

Comments on EBA, EIOPA and ESMA joint Cobsultaion Paper JC-CP-2015-001 Draft Implementing Technical Standards on the allocation of credit assessments of ECAIs to an objective scale of credit quality steps		Deadline 10.Apr.2015 23:59 CET
Company name:	Banque de France (BdF)	
Disclosure of comments:	<p>EBA, ESMA and EIOPA will make all comments available on their website, except where respondents specifically request that their comments remain confidential.</p> <p><i>Please indicate if your comments on this CP should be treated as confidential, by deleting the word Public in the column to the left and by inserting the word Confidential.</i></p>	Public
<p>The question numbers below correspond to Joint Consultation Paper on Mechanistic references to credit ratings in the ESAs´ guidelines and recommendations (JC-CP- 2015-001).</p> <p>Please follow the instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ <u>Do not</u> change the numbering in column "Reference". ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific paragraph numbers below. <ul style="list-style-type: none"> ○ If your comment refers to multiple paragraphs, please insert your comment at the first relevant paragraph and mention in your comment to which other paragraphs this also applies. ○ If your comment refers to sub-bullets/sub-paragraphs, please indicate this in the comment itself. <p>Please send the completed template to JointCommitteeConsultation@eiopa.europa.eu in <u>MS Word Format</u>, (our IT tool does not allow processing of any other formats).</p>		

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Reference	Comment	
General Comment:	<p>Banque de France deplores the fact that the mapping made for Solvency II purpose blindly relies on the outputs produced at a first stage by EBA.</p> <p>The Banque de France disagrees with the common default event definition used in the mapping exercise and would appreciate if the ESA could confirm the option retained in the proposed ITS.</p> <p>Moreover, the Banque de France considers it as very detrimental to the financing of SMEs to discriminate the methods tailored to assess the credit worthiness of this type of undertakings for the only reason that they do not fit EBA's retained definition.</p>	
Question: In respect of smaller ECAIs further investigation of the mappings could be undertaken. Please submit your views.		
Article 1. ECAI Nr. 1		
Article 1. ECAI Nr. 2		
Article 1. ECAI Nr. 3		
Article 1. ECAI Nr. 4		
Article 1. ECAI Nr. 5		
Article 1. ECAI Nr. 6	<p>The mapping being the same as for the banking sector, the BDF refers to the previous comments to ESA's joint consultation. The BDF indeed considers that rating 3+ and 3 should respectively be mapped to CQS1 and CQS2. We remain at the disposal of the ESAs to provide updated data or additional explanations.</p>	
Article 1. ECAI Nr. 7		
Article 1. ECAI Nr. 8		
Article 1. ECAI Nr. 9		

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Article 1. ECAI Nr. 10		
Article 1. ECAI Nr. 11		
Article 1. ECAI Nr. 12		
Article 1. ECAI Nr. 13		
Article 1. ECAI Nr. 14		
Article 1. ECAI Nr. 15		
Article 1. ECAI Nr. 16	0	
Article 1. ECAI Nr. 17		
Article 1. ECAI Nr. 18		
Article 1. ECAI Nr. 19		
Article 1. ECAI Nr. 20		
Article 1. ECAI Nr. 21		
Article 1. ECAI Nr. 22		
Article 1. ECAI Nr. 23		
Article 1. ECAI Nr. 24		
Article 1. ECAI Nr. 25		
Article 1. ECAI Nr. 26		
Article 2.1		
Article 2.2		
Impact Assessment 1	The BDF would have welcomed further information prior to this consultation paper and, in particular, a consultation on its own mapping report with a clear presentation of the impact of each policy issue on this mapping.	
Impact Assessment 2		
Impact Assessment 3		

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Impact Assessment 4.1	We agree with policy options adopted for policy issue 1 (option 1.1),	
Impact Assessment 4.2	We agree with policy options adopted for policy issue 2 (option 2.1)	
Impact Assessment 4.3	<p>We agree with policy options adopted for policy issue 3 (option 3.2)</p> <p>We agree with the use of credit worthiness and qualitative information about the relevant ECAI if this additional information can be used as well in a negative or in a positive way for the mapping. The qualitative approach could e.g. take into account positive elements such as a larger set of sources used in the rating process, the high number and diversification of rated companies...</p>	
Impact Assessment 4.4	<p>The default definition is also a key element for determining the CQS bounds and consequently elaborate mappings. The option retained would be 4.1: use of each ECAI's default definition. We agree with this option. However our understanding is that this option is different from the EBA approach which refers to a common definition of the default events. Therefore we wonder why one of the benefits of this option would be the consistency with EBA's approach.</p> <p>We agree with the point raised in the consultation that: "any other comparison based on a set of default events that are not generally observed for most ECAIs would be very difficult to implement and the degree of uncertainty implied in the comparison would be large".</p> <p>For the recall, the BDF had explained in its response to the banking ITS consultation that it disagrees with the common default events used in the EBA approach because 1) they were basically different from the banks 'practice and the legal definition they themselves use, 2) they were only the reflect of the definition used by some ECAI, and 3) they were not adequate for ECAIs that mostly rate SMEs.</p> <p>Additionalnaly to bankruptcy data, the BDF proposes an alternative benchmark based on the basel defaults collected by some national credit registers from 2012. These data would allow completing the references used.</p> <p>However, the BDF does not fully understand the process used to assess ECAI default definitions if it is only based on a comparaison with the number of observed bankruptcy. This</p>	

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	<p>point doesn't offer enough transparency on the mapping process and should clearly be explained.</p> <p>Moreover if bankruptcy are taken as reference, it does not sound coherent to base the CQS determination on the same benchmark as the one used in the EBA approach. Indeed the EBA benchmark is not based on bankruptcy. In our opinion, it is necessary to explain on the one hand the exact reference and values taken into account to deduce the CQS, and on the other hand the comparison process used for mappings.</p> <p>In this sense, a mapping report dedicated to each ECAI would have seemed necessary to fully explain the assessment that has been done of their default definition and the reference that have been used to elaborate their mapping.</p>	
Impact Assessment 4.5	For coherence and consistency reasons, we agree with option 5.2 for policy issue 5.	
Impact Assessment 5	In our view, the "indirect capital costs" should also mention the possible impact on the counterparts of the insurance and reinsurance undertakings. Indeed, should the insurance and reinsurance undertakings bear additional costs in terms of SCR on account of a mapping which would overestimate the real risk borne, there might also be indirect consequences such as an increase in rates and other costs for the counterparties they are exposed to.	