



TO:

European Commission

Submitted via WEB

Reference: Consultation on “Implementing the Final Basel III reforms in the EU”

Date: January 3rd, 2020

Dear European Commission,

With reference to your public consultation on “Implementing the Basel III reform” dated October 11th, 2019, we are pleased to hereby submit the response of our association, currently representing 11 ESMA registered Credit Rating Agencies.

Our response relates mainly to section 1.1. Credit Risk – Standardized Approach. As unrated corporate exposures represent a major challenge (EUR 5 Trill in assets are currently unrated), we provide a more extended response on the topic. Additionally, given the goal to contain the capital increases to banks following the implementation of the reform, we also provide some short comments on your questions relating to the Output floor (section 6).

Questions 1) Views are sought on the relative costs and benefits of the ECRA provided by the final Basel III standards and the SCRA? In particular, how do the two approaches compare in terms of risk-sensitivity, impact on risk-weighted assets (RWAs) and operational burden? Please specify the relative costs and benefits of the two approaches for exposures to i) institutions, ii) covered bonds and iii) corporates. Please provide relevant evidence to substantiate your views

The Basel III reform targets to increase the risk-sensitivity and comparability of capital ratios of institutions using internal models.

While the Standardized Approach to credit risk uses 6 Credit quality steps (“CQS”), we note that the current CRR sometimes uses only 4 or 5 risk weights depending on the asset class, thereby reducing risk sensitivity. While we note that the Basel III reform changes the risk weights for specific CQS in different asset classes, this reform still does not make full use of the 6 different CQS by assigning different Risk Weights to each CQS in all asset classes.

In order to increase the comparability and consistency of the ECRA and SCRA in terms of risk weighted assets, we believe that some modifications to the risk weights assigned to the different grades (SCRA) or CQS (ECRA) are warranted.

EACRA – European Association of Credit Rating Agencies.

Registered under French directory of Association W751202513, EU registry of interest representatives ID 24205924101-57
84, rue de la République, 75011 Paris, France ; E-mail: office@eacra.fr Web: www.eacra.fr

exposure class	CQS	1	2	3	4	5	6	unrated exposures
	Symbol	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	Below B-	
banks	current	20%	50%	50%	100%	100%	150%	Depends on Credit quality of central government
	BIS Reform	20%	30%	50%	100%	100%	150%	Depends on Grade: A :40%; B: 75%; C: 150%
	Our proposal	20%	30%	50%	75%	100%	150%	Depends on Grade: A :40%; B: 75%; C: 150%
Corporates	current	20%	50%	100%	100%	150%	150%	100%
	BIS Reform	20%	50%	75%	100%	150%	150%	100% or 85% for SMEs
	Our proposal	20%	50%	75%	100%	125%	150%	Introduction of a size factor applied to all rating categories including unrated exposures. The current risk weight for unrated exposures of 100% should be increased.
rated covered bond	unchanged	10%	20%	20%	50%	50%	100%	
	BIS Reform	10%	20%	20%	50%	50%	100%	
	Our proposal	10%	15%	25%	35%	50%	150%	

Please refer to our response to question 7 relative to financial institutions or question 12 relative to corporate exposures for further information.

Similar to the case of financial institutions and corporates, we equally note an inconsistency for **covered bonds** between the ECRA and the SCRA. Under the SCRA, the risk weights of unrated covered bond exposures are defined based on the Risk weight of the issuing bank:

While A rated bonds would receive a RW of 20%, unrated bonds issued by a bank rated A receive a RW of 15% only. The opposite situation occurs for BBB rated bonds having a RW of 20% while unrated bonds issued by a BBB rated bank results in a 25% RW. Finally, we think that the RW for BB+ to B- (CQS 4 and CQS 5) rated bonds should be split into 2 RW where CQS 4 rated bonds receive a RW of 35% (corresponding to the risk weight of unrated bonds issued by banks in Grade B) and CQS 5 would receive 50%. Given that the vast majority of covered bonds ratings are concentrated in the CQS 1 category, the proposed changes are more academic nature than really impacting on the RWAs.

Given that rating agencies use granular rating scales (with 20 or more symbols), the risk sensitivity of the framework could be enhanced by assigning more granular risk weights to the different rating symbols¹ (for illustration purposes, the below example is linked to non-financial corporates).

CQS	1				2			3			4			5			6
Rating Symbol	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	Below B-
RW	20%				50%			75%			100%			125%			150%
granular RW	3%	10%	20%	30%	40%	50%	58%	67%	75%	83%	92%	100%	108%	116%	125%	133%	150%

¹ For securitisations and re-securitisation, the current CRR already provides for such a granular approach under the “ratings based method” using 12 different credit quality steps.

