

ESAs consult to amend technical standards on the mapping of ECAIs' credit assessments

In the [Implementing Regulations on the mapping of ECAIs](#), adopted by the European Commission on 11 October 2016, the three ESAs specified an approach that establishes the correspondence between credit ratings and the credit quality steps defined in the Capital Requirements Regulation (CRR) and in the Solvency II Directive.

The ESAs are now consulting on an amendment to the Implementing Regulation to reflect the establishment of two additional ECAIs and the outcome of a monitoring exercise on the adequacy of the mappings, based on a quantitative and qualitative assessment. In particular, the ESAs are proposing to change the CQS allocation for two ECAIs, together with the introduction of new credit rating scales for nine ECAIs.

The ESAs also published individual draft mapping reports illustrating how the methodology was applied to produce the amended mappings in line with the CRR mandate.

Consultation process

Comments to the Consultation Paper on the mapping under Article 136 of the CRR can be sent by clicking on the “send your comments” button on the EBA's [consultation page](#). Comments to the [Consultation Paper on the mapping under Article 109 \(a\) of the Solvency II Directive](#) can be provided by sending an e-mail to CP-21-001@eiopa.europa.eu. Please note that the deadline for the submission of comments is 5 March 2021.

All contributions received will be published following the close of the consultation, unless requested otherwise.

A [public hearing](#) on this consultation will take place on the 12 February 2021 from 14:00 to 15:00 CET. Deadline for registration is 10 February 2021 at 16:00 CET.

Legal basis and background

The proposed revised draft ITSs have been developed according to Article 136 (1) and (3) of Regulation 575/2013 (Capital Requirements Regulation) and of Article 109 (a) of Directive 2009/138/EC (Solvency II Directive), which state that revised draft ITS shall be submitted by the ESAs, where necessary.

This change follows a second amendment to the Implementing Regulations, which was proposed by the ESAs in May 2019 and adopted by the European Commission on 29 November 2019. The first amendment reflected the withdrawal of the registration of one CRA and the recognition of five additional CRAs since the adoption of the Implementing Regulations in October 2016. The second

amendment, on the other hand, reflected the outcomes of a monitoring exercise on the adequacy of existing mappings, namely changes to the Credit Quality Steps (CQS) allocation for two ECAIs and the introduction of new credit rating scales for ten ECAIs. Two ECAIs, Creditreform and ACRA Europe, have not consented to the publication of their mapping reports. In the absence of a consent, the ESAs published only the outcome of the revision, i.e. the relevant mappings in Annex III of the draft amended ITS (“Mapping tables”) together with two documents listing the applicable credit rating scales and credit rating types for each of the concerned ECAI.

Public Consultation on Fees charged to Credit Rating Agencies by ESMA

ESMA invites comments on all matters set out in this paper and in particular on the specific questions summarised in Annex 1. Comments are most helpful if they:

- respond to the question stated;
- indicate the specific question to which the comment relates;
- contain a clear rationale; and
- describe any alternatives ESMA should consider.

ESMA will consider all comments received by **15 March 2021**.

All contributions should be submitted online at www.esma.europa.eu under the heading: ‘Your input – Consultations’.

ESMA calls for legislative action on ESG ratings and assessment tools

The European Securities and Markets Authority (ESMA), the EU’s securities markets regulator, has [written](#) to the European Commission (EC) sharing its views on the main challenges in the area of ESG ratings and assessment tools. ESMA highlights the need to match the growth in demand for these products with appropriate regulatory requirements to ensure their quality and reliability.

ESMA identifies the following key points for consideration:

- The market for ESG ratings and other assessment tools is currently unregulated and unsupervised. When combined with increasing regulatory demands for consideration of ESG information, there are increased risks of greenwashing, capital misallocation and products mis-selling.
- There should be a common definition of ESG ratings that covers the broad spectrum of possible ESG assessments currently on offer. This will help future-proof any regulatory framework and mitigate against possible obsolescence.
- The supervisory and regulatory regime should be adapted to the current market structure and accommodate both large multi-national providers who may be subject to existing regulatory frameworks, as well as smaller entities.
- ESG rating providers can be part of larger groups providing services such as green bond certification and credit ratings. On the other hand, smaller players would also benefit from having access to an EU-wide regime. Given this overlap and to benefit from economies of scale in supervision ESMA is ready to support possible future supervisory responsibilities in this area.

ESMA's letter builds on its [response](#) to the EC's consultation on the Renewed Sustainable Finance Strategy in July 2020, where specific issues in relation to the ESG ratings and assessment tools were raised.

ESMA consults on appropriateness and execution-only under MiFID II

These requirements constitute an important element of investor protection in the provision of investment services other than investment advice or portfolio management. Under MiFID II, investment firms, providing non-advised services are required to request information on the knowledge and experience of clients or potential clients to assess whether the investment service or product envisaged is appropriate, and to issue a warning in case the investment service or product is deemed inappropriate. The execution-only framework allows for an exemption to this assessment in certain conditions, including that the firm issues a warning to the client.

This Consultation Paper builds on relevant parts from ESMA's Guidelines on certain aspects of the MiFID II suitability requirements, while adjusting these to the appropriateness and execution-only framework. In addition, it takes into account the insights of supervisory activities conducted by national competent authorities (NCAs) on the application of the appropriateness and execution-only requirements, in particular resulting from the 2019 common supervisory action (CSA) on appropriateness. This CSA showed that there was insufficient convergence in the understanding and application of several areas of the appropriateness and execution-only requirements by

firms in different Member States, and often within Member States themselves, creating problems for achieving a consistent level of investor protection in the EU.

Next steps

ESMA invites feedback from interested stakeholders on the proposed guidelines by 29 April 2021 and will consider this feedback with a view to issue final guidelines in Q3 2021.

Consultation on Guidelines on appropriateness and execution only

[This paper](#) is primarily of interest to competent authorities and investment firms that are subject to Directive 2014/65/EU of the European Parliament and of the Council (MiFID II). In particular, this paper is addressed to investment firms and credit institutions providing investment services and activities, investment firms and credit institutions when selling structured deposits and external Alternative Investment Fund Managers (AIFMs) when providing investment services. This paper is also important for consumer groups, investors and trade associations, because the guidelines seek to implement enhanced provisions to ensure investor protection, with potential impacts for anyone engaged in the dealing with or processing of financial instruments.

ESMA invites comments on all matters in this paper and in particular on the specific questions summarised in Annex 1. Comments are most helpful if they:

- respond to the question stated;
- indicate the specific question to which the comment relates;
- contain a clear rationale; and
- describe any alternatives ESMA should consider.

ESMA will consider all comments received by **29 April 2021**.