SPAIN (April 2014)

1. ANNEX I: BANKS

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
Based on the findings from the stock-taking exercise, please describe the areas identified as needing change and those areas considered priorities, as well as the steps authorities intend to take to reduce reliance on CRA ratings in laws and regulations. In addition, authorities should describe the incentives put in place for market participants to develop their own independent credit assessment processes. Examples of incentives might include disclosure requirements relating to credit risk assessment practices or articulating clear supervisory expectations of the extent to which firms should perform their own due diligence before making lending decisions.			
The Capital Requirements Directive (CRD)/Capital Requirements Regulation (CRR) requires credit institutions to have their own sound credit granting criteria and credit decision processes in place. This applies irrespective of whether institutions grant loans to customers or whether they incur securitisation exposures. For the specific purposes of calculating regulatory bank capital requirements, rating agency assessments are, in certain instances, applied as a basis for differentiating capital requirements according to risks, and not for determining the minimum required quantum of capital itself. The CRD framework as a whole provides banks with an incentive to use internal rather than external credit ratings even for purposes of calculating regulatory capital requirements. In the specific case of securitisation exposures and due to a lack of sufficiently objective internal methodologies within banks, most of them would be expected to calculate their regulatory capital requirements by reference to external ratings. The CRD/CRR has been for the fourth time reviewed and entered into force on 28 June 2013 (CRR) and 17 July 2013 (CRD IV), reflecting the approach taken to reduce reliance on external credit ratings. While Member States will have to transpose the CRD IV into national law by the 1st of January 2014. The legislation will become applicable as of 1 January 2014.			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
a) Remove references to CRA ratings in laws and regulations relating to banks.	EBA Commission based on technical Advice from ESMA	Bi-annual report by EBA on the references to ratings in national legislation and implementation of the principles to reduce reliance on credit ratings The general obligation in the CRA III requires the Commission, based on technical advice from ESMA, to submit a report to the European Parliament and to the Council on (a) the steps taken as regards the deletion of references to credit ratings which trigger or have the potential to trigger sole or mechanistic reliance and (b) alternative tools to enable investors to make their own credit risk assessment of issuers and of financial instruments, with a view to deleting all references to credit ratings in Union law for regulatory purposes by 1 January 2020, subject to appropriate alternatives being identified and implemented. This obligation covers the use of external rating ratings in the banking sector. EBA, EIOPA, and ESMA is publishing a Joint Consultation paper on Mechanistic references to credit ratings in the ESAs' guidelines and recommendations in this November.	Bi-annually as of 2014 Report end 2015/ completion 2020

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
b) Develop alternative standards of credit assessment, where needed, for the purpose of replacing references to CRA ratings in laws and regulations relating to banks.	Competent Authorities responsible for Banking Supervision Banco de España	Internal Approaches for calculating own funds requirements: Institutions with material credit risk will be required to develop and use internal rating based approach (IRB) for calculating their capital requirements. Institution does not solely or mechanistically rely on credit ratings for assessing the credit quality of financial instruments and counterparties See answer by the EU Commission and ESAs	As of 2014

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
2. Reducing market reliance on CRA ratings (Principle II)			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
a) Enhance supervisory processes and procedures to assess the adequacy of banks' own credit assessment processes and incentivise market participants to develop internal risk management capabilities.	Commission/ EBA	Supervisory Benchmarking of Internal Approaches for calculating own funds requirements: The Commission shall by 04/2015 and after consulting EBA submit a report as to the functioning of the bench marking of internal models including the scope of the model. Bi-annual report by EBA on the references to ratings in national legislation and implementation of the principles to reduce reliance on credit ratings.	Commission Report by 04/2015 EBA report: Bi-Annual, as from 2014
	Banco de España	A resource-intensive supervisory process for the validation and approval of the internal ratings models has been adopted. This process is continuous. There is an emphasis on checking and monitoring the effective integration of those models in day-to-day risk management. Also, other types of analyses are undertaken, such as sensitivity analyses, testing of the behaviour of ratings compared to the observed default data (stability and robustness of the discriminatory power of models), comparisons between different IRB banks in the Spanish jurisdiction, etc.	As from 2014 (on-going process) Timetable is largely steered by the EU regulatory framework.

