30 October 2014

Mapping of BCRA credit assessments under the Standardised Approach

1. Executive summary

1. This report describes the mapping exercise carried out by the Joint Committee to determine the 'mapping'[1] of the credit assessments of BCRA – Credit Rating Agency AD (BCRA).

2. The methodology applied to produce the mapping is a combination of the provisions laid down in Article 136(2) Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR) and those proposed in the Consultation paper on draft Implementing Technical Standards on the mapping of ECAIs' credit assessments under Article 136(1) and (3) of Regulation (EU) No 575/2013 published on 5 February 2014 (draft ITS).

3. The mapping neither constitutes the one which ESMA shall report on in accordance with Article 21(4b) of Regulation (EC) No 1060/2009 (Credit Rating Agencies Regulation - CRA) with the objective of allowing investors to easily compare all credit ratings that exist with regard to a specific rated entity nor should be understood as a comparison of the rating methodologies of BCRA with those of other ECAIs. This mapping should however be interpreted as the correspondence of the rating categories of BCRA with a regulatory scale which has been defined for prudential purposes. This implies that an appropriate degree of prudence may have been applied wherever not sufficient evidence has been found with regard to the degree of risk underlying the credit assessments.

4. The resulting mapping tables have been specified in Annex III of the addendum to the draft ITS published today. Figure 1 below shows the result for the BCRA main ratings scale, Bank long-term rating scale, together with a summary of the main reasons behind the mapping proposal for each rating category. The results for the remaining ratings scales can be found in Appendix 4 of this document.

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[1] According to Article 136(1), the 'mapping' is the correspondence between the credit assessments of and ECAI and the credit quality steps set out in Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR).

Figure 1: Mapping of BCRA's Bank long-term rating scale

Credit assessment	Credit quality step	Main reason for the mapping
AAA	2	The quantitative factors are representative of the final CQS.
AA	2	
A	2	The quantitative factors are representative of the final CQS.
BBB	3	The quantitative factors are representative of the final CQS.
BB	4	The quantitative factors are representative of the final CQS.
B	6	The quantitative factors are representative of the final CQS.
C	6	The quantitative factors are representative of the final CQS.
D	6	The meaning and relative position of the rating category is representative of the final CQS.

2. Introduction

5. This report describes the mapping exercise carried out by the Joint Committee (JC) to determine the 'mapping' of the credit assessments of BCRA – Credit Rating Agency AD (BCRA).

6. BCRA is a credit rating agency that has been registered with ESMA in 6 April 2011 and therefore meets the conditions to be an eligible credit assessment institution (ECAI)[2]. BCRA is specialised in elaboration of ratings for financial institutions (banks, insurance, leasing, and pension assurance companies) and bond issues of public and private issuers. Its activity also includes assignment of credit ratings to municipalities and companies operating in the field of trade, production, services, energy and construction.

7. The methodology applied to produce the mapping is a combination of the provisions laid down in Article 136(2) CRR and those proposed in the Consultation paper on draft Implementing Technical Standards on the mapping of ECAIs' credit assessments under Article 136(1) and (3) of Regulation (EU) No 575/2013 published on 5 February 2014 (draft ITS). Two sources of information have been used. On the one hand, the quantitative and qualitative information available in CEREP has been used to obtain an overview of the main characteristics of this ECAI. On the other hand, specific information has also been directly requested to the ECAI for the purpose of the mapping, especially the list of relevant credit assessments and detailed information regarding the default definition.

8. The mapping neither constitutes the one which ESMA shall report on in accordance with Article 21(4b) of Regulation (EC) No 1060/2009 (Credit Rating Agencies Regulation - CRA) with the objective of allowing investors to easily compare all credit ratings that exist with regard to a specific rated entity nor should be understood as a comparison of the rating methodologies of BCRA with those of other ECAIs. This mapping should however be interpreted as the correspondence of the rating categories of BCRA with a regulatory scale which has been defined for prudential purposes. This implies that an appropriate degree of prudence may have been applied wherever not sufficient evidence has been found with regard to the degree of risk underlying the credit assessments.

9. Section 3 describes the relevant ratings scales of BCRA for the purpose of the mapping. Section 4-6 contains the methodology applied to derive the mapping of BCRA's main rating scales, whereas Sections 7 and 8 refer to the mapping of its remaining relevant ratings scales. The mapping table is shown in Appendix 4 of this document and have been specified in Annex III of the addendum to the draft ITS published today.

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[2] It is important to note that the mapping does not contain any assessment of the registration process of BCRA carried out by ESMA.

3. BCRA credit ratings and rating scales

10. BCRA produces a variety of credit ratings. Column 2 of Figure 2 in Appendix 1 shows the relevant credit ratings that may be used by institutions for the calculation of risk weights under the Standardised Approach (SA)[3]:

- **Long-term bank financial strength rating -** The analytical framework includes evaluation of the operating environment and of the main internal factors as there are capital adequacy, resources, asset quality, management, quality of income, liquidity, size and systems.

- **Short-term bank financial strength rating -** It is based on the same philosophy as the long-term bank financial strength rating. In contradiction, a short-term rating presents an opinion for the possibility that the rated bank fails to meet its liabilities, within the short term (up to 12 months).

- **Claims paying ability rating of insurance companies -** This rating constitutes an opinion about the ability of the insurance company to pay claims of policyholders and to fulfil its obligations on time.

- **Long-term corporate credit rating -** The corporate credit rating is an appraisal of the risk from entry in arrears, or from inability for payment of the liabilities of a given Company. It expresses an external, objective, and independent opinion for the capability of the Company to serve its liabilities in full, and on time. The ratings express the probability of default, without taking into consideration the level of the expected loss in a case of default.

- **Short-term corporate credit rating -** It is based on the same philosophy as the long-term corporate credit rating. In contradiction, a short-term rating presents an opinion for the possibility that the rated Company fails to meet its liabilities, within the short term (up to 12 months).

- **Long-term group of corporate units (holdings) credit rating -** This rating is an assessment of the collective financial strength of the holding, the strategic importance of each of the holding's units for the group as a whole, and the individual ratings of the holding's units as affected by the costs and benefits resulting from the units' association with the holding.

- **Short-term group of corporate units (holdings) credit rating -** This rating is an assessment of the collective financial strength of the holding, the strategic importance of each of the holding's units for the group as a whole, and the individual ratings of the holding's units as affected by the costs and benefits resulting from the units' association with the holding. A

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[3] As explained in recital 2 draft ITS, Article 4(1) CRA allows the use of the credit assessments for the determination of the risk-weighted exposure amounts as specified in Article 113(1) CRR as long as they meet the definition of credit rating in Article 3(1)(a) CRA.

short-term rating presents an opinion for the possibility that the rated holding fails to service its obligations within the short term (up to 12 months).

- **Long-term municipality credit rating -** The ratings of municipalities are based on the analysis of four main factors related to their finances: economic factors, profile of debt and future needs for funding, municipal finance, and quality of administrative/ management strategies. Each of the above four factors is being assessed both individually and related to its impact on the other factors, within the context of the ability of the Municipality to pay out its liabilities.

- **Short-term municipality credit rating -** It is based on the same philosophy as the long-term municipality credit rating. In contradiction, a short-term rating presents an opinion for the possibility that the rated municipality fails to meet its liabilities, within the short term (up to 12 months).

- **Long-term Leasing Companies Credit Rating -** Similar to the long-term corporate credit rating but for leasing companies.

- **Short-term Leasing Companies Credit Rating -** Similar to the short-term corporate credit rating but for leasing companies.

- **Long-term Issue Credit Rating -** Issuer credit rating is assigned in accordance with the appropriate methodology for the rating type of the issuer (bank, corporation, municipality, etc.). The credit rating is an opinion on the risk of a financial loss to the investor due to a nonperformance on the issue.

- **Short-term Issue Credit Rating -** Issuer credit rating is assigned in accordance with the appropriate methodology for the rating type of the issuer (bank, corporation, municipality, etc.). The credit rating is an opinion on the risk of a financial loss to the investor due to a nonperformance on the issue. A short-term rating presents an opinion for the possibility of nonperformance on the issue within the short term (up to 12 months).

