

France

FR Action Plan to reduce reliance on CRA Ratings (Complement to Joint EU Response¹)

¹ EU Regulations are directly applicable throughout the EU; EU Directives have to be transposed in national law of EU Member States.

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”)
1.1. 1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
<p><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.</i></p>			
a) Remove references to CRA ratings in laws and regulations relating to banks.	EU Commission / Council / EU Parliament	See EU response.	See EU response.

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.	EU Commission/ Council/ Parliament	See EU response. Regulation EU n°575/2013 (CRR) on prudential requirements is a legally binding text of maximum harmonisation. Therefore, there is almost no room for national initiatives in that field. As a consequence of the implementation of the CRR, existing national provisions related to prudential requirements applicable to banks corresponding to the scope of the CRR will be removed.	See EU response.
1.2. 2. Reducing market reliance on CRA ratings (Principle II)		1.3.	1.4.
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.	ACPR	Most of the French major banks have been able to obtain a supervisory approval by the ACPR to use the internal rating based approach (IRB) which constitutes a major step in order to achieve a meaningful and critical own assessment of the debtor and transaction characteristics. At the end of 2012, 61% of	Completed

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		<p>French credit institutions (in terms of number of institutions) are using the IRB approach.</p> <p>On-site inspections and off-site examinations including regular supervisory reporting are in place in order to ensure the quality and reliability of the IRB method implemented both on an initial basis (initial approval) and on-going basis (including necessary updates). Such situation therefore results in a limited overall reliance on CRA ratings in France.</p> <p>Moreover, the ACPR, in line with the EU regulatory framework and national provisions, requests that banks have adequate internal policies and procedures before granting credit to customers in order to assess their solvency and credit quality, including for banks which use the standardised approaches for calculating their capital requirements.</p>	

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b) Require or incentivise market participants to disclose information about their internal credit risk assessment processes.	ACPR	Regulation EU n°575/2013 (CRR) is directly applicable in all EU jurisdiction from 1 January 2014. It requires institutions using the IRB approach to disclose information about internal ratings systems. Such a disclosure requirement was also existing in the previous EU regulatory framework (CRD3) transposed by national authorities.	Completed
<i>1.4.1. 3.2 Prudential supervision of banks (Principle III.2)</i>		<i>1.4.2.</i>	<i>1.4.3.</i>
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).	ACPR	- IRB Approach: Article 144 and following of the CRR Regulation, in line with the Basel framework and previous European directives, requires that the supervisor has to assess that banks applying for supervisory approval of their IRB approaches should use a tested, documented and meaningful internal rating system, under the control of an independent credit risk unit. This system should also play “an essential role in the risk management and decision-making process,	Completed

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		<p>and in the credit approval, internal capital allocation and corporate governance functions of the institution”.</p> <ul style="list-style-type: none"> - Standardised Approach: See 2a). Several texts, e.g. French regulations (notably Regulation 97-02 on internal control and risk management) or EU legal frameworks, require banks (irrespective of the use of the IRB or Standardised approach) to have adequate risk management policies in place. The implementation of these provisions has been subject for a long time to close scrutiny by the ACPR, including enforcement actions when needed. 	

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b) Revise CRA ratings in other prudential supervisory policies (e.g. relating to liquidity requirements) to reduce reliance on CRA ratings.	ACPR	See above. Regulation EU n°575/2013 (CRR) is directly applicable in all EU jurisdiction from 1 January 2014 and goes beyond capital requirements by notably including specific provisions related to liquidity. These liquidity provisions rely to some extent on CRA ratings. As mentioned in 1b) Regulation EU n°575/2013 (CRR) is a legally binding text of maximum harmonisation. Therefore, there is almost no room for national initiatives in that field.	n/a

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”)
2.1. 3. Application of the basic principles to particular financial market activities (Principle III)			
<i>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.</i>			
<i>2.1.1. 3.1 Central bank operations (Principle III.1)</i>			
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.	ECB Banque de France	See ECB response Currently for the reserve management, before being authorized, counterparties are subject to an in-depth credit analysis done by BdF analysts. In addition, existing counterparties will be reviewed at least annually by an analyst. The frequency of reviews will be based on the size of the exposure to each counterparty	

