
STATUTORY INSTRUMENTS

2006 No. 3221

The Capital Requirements Regulations 2006 (revoked)

PART 4

CREDIT INSTITUTIONS AND EXTERNAL CREDIT ASSESSMENT INSTITUTIONS

Interpretation

21. In this Part—

“assessment methodology” means a methodology for assigning credit assessments;

“ECAI” means an external credit assessment institution;

“exposure risk-weighting purposes” means the purposes of determining the risk weight of an exposure in accordance with Article 80 of the banking consolidation directive;

“securitisation risk-weighting purposes” means the purposes of determining the risk weight of a securitisation position in accordance with Article 96 of the banking consolidation directive.

Recognition for exposure risk-weighting purposes

22.—(1) The Authority must recognise an ECAI as eligible for exposure risk-weighting purposes only if the Authority is satisfied, taking into account the requirements set out in Schedule 1, that—

(a) the ECAI's assessment methodology complies with the requirements of objectivity, independence, ongoing review and transparency; and

(b) the ECAI's credit assessments meet the requirements of credibility and transparency.

(2) The Authority may recognise an ECAI as eligible for exposure risk-weighting purposes without carrying out its own evaluation process if the ECAI has been recognised as eligible for those purposes by a competent authority of another EEA State.

(3) Where the Authority recognises an ECAI as eligible for exposure risk-weighting purposes, it must determine, taking into account the requirements set out in Schedule 2, 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 the ECAI are to be associated.

(4) The Authority's determinations must be objective and consistent.

(5) The Authority may recognise, without carrying out its own determination process, a determination of the kind mentioned in paragraph (3) which has been made by a competent authority of another EEA State.

Recognition for securitisation risk-weighting purposes

23.—(1) The Authority must recognise an ECAI as eligible for securitisation risk-weighting purposes only if the Authority is satisfied—

(a) taking into account the requirements set out in Schedule 1, that—

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- (i) the ECAI's assessment methodology complies with the requirements of objectivity, independence, ongoing review and transparency; and
 - (ii) the ECAI's credit assessments meet the requirements of credibility and transparency; and
- (b) that the ECAI has a demonstrated ability in the area of securitisation.
- (2) A demonstrated ability in the area of securitisation may be evidenced by a strong market acceptance.
- (3) The Authority may recognise an ECAI as eligible for securitisation risk-weighting purposes without carrying out its own evaluation process if the ECAI has been recognised as eligible for those purposes by a competent authority of another Member State.
- (4) Where the Authority recognises an ECAI as eligible for securitisation risk-weighting purposes, it must determine with which of the credit quality steps set out in Part 4 of Annex IX of the banking consolidation directive the relevant credit assessments of the ECAI are to be associated.
- (5) The Authority's determinations must be objective and consistent.
- (6) The Authority must, when making its determination—
- (a) differentiate between the relative degrees of risk expressed by each assessment; and
 - (b) consider—
 - (i) quantitative factors (such as default rates and loss rates); and
 - (ii) qualitative factors (such as the range of transactions assessed by the ECAI and the meaning of the credit assessment).
- (7) The Authority must seek to ensure that securitisation positions to which the same risk weight is applied on the basis of credit assessments of eligible ECAIs are subject to equivalent degrees of credit risk and, for this purpose the Authority may modify its determination as to the credit quality step with which a credit assessment is to be associated.
- (8) The Authority may recognise, without carrying out its own determination process, a determination of the kind mentioned in paragraph (4) which has been made by a competent authority of another EEA State.

Publishing recognition process and list of ECAIs

- 24.** The Authority must make publicly available—
- (a) an explanation of its recognition process, and
 - (b) a list of eligible ECAIs.

Revoking recognition

- 25.** The Authority may revoke the recognition of an ECAI—
- (a) where the ECAI is recognised in accordance with paragraph (1) of regulation 22 or, as the case may be, paragraph (1) of regulation 23, if the Authority considers that the requirements of the applicable paragraph are no longer met; and
 - (b) where an ECAI is recognised in accordance with paragraph (2) of regulation 22 or, as the case may be, paragraph (3) of regulation 23, if the condition in the applicable paragraph is no longer met.

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