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
b) Require or incentivise market participants to disclose information about their internal credit risk assessment processes.			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
3.2 Prudential supervision of banks (Principle III.2)			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
a) Enhance supervisory oversight of banks to ensure they develop adequate internal credit assessment processes that avoid mechanistic reliance on CRA ratings (differentiating where appropriate between banks subject to the internal ratings-based (IRB), Standardised Approach of other capital regime).	Banco de España	Supervisory Benchmarking of Internal Approaches for calculating own funds requirements In particular, Banco de España takes part of different European and international initiatives related to supervisory benchmarking. A resource-intensive supervisory process includes comparisons between different IRB banks in the Spanish jurisdiction, etc. Institutions should not rely on quantitative methods alone to assess their capital adequacy, but include an element of qualitative assessment and management judgement of inputs and outputs. Specific recommendations/guidelines have been published by the regulator to clarify and harmonise certain minimum criteria for some specific issues or portfolios. Banco de España is participating in the on-going policy work impacting CRA influence at both BCBS and EBA level. The current recommendations/guidelines will be periodically updated accordingly.	As from 2014 (on-going process) Timetable is largely steered by the EU regulatory framework

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
b) Revise CRA ratings in other prudential supervisory policies (e.g. relating to liquidity requirements) to reduce reliance on CRA ratings.			

2. ANNEX II: CENTRAL BANK OPERATIONS

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
3. Application of the basic principles to particular financial market activities (Principle III)			
Based on the findings from the stock-taking exercise, please describe the areas identified as needing changes, including which areas are considered priorities, and the steps authorities intend to take to reduce reliance on CRA ratings in central bank policies and operations.			
Central Banking operations are in the Eurozone under the responsibility of the European Central Bank. External credit ratings are used for the purpose of its monetary policy operations in the Eurosystem's collateral framework. Decisions taken by the Banco de España broadly depends on ECB GC decisions.			
3.1 Central bank operations (Principle III.1)			
a) Reduce reliance on CRA ratings in central bank policies (such as investments, asset management frameworks, and conventional and unconventional operations), including the decision to accept or reject an instrument as collateral or for outright purchase and in determining haircuts.	Banco de España	In the area of reserves management, given its limited reliance on CRA ratings, no concrete actions have been taken. As for monetary policy implementation, CRA ratings are only one out of the four credit assessment sources used by the Eurosystem. Therefore, the reliance of the Eurosystem on CRA ratings is not automatic as the Eurosystem reserves the right to determine whether an issue, issuer, debtor or guarantor fulfils its requirements for high credit standards on the basis of any information it may consider	

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
		relevant and may reject, limit the use of assets or apply supplementary haircuts on such grounds in line with Article 18.1 of the Statute of the ESCB. The Eurosystem can also apply positive discretion and waive the minimum credit rating threshold in certain situations. Moreover, the Eurosystem is continuously refining its frameworks inter alia to reduce any overreliance on CRAs. The Eurosystem has recently adopted several measures to reduce its reliance on CRA ratings as best practices to ensure the independence of credit assessments, the so-called Additional Credit Claim or the eligibility criteria for ABS.	

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
b) Adjust policies for imposing risk control measures (including haircuts) on financial instruments to align with the FSB Principles on CRA ratings.	Banco de España	In the area of reserves management, given its limited reliance on CRA ratings, no concrete actions have been taken For those assets whose source of credit-assessment is the ICAS, haircuts are partially based on Banco de España's internal credit assessment. Whenever an ECAF source other than an ICAS (i.e. CRA, Rating Tools, or a counterparty's IRB-system) is used as primary credit assessment source, risk control measures (i.e. valuation haircuts) are applied depending on that ECAF source's (including CRA's) risk assessment see also answer to a)	
c) Develop the central bank's internal credit risk assessment capabilities and use of alternative measures of creditworthiness.	Banco de España	In addition to the measures described in a), it has also been decided to develop Eurosystem-internal credit capabilities for the assessment of certain structured finance ratings produced by CRAs.	