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b) Adjust policies for imposing risk control measures (including haircuts) on financial instruments to align with the FSB Principles on CRA ratings.		See ECB response	
c) Develop the central bank’s internal credit risk assessment capabilities and use of alternative measures of creditworthiness.	Banque de France	<p>The Banque de France has its own rating system which relies on an individual and in-depth assessment based on both qualitative and financial data. It concerns a wide perimeter of more than 260 000 companies (with a significant turnover).</p> <p>Recognized as an ICAS and an ECAI (see definitions hereunder), the BDF rating system has been an alternative measure of creditworthiness for credit institution for the prudential supervision (CRD) since 2007 and for monetary refinancing operations (selection of eligible collateral) for longer time.</p> <p>Concerning the assessment of eligible assets for refinancing operations, it is useful to remind the lower reliance on CRA rating compared with other European area countries. Thus, at the end of 2013, the eligibility of 40% of corporate credit claims brought by French banks for refinancing operations was</p>	<p>Completed for non financial companies;</p> <p>Ongoing work at Eurosystem level for sovereign and structured exposures</p>

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		<p>assessed on the base of the BDF rating (the other main assessment source used by French banks being IRB systems).</p> <p>This figure is all the more important since 48% of the French collateral is composed of credit claims (versus an average of 20% for the collateral deposited by all the commercial banks of the Eurosystem – ECB source).</p> <p>It should however be underlined that the BDF rating system, as other ICAS, differs from CRA models and therefore cannot be considered as equivalent for other issues as e.g. access to financial markets: in particular its scope is limited to resident non-financial companies, it does not concern structured financial products, its ratings are not publicly accessible and reserved to rated companies and banking subscribers.</p> <p>As an ICAS, the BdF actively participates to the actions taken at the ECB level to enhance the Eurosystem’s internal credit assessment capacities. One of these actions consists in supporting the creation of new ICAS with a higher harmonization of</p>	

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		<p>processes for their validation and supervision. The BdF also cooperates with other existing ICAS to offer assistance to new ICAS and applicants.</p> <p>For European monetary policy operations, our reference is the first best rating as detailed within the General Directive (see https://www.ecb.europa.eu/ecb/legal/pdf/02011o0014-20130103-en.pdf note 67 p 51). Two Task Forces are being created currently within the Eurosystem to explore the possibilities to define in-house credit assessment for structured finance and sovereign exposure to be used for monetary policy. However we are at a very early stage: mandates of those two Task Forces are still being discussed.</p> <p>Definitions:</p> <p>ICAS (In-house Credit Assessment System): The ICAS status encompasses the national Central Banks (NCB) belonging to the Eurosystem whose credit assessment system may be used by credit institutions for assessing the quality of credit claims brought as</p>	

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		<p>collateral for refinancing operations. Granted by the BCE, this status presently concerns seven National Banks.</p> <p>ECAI (External Credit Assessment Institution): The ECAI status encompasses those institutions whose credit assessment system may be used by credit institutions for determining the risk weight of exposures within the European prudential framework². This status concerns registered CRAs and national central banks respecting specific conditions foreseen in the European regulation on CRAs. Banque de France is in fact the sole NCB whose ratings are used by credit institutions to calculate the risk weighted exposure amounts.</p>	

² According to regulation (EU) no 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms, “external credit assessment institution' or 'ECAI' means a credit rating agency that is registered or certified in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies or a central bank issuing credit ratings which are exempt from the application of Regulation (EC) No 1060/2009.”

3. ANNEX III: INSURANCE/REINSURANCE COMPANIES³

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”)
3.1. 1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
<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.</i>			

³ 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.	Ministry of Finance	Investments rules in securitization funds were amended through a new regulation adopted in August 2013. This new regulation allows the investment by insurance undertakings in non-listed and non-rated securities issued by securitization when a full range of quality, security and transparency criteria (quality of underlying assets, no tranching of the funds, regular information of the investors about each individual line of the funds...) are met by the fund and its manager. This new regulation thus offers alternative criteria to credit rating in the process of investments selection.	Completed
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.		See above	Completed