Such an approach would reduce cliff effects between the different (primary) credit quality steps and provide for incentives to issuers to gradually improve their credit risk profile. While this may potentially trigger more volatility in capital requirements on a single exposure², on the level of a portfolio the effect should be more moderate.

Questions 3) Views are sought on the costs and benefits of implementing the various clarifications and specifications provided by the Basel III standards (paragraph 4) in relation to the due diligence to be performed by institutions. Please provide specific answers on each of the clarifications/specifications and support your view with relevant evidence.

The requirement to assess whether each and every ECAI rating properly reflects the level of risk of the exposure goes against the principle of consistent and continuous use of nominated ECAIs ratings, the more as nominated ECAI ratings need to be used for all exposures of the asset class.

Requesting banks and investors to carry out such a due-diligence for all exposures results in the banks needing to build up internal rating models to challenge the ECAI ratings. Applying such a requirement may be disproportionate for all banks.

In its technical advice, the EBA states the following: “the improvements brought to the methodological and regulatory sides of the ecosystem of CRAs have helped building a reliable framework for ECRA in Europe. Moreover, there is no European evidence about systematic deficiencies of rating methodologies for sovereigns, institutions and corporates and there is a continuous monitoring of the adequacy of the credit ratings issued by CRAs for regulatory purposes (...). the EBA believes there is enough evidence, from a prudential perspective, to continue the use of ECRA.”³. Furthermore, EBA cites “the established process of continuous monitoring of the adequacy of the credit ratings issued by CRAs for regulatory purposes”.

Given that the EBA already monitors the adequacy of credit ratings, banks should not be mandated to carry out a similar exercise. Additionally, the current public interface of the Central repository of Ratings maintained by ESMA does not allow such aggregates statistics in a user-friendly way.

Instead, we propose that the proposed due-diligence requirement should be applied to Eligible ECAI ratings so that these ratings can be used for regulatory purposes.

Currently, some European CRAs may be rating exposures not rated by the dominant CRAs. As banks use mainly the dominant CRAs as nominated ECAIs, these exposures are considered unrated by the

² Excluding the Structured Finance market, for the period 2005 to 2012, we note that on average 80% of ratings remain unchanged over a time horizon of one year and about 12% of rating actions result in a one notch change only.

³ See §80 page38 of EBA report “Policy Advice on Basel III reform: credit risk” dated August 9th, 2019.

banks. Allowing the selective use of ratings from eligible European ECAs for capital calculations will allow banks to familiarize with these and thereby contribute to more efficiency in the rating market.

Eligible ECAI ratings are currently used under Article 197 (1) of CRR to determine the eligibility of financial collateral. Allowing the (selective) use of eligible ECAs for Pillar 1 regulatory purposes should therefore be equally envisaged.

We have reviewed the 2018 disclosures by banks under Article 444 of CRR regarding the use of ECAs by the largest European banks. While we note that European banks still heavily use the dominant CRAs as ECAs, we positively note that compared to 2015 some European ECAs have been nominated by selected European banks. In some of these disclosures, banks were still referring to national competent authorities (or even to CEBS) to explain their choice, while the ECAI status is an EU wide since January 2014. We therefore call on banks to review their current references to ECAs and to evaluate the opportunity of including additional sources.

7) In your view, are the quantitative and qualitative criteria for the classification of counterparties into grades sufficiently clear or do you consider more specifications necessary to ensure a harmonised application of these criteria throughout the Union? Please elaborate and provide relevant evidence.

For financial institutions, the Basel reform foresees two alternative approach:

- 1) The approach based on external credit ratings. This ECRA approach uses 6 credit quality steps (“CQS”) to which 5 different Risk weights are assigned.
- 2) the Standardised Credit risk Approach based on specific financial ratios. The SCRA uses 3 risk Grades.

