

**COMMISSION 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****(Text with EEA relevance)**

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) <sup>(1)</sup>, and in particular Article 109a(1) thereof,

Whereas:

- (1) In accordance with Article 111(1)(n) of Directive 2009/138/EC, the allocation of credit assessments of external credit assessment institutions (ECAIs) to an objective scale of credit quality steps for the purposes of the calculation of the solvency capital requirement (the 'allocation') needs to be consistent with the use of external credit assessments of ECAIs in the calculation of the capital requirements for credit institutions and financial institutions, as defined in Regulation (EU) No 575/2013 of the European Parliament and of the Council <sup>(2)</sup>.
- (2) Commission Implementing Regulation (EU) 2016/1799 <sup>(3)</sup> establishes the mapping methodology for the use of external credit assessments of ECAIs in the calculation of the capital requirements for credit institutions and financial institutions, in particular the rules on how the relevant credit assessments are made correspondent to the six credit quality steps laid down in Regulation (EU) No 575/2013.
- (3) For the purposes of the calculation of the solvency capital requirement, Article 3 of Commission Delegated Regulation (EU) 2015/35 <sup>(4)</sup> provides that the allocation is subject to a system of seven credit quality steps in contrast to the six credit quality steps laid down in Regulation (EU) No 575/2013 and used in the mapping methodology for credit institutions and financial institutions.
- (4) In order to achieve the consistency required under Article 111(1)(n) of Directive 2009/138/EC, the allocation is based on the mapping methodology for credit institutions and financial institutions subject to alterations, where appropriate, taking into account the extra step laid down in the credit quality system of relevance for the calculation of the solvency capital requirement.
- (5) This Regulation establishes an allocation arrangement, taking into account quantitative and qualitative factors. It is necessary to avoid causing undue material disadvantage on those ECAIs which, due to their more recent entrance in the market, present limited quantitative information, with the view to balancing prudential with market concerns. Therefore, where there is limited quantitative information, the relevance of the quantitative factors for deriving the mapping should be relaxed. Updates to the mapping should be made whenever this becomes necessary to reflect quantitative information collected after the entry into force of the present Regulation.

<sup>(1)</sup> OJ L 335, 17.12.2009, p. 1.

<sup>(2)</sup> 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).

<sup>(3)</sup> 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 (see page 3 of this Official Journal).

<sup>(4)</sup> 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, 17.1.2015, p. 1).

- (6) The allocation arrangements apply to credit assessments of ECAs, which 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 <sup>(1)</sup> or central banks issuing credit ratings which are exempt from the application of that Regulation, as well as to credit assessments endorsed by an ECAI in accordance with Regulation (EC) No 1060/2009.
- (7) This Regulation is based on the draft implementing technical standards submitted by the European supervisory authorities (ESAs) (the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority) to the Commission.
- (8) On 29 March 2016, the Commission notified the Joint Committee of the ESAs of its intention to endorse the draft implementing technical standards with amendments in order to ensure a balance between a solid prudential approach and the need to avoid further concentration in an already very concentrated credit rating market dominated by three large ECAs with a combined market share of around 90 %. In its notification, the Commission highlighted in particular the need to avoid the automatic application after three years of a more conservative mapping to all ECAs which did not produce sufficient ratings and irrespective of the quality of their ratings, as this approach would risk creating a regulatory barrier to market entry and undermine the competitive position of smaller/newer ECAs simply because they do not produce as many ratings as large incumbent firms. In its formal opinion of 12 May 2016, the Joint Committee of the ESAs confirmed its initial position and did not resubmit implementing technical standards amended in a way consistent with the Commission's proposed amendments.
- (9) In order to ensure a balance between a solid prudential approach and competition in the credit rating market, the draft implementing technical standards should be amended in respect of provisions that may cause undue material disadvantage to smaller/newer ECAs due to their more recent entrance in the market, in particular the provisions concerning application of a more conservative treatment in case of limited data, the entry into force of a new mapping automatically as of 2019, the provision concerning the review of the mapping and the mapping tables applicable as of 2019.
- (10) 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 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 <sup>(2)</sup>, 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 Council <sup>(3)</sup>, and 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 Council <sup>(4)</sup>,

HAS ADOPTED THIS REGULATION:

#### *Article 1*

The allocation of credit assessments of external credit assessment institutions to an objective scale of credit quality steps shall be that set out in the Annex.

#### *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*.

<sup>(1)</sup> 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).

<sup>(2)</sup> 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).

<sup>(3)</sup> 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).

<sup>(4)</sup> 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).