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. 2. Reducing market reliance on CRA ratings (Principle II)		3.3.	3.4.
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 ACPR	(See EU response for due diligence requirements to assess credit quality)	
b) Require or incentivise market participants to disclose information about their internal credit risk assessment processes.	EIOPA	See EU response	

4. ANNEX IV: INVESTMENT FUNDS MANAGEMENT

(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”)
<p>4.1. 1. Reducing reliance on CRA ratings in laws and regulations (Principle I)</p>			
<p><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.</i></p>			

<p style="text-align: center;">Action to be taken</p>	<p style="text-align: center;">Responsible national authority</p>	<p style="text-align: center;">High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)</p>	<p style="text-align: center;">Milestones and expected completion date</p> <p style="text-align: center;">(e.g. “end-2014” or “one year after new international standards agreed”)</p>
<p>France has taken various steps to transpose into French law the EU sectorial directives for investment management or funds and to complement the general principles introduced by CRA III regulation at the EU level.</p> <p>France has already completed the transposition into French law of EU law regarding the use of credit ratings in asset management (namely directive 2013/14/UE of 21 May 2013) .</p> <p>In addition to rules already enacted and to ongoing oversight expected to take place as described below, the AMF also expects to draw from the outcome of the current work-stream of IOSCO’s Committee on Investment Management (C5), aimed at identifying a set of Best Practices to reduce investment managers’ and end-investors’ reliance on external credit rating agencies. As part of this work-stream, which the AMF is co-chairing, a consultation paper is to be launched by mid-2014.</p>			

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a) Remove references to CRA ratings in laws and regulations for investment funds management.		See EU Commission response: currently, the relevant legislation in the investment fund management sector does not contain references to external credit ratings.	
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.	French legislator / AMF	France has already implemented articles 2 and 3 of directive 2013/14/UE by way of ordinance n°2013-676 of 25 July 2013 which amends art. L. 533-10-1 of the French code monétaire et financier and provides that asset management companies shall not rely solely or mechanically on credit ratings issued by CRAs to assess the creditworthiness of portfolio assets. The scope of such a principle is wider than what was actually required by the directive as it includes asset management companies managing discretionary mandates, in addition to those managing AIFs and UCITS.	Completed

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”)
4.2. 2. Reducing market reliance on CRA ratings (Principle II)		4.3.	4.4.
a) Enhance supervisory processes and procedures to assess the adequacy of market participants’ own credit assessment processes.	AMF	<p>Where authorization by the AMF is sought by an asset management company, the existence of specific due diligence and internal procedures to assess the credit risk of portfolio assets will now become one of the criteria that the AMF will look at specifically when assessing an investment manager’s risk management system.</p> <p>From 2014, as part of its ongoing supervision and on-site visits of authorized asset management companies, the AMF intends to focus its attention on how these companies have implemented an internal credit rating system and the extent to which they still take into account external credit ratings from CRAs in their investment policies and decisions.</p>	2014 onwards

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”)
		<p>Depending on the outcome of such monitoring, the AMF will consider updating its existing guidance to asset managers so as to clarify how they should structure their internal credit risk assessment capacities and what good practices they should adhere to when taking into account external credit ratings as inputs to their risk management system.</p> <p>To that aim, the AMF expects to draw from the outcome of the current work-stream of IOSCO’s Committee on Investment Management (C5), aimed at identifying a set of Best Practices to reduce investment managers’ and end-investors’ reliance on external credit rating agencies (see 4.1)</p>	
4.5. 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 3.1 a) for the removal of exclusive references to ratings in French regulation governing investments by insurance companies; see EU Response for requirements in Solvency II regarding the requirement to have an internal credit assessment if an item is part of the larger or more complex exposures. ACPR will monitor compliance with such requirements	
b. Investment managers (i.e. managers of collective investment schemes).		See answer point 4.3	
c. Alternative investment managers (e.g. hedge funds, endowments).		See answer point 4.3	
d. Managers of occupational retirement schemes.		(no significant pension funds sector in France; regulated as insurance companies)	
b) Require changes to internal limits and investment policies.			

