Changes to legislation: *There are outstanding changes not yet made to Commission Implementing Regulation (EU) 2016/1801. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details)EUR 2016 No. 1801 may be subject to amendment by EU Exit Instruments made by both the Prudential Regulation Authority and the Financial Conduct Authority under powers set out in The Financial Regulators' Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018 (S.I. 2018/1115), regs. 2, 3, Sch. Pt. 4. These amendments are not currently available on legislation.gov.uk. Details of relevant amending instruments can be found on their website/s. (See end of Document for details) View outstanding changes*

Commission Implementing Regulation (EU) 2016/1801 of 11 October 2016 on 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 (Text with EEA relevance)

COMMISSION IMPLEMENTING REGULATION (EU) 2016/1801

of 11 October 2016

on 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

(Text with EEA relevance)

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 648/2012[(1)], and in particular the third subparagraph of Article 270 thereof,

Whereas:

(1) Article 270 of Regulation (EU) No 575/2013 requires the specification for all external credit assessment institutions (ECAIs), of the correspondence of the relevant credit assessments issued by an ECAI to the credit quality steps set out in Chapter 5 of that Regulation ('mapping'). ECAIs are credit rating agencies that are registered or certified in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council[(2)] or a central bank issuing credit ratings which are exempt from the application of that Regulation.

(2) Certain similar terms and concepts used in Regulation (EC) No 1060/2009 and in Regulation (EU) No 575/2013 can be the subject of confusion. 'Credit assessment' is a term used under Regulation (EU) No 575/2013 to refer both to the 'labels' of the different categories of ratings by ECAIs, and to the assignment of one such rating to a particular item. However, points (h) and (a) of Article 3(1) of Regulation (EC) No 1060/2009 clearly distinguish between these two concepts with the use of the terms 'rating category' and 'credit rating', respectively. To avoid confusion and given the need to refer to these two particular concepts separately and given the complementarity of the two Regulations, those terms should be applied in this Regulation within the meaning of Regulation (EC) No 1060/2009.

(3) Article 267 of Regulation (EU) No 575/2013 permits the use of credit ratings to determine the risk weight of a securitisation position only where that credit rating has been issued or has been endorsed by an ECAI in accordance with Regulation (EC) No

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1060/2009. Further, point (b) of Article 268 of Regulation (EU) No 575/2013 makes use of a credit rating of an ECAI conditional on the ECAI having published the procedures, methodologies, assumptions and the key elements underpinning the assessments, in accordance with Regulation (EC) No 1060/2009. In addition, Article 10(3) of Regulation (EC) No 1060/2009 provides that rating categories that are attributed to structured finance instruments are clearly differentiated from rating categories used for any other entities. Therefore, it is appropriate to specify only the correspondence of the credit assessments of ECAIs to the credit quality steps set out in Chapter 5 of Regulation (EU) No 575/2013 for those rating categories to securitisation positions that meet all of those conditions.

(4) Mappings of credit ratings for securitisation positions should give consideration to quantitative factors such as default and loss rates and the historical performance of credit ratings, as well as qualitative factor such as range of transactions, methodologies and meaning of rating categories. Nevertheless, it should be noted that the securitisation credit ratings apply to a wide range of transactions, which have historically performed in a materially heterogeneous manner during the 2007-2009 financial crisis. Further, as a result of the crisis, both ECAIs' methodologies and the Union regulatory approach to securitisation are undergoing changes and the securitisation framework is also the object of discussions at international level . In order to take into account these developments in the regulatory framework and the heterogeneous performance of securitisation credit ratings and to avoid disruption to the securitisation market, it is necessary to emphasise the qualitative aspects of the analysis of available quantitative data.

(5) Within the context of a qualitative analysis, in order to ensure an objective and consistent determination of the mapping, and with a view to ensuring a smooth transition for the market, it is necessary to rely on the mapping of credit assessments to credit quality steps that were issued in 2006 on the basis of Article 97 of Directive 2006/48/EC of the European Parliament and of the Council[(3)]. Those mappings applied to ECAIs issuing securitisation ratings at that time were not only based on a quantitative mapping methodology but also on historical evidence relating to the performance of credit ratings prior to the financial crisis. Those mappings had been designed to ensure overall objectiveness and consistency among the relative degrees of risks expressed by the different rating grades used to assign credit ratings by the ECAIs operating at that point in time in the securitisation market.

(6) New ECAIs that have entered the securitisation market after the development of the mappings in 2006 on the basis of Article 97 of Directive 2006/48/EC have not assigned a sufficient number of ratings for the historical performance of those ratings to be assessed with statistical confidence. Nevertheless, it is necessary to extend the mapping of credit assessments to credit quality steps that is assigned to long-established ECAIs to new ECAIs, in order to strike the right balance between developing a prudent mapping for all ECAIs and avoiding causing substantial competitive disadvantages.