3. ANNEX III: INSURANCE/REINSURANCE COMPANIES[1]

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
Based on the findings from the stock-taking exercise, please describe the areas identified as needing change and those areas considered priorities, as well as the steps authorities intend to take to reduce reliance on CRA ratings in laws and regulations. In addition, authorities should describe the incentives put in place for market participants to develop their own independent credit assessment processes. Examples of incentives might include disclosure requirements relating to credit risk assessment practices or articulating clear supervisory expectations of the extent to which firms should perform their own due diligence before making lending or investment decisions.			
The existing insurance and reinsurances Directives (collectively known as Solvency I) do not contain references to ratings. The Solvency II Directive introduces risk-based solvency requirements for insurance and reinsurance undertakings. The Solvency II Directive that was politically agreed in 2009 does not contain any explicit references to credit ratings. The Solvency II Directive is currently being amended by the Omnibus II Directive to reflect the powers of EIOPA. The text of Omnibus II is still being negotiated and is therefore not publicly available. However, it is likely to foresee the limited use of external credit ratings to rank credit risks in the implementing measures on the standard formula Solvency Capital Requirement (SCR) calculation. This is similar to the approach adopted in the banking sector.			

[1] Answers in this section should relate to the prudential regulation of insurance companies and reinsurance companies. Laws and regulations relating to insurance companies in their capacity as institutional investors should be included in the section entitled "Investment Funds Management."

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
a) Remove references to CRA ratings in laws and regulations relating to insurance/reinsurance companies.	Commission based on technical advice from ESMA DGSFP	The general obligation in the CRA III requires the Commission, based on technical advice from ESMA, to submit a report to the European Parliament and to the Council on (a) the steps taken as regards the deletion of references to credit ratings which trigger or have the potential to trigger sole or mechanistic reliance and (b) alternative tools to enable investors to make their own credit risk assessment of issuers and of financial instruments, with a view to deleting all references to credit ratings in Union law for regulatory purposes by 1 January 2020, subject to appropriate alternatives being identified and implemented. This obligation covers the use of external rating ratings in the Insurance sector. The "Dirección General de Seguros y Fondos de Pensiones" (DGSFP) has carried out an stocktaking exercise of the ratings references in the Spanish Legislation in the case of insurance. These are limited and not in every case the reference implies a solely or mechanistically reliance on credit ratings. For the moment these references are going to be maintained. In any case the Spanish Legislation will be subject to a deep reform with the implementation of Solvency II.	Report end 2015/ completion 2020

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
b) Develop alternative standards of credit assessment, where needed, for the purpose of replacing references to CRA ratings in laws and regulations relating to insurance/reinsurance companies.	EIOPA DGSFP	Currently CRA ratings are not used to assess creditworthiness in EIOPA guidelines or technical standards. However EIOPA is developing implementing technical standards on allocation (mapping) of credit ratings to credit quality steps which is necessary to apply the standard formula as it stands in the draft implementing measures of Solvency II. The technical standards will not replace references to ratings but an alternative will be provided by accompanying guidelines requiring use of internal ratings on comply or explain basis. While developing the mapping standard and the guidelines EIOPA is closely cooperating with EBA and ESMA under the umbrella of the Joint Committee of the three ESAs, specifically being part of ECAI Network and of the Task force on credit ratings led by ESMA. See answers by the EU Commission and ESAs/ EIOPA in relation with the development of alternative standards of credit assessment as key drivers in this aspect. On the other side this aspect is under analysis as well by the DGSFP through the "	