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a. Insurance companies (in their capacity as institutional investors)		See EU Response for requirements in Solvency II regarding the requirement to have an internal credit assessment if an item is part of the larger or more complex exposures. ACPR will monitor compliance with such requirements	
b. Investment managers (i.e. managers of collective investment schemes).		See answer point 4.3	
c. Alternative investment managers (e.g. hedge funds, endowments).		See answer point 4.3	
d. Managers of occupational retirement schemes.			
c) Incentivise compliance with the CRA Principles.			
a. Insurance companies (in their capacity as institutional investors)			
b. Investment managers (i.e. managers of collective investment schemes).		See answer point 4.1 b)	

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. Alternative investment managers (e.g. hedge funds, endowments).		See answer point 4.1 b)	
d. Managers of occupational retirement schemes.			
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 EU Response for requirements in Solvency II concerning due diligence to assess credit quality. ACPR will monitor compliance with such requirements	
b. Investment managers (i.e. managers of collective investment schemes).		See answer point 4.3	
c. Alternative investment managers (e.g. hedge funds, endowments).		See answer point 4.3	
d. Managers of occupational retirement schemes.			

5. 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”)
<p><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 CCPs should perform their own due diligence.</i></p>			
<p>5.1. 1. Reducing reliance on CRA ratings in laws and regulations (Principle I)</p>			
<p>a) Remove references to CRA ratings in laws and regulations relating to collateral policies for CCPs.</p>	<p>EU Commission / Council / Parliament</p>	<p>See EU response</p>	<p>See EU response</p>

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 necessary, for the purpose of replacing references to CRA ratings in laws and regulations relating to collateral policies for CCPs.	EU Commission / Council / Parliament	See EU response	See EU response
5.2. 2. Reducing market reliance on CRA ratings (Principle II)		5.3.	5.4.
a) Enhance supervisory processes and procedures to assess the adequacy of CCPs’ own credit assessment processes.	ACPR AMF Banque de France	<p>The adequacy of the CCP’s credit assessment processes is assessed by the CCP’s national competent authorities and College of regulators as required by Regulation (EU) No 648/2012 (EMIR).</p> <p>The ratings are not a key element of the initial margins models of the CCP and risk assessment processes.</p> <p>However, the rating is taken into account as a parameter among others to evaluate the credit risk of the CCP on the clearing member and then to determine if additional margins are necessary. The haircut applied to securities accepted as collateral depends on both the modified duration and the nature</p>	N/A. The adequacy of the CCP’s risk assessment processes is reviewed as part of the annual CCP risk assessment conducted by the NCAs.

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		(ie country of issue) of securities deposited as initial margins, which are divided into different classes. Certain collateral can from time to time be subject to additional haircuts above those stated. The haircut determination methodology incorporates many parameters out of which credit ratings, while avoiding however cliff-edge effects.	
5.5. 3. Application of the basic principles to particular financial market activities (Principle III)			
<i>5.5.1. 3.1 Central counterparties and private sector margin agreements (Principle III.4a)</i>			
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.	ACPR AMF Banque de France	N/A. The CCP does not conduct stress tests or estimate the procyclical effect of a sudden downgrade of the credit ratings of any securities. Under the Collateral Policy of the CCP, securities acceptable as collateral are explicitly listed and as such do not rely on CRA ratings.	N/A
b) Assess the reliance on credit ratings in the investment policy of the CCP.	ACPR	The reliance on credit ratings in the investment policy of the CCP is limited by the provisions detailed in Article 47 of Regulation	N/A

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	AMF Banque de France	(EU) No 648/2012 (EMIR) and Article 45 of the Delegated Regulations (The Regulatory Technical Standards). Counterparty Risk is assessed under a Credit Assessment Policy which uses CRA ratings as part of an internal Credit Assessment Toolbox but which does not solely rely on them. Security purchases are limited to ECB eligible instruments; no reference to CRA ratings is made in the Investment Policy of the CCP.	
c) Review private sector margin agreements to ensure compliance with the Principle.	ACPR AMF Banque de France	As a credit institution in France a CCP is subject to the periodical review of its risk models by the national banking supervisor. Furthermore EMIR gives the National Competent Authorities and the College of supervision a validation role of any material change in the risk models used for margin determination.	Annual review by NCAs and submitted to authorisation in the case of material changes in the risk model.
d) Require changes to private sector margin agreements.	ACPR AMF Banque de France	No explicit powers are given to the supervisors. Nevertheless EMIR and the RTS developed by ESMA impose risk models to be reviewed periodically and more importantly not to depend explicitly on CRA ratings as well as to avoid any procyclical	