11. BCRA assigns these credit ratings to different rating scales as illustrated in column 3 of Figure 2 in Appendix 1. Therefore, a specific mapping has been prepared for the following rating scales:

- **Bank long-term ratings scale.** The specification of this rating scale is described in Figure 3 of Appendix 1.

- **Bank short-term ratings scale**. The specification of this rating scale is described in Figure 4 of Appendix 1.

- **Insurance long-term ratings scale.** The specification of this rating scale is described in Figure 5 of Appendix 1.

- **Corporate long-term ratings scale.** The specification of this rating scale is described in Figure 6 of Appendix 1.

- **Corporate short-term ratings scale.** The specification of this rating scale is described in Figure 7 of Appendix 1.

- **Municipality long-term ratings scale**. The specification of this rating scale is described in Figure 8 of Appendix 1.

- **Municipality short-term ratings scale.** The specification of this rating scale is described in Figure 9 of Appendix 1.

- **Issue long-term ratings scale.** The specification of this rating scale is described in Figure 10 of Appendix 1.

- **Issue short-term ratings scale.** The specification of this rating scale is described in Figure 11 of Appendix 1.

12. The mapping of the following rating scales is explained in Section 4-6 and it has been derived in accordance with the quantitative factors, qualitative factors and benchmarks specified in the draft ITS:

- **Bank long-term ratings scale**

- **Insurance long-term ratings scale**

- **Corporate long-term ratings scale**

13. The mapping of the short-term rating scales is explained in Section 8 and it has been indirectly derived from the mapping of the long-term rating scales and the internal relationship established by BCRA between these two scales, as specified in Article 14 of the draft ITS. This internal relationship is shown in Figure 12 and Figure 13 of Appendix 1.

14. The indirect mapping approach described in the previous paragraph has also been applied in the case of other long-term rating scales, as explained in Section 7. In these cases, however, the relationship with one of the long-term ratings scales has been assessed, for the purpose of the mapping, by the JC based on the comparison of the meaning and relative position of the rating categories.

4. Mapping of BCRA's Bank long-term rating scale

15. The mapping of the Bank long-term rating scale has consisted of two differentiated stages where the quantitative and qualitative factors as well as the benchmarks specified in Article 136(2) CRR have been taken into account. Figure 23 in Appendix 4 illustrates the outcome of each stage.

16. In the first stage, the quantitative factors referred to in Article 1 draft ITS have been taken into account to differentiate between the levels of risk of each rating category. The *long run default rate* of a rating category has been calculated in accordance with Article 7 draft ITS, as the number of credit ratings cannot be considered to be sufficient

17. In a second stage, the qualitative factors proposed in Article 8 draft ITS have been considered to challenge the result of the previous stage, especially in those ratings categories where less default data has been available.

4.1. Initial mapping based on the quantitative factors

4.1.1. Calculation of the short-run and long-run default rates

18. The number of credit ratings for all rating categories of the BCRA Bank long-term rating scale cannot be considered to be sufficient, therefore the calculation of the long run default rate has been made in accordance with Article 7 draft ITS, as shown in Figure 16 of Appendix 3.

19. The long run default rate benchmark associated with the equivalent category in the international rating scale is a key qualitative factor that has been used for the mapping proposal.

20. For D rating category, no calculation of default rates has been made since it already reflects a 'default' situation.

21. Withdrawn ratings have been weighted by 50% as proposed in Article 3(5) draft ITS because no default information has been available after withdrawal.

22. The default definition applied by BCRA, described in Appendix 2, has been used for the calculation of default rates.

4.1.2. Mapping proposal based on the long run default rate

23. As illustrated in Figure 16 in Appendix 3, the rating categories of the Bank long-term rating scale of BCRA have been initially allocated to CQS based on the comparison of the assigned CQS and required number of observed items according to Article 7 draft ITS. The result is shown in Figure 23 of Appendix 4.

4.2. Final mapping after review of the qualitative factors

24. The qualitative factors specified in Article 8 draft ITS have been used to challenge the mapping proposed by the default rate calculation. Qualitative factors acquire more importance in the rating categories where quantitative evidence is not sufficient to test the default behavior as is the case for all rating categories of the BCRA's Bank long-term rating scale.

25. The **definition of default** applied by BCRA and used for the calculation of the quantitative factors has been analysed. The types of default events considered are shown in Appendix 2

and are consistent with letter (a), (b), (c) and (d) of the benchmark definition specified in Article 3(6) draft ITS. Therefore, no specific adjustment has been proposed based on this factor.

26. Regarding **the meaning and relative position of the credit assessments**, they are aligned with the initial mapping proposal resulting from the quantitative factors. In the case of the D rating category, its meaning is consistent with the one of CQS 6 stated in Annex II draft ITS.

27. Regarding the **time horizon** reflected by the rating category, BCRA focuses on long-term, what can be considered as comparable with the time horizon that characterizes the benchmarks established in Annex I draft ITS. Although this cannot be further supported by transition probabilities due to the low number of ratings, no change is proposed to the mapping.

28. Finally, it should be highlighted the use of the long run default rate benchmark associated with the equivalent category in the international rating scale as the **estimate of the long run default rate** for the calculation of the quantitative factor of all rating categories under Article 7 draft ITS.

5. Mapping of BCRA's Insurance long-term rating scale

29. The mapping of the Insurance long-term rating scale has consisted of two differentiated stages where the quantitative and qualitative factors as well as the benchmarks specified in Article 136(2) CRR have been taken into account. Figure 24 in Appendix 4 illustrates the outcome of each stage.

30. In the first stage, the quantitative factors referred to in Article 1 draft ITS have been taken into account to differentiate between the levels of risk of each rating category. The *long run default rate* of a rating category has been calculated in accordance with Article 7 draft ITS, as the number of credit ratings cannot be considered to be sufficient

31. In a second stage, the qualitative factors proposed in Article 8 draft ITS have been considered to challenge the result of the previous stage, especially in those ratings categories where less default data has been available.

5.1. Initial mapping based on the quantitative factors

5.1.1. Calculation of the short-run and long-run default rates

32. The number of credit ratings for all rating categories of the BCRA Insurance long-term rating scale cannot be considered to be sufficient, therefore the calculation of the long run default rate has been made in accordance with Article 7 draft ITS, as shown in Figure 19 of Appendix 3.

33. The long run default rate benchmark associated with the equivalent category in the international rating scale is a key qualitative factor that has been used for the mapping proposal.

34. For D rating category, no calculation of default rates has been made since it already reflects a 'default' situation.

35. Withdrawn ratings have been weighted by 50% as proposed in Article 3(5) draft ITS because no default information has been available after withdrawal.

36. The default definition applied by BCRA, described in Appendix 2, has been used for the calculation of default rates.

5.1.2. Mapping proposal based on the long run default rate

37. As illustrated in Figure 19 in Appendix 3, the rating categories of the Insurance long-term rating scale of BCRA have been initially allocated to CQS based on the comparison of the assigned CQS and required number of observed items according to Article 7 draft ITS. The result is shown in Figure 24 of Appendix 4.

5.2. Final mapping after review of the qualitative factors

38. The qualitative factors specified in Article 8 draft ITS have been used to challenge the mapping proposed by the default rate calculation. Qualitative factors acquire more importance in the rating categories where quantitative evidence is not sufficient to test the default behavior as is the case for all rating categories of the BCRA's Insurance long-term rating scale.

39. The **definition of default** applied by BCRA and used for the calculation of the quantitative factors has been analysed. The types of default events considered are shown in Appendix 2 and are consistent with letter (a), (b), (c) and (d) of the benchmark definition specified in Article 3(6) draft ITS. Therefore, no specific adjustment has been proposed based on this factor.

40. Regarding **the meaning and relative position of the credit assessments**, they are aligned with the initial mapping proposal resulting from the quantitative factors. In the case of the D rating category, its meaning is consistent with the one of CQS 6 stated in Annex II draft ITS.