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
		Junta Consultiva de Seguros" (Advisory Body) as an advisory and consultative body of this Department in relation with insurance, pension funds and intermediation.	
2. Reducing market reliance on CRA ratings (Principle II)			
a) Enhance supervisory processes and procedures to assess the adequacy of insurers'/reinsurers' own credit assessment processes and incentivise market participants to develop internal risk management capabilities.	EIOPA DGSFP	As explained above, EIOPA is developing guidelines on internal ratings on comply or explain basis which will include rules for adequacy of own credit assessment processes. See previous answer b), (3.1.b) Completing the previous the DGSFP has already in place some particular internal supervisory procedures in order to assess the adequacy of the results that could emerge from a mechanistically reliance on ratings where appropriate.	
b) Require or incentivise market participants to disclose information about their internal credit risk assessment processes.		See answer a)	

4. ANNEX IV: INVESTMENT FUNDS MANAGEMENT
5. (INCLUDING COLLECTIVE INVESTMENT SCHEMES, ALTERNATIVE INVESTMENT SCHEMES, OCCUPATIONAL RETIREMENT SCHEMES)

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
Based on the findings from the stock-taking exercise, please describe the areas identified as needing change and those areas considered priorities, as well as the steps authorities intend to take to reduce reliance on CRA ratings in laws and regulations. In addition, authorities should describe the incentives put in place for market participants to develop their own independent credit assessment processes. Examples of incentives might include disclosure requirements relating to credit risk assessment practices.			
Directive 2003/41/EC was amended in article 18, adding paragraph 1a: Taking into account the nature, scale and complexity of the activities of the institutions supervised, Member States shall ensure that the competent authorities monitor the adequacy of the institutions' credit assessment processes, assess the use of references to credit ratings issued by credit rating agencies as defined in Article 3(1)(b) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, in their investment policies and, where appropriate, encourage mitigation of the impact of such references, with a view to reducing sole and mechanistic reliance on such credit ratings. Directive 2009/65/EC was amended in article 51: following paragraphs are added: "A management or investment company shall employ a risk-management process which enables it to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of the portfolio of a UCITS. In particular, it shall not solely or mechanistically rely on credit ratings issued by credit rating agencies as defined in Article 3(1)(b) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, for assessing the creditworthiness of the UCITS' assets." "Taking into account the nature, scale and complexity of the UCITS' activities, the competent authorities shall monitor the adequacy of the credit assessment processes of the management or investment companies, assess the use of references to credit ratings, in the UCITS' investment policies			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
and, where appropriate, encourage mitigation of the impact of such references, with a view to reducing sole and mechanistic reliance on such credit ratings.” In addition a paragraph is added, requiring that criteria for assessing the adequacy of the risk-management process employed by the management or investment company ensure that these entities are prevented from relying solely or mechanistically on credit ratings for assessing the creditworthiness of the UCITS' assets. Directive 2011/61/EU was amended in article 15 adding following paragraphs: Alternative Investment Fund Managers (AIFMs) shall implement adequate risk-management systems in order to identify, measure, manage and monitor appropriately all risks relevant to each Alternative Investment Fund (AIF) investment strategy and to which each AIF is or may be exposed. In particular, AIFMs shall not solely or mechanistically rely on credit ratings issued by credit rating agencies as defined in Article 3(1)(b) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, for assessing the creditworthiness of the AIFs' assets. Taking into account the nature, scale and complexity of the AIFs' activities, the competent authorities shall monitor the adequacy of the credit assessment processes of AIFMs, assess the use of references to credit ratings, in the AIFs' investment policies and, where appropriate, encourage mitigation of the impact of such references, with a view to reducing sole and mechanistic reliance on such credit ratings. The measures specifying the risk-management systems shall ensure that the AIFMs are prevented from relying solely or mechanistically on credit ratings, for assessing the creditworthiness of the AIFs' assets			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
a) Remove references to CRA ratings in laws and regulations for investment funds management.	Commission based on technical advice from ESMA Spanish Treasury	The general obligation in the CRA III requires the Commission, based on technical advice from ESMA, to submit a report to the European Parliament and to the Council on (a) the steps taken as regards the deletion of references to credit ratings which trigger or have the potential to trigger sole or mechanistic reliance and (b) alternative tools to enable investors to make their own credit risk assessment of issuers and of financial instruments, with a view to deleting all references to credit ratings in Union law for regulatory purposes by 1 January 2020, subject to appropriate alternatives being identified and implemented. This obligation covers the use of external rating ratings in the Investment Fund Management Sector. Spain is undertaking the transposition of the amendments to these directives on Spanish legislation.	Report end 2015/ completion 2020

