

5 November 2015
JC/2015/074

Mr Jonathan Hill
Commissioner
European Commission
Rue de la Loi 200
1049 Brussels
Belgium

Ref: Draft Implementing Technical Standards (ITSs) on the mapping of external credit assessment institutions (ECAIs)

Dear Commissioner Hill,

I am pleased to submit to you the draft Implementing Technical Standards (ITSs) developed by the Joint Committee of the three ESAs on the mapping of external credit assessment institutions' (ECAIs) credit assessments under:

- a. Article 136 (1) and (3) of Regulation (EU) No 575/2013 (Capital Requirements Regulation - CRR) specifying for all ECAIs the correspondence ('mapping') between risk weights and credit assessments (via credit quality steps) as well as the factors and benchmarks that should be taken into consideration to determine such correspondence; and
- b. Article 109a (1) of Directive 2009/138/EC (Solvency II) on the association of the credit assessments of ECAIs to an objective scale of credit quality steps (CQSs) applying the steps specified in accordance with Article 111(1)(n) of Directive 2009/138/EC. The methodology used in the Solvency II framework for the mapping follows as closely as possible the approach proposed for the banking framework under the CRR. However, the Solvency II mapping has seven 7 CQSs relative to the 6 CQSs under the CRR. The mapping is therefore different as regards the first two credit quality steps (respectively CQS 0 and CQS 1 in the Solvency II framework).

The draft ITSs have been developed by the Joint Committee, in order to ensure the application of a consistent mapping of ECAIs' credit assessments across the financial sectors. The methodology used to derive the mappings was also agreed by the three ESAs.

With regard to the allocation of credit assessments of small and newly established ECAIs which, due to their more recent entrance in the market,

can present only limited quantitative information, the draft ITSs propose a phase-in period in order to balance prudential and market concerns.

The ESAs will publish these final draft ITSs, accompanied by the feedback to their public consultations, their respective impact assessments/cost-benefit analysis, and in the case of the CRR ITS, the accompanying mapping reports.

We look forward to the completion of the process of adoption of these standards.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'SM', with a horizontal line extending to the right.

Steven Maijoor
Chair, ESMA and Chairperson of the Joint Committee in 2015

c.c. Roberto Gualtieri MEP, Chair of the Committee on Economic and Monetary Affairs, European Parliament

Pierre Gramegna, President of the ECOFIN Council, Council of the European Union

Jeppe Tranholm-Mikkelsen, Secretary-General of the Council of the European Union

Olivier Guersent, Director General, DG Financial Stability, Financial Services and Capital Markets Union, European Commission

Andrea Enria, Chairperson, EBA

Gabriel Bernardino, Chairman, EIOPA