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Brussels, 30 September 2005

Dear Sir,

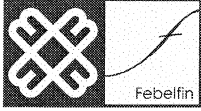
Recognition of External Credit Assessment Institutions (CPO7): remarks from the Belgian Bankers' and Stockbroking Firms' Association

The Belgian Bankers' and Stockbroking Firms' Association welcomes the opportunity to comment on the CEBS proposals concerning the recognition of External Credit Assessment Institutions (ECAI). Although some of the questions in the consultation paper concern future ECAI in the first place, our members will rely on their credit assessments for measuring their risk weights and so, we are interested in a consistent application of recognition throughout Europe.

In general, we support the framework proposed in the CP07 document and we are pleased with the following aspects in particular:

- Intent to achieve consistent decision-making across jurisdictions;
- Common understanding of the recognition criteria and processes;
- Introduction of a common application pack;
- Common approach to mapping;
- Indirect recognition of ECAI;
- Setting up a joint assessment process for recognising ECAI.

However, we are very concerned about the fact that – throughout the document – this very positive general framework loses most of its value because there is still a possibility for individual regulators to make their own assessments based upon individual information packs.



We are also concerned about the fact that there is no uniform approach as for the access to the application process. Our concern should be seen in the light of the aims we want to achieve:

- a) An ECAI as well as an entity which intends to use the ECAI's credit assessments, should be able to obtain a community-wide assessment based upon one single application;
- b) The supervisor of the Member State where the ECAI has been established or the consolidating supervisor (art. 131 CRD), when the application is generated by an entity, would act as coordinator and single point of contact;
- c) In order to avoid implementation differences in the risk data warehouses, the mapping process should be consistent between different ECAI but in addition, the credit quality steps should define the same risk of default in the whole of Europe.

Consequently, we call upon CEBS for the development of a truly common recognition process for ECAI with the possibility of recognition throughout the EU on the basis of a single application pack.

We hope these comments may be useful in drawing up the definitive framework.

Yours sincerely,

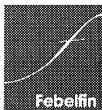
A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

Michel Vermaerke
Chief Executive Officer
Febelfin

A handwritten signature in black ink, featuring a large, prominent loop at the top and several smaller loops below it.

Daniel Mareels
Director of Taxation, Accounting Standards
and Prudential Regulations Department

Enclosure



Recognition of External Credit Assessment Institutions (CP07): remarks of the Belgian Bankers' and Stockbroking Firms' Association, Annex

In addition to our comment letter on the consultation paper, we would like to draw CEBS' attention on the three main points in the general framework which, in our opinion, are key elements in trying to make the common ECAI approach workable:

1. A true common application pack; a common recognition process

When an ECAI introduces its request for recognition in several Member States, the supervisory authorities concerned start their procedure for joint evaluation. The way in which a request must be made, is explained in a standard CEBS document. Notwithstanding this joint approach, each supervisory authority is entitled to start its own additional evaluation procedure on an individual basis. Moreover, each supervisory authority individually decides whether or not to recognise that particular ECAI. In doing this, it may take into account other information it considers to be relevant. Especially for small ECAIs which are active on a local level, the result may be that they will be recognised by one supervisory authority but not by another.

1. We would like to propose that the decisive element in the evaluation of an ECAI will be the verdict of the supervisory authority of the Member State where the ECAI has been established (i.e. the supervisory authority best placed for evaluating the ECAI).
2. We also would like to point out that there is no sense in following the joint procedure as laid down in the document, if each supervisory authority is entitled to take a decision on its own, so the joint procedure should be applied consistently.
3. Neither is there any sense in using a standard form of request if each supervisory authority has the right to ask additional information, which may be the basis for a different decision.
4. CEBS has justified the supervisory authority's individual approach by referring to 'general legal considerations'. Although we fully agree to take these considerations into account, this must not prevent the supervisory authorities from individually confirming the decision which has been taken on a joint basis. Indeed, we see no reason why regulators should not make extensive use of the indirect recognition process based upon the joint evaluation process.

2. A true common understanding of recognition criteria

For the sake of flexibility and due to national restrictions, each supervisory authority can decide that only the following will be eligible for recognition:

- ECAIs as such;
 - Institutions which use credit assessments drawn up by ECAIs for risk weighting (hereafter ‘institutions’);
 - Both.
1. This kind of approach may prevent ECAIs from starting a procedure for recognition throughout the EU. We would like to propose instead that one single request will be sufficient for ECAIs and institutions to gain access to all of the Member States.
 2. If the request is made by an institution, the supervisory authority at the consolidated level could play the role of centraliser.
 3. If the request is made by an ECAI, the proposal is to give that role to the supervisory authority of the Member State where the head office of the ECAI is located.

4. A common approach to mapping

As for the criteria for ‘adjusting’ the external credit assessments to the risk weights laid down in the CRD (mapping), we would like to see a true standardized European procedure being developed. Large international ECAIs work with uniform credit quality steps worldwide. In view of a level playing field in mapping, we ask that the credit quality steps defined by CEBS represent the same risk of default in the whole of Europe.

Within this context, we fear that as a result of articles 82 (2) and 98 (2), there may be differences in the mapping process, since the indirect recognition as laid down in these articles is left to national discretion.