41. Regarding the **time horizon** reflected by the rating category, BCRA focuses on long-term, what can be considered as comparable with the time horizon that characterizes the benchmarks established in Annex I draft ITS. Although this cannot be further supported by transition probabilities due to the low number of ratings, no change is proposed to the mapping.

42. Finally, it should be highlighted the use of the long run default rate benchmark associated with the equivalent category in the international rating scale as the **estimate of the long run default rate** for the calculation of the quantitative factor of all rating categories under Article 7 draft ITS.

6. Mapping of BCRA's Corporate long-term rating scale

43. The mapping of the Corporate long-term rating scale has consisted of two differentiated stages where the quantitative and qualitative factors as well as the benchmarks specified in Article 136(2) CRR have been taken into account. Figure 25 in Appendix 4 illustrates the outcome of each stage.

44. In the first stage, the quantitative factors referred to in Article 1 draft ITS have been taken into account to differentiate between the levels of risk of each rating category. The *long run default rate* of a rating category has been calculated in accordance with Article 7 draft ITS, as the number of credit ratings cannot be considered to be sufficient

45. In a second stage, the qualitative factors proposed in Article 8 draft ITS have been considered to challenge the result of the previous stage, especially in those ratings categories where less default data has been available.

6.1.   Initial mapping based on the quantitative factors

6.1.1.   Calculation of the short-run and long-run default rates

46. The number of credit ratings for all rating categories of the BCRA Corporate long-term rating scale cannot be considered to be sufficient, therefore the calculation of the long run default rate has been made in accordance with Article 7 draft ITS, as shown in Figure 22 of Appendix 3.

47. The long run default rate benchmark associated with the equivalent category in the international rating scale is a key qualitative factor that has been used for the mapping proposal.

48. For D rating category, no calculation of default rates has been made since it already reflects a 'default' situation.

49. Withdrawn ratings have been weighted by 50% as proposed in Article 3(5) draft ITS because no default information has been available after withdrawal.

50. The default definition applied by BCRA, described in Appendix 2, has been used for the calculation of default rates.

6.1.2.   Mapping proposal based on the long run default rate

51. As illustrated in Figure 22 in Appendix 3, the rating categories of the Corporate long-term rating scale of BCRA have been initially allocated to CQS based on the comparison of the assigned CQS and required number of observed items according to Article 7 draft ITS. The result is shown in Figure 25 of Appendix 4.

6.2.   Final mapping after review of the qualitative factors

52. The qualitative factors specified in Article 8 draft ITS have been used to challenge the mapping proposed by the default rate calculation. Qualitative factors acquire more importance in the

rating categories where quantitative evidence is not sufficient to test the default behavior as is the case for all rating categories of the BCRA's Corporate long-term rating scale.

53. The **definition of default** applied by BCRA and used for the calculation of the quantitative factors has been analysed. The types of default events considered are shown in Appendix 2 and are consistent with letter (a), (b), (c) and (d) of the benchmark definition specified in Article 3(6) draft ITS. Therefore, no specific adjustment has been proposed based on this factor.

54. Regarding **the meaning and relative position of the credit assessments**, they are aligned with the initial mapping proposal resulting from the quantitative factors. In the case of the D rating category, its meaning is consistent with the one of CQS 6 stated in Annex II draft ITS.

55. Regarding the **time horizon** reflected by the rating category, BCRA focuses on long-term, what can be considered as comparable with the time horizon that characterizes the benchmarks established in Annex I draft ITS. Although this cannot be further supported by transition probabilities due to the low number of ratings, no change is proposed to the mapping.

56. Finally, it should be highlighted the use of the long run default rate benchmark associated with the equivalent category in the international rating scale as the **estimate of the long run default rate** for the calculation of the quantitative factor of all rating categories under Article 7 draft ITS.

7. Mapping of other BCRA long-term credit rating scales

57. As mentioned in Section 3, BCRA produces a number of additional long-term credit ratings that are assigned to different credit rating scales.

58. Based on the methodology described in the previous section, the mapping of each rating scale has been derived from the relationship established by the BCRA with the relevant long-term rating scale or from the relationship assessed by the JC with the relevant short-term rating scale. More specifically, as each rating can be associated with one or a range of long-term (or short-term) rating categories, its CQS has been determined based on the most frequent CQS assigned to the related rating categories. In case of draw, the most conservative CQS has been considered.

59. The results are shown in Figure 26, Figure 27, Figure 30and Figure 31 of Appendix 4:

- **Municipality long-term rating scale (see Figure 8 in Appendix 1).** The rating categories can be considered comparable to those of the Corporate long-term rating scale. Therefore the mapping of each rating category has been derived from its meaning and relative position and the mapping of the corresponding categories of the Corporate long-term rating scale. The result of the mapping of this scale is shown in Figure 26 of Appendix 4.

- **Issue long-term rating scale (see Figure 10 in Appendix 1).** The rating categories can be considered comparable to those of the Corporate long-term rating scale. Therefore the mapping of each rating category has been derived from its meaning and relative position and the mapping of the corresponding categories of the Corporate long-term rating scale. The result of the mapping of this scale is shown in Figure 27 of Appendix 4.

8. Mapping of BCRA's short-term rating scales

60. BCRA also produces short-term ratings and assigns them to the Bank, Corporate, Municipality and Issue short-term rating scales (see Figure 4, Figure 7, Figure 9, and Figure 11 in Appendix 1). Given that the default information referred to these rating categories cannot be comparable with the 3-year time horizon that characterizes the benchmarks established in the draft ITS, the internal relationship established by BCRA between these rating scales (described in Figure 12 and Figure 13 of Appendix 1) has been used to derive the mapping of all short-term rating scales. This should ensure the consistency of the mappings proposed for BCRA.

61. More specifically, as each short term rating can be associated with a range of long-term ratings, the CQS assigned to the Bank, Corporate, Municipality and Issue short-term rating category has been determined based on the most frequent CQS assigned to the related Bank, Corporate, Municipality and Issue long-term rating categories, respectively. In case of draw, the most conservative CQS has been considered. If the most frequent step is identified as CQS 5 or 6, CQS 4 is allocated, as the risk weights assigned to CQS 4 to 6 are all equal to 150% according to Article 131 CRR.

62. The results are shown in Figure 28, Figure 29, Figure 30 and Figure 31 of Appendix 4.

63. The results for the **Bank short-term rating scale** is shown in Figure 28 of Appendix 4:

- **A-1+.** This rating category indicates a very fair financial strength for a Bank. It is internally mapped to long-term categories AAA to A+, which are mapped to CQS 2. Therefore, CQS 2 is the proposed mapping.

- **A-1.** This rating category indicates a fair financial strength. It is internally mapped to long-term categories A+ to A-, which are mapped to CQS 2. Therefore, CQS 2 is the proposed mapping.

- **A-2.** This rating category indicates a relatively fair financial strength. It is internally mapped to the long-term category A- to BBB, which are mapped to CQS 2 and CQS 3. Therefore, CQS 3 is the proposed mapping.

- **A-3.** This rating category indicates an adequate financial strength. It is internally mapped to long-term categories BBB to BBB-, which are mapped to 3. Therefore, CQS 3 is the proposed mapping.

- **B.** This rating category indicates the existence of problem aspects. It is internally mapped to long-term categories BB+ to BB-, which are mapped to CQS 4. Since the risk weights assigned to CQS 4 to 6 are all equal to 150% according to Article 131 CRR, the mapping proposed for the B rating category is CQS 4.

- **C.** This rating category indicates the existence of a very serious problem of the Bank, which requires external aid. It is internally mapped to long-term categories B+ to C, which are all mapped to CQS 6. Since the risk weights assigned to CQS 4 to 6 are all equal to 150% according to Article 131 CRR, the mapping proposed for the C rating category is CQS 4.

