MEXICO

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.			

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.	National Banking and Securities Commission (CNBV)	The removed references concern the following topics: –Approach for loan loss reserves of the loans granted to subnational governments; and –Loan loss reserves. The CNBV is compliant to the Credit Risk Standardized Approach of the Basel II Framework in which CRA ratings are an integral part. This applies to corporations, securitizations, foreign financial institutions as well as to states and municipalities.	No further steps are envisaged at the moment.

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.	CNBV	The new methodology estimates the expected loss of the loans, which is based in quantitative factors such as credit records (credit reporting agency source) and borrower's financial information to determine the debtor's willingness to pay. CRA rating is no longer the main factor to evaluate the credit risk of loans. Furthermore, regarding securitizations, the capital rule requires the underlying assets to be internally valued by the bank. The assigned CRA rating should not be the sole factor for solvency purposes.	No further steps are envisaged at the moment.

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 banks' own credit assessment processes and incentivise market participants to develop internal risk management capabilities.	CNBV	In respect of securities issuances, as well as for other products, intermediaries are obliged to conduct an analysis that includes: - The risk associated, including credit, liquidity and market risks, as well as an evaluation of assets thereunder. - Financial situation (historic data) of the issuer, counterparty or provider of the derivative component. In addition, in the case of ABS securities, derivatives, structured notes, and other complex products, the assessment must include: - Assets thereunder or components from which flows depend; - The structure of the security including flow of funds analysis, and the evaluation of how associated risks are contained or increased, as well as the functions of third parties within that structure.	No further steps are envisaged at the moment.

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.			
3.2 Prudential supervision of banks (Principle III.2)			
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).	CNBV	IRB rating systems should essentially be in line with the requirements of the Basel framework. In addition the regulator has highlighted the importance of robust data set in IRB creation. One bank has IRB approval for revolving loans (which accounts for 70.14% of total banking system for revolving loans). The other banks have IRB approval for some segments of commercial loans (which accounts for 13% of total banking system for commercial loans).	No further steps are envisaged at the moment.
b) Revise CRA ratings in other prudential supervisory policies (e.g. relating to liquidity requirements) to reduce reliance on CRA ratings.	CNBV	CRA ratings are used only for the purpose of capital adequacy. The ratings are not used in other prudential policies such as liquidity policies. As such no measures to reduce such reliance are currently necessary.	No further steps are envisaged at the moment.

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.				
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.	Central Bank of Mexico (Banxico)	Banco de México does not rely on credit ratings criteria for its open market operations since any provision of liquidity is fully collateralized by federal government securities (in addition to the applied haircut). On its credit standing facilities, where the range of eligible collateral is more flexible, CRA ratings are just one element considered to determine which instruments are eligible as collateral or the amount of the haircut to be applied. Additional information comes from the banking supervisor and the central bank's own assessment of market and credit risks. The eligibility of financial instruments and counterparts	No further steps are envisaged at the moment.

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")
		for international reserves management is mainly based on CRA ratings. However, the central bank uses a credit risk model to determine single-name exposure limits for time deposits, which is based on CRA ratings and other market information. There are currently no plans to adjust this credit risk model to reduce reliance on CRA ratings.	
b) Adjust policies for imposing risk control measures (including haircuts) on financial instruments to align with the FSB Principles on CRA ratings.	Banxico	For instruments eligible for the credit standing facilities, the central bank complements CRA ratings with its own assessment of credit risks. To determine eligibility and haircuts for certain instruments (e.g., loans), the central bank uses the National Banking and Securities Commission (CNBV) methodology to determine loan-loss reserves, even for borrowers rated by a CRA. Haircuts are based on a parametric method. The role of CRA ratings is complemented with additional evaluations, assessments and market indicators, which could modify the haircuts used. There are currently no plans to adjust these practices.	No further steps are envisaged at the moment.

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) Develop the central bank's internal credit risk assessment capabilities and use of alternative measures of creditworthiness.	Banxico	Banco de México has not modified and it is not planning to modify its guidelines regarding the role played by CRA ratings. CRA ratings are a major component of the policies for international reserves risk management, but their role is less important for the standing facilities. Ratings are not used to determine eligibility of collateral for open-market operations. Banco de México is not planning to substitute the CRA ratings with an internal credit risk scoring model. However, the central bank has taken some actions to complement CRA ratings with alternative measures of creditworthiness. This includes enhancing its existing credit risk analysis through more balance sheet analysis and additional information (such as CDS spreads and macroeconomic indicators), conference calls with research teams and market intelligence.	No further steps are envisaged at the moment.

