Date: April 16th, 2010

To
Basel Committee on Banking Supervision
Via email: baselcommittee@bis.org

Reference: Consultation on
"STRENGTHENING THE RESILIENCE OF THE BANKING SECTOR"

With reference to the on-going consultation process based on Basel Committee on Banking Supervision's document "Strengthening the resilience of the banking sector", we would like hereby to provide the views of our Association on the proposed changes, focusing on section "Addressing reliance on external credit ratings and minimising cliff effects" (§ 178-201).

First of all, we would like hereby to express our strong support, in general, to any initiatives and provisions that are taken in the view of improving the use and quality of credit ratings, as expected also by other competent authorities and the Financial Stability Board.

We fully agree with § 184, as the removal of external ratings from the Framework could substantially reduce the improvements in risk sensitivity introduced by Basel II, especially for those supervised institutions that would move back to a "Basel I-type" approach.

We welcome the provision (§ 192-194) that introduces a "principle requiring banks to assess whether the risk weight to which an unrated exposure is assigned is appropriate". We share the view that the incentives to have riskier exposures unrated should be strongly mitigated and therefore we would be generally in favour of any other provision that would limit this possibility or verify the actual take into consideration of this newly introduced principle.

We also find that incorporation of IOSCO Code of Conduct Fundamentals for Credit Rating Agencies (§ 195-197) can contribute to enhancing the quality, consistency and robustness of ratings, especially for those entities that are not subject to strict regulation (such as the recent EU Regulation on CRAs), and therefore higher standards may be secured globally. Moreover, we find that this provision would not substantially increase the administrative burden for EU Registered CRAs, due to the fact that EU Regulation already imposes many provisions contained in the IOSCO Code of Conduct Fundamentals.

Furthermore, we also do not see any disadvantages in the proposed elimination of "A- minimum requirement" under Credit Risk Mitigation (paragraphs 195 for Standardised Approach and 302 for Internal Rating Based – Foundation).

Despite concerns regarding the use of unsolicited ratings, we would like to underline that however in our view the field of unsolicited ratings is quite wide and heterogeneous, so we would find more desirable a provision stressing that Banking Supervisors should carefully consider the peculiarities of each different applicant (methodologies; information used; definition of default), rather than being “generally” conservative on all of them (§ 200).

Nonetheless we consider as positive the provision (§ 201) that avoids banks from arbitrarily changing the use of ECAIs (revision of paragraph 94), also considering the fact that especially in the field of unsolicited ratings there is a higher probability of differences in ratings assigned by two or more agencies, due to the use of different information and methodologies, as well as the size of assessed entities (there is usually less information for smaller companies).

However, regarding paragraph 108, we think that proposed revision should be better specified, in order to clarify to whom the responsibility of evaluating quality of unsolicited ratings is assigned and what might be the principles under which these evaluations should be carried on, in order to leave less room for interpretation and to allow market participants to express their positions.

Kind regards

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President	Secretary

About EACRA

The European Association of Credit Rating Agencies was recently established and registered under the laws in France. One of the objectives of EACRA is to act as an interlocutor between the members and relevant stakeholders.

Our corporate Members currently include:
Axesor from Spain
Assekurata from Germany
Credit Rating from Ukraine
JCR Eurasia from Turkey
PSR from Germany.

In addition, we are in close contact with nearly all rating agencies in Europe.
Our members have very different business models while assigning ratings. All are deeply routed in their markets, enjoy a high market share and a good reputation with local investors.