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
b) Develop alternative standards of credit assessment, where needed, for the purpose of replacing references to CRA ratings in laws and regulations for investment funds management.	National Sectorial Competent Authorities CNMV/Spanish Treasury	The CRA III package contains an amendment of Directive 2003/41/EC on Investments in Occupational Pensions, Directive 2009/65/EC on UCITS and Directive 2011/61/EU on Alternative Investment Fund Managers, to strengthen requirement for own credit risks assessment and not solely and mechanistically rely on external credit ratings. Spain is undertaking the transposition of the amendments to these directives on Spanish legislation. CNMV's Circular 6/2010, on CIS investment in derivatives instruments, was amended to delete the requirement that OTC´s counterparty had a minimum CRA rating. It was replaced by the internal management company´s assessment of the counterparty´s creditworthiness. Those other CRA´s minimun rating´s that still prevailed in our regulation have been supplemented by an additional requirement: the management company´s should conduct a comprehensive analysis in order to prove that solvency. Additionally, CNMV´s Circular 6/2009, on Management Companies´ internal control, requires the management companies to have a proper management risk process in place	18 months after entry into force on May 21 June 2013

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
2. Reducing market reliance on CRA ratings (Principle II)			
a) Enhance supervisory processes and procedures to assess the adequacy of market participants' own credit assessment processes.	National Sectorial Competent Authorities CNMV	The CRA III package contains an amendment of Directive 2003/41/EC on Investments in Occupational Pensions, Directive 2009/65/EC on UCITS and Directive 2011/61/EU requirering competent authorities to monitor adequacy of adequacy of ownc credit risk assessment processes of the supervised entities The CNMV carries out periodic inspections to the management companies to verify, among other aspects, that these companies have a proper risk management process, which includes, among others, credit risk. Additionally, in the case of guaranteed funds, we require from the assess management company a report regarding the solvency of the guarantor. The CNMV analyses the report in order to ascertain the necessary solvency of the guarantor	18 months after entry into force on May 21 June 2013
3. Application of the basic principles to particular financial market activities (Principle III.3)			
a) Establish, as appropriate, supervisory review of internal limits and investment policies of investment managers and institutional investors.			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
a. Insurance companies (in their capacity as institutional investors)		See answer point 5.3	
b. Investment managers (i.e. mangers of collective investment schemes).		See answer point 5.3	
c. Alternative investment managers (e.g. hedge funds, endowments).		See answer point 5.3	
d. Managers of occupational retirement schemes.		See answer point 5.3	
b) Require changes to internal limits and investment policies.			
a. Insurance companies (in their capacity as institutional investors)			
b. Investment managers (i.e. mangers of collective investment schemes).	CNMV	The CIS managers when describing their CIS investment policy in prospectus may set a minimum CRA rating. Up to now, we have not required deleting these mentions from CIS prospectuses.	
c. Alternative investment managers (e.g. hedge funds, endowments).		See answer b. above.	
d. Managers of occupational retirement schemes.			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
c) Incentivise compliance with the CRA Principles.			
a. Insurance companies (in their capacity as institutional investors)		See answer point 5.1 a) & b)	
b. Investment managers (i.e. mangers of collective investment schemes).		See answer point 5.1 a) & b)	
c. Alternative investment managers (e.g. hedge funds, endowments).		See answer point 5.1 a) & b)	
d. Managers of occupational retirement schemes.		See answer point 5.1 a) & b)	
d) Strengthen supervisory oversight to assess whether investments managers and institutional investors have made changes to the role that CRA ratings play in investment mandates, thresholds and triggers.			
a. Insurance companies (in their capacity as institutional investors)		See answer point 5.3	
b. Investment managers (i.e. mangers of collective investment schemes).		See answer point 5.3	
c. Alternative investment managers (e.g. hedge funds, endowments).		See answer point 5.3	
d. Managers of occupational retirement schemes.		See answer point 5.3	