- **D.** This rating category indicates the inability of the Bank to meet its obligations or such state is pending, unless the Bank receives external aid, which is consistent with the meaning and relative position representative of CQS 6. In addition, it is internally mapped to long-term category D, which is mapped to CQS 6. Since the risk weights assigned to CQS 4 to 6 are equal to 150% according to Article 131 CRR, the mapping proposed for the D/SD rating category is CQS 4.

64. The results for the **Corporate short-term rating scale** is shown in Figure 29 of Appendix 4:

- **A-1+.** This rating category indicates excellent capability for timely meeting of the financial liabilities. It is internally mapped to long-term categories AAA to A+, which are mapped to CQS 2. Therefore, CQS 2 is the proposed mapping.

- **A-1.** This rating category indicates high capability for timely meeting of the financial liabilities and weak vulnerability to unfavorable changes in the environment. It is internally mapped to long-term categories A+ to A-, which are mapped to CQS 2. Therefore, CQS 2 is the proposed mapping.

- **A-2**. This rating category indicates relatively high capability for timely meeting of the financial liabilities and vulnerability to changes in the environment. It is internally mapped to the long-term category A- to BBB, which are mapped to CQS 2 and CQS 3. Therefore, CQS 3 is the proposed mapping.

- **A-3.** This rating category indicates a fair capability for timely meeting of the financial liabilities and vulnerability to changes in the environment. It is internally mapped to long-term categories BBB to BBB-, which are mapped to 3. Therefore, CQS 3 is the proposed mapping.

- **B.** This rating category indicates a satisfactory capability for timely meeting of the financial liabilities and strong influence of the unfavorable changes in the environment. It is internally mapped to long-term categories BB+ to BB-, which are mapped to CQS 4. Since the risk weights assigned to CQS 4 to 6 are all equal to 150% according to Article 131 CRR, the mapping proposed for the B rating category is CQS 4.

- **C.** This rating category indicates low capability for redeeming of the financial liabilities and high dependence on unfavorable changes in the environment. It is internally mapped to long-term categories B+ to C-, which are mapped to CQS 6. Since the risk weights assigned to CQS 4 to 6 are all equal to 150% according to Article 131 CRR, the mapping proposed for the C rating category is CQS 4.

- **D.** This rating category indicates that the Company is in insolvency or liquidation and it does not meet its financial liabilities, which is consistent with the meaning and relative position representative of CQS 6. In addition, it is internally mapped to long-term category D, which is mapped to CQS 6. Since the risk weights assigned to CQS 4 to 6 are equal to 150% according to Article 131 CRR, the mapping proposed for the D/SD rating category is CQS 4.

65. The results for the **Municipality** and **Issue short-term rating scales** are shown in Figure 30 and Figure 31 of Appendix 4 respectively.

Appendix 1: Credit ratings and rating scales

Figure 2: BCRA's relevant credit ratings and rating scales

SA exposure classes	Name of credit rating	Credit rating scale
Long-term ratings		
Central governments / Central banks	Long-term municipality credit rating	Municipality long-term rating scales
Institutions	Long-term bank financial strength rating	Bank long-term rating scale
	Long-term leasing companies credit ratings	Corporate long-term rating scale
	Claims paying ability rating of insurance companies	Insurance long-term rating scale
Corporates	Long-term corporate credit rating	Corporate long-term ratings scale
	Long-term group of corporate units (holdings) credit rating	Corporate long-term ratings scale
	Long-term issue credit rating	Issue long-term ratings scale
Short-term ratings		
Central governments / Central banks	Short-term municipality credit rating	Municipality short-term rating scales
Institutions	Short-term bank financial strength rating	Bank short-term rating scale
	Short-term leasing companies credit rating	Corporate short-term rating scale
Corporates	Short-term corporate credit rating	Corporate short-term rating scale

SA exposure classes	Name of credit rating	Credit rating scale
	Short-term group of corporate units (holdings) credit rating	Corporate short-term rating scale
	Short-term issue credit rating	Issue short-term rating scale

Source: BCRA

Figure 3: Bank long-term rating scale

Credit assessment	Meaning of the credit assessment
AAA	Exclusive financial strength. Significant profitability, excellent results of the executive Management, extremely favorable operating environment and prospects for development. Exclusively fair position on a comparative basis.
AA	Very fair financial strength. Very good profitability, management, operating environment and prospects for development. Very fair position on a comparative basis.
A	Fair financial strength. Fair position on a comparative basis.
BBB	Adequate financial strength. Stable position on a comparative basis.
BB	Moderate financial strength, existence of one or several problem aspects.
B	Inadequate financial strength, existence of many problem aspects.
C	Existence of very serious problems of the Bank, which require external aid.
D	Inability of the Bank to meet its obligations or such state is pending, unless the Bank receives external aid.

Source: BCRA

Figure 4: Bank short-term ratings scale

Credit assessment	Meaning of the credit assessment
A-1+	The highest rating for a Bank. Very fair financial strength. Very fair position on a comparative basis.
A-1	Fair financial strength. Fair position on a comparative basis.
A-2	Relatively fair financial strength. Relatively fair position on a comparative basis.
A-3	Adequate financial strength. Stable position on a comparative basis.
B	Existence of problem aspects.
C	Existence of very serious problems of the Bank, which require external aid.
D	Inability of the Bank to meet its obligations or such state is pending, unless the Bank receives external aid.

Source: BCRA

Figure 5: Insurance long-term rating scale

Credit assessment	Meaning of the credit assessment
iAAA	Highest capability for payment of claims, indicator for fundamentally strong position of the company. Most favourable prospects for meeting the liabilities to policyholders.
iAA	High capability for payment of claims. The risk factors have low strength and may fluctuate in narrow limits. The prospects for meeting the liabilities to policyholders are very favourable, and the difference with the upper category is only minimal.
iA	Relatively high capability for payment of claims. The prospects for meeting the liabilities to policyholders are fair enough. The risk factors are more volatile and have higher strength in situations of economic difficulties. Each tangible unfavourable change in the economic environment may influence the fundamental strength of the company.
iBBB	Moderate capability for payment of claims. The protective factors have strength below the average, and unfavourable changes in the economic environment could possibly influence the prospects for meeting the liabilities to policyholders.
iBB	Unsatisfactory capability for payment of claims. The protective factors have variable strength, depending on the changes in the economic environment. The prospects for meeting the liabilities to policyholders will most probably become influenced by such changes.
iB	Weak capability for payment of claims. The risk factors show that the company may be not is in a state to timely meet the liabilities to the policyholders. Unfavourable changes in the economic environment could bring to impossibility/unwillingness for serving the liabilities to the policyholders.
iC	Lowest capability for payment of claims, indicator for fundamentally weak position. It is possible that such companies often become in default of their liabilities under policies concluded, and there is a probability that they are entered under monitoring by the regulatory body.
iD	The competent authority took the decision to revoke the license.

Source: BCRA

Figure 6: Corporate long-term rating scale

Credit assessment	Meaning of the credit assessment
AAA	Exclusively high capability of timely meeting the financial liabilities. Substantial financial stability. Excellent prospects for development. Exclusively low credit risk.
AA	Very high capability for timely meeting of the financial liabilities. Substantial financial stability. Very low credit risk.
A	High capability for timely meeting of the financial liabilities. Weak vulnerability to unfavourable changes in the business or economic environment. Financial stability. Low credit risk.
BBB	Fair capability for timely meeting of the financial liabilities. Fair financial state. Vulnerability to unfavourable changes in the business or economic environment. Moderate credit risk.
BB	The meeting of the financial liabilities is to a large extent influenced by the unfavourable changes in the business or economic environment. The financial state is relatively fair. Unsteady trend of development. Relatively high risk.
B	High extent of insecurity relating to the financial stability and capability for redeeming the financial liabilities. Strong vulnerability to unfavorable changes in the business or economic environment. High credit risk.
CCC	Unfavourable changes in the business or economic environment may bring to a considerable deterioration of the state of the Company, and lead to impossibility of redeeming the financial liabilities. Weaknesses in the financial state. Considerable credit risk.
CC	There exists considerable risk of going into insolvency and non-payment. Low capability for redeeming the financial liabilities. Substantial problems in the financial state.
C	Very high risk of going into insolvency. Substantial danger of non-redeeming of the financial liabilities. Very weak financial state.
D	The Company is in insolvency or liquidation; it does not meet its financial liabilities.