(7) Given that separate credit quality steps apply for the calculation of risk-weighted exposure amounts under the standardised approach for securitisation under Article 251 of Regulation (EU) No 575/2013, which are different from those applying to

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securitisation positions under the ratings-based method referred to in Article 261 of that Regulation, separate mappings for the standardised approach and the ratings-based method should be provided.

(8) Both Article 251 and Article 261 of Regulation (EU) No 575/2013 include references to credit quality steps for re-securitisation positions. As a result, the securitisation framework of Regulation (EU) No 575/2013 also covers re-securitisation positions. Therefore the mappings should cover credit ratings assigned to both securitisation and re-securitisation positions.

(9) Following the completion of the ongoing regulatory reforms relating to capital requirements applicable to securitisations, and with the aim of considering new historical evidence covering a sufficiently long post-crisis data history, the mappings should be updated where available information could contribute to an improved design of a fully consistent and objective quantitative mapping methodology, in accordance with points (b) and (c) of Article 270 of Regulation (EU) No 575/2013, and with increasing consideration of quantitative evidence.

(10) Given the emphasis on the qualitative aspects of the analysis of the performance of securitisation ratings, it is necessary to regularly monitor the data reported in order to consider the merit of reviewing the mappings assigned, where default of securitisation positions are observed, and to consider amending the determination of the mappings, as appropriate, in accordance with point (d) of Article 270 of Regulation (EU) No 575/2013.

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

(12) 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 opinion of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council[(4)],

HAS ADOPTED THIS REGULATION:

Article 1

Mapping tables under the standardised approach

The correspondence of the rating categories of each ECAI for securitisation positions subject to the standardised approach with the credit quality steps under the standardised approach set out in Table 1 of Article 251 of Regulation (EU) No 575/2013 is that set out in Annex I to this Regulation.

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Article 2

Mapping tables under the ratings-based method

The correspondence of the rating categories of each ECAI for securitisation positions subject to the IRB approach with the credit quality steps set out in Table 4 of Article 261(1) of Regulation (EU) No 575/2013 is that set out in Annex II to this Regulation.

Article 3

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.

Done at Brussels, 11 October 2016.

For the Commission

The President

Jean-Claude JUNCKER

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ANNEX I

Mapping table under the standardised approach as referred to in Article 1

Credit quality step	1	2	3	4	All other
ARC Ratings SA					
Medium and Long-Term Issues	AAA_{SF} to $AA-_{SF}$	$A+_{SF}$ to $A-_{SF}$	$BBB+_{SF}$ to $BBB-_{SF}$	$BB+_{SF}$ to $BB-_{SF}$	Below $BB-_{SF}$
Short-Term Issues	$A-1+_{SF}$, $A-1_{SF}$	$A-2_{SF}$	$A-3_{SF}$		Below $A-3_{SF}$
Axesor SA					
Structured finance rating scale	$AAA_{(sf)}$ to $AA-_{(sf)}$	$A+_{(sf)}$ to $A-_{(sf)}$	$BBB+_{(sf)}$ to $BBB-_{(sf)}$	$BB+_{(sf)}$ to $BB-_{(sf)}$	Below $BB-_{(sf)}$
Creditreform Ratings AG					
Long-term rating scale	AAA_{sf}, $AA-_{sf}$	$A+_{sf}$ to $A-_{sf}$	$BBB+_{sf}$ to $BBB-_{sf}$	$BB+_{sf}$ to $BB-_{sf}$	Below $BB-_{sf}$
DBRS Ratings Limited					
Long-term obligations rating scale	AAA (sf) to AA (low) (sf)	A (high) (sf) to A (low) (sf)	BBB (high) (sf) to BBB (low) (sf)	BB (high) (sf) to BB (low) (sf)	Below BB (low) (sf)
Commercial paper and short-term debt rating scale	R-1 (high) (sf) to R-1 (low) (sf)	R-2 (high) (sf) to R-2 (low) (sf)	R-3 (sf)		Below R-3 (sf)
FERI EuroRating Services AG					
Rating scale	AAA_{sf} to $AA-_{sf}$	$A+_{sf}$ to $A-_{sf}$	$BBB+_{sf}$ to $BBB-_{sf}$	$BB+_{sf}$ to $BB-_{sf}$	Below $BB-_{sf}$
Fitch Ratings					
Long-term issuer credit ratings scale	AAAsf to AA-sf	A+sf to A-sf	BBB+sf to BBB-sf	BB+sf to BB-sf	Below BB-sf
Short-term rating scale	F1+sf, F1sf	F2sf	F3sf		Below F3sf
Japan Credit Rating Agency Ltd					
Long-term issuer ratings scale	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	Below BB-
Short-term issuer ratings scale	J-1+, J-1	J-2	J-3		Below J-3
Kroll Bond Rating Agency					