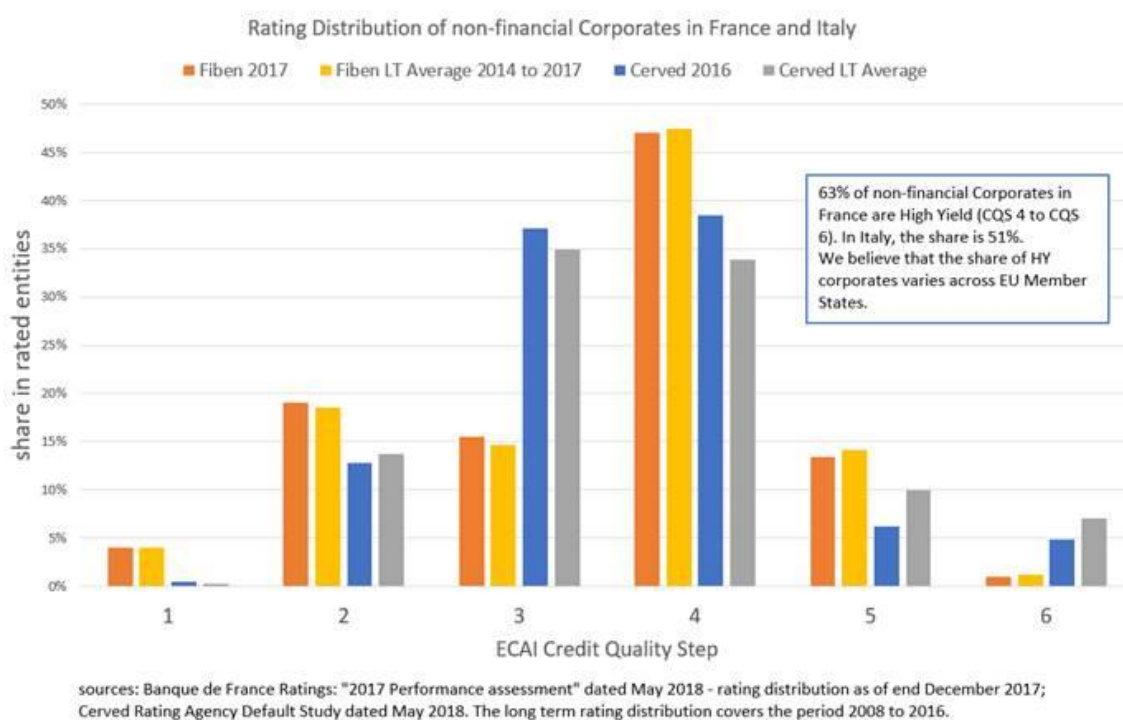
We note that under the SCRA, banks falling in Grade B receive a risk weight of 75%. The qualitative definition of Grade B (“the counterparty is subject to substantial credit risk (..)”) corresponds to the definition for CQS 4 rated entities used for the mapping of external ratings⁴. But, under the ECRA, CQS 4 rated banks have a risk weight of 100%. In order to ensure consistency between the SCRA and the ECRA, we propose that the risk weights for Grade B and CQS 4 rated entities is being aligned and set at 75%.

According to data available at the Central Repository of Ratings (“CEREP”) maintained by ESMA, as of January 2018, only 4% of all EU banks are currently rated in the CQS 4 category, the change of RW would therefore have only a very limited impact on overall Risk Weighted Assets (RWAs).

⁴ See Annex II of Commission Implementing Regulation 2016/1799 dated October 7th, 2016 regarding the mapping of credit assessments of external credit assessment institutions.

12) What is the share of your institution's/(member) institutions' exposures to rated and unrated corporate SMEs and to non-SMEs? What is the share of exposures to unrated corporates whose parent companies are externally rated? Please provide relevant evidence (e.g. underlying calculations, studies etc.).

According to the EBA report "Basel III reform: impact study and key recommendation" page 77, approximately 30% of all Corporates (excluding SMEs) are assessed as "investment grade" by EBA. This view is being confirmed with our analysis for France and Italy:



The currently rated universe in investment grade categories accounts for around 15% of all exposures (CRAs currently rate around 19% of all exposures, including non-investment grade). It is not surprising that the rated universe is limited and concentrated in the AAA to BBB region as the current risk weights in the high yield region are higher or equal to the risk weights of unrated exposures - low credit quality issuers have currently no incentive to request an external rating.

We therefore welcome the change of risk weight for CQS 3 rated corporates from 100% to 75% proposed by the BIS. This change represents a strong incentive for these corporates to request an external rating.

Issuers frequently cite the high fees charged by the dominant CRAs to explain their reluctance to seek an external rating, citing. While the pricing policies of CRAs are not publicly available, we proceed from the assumption that European CRAs charge far lower fees for their services. ⁵We therefore call on issuers to contact European CRAs to enquire about their prices and offering.

question 13) Views are sought on the definition of ‘investment grade’ provided by the Basel III standards (paragraph 42). In particular, would you deem further refinements or clarifications necessary in order to ensure a consistent application across the Union? Please elaborate.

