

Chapter 1

Commission Delegated Regulation (EU) 2016/2251

Article 6 Credit quality assessment

(1) The collecting counterparty shall assess the credit quality of assets belonging to the asset classes referred to in points (c), (d) and (e) of Article 4(1) that are either not denominated or not funded in the issuer's domestic currency and in points (f), (g), (j) to (n) and (p) of Article 4(1) using one of the following methodologies:

(a) the internal ratings referred to in paragraph 3 of the collecting counterparty;

(b) the internal ratings referred to in paragraph 3 of the posting counterparty, where that counterparty is established in the United Kingdom or in a third country where the posting counterparty is subject to consolidated supervision assessed by the Prudential Regulation Authority or the Financial Conduct Authority:

(i) prior to exit day, as equivalent to that governed by Union law in accordance with Article 127 of Directive 2013/36/EU; or

(ii) on or after exit day, as equivalent to that governed by the law of the United Kingdom in accordance with regulation 21 of the Capital Requirements Regulations 2013;

(c) a credit quality assessment issued by a recognised External Credit Assessment Institution (ECAI) as defined in Article 4(98) of Regulation (EU) No 575/2013 or a credit quality assessment of an export credit agency referred to in Article 137 of that Regulation.

(2) The collecting counterparty shall assess the credit quality of assets belonging to the asset class referred to in point (o) of Article 4(1) using the methodology referred to in point (c) of paragraph 1 of this Article.

(3) A counterparty permitted to use the Internal Rating Based (IRB) approach pursuant to Article 143 of Regulation (EU) No 575/2013 may use their internal ratings in order to assess the credit quality of the collateral collected for the purposes of this Regulation.

(4) A counterparty using the IRB approach in accordance with paragraph 3 shall determine the credit quality step of the collateral in accordance with Annex I.

(5) A counterparty using the IRB approach in accordance with paragraph 3 shall communicate to the other counterparty the credit quality step referred to in paragraph 4 associated to the assets to be exchanged as collateral.

(6) For the purposes of paragraphs 1(c), the credit quality assessment shall be mapped to credit quality steps specified pursuant to Articles 136 or 270 of Regulation (EU) No 575/2013.