Annex III: Insurance/Reinsurance Companies

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.			
a) Remove references to CRA ratings in laws and regulations relating to insurance/reinsurance companies.	National Insurance and Sureties Commission (CNSF)	The draft of secondary regulation proposes to eliminate investment restrictions that are currently related to the credit rating of the issuer. It is proposed to reflect the issuer's credit risk in capital requirements.	Until secondary regulation is effectively implemented in practice.
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.	CNSF	The draft of secondary regulation also contemplates the use of internal models so that institutions can measure more adequately their risks.	Until secondary regulation is effectively implemented in practice.

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 insurers'/reinsurers' own credit assessment processes and incentivise market participants to develop internal risk management capabilities.	CNSF	Authorities can verify that institutions make an accurate measurement of risks through in situ or extra situ supervision. The supervisory authority can verify that institutions make an accurate measurement of risks and apply measures designed to correct deficiencies in their operations to maintain an adequate solvency of institutions.	Until the publication of secondary regulation, June 2015.
b)	Require or incentivise market participants to disclose information about their internal credit risk assessment processes.	CNSF	The new law and supporting regulation (April 2013) will make market participants to disclose for each category of risk, in particular for credit risk, about their risk exposure, risk concentration, risk sensibility and about their risk mitigation processes.	Until the publication of secondary regulation, June 2015.

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")
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.			

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.	CNBV	Mutual Funds Act, Articles 17, 48 and 80 Bis: Upon the determination of the CNBV, investment companies shall obtain a rating that reflects the market and credit risks of their securities as well as of the quality of their management. The CNBV should also establish through general dispositions the frequency and the terms and conditions to disclose such rating. Rating services should be performed by rating agencies authorized by the CNBV, and should comply with the applicable legal and administrative rules. The CNBV may issue prudential regulation applicable to investment funds, operators, distributors and valuation companies on internal controls, conflicts of interest, corporate practices and audit, risk management and transparency, disclosure of returns and equity of operations and services, and protection of the public and investors in general, to preserve liquidity, solvency and stability of investment funds. Also, the CNBV may issue rules with the criteria that may apply to the identification, measurement and disclosure of the credit and liquidity risks of the investment funds, taking into consideration the type of fund and its classification. Also, these rules may exempt investment funds from the requirement to hire the rating agency.	New rules are expected to be issued in 2015.

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.	CNBV	The Mutual Funds Bill, recently promulgated by the President, includes the possibility to issue rules that exempt the investment funds to hire a rating agency. These rules shall apply to all investment funds in order to ensure standardization on their risk assessments.	Until Mutual Funds Bill is effectively implemented in practice.
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.	CNBV	Supervisory efforts will review, based on the inspections calendar, the fulfilment of Article 9 of the Mutual Funds Rules.	No further steps are envisaged at the moment.
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)	CNSF	Insurers Investment policy is established by an investment regime. In the case of the insurance sector, investment rules for the coverage of technical provisions, state technical provisions should be backed with investments, in order to face assumed risks in adequate conditions of security, yield and liquidity.	No further steps are envisaged at the moment.
b. Investment managers (i.e. mangers of collective investment schemes).	CNBV	Internal limits are not mandatory. The investment regime for certain mutual funds includes general limits that take into account credit ratings. Since debt funds should be rated, their prospectus are required to mention the minimum credit rating of any security they may invest in.	No further steps are envisaged at the moment.
c. Alternative investment managers (e.g. hedge funds, endowments).	CNBV	There are no hedge funds in Mexico under the regulatory framework. For institutional investors such as banks, brokerage houses, mutual funds, etc., see the applicable sections.	No further steps are envisaged at the moment.

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")
d. Managers of occupational retirement schemes.			
b) Require changes to internal limits and investment policies.			
a. Insurance companies (in their capacity as institutional investors)	CNSF	The insurance supervisory authority has adequate powers to require changes to internal limits and investment policies. There are no examples of how those powers have been exercised to incentivize compliance with the CRA Principles.	No further steps are envisaged at the moment.
b. Investment managers (i.e. mangers of collective investment schemes).	CNBV	The CNBV should authorize these limits at the mutual fund start of operations. Besides, powers are related to observe and order mutual funds (their managers) to adjust to their investment regimes, in case limits are exceeded. In this case, certain procedures apply in order to return the portfolio within the regulatory limitations.	No further steps are envisaged at the moment.