The SCRA for corporates provides for very limited risk sensitivity as only 2 categories of corporates are foreseen: investment grade and all others. In terms of impact on Risk Weighted Assets, compared to the current situation where unrated exposures receive a flat 100% risk weight, changing the risk weight south for investment grades only without adapting the risk weight for non-investment grade upwards results in potentially underestimating overall risk. In order to achieve more comparability between the SCRA and ECRA, the risk weight for non-investment grade corporates should be revised upwards to 110% or preferably 125% (please refer to the annexed impact assessment comparing the SCRA and ECRA).

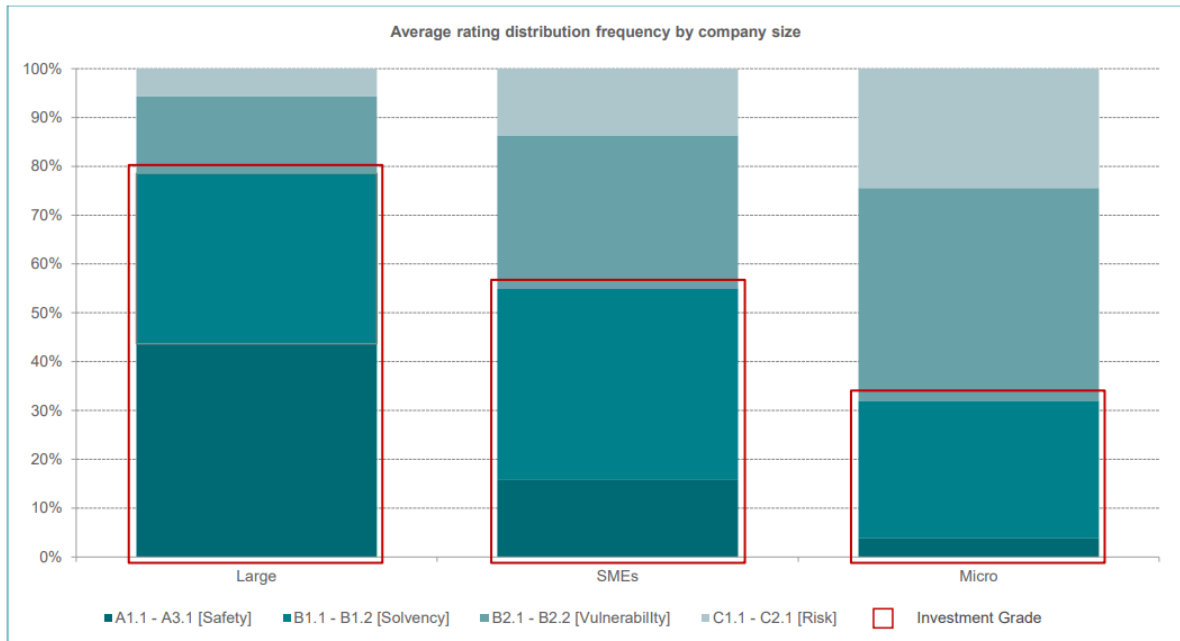
EBA mentions in its report “policy advice: Basel III reform – credit risk” (§ 115 page 52): “some institutions expressed the view that the definition of investment grade is very broad and leaves room for interpretation. This implies that institutions do not classify investment grade corporate exposure consistently. Some institutions were also of the opinion that the definition of investment grade is not particularly operational”. Given that IRB models used by banks result in variability of RWAs, it is not surprising that the classification of the notion of investment grade is not uniform.

The two approaches proposed by the BIS reform are meant to be mutually exclusive, jurisdictions needing to opt for either one. The EBA report shows that a combined approach would substantially reduce Risk Weighted Assets, well below current levels. Such a combined approach therefore does not seem warranted.

15) In your view, which other aspects, if any, should be considered in the context of revising the standardised treatment of corporate exposures? Please elaborate

Depending on the sizes of companies, we observe a different average credit quality:

