

Chapter 3

Standardised credit risk

3.3 The use of the credit assessments of ratings agencies

- 3.3.1 **R** An external credit assessment may be used to determine the *risk weight* of an *exposure* in accordance with ■ BIPRU 3.2.20 R to ■ BIPRU 3.2.26 R only if the *ECAI* which provides it is recognised by the *appropriate regulator* as an *eligible ECAI* for the purposes of the standardised approach to credit risk.

[Note: BCD Article 81(1)]

Recognition of ratings agencies

- 3.3.2 **G** The *appropriate regulator* will recognise an *ECAI* as an *eligible ECAI* for the purposes of ■ BIPRU 3, or will refuse to recognise an *ECAI* or will revoke its recognition of an *ECAI* as an *eligible ECAI* in accordance with the *Capital Requirements Regulations 2006*.
- 3.3.3 **G** Regulation 22 of the *Capital Requirements Regulations 2006* deals with recognition by the *appropriate regulator* of *eligible ECAs* for *exposure risk weight* purposes. Regulation 25 deals with revoking recognition.
- 3.3.4 **G** The criteria which the *appropriate regulator* must apply when assessing *ECAs* for recognition for *exposure risk weighting* purposes are set out in Regulation 22 and Schedule 1 to the *Capital Requirements Regulations 2006*. In making an assessment against those criteria and in carrying out the mapping process described in ■ BIPRU 3.3.7 G to ■ BIPRU 3.3.9 G the *appropriate regulator* will have regard to the approach set out in the Committee of European Banking Supervisors' "Guidelines on the recognition of External Credit Assessment Institutions" dated 20 January 2006. The *appropriate regulator* does not expect to recognise an *ECAI* unless the information set out in those guidelines has been submitted to it.
- 3.3.5 **G** The list of *eligible ECAs* is published on the *appropriate regulator* website. When the *appropriate regulator* recognises an *ECAI* as an *eligible ECAI*, it publishes that decision by amending the list of *eligible ECAs* on the *appropriate regulator* website to include the name of the *eligible ECAI*. When the *appropriate regulator* determines that the recognition of an *ECAI* should be revoked, it publishes that decision by deleting the name of the *ECAI* from the list on the *appropriate regulator* website
- 3.3.6 **G** [deleted]

Mapping of credit assessments

- 3.3.7** **G** Under Regulation 22(3) of the *Capital Requirements Regulations 2006* the *appropriate regulator* is obliged to determine, taking into account the requirements set out in Schedule 2 to the *Capital Requirements Regulations 2006*, with which of the *credit quality steps* set out in Part 1 of Annex VI of the *Banking Consolidation Directive* the relevant credit assessments of an *eligible ECAI* are to be associated. Those determinations should be objective and consistent.
- 3.3.8** **R** The *credit quality step* with which a relevant credit assessment of an *eligible ECAI* is to be associated is that in the table mapping the credit assessments of *eligible ECAIs* to *credit quality steps* published by the *appropriate regulator* under Regulation 22(3) of the *Capital Requirements Regulations 2006*.
- 3.3.9** **G** The table mapping the credit assessments of *eligible ECAIs* to *credit quality steps* is published on the *appropriate regulator's* website and amended from time to time in line with additions to and deletions from the list of *eligible ECAIs*.
- [**Note:** For the most recent version of the table, refer to: <http://www.fca.org.uk/your-fca/documents/fsa-ecais-standardised> for the *FCA* and <http://www.bankofengland.co.uk/publications/Documents/other/pr/policy/2013/ecaisstandardised.pdf> for the *PRA*]