Source: BCRA

Figure 7: Corporate short-term rating scale

Credit assessment	Meaning of the credit assessment
A-1+	The highest short-term rating. Excellent capability for timely meeting of the financial liabilities. Very low credit risk.
A-1	High capability for timely meeting of the financial liabilities. Weak vulnerability to unfavourable changes in the environment. Low credit risk.
A-2	Relatively high capability for timely meeting of the financial liabilities. Vulnerability to changes in the environment. Relatively low credit risk.
A-3	Fair capability for timely meeting of the financial liabilities. Vulnerability to changes in the environment. Moderate credit risk.
B	Satisfactory capability for meeting of the financial liabilities and strong influence of the unfavourable changes in the environment. Relatively high credit risk.
C	Low capability for redeeming of the financial liabilities and high dependence on unfavourable changes in the environment. Substantial problems in the financial state. Risk of going into insolvency.
D	The Company is in insolvency or liquidation; it does not meet its financial liabilities.

Source: BCRA

Figure 8: Municipality long-term ratings scale

Credit assessment	Meaning of the credit assessment
AAA	Substantial financial stability, exclusively fair capability for generation of own income. Very fair state of the basic and supplementary infrastructure. Issue: exclusively high capability for meeting the liabilities of the emission.
AA	Substantial financial stability, very fair capability for generation of own income. Fair state of the basic and supplementary infrastructure. Issue: very high capability for meeting the liabilities of the emission.
A	Financial stability and fair capability for generation of own income. Very fair position, comparatively, and weak dependence on the Government budget. Issue: high capability for meeting the liabilities of the emission.
BBB	Fair financial position and capability for generation of own income. There is a certain dependence on the Government budget. Issue: Probabilities exist that any unfavourable economic changes could influence the capability of the Issuer to meet the liabilities of the emission.
BB	Average financial position and unsteady trend of development. Dependence on the Government budget. Issue: Unfavourable changes in the economic environment could decrease the capability of meeting the financial commitments.
B	High extent of insecurity relating to the financial stability. Substantial dependence on the Government budget. Issue: Very probable any unfavourable changes in the economic environment bring to a considerable deterioration of the capability for meeting the financial commitments.
CCC	Weaknesses in the financial position, and serious difficulties in the coverage of current spending. Substantial dependence on the Government budget. Issue: Relatively high probability exists of non-payment.
CC	Substantial problems in the financial position. High share of the negative net cash flow in the local activities income. Issue: There exists high probability for default of the payments.

Credit assessment	Meaning of the credit assessment
C	Very weak financial state. High share of the negative net cash flow in the local activities income. Issue: extremely high probability for default of the payments.
D	Inability for timely payment of the principal and/or interest of the financial liabilities, as per BCRAs definition of default. Issue: Impossibility for meeting the payments under the emission.

Source: BCRA

Figure 9: Municipality short-term rating scale

Credit assessment	Meaning of the credit assessment
A-1+	Substantial financial stability and capability for generation of own income. Fair state of the basic and supplementary infrastructure. Very fair management.
A-1	Financial stability and very fair position, comparatively. Weak or no substantial vulnerability to changes in the economic environment.
A-2	Fair financial state and position, comparatively. There is some dependence on the Government budget, as well as some vulnerability to unfavourable changes in the economic environment.
A-3	Fair financial state. Vulnerability to unfavourable changes in the economic environment. Relatively fair position, comparatively.
B	Average financial state and low share of the own income in the local activities income. Unfavourable position, comparatively.
C	Substantial problems in the financial state and existence of deficiency in the operations. Bad state of the basic infrastructure. Substantial dependence on the Government budget.
D	Inability for timely payment of the principal and/or interest of the financial liabilities, as per BCRA's definition of 'default'.

Source: BCRA

Figure 10: Issue long-term ratings scale

Credit assessment	Meaning of the credit assessment
AAA	Rating AAA is the highest rating for emissions. The Issuer possesses exclusively high capability for meeting of the liabilities of the emission.
AA	Rating AA reflects a very high capability of the Issuer for meeting of the liabilities of the emission.
A	Rating A reflects some vulnerability to unfavourable changes in the circumstances and in the economic environment. In spite of this, the Issuer possesses high capability for timely meeting of the financial liabilities.
BBB	Rating BBB reflects the existence of adequate protective parameters of the emission. In spite of this, probabilities exist that any unfavorable economic conditions or changes in the circumstances could influence the capability of the Issuer to meet the financial commitments under the loan.
BB	Rating BB reflects lower probabilities of non-payment, compared to other speculative emissions. The unfavourable changes in the business or in the economic environment could decrease the capability of meeting the financial commitments.
B	Rating B reflects a higher probability of non-payment, compared to speculative emissions having higher rating; however, presently the Issuer is in a state to meet the financial commitments under the debenture loan. It is very probable that any unfavourable changes in the business or economic environment bring to a considerable deterioration of the capability for meeting the financial commitments.
CCC	Relatively high probability exists of non-payment, and the capability of the Issuer to meet the financial commitments is strongly dependent on the favourable business, financial and economic conditions. In case of unfavourable economic, financial or business conditions, the probability that the Issuer will continue to be capable of meeting the financial liabilities under the emission is very small.
CC	There exists high probability for default of the payments.
C	Rating C is being awarded to debentures, which are currently featured by extremely high probability for default of the payments; debentures, which are already in default of the payments, even if such default is allowable under the conditions of the contract; debentures of an Issuer

Credit assessment	Meaning of the credit assessment
	undergoing an insolvency or similar procedure, which Issuer, however, is still in a state to meet the payments.
D	Impossibility for meeting the payments under the emission.

Source: BCRA

Figure 11: Issue short-term rating scale

Credit assessment	Meaning of the credit assessment
A-1	Rating A-1 is the highest rating for emissions. The capability of the Issuer to meet the financial liabilities under the emission is high. A marking with the sign (+) indicates that the capability of the Issuer to meet the financial liabilities under the emission is extremely high.
A-2	Rating A-2 reflects some vulnerability towards unfavourable changes in the circumstances and in the economic environment. In spite of this, the Issuer possesses fair capability for timely meeting of the financial liabilities.
A-3	Rating A-3 reflects the existence of adequate protective parameters of the emission. In spite of this, probabilities do exist that any unfavorable economic conditions or changes in the circumstances may influence the capability of the Issuer to meet the financial commitments under the loan.
B	The emission has considerable risk features. Presently the Issuer possesses a capability of meeting the payments under the emission. However, any unfavourable changes in the business or economic environment could decrease such capability for meeting the financial commitments.
C	It is possible that the Issuer passes into a state of non-payment. The meeting of the short-term obligations strongly depends on the business, financial and economic conditions.
D	No payments have been made under the emission as of the maturity date (irrespective of any grace periods agreed for such payments). Rating D is also being awarded in case of the Issuer becoming insolvent, or in case the Issuer has undertaken actions, endangering the payment of the liabilities.