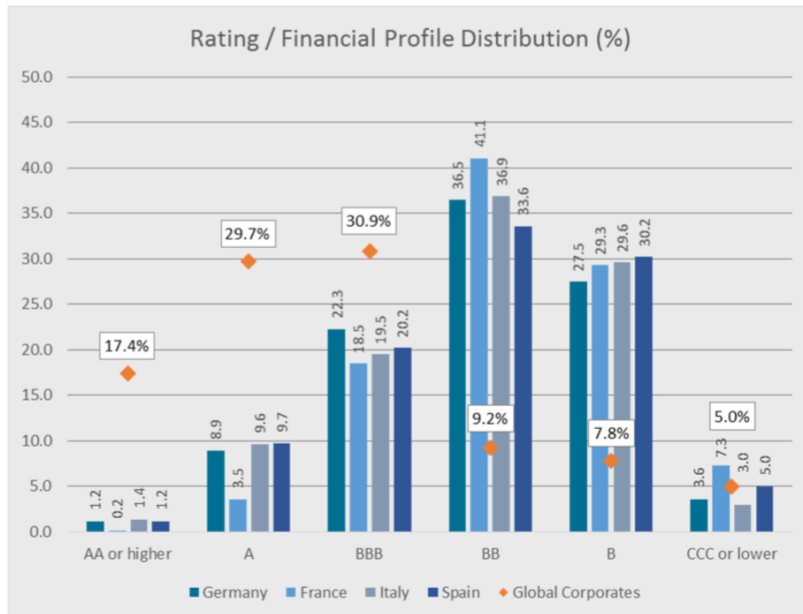
⁵ The CRA Regulation requires the pricing policies to be non-discriminatory and cost based. The Thematic report on fees charged by CRAs” dated January 2018 shows that only few CRAs generate an operating margin above 30% and that the vast majority of players do not recover all costs out of the rating services. (see page 8 of https://www.esma.europa.eu/sites/default/files/library/esma80-196-954_thematic_report_on_fees_charged_by_cras_and_trs.pdf). As it is well known that the dominant CRAs have high margins, assuming the same cost base, it is highly likely that European CRAs charge lower fees.



Source: Cerved Rating Agency Default Study 2019

We estimate that the average credit quality of SMEs leads to RWAs of around 85% to 95%. For micro-enterprises, the risk weighted assets stand above 100% - for this segment, the uniform 75% across all levels of credit quality should remain.

Figure 3: Distribution of ratings (global corporates) and financial profiles (SMEs and MidCaps) by rating category



Source: Euler Hermes Rating GmbH, Moody's Investors Service

Between SMEs and global corporates, Europe has a large number of successful mid-cap companies. We estimate that the average credit quality of such mid-cap companies would lead to RWAs of

approx.. 70% to 80%. As a comparison, we estimate that large corporates would trigger RWAs of 65% to 70%.

Greater Segmentation in Corporate segment and introduction of a Size Factor

The current CRR distinguishes 2 different treatment of corporate exposures:

- Retail exposure (below EUR 1 million) receive according to Article 123 of CRR a uniform risk weight of 75% independently of the credit quality step
- Rated SMEs, Mid-caps, large cap and global corporate exposures are all treated the same way under Article 122 of CRR, the risk weight depending on the credit quality. Unrated exposures receiving a 100% risk weight (except for Corporate SMEs who receive 85%).

In order to better reflect the sizes of companies in CRR, we propose that more granularity should be introduced. The calculation of Risk Weighted Assets would consider next to the credit quality also a size factor

Size	Turnover	Factor	RW
Micro (retail)		75%	100%
Corporate SME	Up to 50 mln	From 75% to 85%	Depends on credit quality step
Mid-Caps	Up to 500 mln	For 85% to 100 %	Depends on credit quality step
Large Caps	Above 500 mln	100%	Depends on credit quality step

As a European specificity, the EU has introduced the so called SME supporting factor. There is wide political support in Europe for this special factor as the last revision of CRR adopted in June 2019 confirmed the factor and increased the threshold to EUR 2,5 mln, the remaining SME benefiting of a 15% capital reduction factor.

We believe that there is enough evidence to keep this supporting factor in place. According to the European Banking Federation, the removal of the SME supporting factor could lead to increased borrowing costs for French SMEs of up to 0,85 percentage points in the worst case (corresponding to a 54% increase compared to the average interest rate of 1,58% on new loans in May 2019)⁶. The Italian Banking Association (ABI) notes that the introduction of the SME Supporting factor increased the lending to SMEs 16 percentage points higher than lending to larger firms and narrowed the cost of credits to the benefit of SMEs by around 22%⁷.

But, instead of using a flat factor of 85% for Corporate SMEs, we propose that the factor should be dependent on the size of the Company (starting at factor of 75% at EUR 2,5 mln turnover to reach 85% at EUR 50 mln). This approach is currently used on the IRB approach for this same exposure

⁶ <https://www.fsb.org/wp-content/uploads/EBF-4.pdf>

⁷ <https://www.fsb.org/wp-content/uploads/ABI.pdf>

class⁸. Introducing this approach under the ECRA will contribute to more convergence between the SA and the IRB approaches.