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		effects. As such cliff or triggering effects induced by the use of CRA ratings must be avoided.	
e) Incentivise compliance with the CRA Principles.	ACPR AMF Banque de France	N/A	N/A

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”)
<p><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.</i></p>			

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”)
<p>As far as French financial markets are concerned, and in accordance with Prospectus directive (see joint EU response) that applies in case of public offering or listing on regulated markets, there is no specific requirement for credit ratings in French laws and regulations. The regime of Prospectus directive has been transposed into the French “code monétaire et financier” (“monetary and financial code”) and the AMF’s “règlement general” (general regulation, with no additional requirement regarding credit ratings.</p> <p>The only rule applicable derives directly from EU regulation 809/2004 implementing the Prospectus Directive, according to which the prospectus must mention the rating, if such rating exists. Thus, the regime for debt securities issuance (with listing on a regulated market or public offer) requires the issuer to disclose in the prospectus a credit rating (of the issuer and/or of debt securities) when available and to the extent that the issuer has solicited it or has collaborated with agencies in the process of rating.</p> <p>As explained in the joint EU response, this approach is not considered as sole and mechanistic reliance on credit ratings.</p>			
<p>6.1. 1. Reducing reliance on CRA ratings in laws and regulations (Principle I)</p>			
<p>a) Remove references to CRA ratings in laws and regulations related to securities issuance.</p>		<p>By way of ordinance n°2013-676 of 25 July 2013, France deleted from the French “code</p>	

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”)
		monétaire et financier” the requirement for French securitisation vehicles (French “organismes de titrisation”) to be rated when their securities are admitted to trading (article formerly L. 244-44, now L. 244-170).	
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.			
6.2. 2. Reducing market reliance on CRA ratings (Principle II)		6.3.	6.4.
a) Enhance supervisory processes and procedures to assess the adequacy of market participants own credit assessment processes.			
6.5. 3. Application of the basic principles to particular financial market activities (Principle III)			
<i>6.5.1. 3.1 Central counterparties and private sector margin agreements (Principle III.5a)</i>			
a) Review the role of credit rating in disclosures by issuers of securities.			

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) Reduce the role of credit ratings in disclosures by issuers of securities (list the steps to take).		<p>In its role as a member of ESMA, the AMF is taking part to the implementation of permanent detailed reporting for securitisation instruments.</p> <p>This reporting required by article 8b of CRA III regulation (directly applicable in France) will be set out by implementing rules being currently drafted by ESMA (“draft technical standards on structured finance instruments”). The view is to foster more transparency and to help investors to carry out their own diligences.</p> <p>The draft rules will then be subject to enactment by the European commission, before to be applicable to securitisation instruments in the EU.</p>	After submission of draft technical standards by mid-2014

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”)
<p><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.</i></p> <p>General remarks :</p> <p>For the banks which have been granted a licence in order to deal in securities, see the annex on Banks.</p> <p>The legal framework for securities firms is harmonised at UE level, through the Directive 2004/39 (MIFID) currently under revision, and the MIFID Implementing Directive. The CRD IV also makes reference to the MIFID for the access to the activity and prudential supervision of those entities. Therefore, for most of the questions, see UE response, as the national laws are conceived in order to transpose faithfully the aforementioned UE directives.</p>			
<p>7.1. 1. Reducing reliance on CRA ratings in laws and regulations (Principle I)</p>			
<p>a) Remove references to CRA ratings in laws and regulations relating to securities firms.</p>	<p>ACPR</p>	<p>See EU response.</p>	<p>See EU response</p>

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”)
		Article 18(1) of the MIFID Implementing Directive contains references to credit ratings, which are transposed into article 2 of the French Order of 2 July 2007 on 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.	ACPR	See EU response.	See EU response
7.2. 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.	ACPR	See EU response	See EU response