Source: BCRA

Figure 12: Internal relationship between BCRA's Bank long-term and short-term rating scales

Medium and long-term issuer ratings scale	Short-term issuer rating scale
AAA	
AA+	
AA	A-1+
AA-	
A+	
A	A-1
A-	
BBB+	A-2
BBB	
BBB-	A-3
BB+	
BB	B
BB-	
B+	
B	C
B-	
C	
D	D
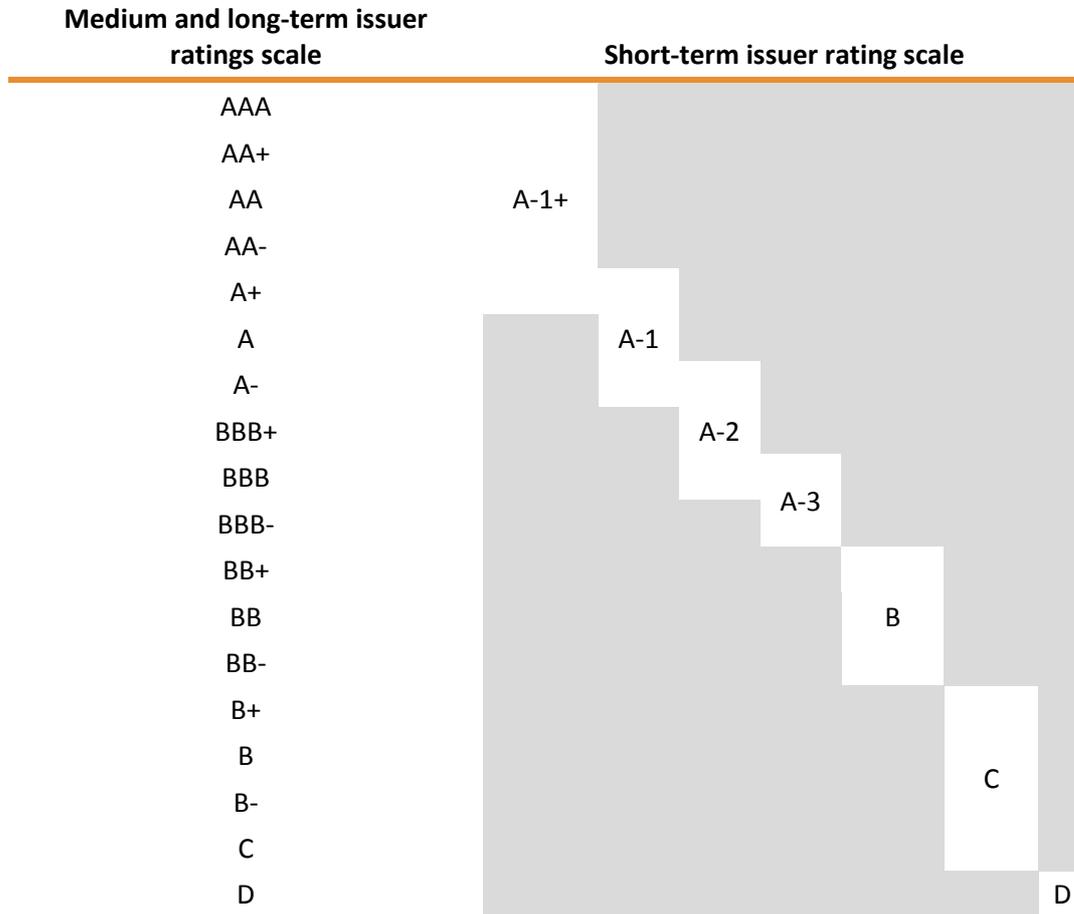
Source: BCRA

Figure 13: Internal relationship between BCRA's Corporate/Municipality/Issue long-term and short-term rating scales

Medium and long-term issuer ratings scale	Short-term issuer rating scale
AAA	
AA+	
AA	A-1+
AA-	
A+	
A	A-1
A-	
BBB+	A-2
BBB	A-3
BBB-	
BB+	
BB	B
BB-	
B+	
B	
B-	
CCC+	
CCC	
CCC-	C
CC+	
CC	
CC-	
C+	
C	
C-	
D	D
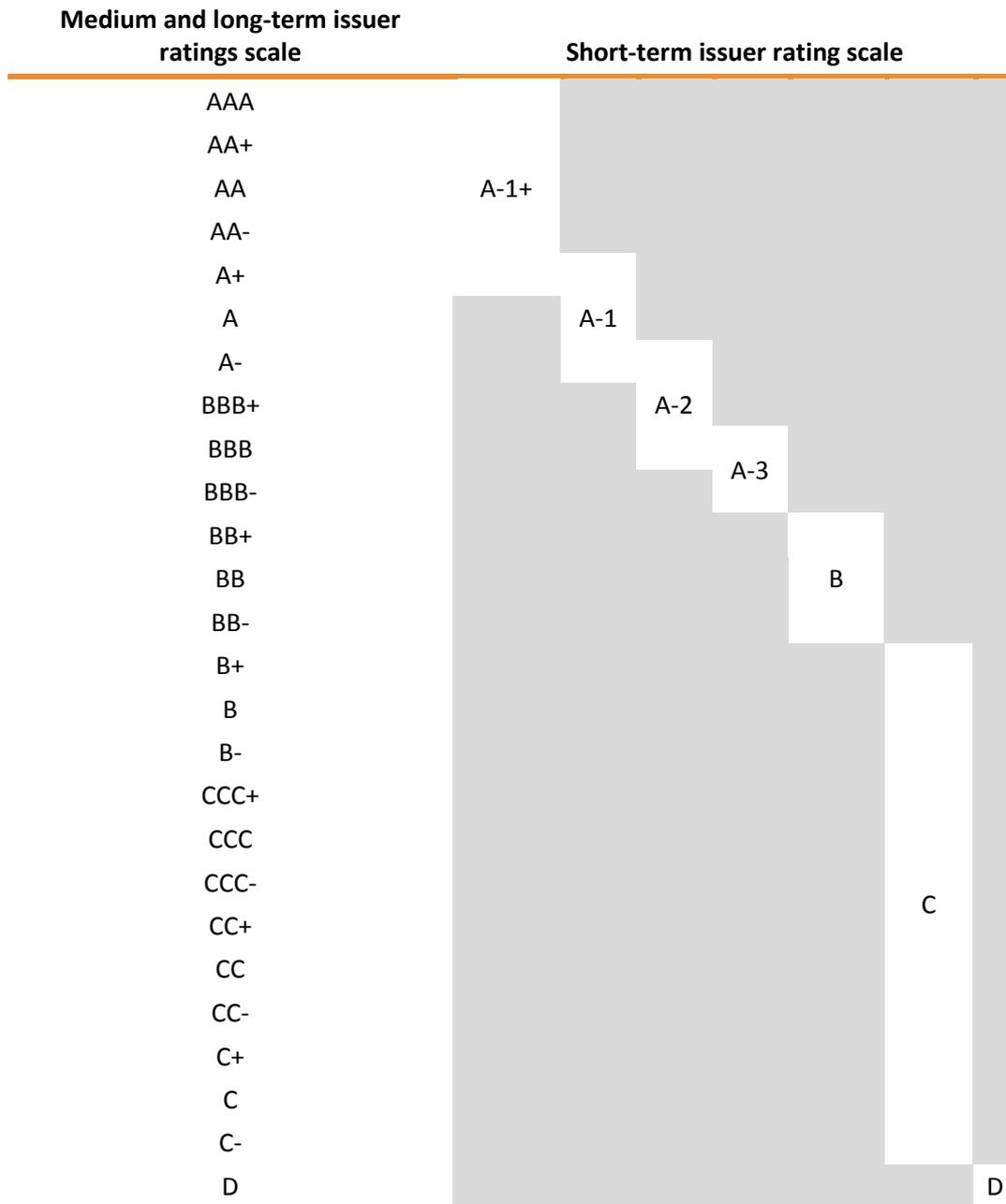
Source: BCRA

Appendix 2: Definition of default

According to BCRA, „Default" is a given obligation or a group of obligations which exists with the setting in of one of the following three events according to the creditability:

1. Opened production due to bankruptcy or some other change in the condition of the debtor (according to the definitions, laid down in the according laws and regulations), or the forcing of administrative measures, which could prevent of the on-time execution of the duty/duties;

2. Every restructuring of a duty that leads to disadvantageous conditions for the creditors like: lower interest rate, longer maturity including other changes, which lead to raised risk or a financial loss of the creditors;

For obligations with a repayment schedule:

A miss or a delay of a payment of principle or/and interest (coupon) over the verge of essence, including the cases, when the obligation is partly performed. An exception from this rule is being accepted in case the obligation is disputable from the side of the debtor.