While we welcome that the definition of SME will be uniform across the SA and the IRB approach with EUR 50mln turnover, crossing the threshold means that the financing costs will increase by 18% while the credit quality of the growing company may not have changed. In order to support the development of corporates from SMEs to mid-caps, we propose that these companies should receive a size factor starting a 85% at EUR 50 mln turnover and raising to 100% at EUR 500 mln turnover

Changes in Risk weights

In order to better reflect the differences in credit risk, we propose that for each CQS different risk weights should be set. The BIS proposal contains some improvements with respect to the current situation, e.g. CQS 3 rated non-financial corporates will have a risk weight of 75% compared to the 100% currently applicable for CQS 3 and CQS 4 (leading to a reduction of RWAs of approx. 4,6% in France and 9,4% in Italy). While the issuance of BBB rated bonds has already increased in recent years, this change in risk weight will further strengthen this trend and thereby reduce the number of unrated entities.

Over time, we assume that the share of rated entities, especially in the investment grade area will increase. Over time, the average credit risk of remaining unrated corporates will therefore deteriorate. Therefore, we believe that the risk weight of unrated exposures need to be reviewed upwards from 100% to 110% or even 125%. We propose that this change is being phased-in eg over a period of 5 years after the full implementation of the output floor. This change will incentives corporates in CQS 4 credit risk category to seek external ratings.

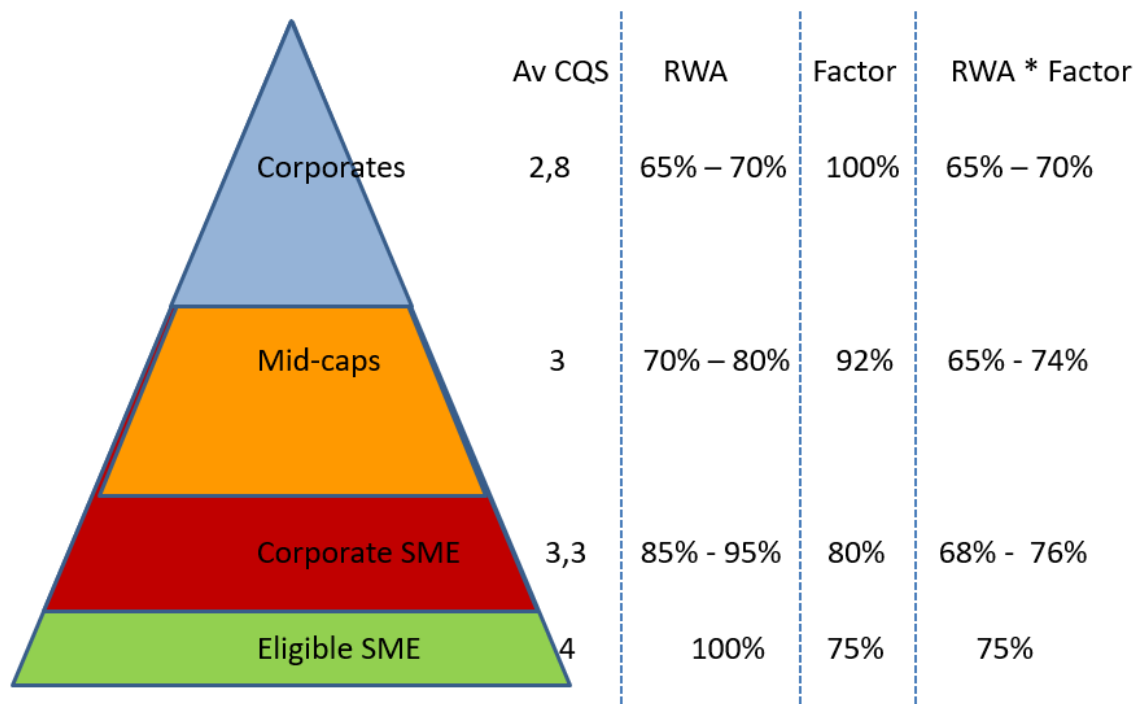
While the changes proposed by BIS relate only to the Investment grade area (CQS 1 to CQS 3), more granularity in risk weights could equally be introduced in the high-yield region. We propose that the risk weight in CQS 5 should be revised from 150% to 125% in order to better reflect the difference in credit risk. This change reduces the cliff effect to CQS 4 rated entities as well as to unrated exposures. We estimate that this change would reduce RWA by approximately 5%.

Credit Quality Step	1	2	3	4	5	6
Current CRR	20%	50%	100%	100%	150%	150%
BIS Reform	20%	50%	75%	100%	150%	150%
Our Proposal	20%	50%	75%	100%	125%	150%

When taking all our proposals together, we estimate that RWAs under the Standardized approach would slightly decrease compared to the BIS reform proposal.

⁸

https://www.bis.org/basel_framework/chapter/CRE/31.htm?inforce=20220101#paragraph_CRE_31_20220101_31_8



More importantly, our proposals would trigger very comparable average risk weighted assets across all sizes of corporates, thereby ensuring an equal access to finance to all corporates.