6. ANNEX V: COLLATERAL POLICIES FOR CENTRAL COUNTERPARTIES (CCPS)

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
Based on the findings from the stock-taking exercise, please describe the areas identified as needing change and those areas considered priorities, as well as the steps authorities intend to take to reduce reliance on CRA ratings in laws and regulations. In addition, authorities should describe the incentives put in place for market participants to develop their own independent credit assessment processes. Examples of incentives might include disclosure requirements relating to credit risk assessment practices or articulating clear supervisory expectations of the extent to which CCPs should perform their own due diligence.			
Regulation No 648/2012 (EMIR)2 does not contain any references to credit ratings. Implementing measures (Commission delegated regulation No 153/2013) also did not include any references to credit ratings. Creditworthiness assessment for the purpose of CCPs' investment and collateral policy is based on a qualitative approach: it is specified that '*in performing such assessment the CCP shall employ a defined and objective methodology that shall not fully rely on external opinions*'.			
1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
a) Remove references to CRA ratings in laws and regulations relating to collateral policies for CCPs.	Commission based on technical advice from ESMA	The general obligation in the CRA III requires the Commission, based on technical advice from ESMA, to submit a report to the European Parliament and to the Council on (a) the steps taken as regards the deletion of references to credit ratings which trigger or have the potential to trigger sole or	Report end 2015/ completion 2020

[2] Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
		mechanistic reliance and (b) alternative tools to enable investors to make their own credit risk assessment of issuers and of financial instruments, with a view to deleting all references to credit ratings in Union law for regulatory purposes by 1 January 2020, subject to appropriate alternatives being identified and implemented. This obligation covers the use of external rating ratings in laws and regulations relating to collateral policies for CCPs.	
b) Develop alternative standards of credit assessment, where necessary, for the purpose of replacing references to CRA ratings in laws and regulations relating to collateral policies for CCPs.			
2. Reducing market reliance on CRA ratings (Principle II)			
a) Enhance supervisory processes and procedures to assess the adequacy of CCPs' own credit assessment processes.			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
3. Application of the basic principles to particular financial market activities (Principle III)			
3.1 Central counterparties and private sector margin agreements (Principle III.4a)			
a) Conduct stress tests or estimate the procyclical effect, on the overall margin requirements for the CCP participants, of a sudden downgrade of the credit ratings of some widely used securities.			
b) Assess the reliance on credit ratings in the investment policy of the CCP.			
c) Review private sector margin agreements to ensure compliance with the Principle.			
d) Require changes to private sector margin agreements.			
e) Incentivise compliance with the CRA Principles.			

Annex VI: Securities Issuance (debt and equity, whether public issuance or private placement), including asset-backed securities and corporate debt

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
Based on the findings from the stock-taking exercise, please describe the areas identified as needing change and those areas considered priorities, as well as the steps authorities intend to take to reduce reliance on CRA ratings in laws and regulations. In addition, authorities should describe the incentives put in place for market participants to develop their own independent credit assessment processes. Examples of incentives might include disclosure requirements relating to credit risk assessment practices.			
Prospectus Directive: Directive 2010/73/EU there are no specific references to credit ratings. Regulation 809/2004 introduces a requirement for an issuer to disclosure in the prospectus of a credit rating (of the issuer and/or of debt securities) when available. Furthermore, the issuer would need to complement the prospectus if the credit rating is changed during the offer period, following an assessment made on a case by case basis by the national competent authority responsible for the approval of the prospectus. However, the approach outlined in Regulation 804/2004 is not considered as sole and mechanistic reliance on credit ratings The main step taken is the general revision under CRA III Regulation, requiring the Commission to review whether references to credit ratings in Union law trigger or have the potential to trigger sole or mechanistic reliance on credit ratings with a view to deleting all references to credit ratings in Union law for regulatory purposes by 1 January 2020, provided that appropriate alternatives to credit risk assessment have been identified and implemented.			
1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
a) Remove references to CRA ratings in laws and regulations related to securities issuance.	Commission based on technical advice	The general obligation in the CRA III requires the Commission, based on technical advice from ESMA, to submit a report to the	Report end 2015/ completion 2020