Verge of essence:

- For an amount – 10% from the current due instalment;

- For a period – 90 days after the date of payment. For credit cards – the days for delay begin from the date after the date for paying the past demanded sum.

For duties without a bankruptcy plan (overdraft, revolving credit lines):

The debtor has violated the contractual limit;

The bank has decreased contractual limit until a size, lower than the absorbed amount from the debtor;

The debtor has cashed a sum without authorization (approval) from the bank:

The verge of essence

- For an amount – according to 1. – 10 % from the current due instalment; according to 2. – 10% from the contractual limit;

- For a period – 90 days after the determined date of payment.

The comparison of BCRA default definition with the benchmark default definition stated in paragraph 6 of article 3 of the draft ITS allows to conclude that they are similar.

Source: BCRA

Appendix 3: Default rates of each rating category

Figure 14: Number of rated items (Bank long-term ratings)

Date	AAA	AA	A	BBB	BB	B	C
01/01/2007	0	0	1	0.5	0	0	0
01/07/2007	0	0	1	1.5	0	0	0
01/01/2008	0	0	1	1	0	0	0
01/07/2008	0	0	1	1.5	0	0	0
01/01/2009	0	0	1.5	1.5	0	0	0
01/07/2009	0	0	2.5	1.5	0	0	0
01/01/2010	0	0	1.5	2.5	0	0	0
01/07/2010	0	0	1.5	2.5	0	0	0

Source: Joint Committee calculations based on CEREP data

Figure 15: Number of defaulted rated items (Bank long-term ratings)

Date	AAA	AA	A	BBB	BB	B	C
01/01/2007	0	0	0	0	0	0	0
01/07/2007	0	0	0	0	0	0	0
01/01/2008	0	0	0	0	0	0	0
01/07/2008	0	0	0	0	0	0	0
01/01/2009	0	0	0	0	0	0	0
01/07/2009	0	0	0	0	0	0	0
01/01/2010	0	0	0	0	0	0	0
01/07/2010	0	0	0	0	0	0	0

Source: Joint Committee calculations based on CEREP data

Figure 16: Mapping proposal for categories with a non-sufficient number of credit ratings (Bank long-term rating scale)

2007 - 2010	AAA/AA	A	BBB	BB	B	C
CQS of equivalent international rating category	CQS 1	CQS 2	CQS 3	CQS 4	CQS 5	CQS 6
N. observed defaulted items	0	0	0	0	0	0
Minimum N. rated items	496	0	0	10	5	n.a.
Observed N. rated items	0	0	11	13	0	0
Mapping proposal	**CQS 2**	**CQS 2**	**CQS 3**	**CQS 4**	**CQS 6**	**CQS 6**

Source: Joint Committee calculations based on CEREP data

Figure 17: Number of rated items (Insurance long-term ratings)

Date	iAAA	iAA	iA	iBBB	iBB	iB	iC
01/01/2005	0	0	1	0	0	0	0
01/07/2005	0	0	1	0	0	0	0
01/01/2006	0	0	1	0	0	0	0
01/07/2006	0	0	1	0	1	0	0
01/01/2007	0	0	1	0	2	0	0
01/07/2007	0	0	1	0	2	0	0
01/01/2008	0	0	2	2	0	0	0
01/07/2008	0	0	2	2	0	0	0
01/01/2009	0	0	2	3	1	0	0
01/07/2009	0	0	2	3	1	0	0
01/01/2010	0	0	3	2	1	0	0
01/07/2010	0	0	3	2	1	0	0

Source: Joint Committee calculations based on CEREP data

Figure 18: Number of defaulted rated items (Insurance long-term ratings)

Date	iAAA	iAA	iA	iBBB	iBB	iB	iC
01/01/2005	0	0	0	0	0	0	0
01/07/2005	0	0	0	0	0	0	0
01/01/2006	0	0	0	0	0	0	0
01/07/2006	0	0	0	0	0	0	0
01/01/2007	0	0	0	0	0	0	0
01/07/2007	0	0	0	0	0	0	0
01/01/2008	0	0	0	0	0	0	0
01/07/2008	0	0	0	0	0	0	0
01/01/2009	0	0	0	0	0	0	0
01/07/2009	0	0	0	0	0	0	0
01/01/2010	0	0	0	0	0	0	0
01/07/2010	0	0	0	0	0	0	0

Source: Joint Committee calculations based on CEREP data

Figure 19: Mapping proposal for categories with a non-sufficient number of credit ratings (Insurance long-term ratings)

2005 - 2010	iAAA/iAA	iA	iBBB	iBB	iB	iC
CQS of equivalent international rating category	CQS 1	CQS 2	CQS 3	CQS 4	CQS 5	CQS 6
N. observed defaulted items	0	0	0	0	0	0
Minimum N. rated items	496	0	0	10	5	n.a.
Observed N. rated items	0	20	14	9	0	0
Mapping proposal	**CQS 2**	**CQS 2**	**CQS 3**	**CQS 5**	**CQS 6**	**CQS 6**

Source: Joint Committee calculations based on CEREP data

Figure 20: Number of rated items (Corporate long-term ratings)

Date	AAA	AA	A	BBB	BB	B	CCC	CC	C
01/01/2005	0	0	0	1.0	2.0	1.0	1.0	0	0
01/07/2005	0	0	0	1.5	3.5	0	1.0	0	0
01/01/2006	0	0	0	5.0	5.0	0	0	1.0	0
01/07/2006	0	1.0	0	6.0	3.5	0	0	0	1.0
01/01/2007	0	2.0	0	4.0	5.5	0	0	0	1.0
01/07/2007	0	1.5	1.0	3.5	4.0	0	0	0	1.0
01/01/2008	0	2.0	1.5	5.5	5.0	0.5	0	0	0
01/07/2008	0	2.5	1.5	8.0	7.0	0.5	0	0	1.0
01/01/2009	0	2.5	2.0	9.0	3.5	0.5	0	0	1.0
01/07/2009	0	2.0	1.5	5.0	3.5	0.5	0	0	0
01/01/2010	0	1.0	1.5	3.5	2.0	0	0	0.5	0
01/07/2010	0	1.0	1.0	3.5	1.0	0	0	0.5	0

Source: Joint Committee calculations based on CEREP data

Figure 21: Number of defaulted rated items (Corporate long-term ratings)

Date	AAA	AA	A	BBB	BB	B	CCC	CC	C
01/01/2005	0	0	0	0	0	0	1.0	0	0
01/07/2005	0	0	0	0	0	0	1.0	0	0
01/01/2006	0	0	0	0	0	0	0	1.0	0
01/07/2006	0	0	0	0	0	0	0	0	1.0
01/01/2007	0	0	0	0	0	0	0	0	1.0
01/07/2007	0	0	0	0	0	0	0	0	1.0
01/01/2008	0	0	0	0	0	0	0	0	0
01/07/2008	0	0	0	0	0	0	0	0	0
01/01/2009	0	0	0	0	0	0	0	0	0
01/07/2009	0	0	0	0	0	0	0	0	0
01/01/2010	0	0	0	0	0	0	0	0	0
01/07/2010	0	0	0	0	0	0	0	0	0

Source: Joint Committee calculations based on CEREP data

Figure 22: Mapping proposal for categories with a non-sufficient number of credit ratings
(Corporate long-term ratings)

	AAA/AA	A	BBB	BB	B	CCC-C
CQS of equivalent international rating category	CQS 1	CQS 2	CQS 3	CQS 4	CQS 5	CQS 6
N. observed defaulted items	0	0	0	0	0	6
Minimum N. rated items	496	0	0	10	5	n.a.
Observed N. rated items	15.5	10.0	55.5	45.5	3.0	9.0
Mapping proposal	**CQS 2**	**CQS 2**	**CQS 3**	**CQS 4**	**CQS 6**	**CQS 6**

Source: Joint Committee calculations based on CEREP data

Appendix 4: Mappings of each rating scale

Figure 23: Mapping of BCRA's Bank long-term rating scale

Credit assessment	Initial mapping *based on LR DR* (CQS)	Review *based on SR DR* (CQS)	Final review *based on qualitative factors* (CQS)	Main reason for the mapping
AAA	2	n.a.	2	The quantitative factors are representative of the final CQS.
AA	2	n.a.	2	
A	2	n.a.	2	The quantitative factors are representative of the final CQS.
BBB	3	n.a.	3	The quantitative factors are representative of the final CQS.
BB	4	n.a.	4	The quantitative factors are representative of the final CQS.
B	6	n.a.	6	The quantitative factors are representative of the final CQS.
C	6	n.a.	6	The quantitative factors are representative of the final CQS.
D	6	n.a.	6	The meaning and relative position of the rating category is representative of the final CQS.