179) Views are sought on the relative costs and benefits of applying the OF at all levels of the banking group (i.e. individual, sub-consolidated and consolidated) or solely at the highest level of consolidation in the EU. In particular, how do the two approaches compare in terms of impact on RWAs, comparability, complexity and operational burden? Please provide relevant evidence to substantiate your views.

Given that EU co-legislators have stated the objective for the reform not to result in a significant increase in the overall capital requirements for the banking sector, we hereby express our preference on two topics.

While EBA recommends the use of floored RWAs, using "floored RWAs" means that for each single exposure it has to be assessed whether the risk weight associated with external ratings is higher than the internal classification. We instead propose that the output floor calculation should be done on the level of a whole portfolio. Such a portfolio approach is more in line with the SA where external ratings are used in a consistent way. Such an approach would contain the increase of RWAs due to the application of the OF.

With respect the level of application of the output floor, we support Mr. Andrea Enria, Chair of the ECB SSM, view that it should be applied on a consolidated, EU level.

182)) In your view, should both of the transitional measures provided by the Basel III standards be implemented in the EU, and if not why?



As the EBA impact assessment shows a substantial capital increase for large banks when implementing the Basel III reform in Europe, we believe that all transitional measures provided by the Basel III standards should be used in order to avoid pressure on the banking system and thereby on an important funding source of the European economy.

Sincerely yours

Thomas Missong
EACRA President

Adolfo Estevez Beneyto
EACRA Secretary General

About EACRA

The European Association of Credit Rating Agencies (“EACRA”), registered in Paris, was established in November 2009. The Members of the Association currently originate from 10 countries and include the following companies:

ESMA registered Credit Rating Agencies

ACRA Europe (formerly European Rating Agency, ERA) was established in 2001 and in June 2012, ERA became a registered credit rating agency under EU regulations, which allows assigning ratings for regulatory purposes. ACRA Europe is a wholly owned subsidiary of ACRA, the leading credit rating agency in the CIS.

A.M. Best Europe - Rating services Limited (AMBERS) is a subsidiary of A.M. Best Inc who have been providing ratings to the Insurance Sector since 1899. AMBERS' rating coverage includes regional, national and global insurers located throughout Europe, the Middle East and Africa.

Assekurata Assekuranz Rating-Agentur is the first independent German rating agency that has specialized on the quality evaluation of insurance companies

Axesor: The first Spanish Rating agency registered with ESMA. Specialized in the middle market segment, with ample coverage of the Spanish corporate market.

Capital Intelligence (CI) offers independent rating opinions on financial institutions, corporates and governments in a wide range of countries, especially the emerging markets of Asia, Europe and the Middle East.

Cerved Rating Agency is a European Rating Agency providing solicited and unsolicited credit ratings on non-financial companies. The Agency is also recognized by the European Central Bank as a Rating Tool authorized to assess the credit quality of eligible assets used in ECB monetary policy operations.

Creditreform Rating: based in Germany, a company of the Creditreform Group that is European market leader in the sector of business information was founded 2000 and is specialised in ratings of companies, bonds, funds and structured finance products across Europe.

CRIF Ratings: International Credit Rating Agency based in Italy providing both solicited and unsolicited Corporate ratings.

Euler Hermes Rating is a European rating agency located in Hamburg, Germany. We offer credit ratings and research about debt capital market instruments of corporates of all sorts of industries, project finance ratings and credit portfolios. Euler Hermes Rating is a member of Euler Hermes Group and a company of Allianz



Nordic Credit Rating assigns credit ratings to financial institutions and corporate entities based primarily in Denmark, Finland, Iceland, Norway and Sweden.

Scope Ratings is the leading European credit rating agency, offering clients opinion-driven, forward-looking and non-mechanistic credit risk analysis and contributes to a greater diversity of opinions for institutional investors. Scope Ratings is a credit rating agency registered in accordance with the EU rating regulation and operating in the European Union with External Credit Assessment Institution (ECAI) status. It provides ratings and analysis on Corporates, Financial Institutions, Covered Bonds, Public Finance, Structured Finance and Project Finance.

CRA's registered or recognized according to national legislation outside of the European Union

Analytical Credit Rating Agency (ACRA) was founded in 2015, with its 27 shareholders representing major Russian corporate and financial institutions. ACRA's main objective is to provide the Russian financial market with high-quality rating products: methodologies and internal documents of ACRA are developed with regard to global rating industry best practices.