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
	from ESMA	European Parliament and to the Council on (a) the steps taken as regards the deletion of references to credit ratings which trigger or have the potential to trigger sole or mechanistic reliance and (b) alternative tools to enable investors to make their own credit risk assessment of issuers and of financial instruments, with a view to deleting all references to credit ratings in Union law for regulatory purposes by 1 January 2020, subject to appropriate alternatives being identified and implemented. This obligation covers the use of external rating ratings in laws and regulations relating to securities issuance.	
b) Develop alternative standards of credit assessment, where necessary, for the purpose of replacing references to CRA ratings in laws and regulations relating to securities issuance.			
2. Reducing market reliance on CRA ratings (Principle II)			
a) Enhance supervisory processes and procedures to assess the adequacy of market participants own credit assessment processes.			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
3. Application of the basic principles to particular financial market activities (Principle III)			
3.1 Central counterparties and private sector margin agreements (Principle III.5a)			
a) Review the role of credit rating in disclosures by issuers of securities.			
b) Reduce the role of credit ratings in disclosures by issuers of securities (list the steps to take).			

7. ANNEX VII: SECURITIES FIRMS (BROKER-DEALERS)

Action to be taken	Responsible national authority	Milestones to be met (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
Based on the findings from the stock-taking exercise, please describe the areas identified as needing change and those areas considered priorities, as well as the steps authorities intend to take to reduce reliance on CRA ratings in laws and regulations. In addition, authorities should describe the incentives put in place for market participants to develop their own independent credit assessment processes.			
1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
a) Remove references to CRA ratings in laws and regulations relating to securities firms.	Commission based on technical advice from ESMA	The general obligation in the CRA III requires the Commission, based on technical advice from ESMA, to submit a report to the European Parliament and to the Council on (a) the steps taken as regards the deletion of references to credit ratings which trigger or have the potential to trigger sole or mechanistic reliance and (b) alternative tools to enable investors to make their own credit risk assessment of issuers and of financial instruments, with a view to deleting all references to credit ratings in Union law for regulatory purposes by 1 January 2020, subject to appropriate alternatives being identified and implemented. This obligation covers the use of external rating ratings in	Report end 2015/ completion 2020

Action to be taken	Responsible national authority	Milestones to be met (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
		laws and regulations relating to securities firms.	
b) Develop alternative standards of credit assessment, where necessary, for the purpose of replacing references to CRA ratings in laws and regulations relating to securities firms.	CNMV	Laws and regulations to Securities Firms in Spain do not refer to CRA, except for capital requirements and Investment Firms Regulation 217/2008 (transposition of MiFID, article 18 of implementing directive 2006/73/EC). The above mention capital requirements will be, since January, 1st 2014, CDR IV and CRR. Every change to reduce reliance in CRA ratings must be promoted at EU level, as far as CRR and Directive 2006/73/EC are compulsory to Securities Firms.	

Action to be taken	Responsible national authority	Milestones to be met (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
2. Reducing market reliance on CRA ratings (Principle II)			
a) Enhance supervisory processes and procedures to assess the adequacy of securities firms' own credit assessment processes.	CNMV	CNMV supervisory processes are open to review securities firms´ own credit assessment. However, credit risk is not the main risk at which securities firms are exposed. Due to relatively small positions exposed to credit risk, no securities firm in Spain uses their own credit assessment processes to calculate capital requirements and consequently is difficult to motivate their use. Every change in article 18 of implementing Directive 2004/39/EC will be transposed into Spanish legislation	