Figure 24: Mapping of BCRA's Insurance long-term rating scale

Credit assessment	Initial mapping *based on LR DR* (CQS)	Review *based on SR DR* (CQS)	Final review *based on qualitative factors* (CQS)	Main reason for the mapping
iAAA	2	n.a.	2	The quantitative factors are representative of the final CQS.
iAA	2	n.a.	2	
iA	2	n.a.	2	The quantitative factors are representative of the final CQS.
iBBB	3	n.a.	3	The quantitative factors are representative of the final CQS.
iBB	5	n.a.	5	The quantitative factors are representative of the final CQS.
iB	6	n.a.	6	The quantitative factors are representative of the final CQS.
iC	6	n.a.	6	The quantitative factors are representative of the final CQS.
iD	6	n.a.	6	The meaning and relative position of the rating category is representative of the final CQS.

Figure 25: Mapping of BCRA's Corporate long-term rating scale

Credit assessment	Initial mapping *based on LR DR* (CQS)	Review *based on SR DR* (CQS)	Final review *based on qualitative factors* (CQS)	Main reason for the mapping
AAA	2	n.a.	2	The quantitative factors are representative of the final CQS.
AA	2	n.a.	2	
A	2	n.a.	2	The quantitative factors are representative of the final CQS.
BBB	3	n.a.	3	The quantitative factors are representative of the final CQS.
BB	4	n.a.	4	The quantitative factors are representative of the final CQS.
B	6	n.a.	6	The quantitative factors are representative of the final CQS.
CCC	6	n.a.	6	
CC	6	n.a.	6	The quantitative factors are representative of the final CQS.
C	6	n.a.	6	
D	6	n.a.	6	The meaning and relative position of the rating category is representative of the final CQS.

Figure 26: Mapping of BCRA's Municipality long-term rating scale

Credit assessment	Corresponding Corporate long-term rating scale assessment (assessed by JC)	Range of CQS of corresponding Corporate long-term rating scale	Final review *based on qualitative factors* (CQS)	Main reason for the mapping
AAA	AAA	2	2	
AA	AA	2	2	
A	A	2	2	
BBB	BBB	3	3	
BB	BB	5	5	The final CQS has been determined based on the most frequent step associated with the corresponding Medium and long-term issuers rating category.
B	B	6	6	
CCC	CCC	6	6	
CC	CC	6	6	
C	C	6	6	
D	D	6	6	

Figure 27: Mapping of BCRA's Issue long-term rating scale

Credit assessment	Corresponding Corporate long-term rating scale assessment (assessed by JC)	Range of CQS of corresponding Corporate long-term rating scale	Final review *based on qualitative factors* (CQS)	Main reason for the mapping
AAA	AAA	2	2	
AA	AA	2	2	
A	A	2	2	
BBB	BBB	3	3	
BB	BB	5	5	The final CQS has been determined based on the most frequent step associated with the corresponding Medium and long-term issuers rating category.
B	B	6	6	
CCC	CCC	6	6	
CC	CC	6	6	
C	C	6	6	
D	D	6	6	

Figure 28: Mapping of BCRA's Bank short-term rating scale

Credit assessment	Corresponding Bank long-term rating scale assessment	Range of CQS of corresponding Corporate long-term rating scale	Final review *based on qualitative factors* (CQS)	Main reason for the mapping
A-1+	AAA – A+	2	2	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category.
A-1	A+ – A-	2	2	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category.
A-2	A- – BBB	2 - 3	3	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category.
A-3	BBB – BBB-	3	3	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category.
B	BB+ – BB-	4	4	The final CQS has been determined based on the range of steps associated with the corresponding long-term credit rating category. The risk weights assigned to CQS 4 to 6 are all 150%, therefore CQS 4.
C	B+ - C	6	4	The final CQS has been determined based on the range of steps associated with the corresponding long-term credit rating category. The risk weights assigned to CQS 4 to 6 are all 150%, therefore CQS 4.
D	D	6	4	The final CQS has been determined based on the range of steps associated with the corresponding long-term credit rating category. The risk weights assigned to CQS 4 to 6 are all 150%, therefore CQS 4.

Credit assessment	Corresponding Corporate long-term rating scale assessment	Range of CQS of corresponding Corporate long-term rating scale	Final review *based on qualitative factors* (CQS)	Main reason for the mapping
A-1+	AAA – A+	2	2	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category.
A-1	A+ – A-	2	2	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category.
A-2	A- – BBB	2 - 3	3	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category.
A-3	BBB – BBB-	3	3	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category.
B	BB+ – BB-	4	4	The final CQS has been determined based on the range of steps associated with the corresponding long-term credit rating category. The risk weights assigned to CQS 4 to 6 are all 150%, therefore CQS 4.
C	B+ - C	6	4	The final CQS has been determined based on the range of steps associated with the corresponding long-term credit rating category. The risk weights assigned to CQS 4 to 6 are all 150%, therefore CQS 4.
D	D	6	4	The final CQS has been determined based on the range of steps associated with the corresponding long-term credit rating category. The risk weights assigned to CQS 4 to 6 are all 150%, therefore CQS 4.

Figure 30: Mapping of BCRA's Municipality short-term rating scale

Credit assessment	Corresponding Municipality long-term rating scale assessment	Range of CQS of corresponding Corporate long-term rating scale	Final review *based on qualitative factors* (CQS)	Main reason for the mapping
A-1+	AAA – A+	2	2	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category.
A-1	A+ – A-	2	2	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category.
A-2	A- – BBB	2 - 3	3	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category.
A-3	BBB – BBB-	3	3	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category.
B	BB+ – BB-	5	4	The final CQS has been determined based on the range of steps associated with the corresponding long-term credit rating category. The risk weights assigned to CQS 4 to 6 are all 150%, therefore CQS 4.
C	B+ - C	6	4	The final CQS has been determined based on the range of steps associated with the corresponding long-term credit rating category. The risk weights assigned to CQS 4 to 6 are all 150%, therefore CQS 4.
D	D	6	4	The final CQS has been determined based on the range of steps associated with the corresponding long-term credit rating category. The risk weights assigned to CQS 4 to 6 are all 150%, therefore CQS 4.

Credit assessment	Corresponding Issue long-term rating scale assessment	Range of CQS of corresponding Corporate long-term rating scale	Final review *based on qualitative factors* (CQS)	Main reason for the mapping
A-1+	AAA – A+	2	2	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category.
A-1	A+ – A-	2	2	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category.
A-2	A- – BBB	2 - 3	3	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category.
A-3	BBB – BBB-	3	3	The final CQS has been determined based on the most frequent step associated with the corresponding long-term credit rating category.
B	BB+ – BB-	5	4	The final CQS has been determined based on the range of steps associated with the corresponding long-term credit rating category. The risk weights assigned to CQS 4 to 6 are all 150%, therefore CQS 4.
C	B+ - C	6	4	The final CQS has been determined based on the range of steps associated with the corresponding long-term credit rating category. The risk weights assigned to CQS 4 to 6 are all 150%, therefore CQS 4.
D	D	6	4	The final CQS has been determined based on the range of steps associated with the corresponding long-term credit rating category. The risk weights assigned to CQS 4 to 6 are all 150%, therefore CQS 4.