Fedafin AG : is registered with the Swiss Financial Markets Authority and acts as rating provider to the Swiss stock exchange

JCR Eurasia is an international credit rating institution based in Turkey.

Other EACRA Members

Informa is the Marketing, Financial and Business Information leading company in Spain, offering currently more than 3.7 million online scores on Spanish companies



Annex: Impact assessment of changes in risk weights for non-financial corporates under the ECRA and comparison with SCRA

Change in Risk Weighed Issuers: EU

Based on number of ratings outstanding as of 1/1/2018

ECAI step	symbol	share in ratings	ECRA		
			current	BIS reform	EACRA suggestion
1	AAA; AA	3%	20%	20%	20%
2	A	34%	50%	50%	50%
3	BBB	33%	100%	75%	75%
4	BB	13%	100%	100%	100%
5	B	12%	150%	150%	125%
6	CC; CC; C; SD,D,R; I	4%	150%	150%	150%
			88,34%	80,05%	76,97%
change compared to current				-9%	-13%
change compared to BIS reform					-4%

SCRA		
BIS reform	Review	Review
65%	65%	65%
65%	65%	65%
65%	65%	65%
100%	110%	125%
100%	110%	125%
100%	110%	125%
75,25%	78,18%	82,57%
-6%	-2%	3%

Change in Risk Weighed Assets: EU

Based on estimated debt volume outstanding as of January 2019

ECAI step	symbol	Share in Volumes	ECRA		
			current	BIS reform	EACRA suggestion
1	AAA; AA	19%	20%	20%	20%
2	A	33%	50%	50%	50%
3	BBB	30%	100%	75%	75%
4	BB	8%	100%	100%	100%
5	B	8%	150%	150%	125%
6	CC; CC; C; SD,D,R; I	2%	150%	150%	150%
			73,30%	65,80%	63,80%
change compared to current				-10%	-13%
change compared to BIS reform					-3%

SCRA		
BIS reform	Review	Review
65%	65%	65%
65%	65%	65%
65%	65%	65%
100%	110%	125%
100%	110%	125%
100%	110%	125%
71,30%	73,10%	75,80%
8%	11%	15%

Change in Risk Weighed Issuers: Italy

Based on number of ratings outstanding by Cerved Rating Agency as of 1/1/2018

ECAI step	Number of ratings	share in ratings	ECRA		
			current	BIS reform	EACRA suggestion
1	104	0%	20%	20%	20%
2	2 934	12%	50%	50%	50%
3	9 125	37%	100%	75%	75%
4	10 076	41%	100%	100%	100%
5	1 456	6%	150%	150%	125%
6	840	3%	150%	150%	150%
			98,36%	89,06%	87,58%
change compared to current				-9%	-11%
change compared to BIS reform					-2%

SCRA		
BIS reform	Review	Review
65%	65%	65%
65%	65%	65%
65%	65%	65%
100%	110%	125%
100%	110%	125%
100%	110%	125%
82,65%	87,69%	95,26%
-7%	-2%	7%

Change in Risk Weighed Issuers: France

Based on number of ratings outstanding by Banque de France as of 1/1/2018

ECAI step	Number of ratings	share in ratings	ECRA		
			current	BIS reform	EACRA suggestion
1	10 624	4%	20%	20%	20%
2	49 882	19%	50%	50%	50%
3	40 481	15%	100%	75%	75%
4	59 413	23%	100%	100%	100%
5	85 768	33%	150%	150%	125%
6	15 348	6%	150%	150%	150%
			106,55%	102,68%	94,48%
change compared to current				-4%	-11%
change compared to BIS reform					-8%

SCRA		
BIS reform	Review	Review
65%	65%	65%
65%	65%	65%
65%	65%	65%
100%	110%	125%
100%	110%	125%
100%	110%	125%
86,48%	92,62%	101,83%
-16%	-10%	-1%

Change in Risk Weighed Issuers: Greece

Based on number of ratings outstanding by ICAP as of 1/1/2018

ECAI step	Number of ratings	share in ratings	ECRA		
			current	BIS reform	EACRA suggestion
1		0%	20%	20%	20%
2	14	1%	50%	50%	50%
3	100	11%	100%	75%	75%
4	174	19%	100%	100%	100%
5	362	39%	150%	150%	125%
6	285	30%	150%	150%	150%
			106,55%	102,68%	94,48%
change compared to current				-4%	-11%
change compared to BIS reform					-8%

SCRA		
BIS reform	Review	Review
65%	65%	65%
65%	65%	65%
65%	65%	65%
100%	110%	125%
100%	110%	125%
100%	110%	125%
86,48%	92,62%	101,83%
-16%	-10%	-1%