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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

## 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>AM Best Europe-Rating Services Ltd</i>							
Long-term issuer credit ratings scale	aaa	aa+, aa, aa-	a+, a, a-	bbb+, bbb, bbb-	bb+, bb, bb-	b+, b, b-	ccc+, ccc, ccc-, cc, c, rs
Long-term debt ratings scale	aaa	aa+, aa, aa-	a+, a, a-	bbb+, bbb, bbb-	bb+, bb, bb-	b+, b, b-	ccc+, ccc, ccc-, cc, c, d
Financial strength ratings scale		A++, A+	A, A-	B++, B+	B, B-	C++, C+	C, C-, D, E, F, S
Short-term ratings scale		AMB-1+	AMB-1-	AMB-2, AMB-3	AMB- 4		
<i>ARC Ratings SA</i>							
Medium- and long-term issuers rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Medium and long-term issues rating 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 issues rating scale		A-1+	A-1	A-2, A-3	B, C, D		
<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>Axesor SA</i>							
Global rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D, E
<i>BCRA — Credit Rating Agency AD</i>							
Bank long-term ratings scale	AAA	AA	A	BBB	BB	B	C, D
Insurance long-term ratings scale	iAAA	iAA	iA	iBBB	iBB	iB	iC, iD
Corporate long-term ratings scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Municipality long-term ratings scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D

Issue long-term ratings scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Bank short-term ratings scale		A-1+	A-1	A-2, A-3	B, C, D		
Corporate short-term ratings scale		A-1+	A-1	A-2, A-3	B, C, D		
Municipality short-term ratings scale		A-1+	A-1	A-2, A-3	B, C, D		
Issue short-term rating scale		A-1+	A-1	A-2, A-3	B, C, D		
<i>Banque de France</i>							
Global long-term issuer credit ratings scale		3++	3+, 3	4+	4, 5+	5, 6	7, 8, 9, P
<i>Capital Intelligence</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 short-term issuer rating scale		A-1+	A-1	A-2, A-3	B, C, D		
International short-term issue rating scale		A-1+	A-1	A-2, A-3	B, C, D		
<i>Cerved Rating Agency SpA.</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
<i>Creditreform Ratings AG</i>							
Long-term rating scale	AAA	AA	A	BBB	BB	B	C, D
<i>CRIF S.p.A.</i>							
Global long-term rating scale	AAA	AA	A	BBB	BB	B	CCC, D1, D2
<i>Dagong Europe Credit Rating</i>							
Long-term credit rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Short-term credit rating scale		A-1		A-2, A-3	B, C, D		

<i>DBRS Ratings Limited</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		
Claims paying ability rating scale		IC-1	IC-2	IC-3	IC-4	IC-5	D
<i>European Rating Agency</i>							
Long-term rating scale			AAA, AA, A	BBB	BB	B	CCC, CC, C, D
Short-term rating scale			S1	S2	S3, S4, NS		
<i>EuroRating Sp. z o.o.</i>							
Global long-term rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
<i>Euler Hermes Rating</i>							
Global long-term rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, SD, D
<i>FERI EuroRating Services AG</i>							
FERI EuroRating rating scale	AAA	AA	A		BBB, BB	B	CCC, CC, D
<i>Fitch France S.A.S., Fitch Deutschland GmbH, Fitch Italia SpA, Fitch Polska SA, Fitch Ratings España S.A.U., Fitch Ratings Limited UK, Fitch Ratings CIS Limited</i>							
Long-term issuer credit 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
Long-term international IFS ratings scale	AAA	AA	A	BBB	BB	B	CCC, CC, C
Short-term rating scale		F1+	F1	F2, F3	B, C, RD, D		
Short-term IFS ratings 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>ICAP Group S.A</i>							
Global long-term rating scale			AA, A	BB, B	C, D	E, F	G, H
<i>Japan Credit Rating Agency Ltd</i>							
Long-term issuer ratings scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, LD, D
Long-term issue ratings scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Short-term issuer ratings scale		J-1+	J-1	J-2	J-3, NJ, LD, D		
Short-term issue credit ratings scale		J-1+	J-1	J-2	J-3, NJ, D		
<i>Kroll Bond Rating Agency</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		
<i>Moody's Investors Service Cyprus Ltd, Moody's France S.A.S., Moody's Deutschland GmbH, Moody's Italia S.r.l., Moody's Investors Service España SA, Moody's Investors Service Ltd</i>							
Global long-term rating scale	Aaa	Aa	A	Baa	Ba	B	Caa, Ca, C
Bond fund rating scale	Aaa-bf	Aa-bf	A-bf	Baa-bf	Ba-bf	B-bf	Caa-bf, Ca-bf, C-bf
Global short-term rating scale		P-1	P-2	P-3	NP		
<i>Standard &amp; Poor's Credit Market Services France S.A.S., Standard &amp; Poor's Credit Market Services Italy S.r.l., Standard &amp; Poor's Credit Market Services Europe Limited</i>							
Long-term issuer credit ratings scale	AAA	AA	A	BBB	BB	B	CCC, CC, R, SD/D
Long-term issue credit ratings scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Insurer financial strength ratings scale	AAA	AA	A	BBB	BB	B	CCC, CC, SD/D, R
Fund credit quality ratings scale	AAAf	AAf	Af	BBBf	BBf	Bf	CCCf
Mid market evaluation ratings scale			MM1	MM2	MM3, MM4	MM5, MM6	MM7, MM8, MMD
Short-term issuer credit ratings scale		A-1+	A-1	A-2, A-3	B, C, R, SD/D		
Short-term issue credit ratings scale		A-1+	A-1	A-2, A-3	B, C, D		

<i>Scope Rating</i>							
Global long-term rating scale	AAA	AA	A	BBB	BB	B	CCC, CC,C, D
Global short-term rating scale		S-1+	S-1	S-2	S-3, S-4		
<i>Spread Research</i>							
International long-term rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
<i>The Economist Intelligence Unit Ltd</i>							
Sovereign rating band scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D