



To **Bank of England**

Banking Capital Policy Division
Prudential Regulation Authority
20 Moorgate
London
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Submitted via email: CP13_24@bankofengland.co.uk

January 15th, 2025

Reference: CP 13/24 Remainder of CRR: restatement of assimilated law

Dear Prudential Regulation Authority,

With reference to the above consultation paper dated October 15th, 2024¹, we are pleased to hereby submit the views of our association representing European Credit Rating Agencies registered in the European Union with ESMA.

Our comment focuses exclusively on Chapter 7 “Mapping of external credit rating agency ratings to credit quality steps” of this consultation paper.

We note that you are proposing to update the mapping tables of UK recognized Credit Rating Agencies under the CRR Standardized Approach, the Solvency II Directive as well as the CRR securitisations positions in order to take into account new rating scales as well as by modifying some mappings to the applicable Credit Quality steps.

We note that only the Solvency II mappings is planned to enter into force by 1 July 2025 while the other two mappings shall be delayed until 1 January 2026. During that transition period, two different sets of mappings would therefore be applicable, which might contribute to complexity and confusion as well as reduce convergence between the insurance and the banking sector. We therefore recommend that all proposed mappings should enter into force at the same time on 1 July 2025.

With respect to potential further updates, we welcome that you envisage to apply these the day after the end of a calendar quarter. This allows users of those mappings to familiarize with the changes well ahead of the next reporting date.

¹ Available at <https://www.bankofengland.co.uk/prudential-regulation/publication/2024/october/remainder-of-crr-restatement-of-assimilated-law-consultation-paper>

You are also planning to moving the three sets of mapping tables out of TS and into the PRA Rulebook as it will make “easier for authorised firms to locate and apply them and for the PRA to update them going forward”². We welcome this pragmatic approach as the process practiced in the European Union is extremely lengthy and burdensome to the supervisory Authorities resulting in heavily delayed updates. For instance, in the European Union, newly registered Credit Rating Agencies had to wait an average of 3 years before seeing their rating scales mapped to regulatory credit quality steps. This long time is a mayor factor hindering new players entering the market.

Reference § 7.22 of the consultation paper, you intend to remain aligned with the Basel global mapping standards³. These Basel global mapping standards include an important provision with regard to new rating agencies as “supervisors may wish to ask rating agencies what they believe the 10-year average of the three-year CDR would be for each risk rating”. We believe that these Basel global mapping standards need to be complemented by two important elements:

Some credit rating agencies may issue a lower number of credit ratings which could fundamentally change the cumulative default rates per risk rating category when a default is being registered. We recommend that such default statistics are being discussed with the concerned credit rating agencies in order to investigate whether the default may result from incorrect disclosures by the rated entity.

Some credit rating agencies may assign Point-In-Time (“PIT”) ratings as opposed to Through-The-Cycle ratings (“TTC-Ratings”). Such PIT ratings may show different rating stability and performance patterns than the TTC-Ratings.

In § 7.22 of the consultation paper, you further mention that you may consider revoking this TS at a future date and setting out its approach to mapping in a different form. We stand ready to contribute to such an effort.

We would like to thank you for your attention. We stand ready to provide any additional information you may require.

About EACRA

The European Association of Credit Rating Agencies (EACRA), set up in November 2009 and registered in Paris, was established to act as a platform for cooperation for EU-based Credit Rating Agencies (CRAs). Our mission is to support and facilitate the compliance of CRAs with regulatory requirements through effective communication, cross-border know how, and the promotion of best practices. In addition, EACRA seeks to promote Credit Ratings and the interests of CRAs across Europe, as well as enhance the financial community and general public’s understanding of Credit Ratings.

² See § 7.27 of the Consultation Paper.

³ Available at <https://www.bis.org/bcbs/publ/d463.pdf>