levels of risk that should be used to define each credit quality step (“benchmarks”) remain unchanged with respect to the Implementing Regulation adopted by the Commission in October 2016.

Regarding the monitoring exercise, the triggers are based on the quantitative and qualitative factors specified in the Implementing Regulation. Additionally, ECAs may have extended their credit assessments to new segments and the associated new rating scales and/or new credit rating types will need to be reflected accordingly in the mapping reports. Finally, ECAs may have made amendments to existing credit rating scales.

Quantitative factors to calibrate the mapping are drawn from statistics on the rating activity and the rating performance of ECAs produced by ESMA (CEREP⁶ and RADAR⁷), based on the information provided by the ECAs as part of their reporting obligations.⁸ Currently, the latest CEREP data available cover up to the reference date 30 June 2021.

Qualitative factors are taken into account to produce the mapping, as per Article 136(2) CRR. Further, recital 11 of the Implementing Regulation specifies that both quantitative and qualitative factors should be used to produce a mapping, with the qualitative factors being considered in a second stage, as and when necessary and especially where quantitative factors are not adequate. Following this approach, changes in qualitative factors are assigned lower priority with respect to quantitative factors.

The qualitative factors identified in the Implementing Regulation are:

- the definition of default considered by the ECA;

⁴ Implementing Regulation (EU) 2019/2028 of 29 November 2019 (OJ L 313, 4.12.2019, p. 34–40).

⁵ Implementing Regulation (EU) 2021/2006 of 16 November 2021 (OJ L 407, 17.11.2021, p. 18–26).

⁶ <https://cerp.esma.europa.eu/cerp-web/>

⁷ [Commission Delegated Regulation \(EU\) 2015/2 RADAR RTS](#).

⁸ Article 11(2) of the CRA Regulation.

- the time horizon of a rating category considered by the ECAI;
- the meaning of a rating category and its relative position within the rating scale;
- the creditworthiness of the items assigned the same rating category;
- the estimate provided by the ECAI of the long run default rate;
- the relationship established by the ECAI ('internal mapping'), where available, between on the one hand, the rating category which is being mapped, and on the other hand, other rating categories produced by the same ECAI, where a mapping for the latter categories has already been set out;
- any other relevant information that can describe the degree of risk expressed by a rating category.

Moreover, as noted in recital 26 of the Implementing Regulation, in March 2016 the Commission notified the JC of the ESAs of its intention to endorse the draft ITS⁹ with amendments, which affected the level of conservatism of the mapping. An Opinion was issued by the ESAs rejecting the amendments proposed by the Commission.¹⁰

However, as indicated in recital 27 of the Implementing Regulation, the Commission proceeded to amend the draft ITS in respect of some provisions that relate to smaller/newer ECAIs that entered the market recently. As a result, the Commission did not adopt the more conservative treatment in cases of limited data, after the end of the phase-in period in 2019. Therefore, the approach of an “indefinitely extended” phase-in period is also adopted here.

E. Assessment of the options

Costs

The mappings, as well as their review of adequacy, are produced following the methodology adopted by the Commission. The Commission highlights the need to avoid the automatic application of a more conservative mapping to all ECAIs which did not produce sufficient ratings, for the sole reason that they did not produce sufficient ratings, without taking into account the quality of their ratings. Subsequently, qualitative factors were captured via the notifications sent to ESMA by the ECAIs as part of their reporting obligations under the CRA Regulation.

There are potential risks that ECAIs with insufficient ratings could leverage on the Commission's amendments and produce credit assessments that are less conservative than the mapping would suggest. Less conservative credit assessments would be associated with lower risk weights under the Standardised Approach, which would result in an underestimation of own funds requirements.

Further, in order to limit the compliance costs with this Regulation by ECAIs, the qualitative and quantitative elements to derive the mapping have been sourced from the credit assessment

⁹ <http://www.eba.europa.eu/documents/10180/1269185/Final+Draft+ITS+on+ECAIs%27%20Mapping.pdf/3f4b46bb-825e-4211-b199-519b6b3bf865>

¹⁰ <http://www.eba.europa.eu/documents/10180/1359456/ESAs+2016+41+%28Joint+Opinion+on+EC+amend+ITS+ECAIs+Mapping+CRR%29.pdf>

information that CRAs are mandated to submit to ESMA as part of their reporting obligations under Regulation (EU) No 1060/2009 (CRA Regulation). This contributes to reduce the reporting burden to ECAIs and ensures harmonization.

Benefits

The inclusion of smaller ECAIs to the mapping exercise allows 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.¹¹

ECAIs having extended their credit assessments to new segments will see the associated new rating scales becoming operational for the purposes of risk-weight determination under the Standardised Approach. Moreover, ECAIs having amended, added or removed rating scales will have their mapping reflecting these changes.

Overall, these changes will benefit the financial sector by providing it with an accurate and updated picture of the correspondence between their credit assessments by ECAIs and the CQS of the Standardised Approach, which allows the use of those credit assessments for determining own fund requirements.

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.

¹¹ The market share is concentrated in three ECAIs that represent over 90% of the market. Market share calculation based on 2021 applicable turnover from credit rating activities and ancillary services in the EU. Please refer to: [Report on CRA market share](#) (ESMA, 2021).

4.2 Feedback on the public consultation

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

The consultation period opened on 25 May 2023 and ended on 26 June 2023. No responses were received.

However, in the parallel public consultation on changes to the mapping of ECAI's credit assessments under Article 136(1) and (3) CRR¹² stakeholder responses were received. In order to keep the mapping for Solvency II consistent with the mapping for CRR, changes resulting from those response have been reflected in this draft ITS. A summary of responses and resulting changes to the mappings can be found in the final report on the public consultation on changes to the mapping of ECAI's credit assessments under Article 136(1) and (3) CRR.

¹² Public consultation on draft implementing technical standards amending Implementing Regulation (EU) 2016/1799 on the mapping of ECAs' credit assessments under Article 136(1) and (3) of Regulation (EU) No 575/2013 (JC/CP/2023 15), see the EBA website.