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).	CNBV	There are no hedge funds in Mexico under the regulatory framework. For institutional investors such as banks, brokerage houses, mutual funds, etc., see the applicable sections.	No further steps are envisaged at the moment.
d. Managers of occupational retirement schemes.			
c) Incentivise compliance with the CRA Principles.			
a. Insurance companies (in their capacity as institutional investors)	CNSF	Internal limits and investment policies are routinely reviewed as part of the supervisory process.	No further steps are envisaged at the moment.
b. Investment managers (i.e. mangers of collective investment schemes).	CNBV	Reviews are related to the fulfilment of the investment regimes.	No further steps are envisaged at the moment.
c. Alternative investment managers (e.g. hedge funds, endowments).	CNBV	There are no hedge funds in Mexico under the regulatory framework. For institutional investors such as banks, brokerage houses, mutual funds, etc., see the applicable sections.	No further steps are envisaged at the moment.

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")
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)			
b. Investment managers (i.e. mangers of collective investment schemes).			
c. Alternative investment managers (e.g. hedge funds, endowments).	CNBV	There are no hedge funds in Mexico under the regulatory framework. For institutional investors such as banks, brokerage houses, mutual funds, etc., see the applicable sections.	No further steps are envisaged at the moment.
d. Managers of occupational retirement schemes.			

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.			
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.	CNBV Banxico	Laws and regulations do not include references to CRA ratings relating to collateral policies for CCPs. The Securities Market Law, establishes that the Central Counterparties are self-regulatory organizations with the purpose of implementing behaviour and operation standards among their members. The CCP, by operation of law, shall have	No action is required for laws and regulations. However, Banxico will request the CCP a review of the investments of funds internal rules, in order to define plans to move to own

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")
		the nature of self-regulatory organizations and depending on their type and of the activities of their own, may issue standards as appropriate. Currently, the internal rules of the CCP have two procedures that depend on CRA ratings: 1) a prudential rule related to investment policy and 2) a measure for acceptance of letters of credit to integrate funds (See References for a brief description, from a point of view of Banxico and CNBV). Regarding the prudential rule related to investment policy, the Central Bank will request the CCP a review of the investments of funds internal rules, in order to define plans to move to own credit assessments. In the case of letters of credits to integrate funds, the CCP is proposing to Banxico and CNBV to eliminate the acceptance of such letters of credit, reducing the	credit assessments in 2014. Also, CNBV and Banxico are reviewing the proposal of the CCP to eliminate the use of letters of credit to integrate funds.

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")
		dependence on CRA ratings. REFERENCES: **CNBV comments**: The CNBV does not plan to order CCV to perform its own credit assessment. The Commission recommended CCV to eliminate rule 2, CCV is in the process of doing so. 1. "Prudential Rule that establishes the policies to invest the resources that will integrate the CCP funds": The CCP can only invest the guarantee funds in banks with local ratings equivalent to AA or higher. 2. "Measure of the administration risk system that establishes the criteria for CCP to accept letters of credit to integrate funds." CCP will only accept letters of credit issued by institutions that have been	

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")
		assigned with the highest rating of a CRA. Concerning rule 1, Banco de México and the CNBV have power to veto. However, according to the Securities Market Law (article 315), the Banco de México has determined to ask CCP to request its prior authorization for any operative and prudential rule that the CCP pretends to issue or amend, including, the measures of the administration risk system. Notwithstanding the above, the Central Bank has not defined if references to CRA ratings provided by the CCP internal regulations should be removed. In relation with measure 2, the abovementioned authorities may order amendments. Banco de México and CNBV are evaluating the convenience of removing these rules.	

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")
		Banxico Comments: 1. "Prudential Rule that establishes the policies to invest the resources that will integrate the CCP funds": Banks where the resources may be invested must have been assigned by a CRA with a local rating equivalent to AA or higher with respect to the bank's counterparty credit risk rating for the long-term, as issued by the following agencies: Standards and Poor's, FitchRatings, Moody's or HR Ratings. The CCP can only invest the guarantee funds in Banks with a higher rating of a CRA than the rating established in this Prudential Rule. 2. "Measure of the administration risk system that establishes the criteria for CCP to accept letters of credit to integrate funds." CCP will only accept letters of credit issued by institutions that have been	

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")
		assigned with the highest rating of a CRA (AAA) for the counterparty credit risk rating in the long-term, as issued by the following agencies: Standards and Poor's, FitchRatings or Moody's. Concerning rule 1, Banco de México and the CNBV have power to veto. However, according to the Securities Market Law (article 315), the Banco de México has determined to ask CCP to request its prior authorization for any operative and prudential rule that the CCP pretends to issue or amend, including, the measures of the administration risk system. In relation with measure 2, the abovementioned authorities may order amendments.	

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.			
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.	CNBV Banxico	According with our legal framework, CNBV has enough powers to regulate and supervise, the Mexican Securities CCP (Contraparte Central de Valores (CCV)). With respect to prudential rules, Banco de México and CNBV have power to veto. The margin requirements and risk assessments processes do not consider CRA ratings. CRA ratings are only considered in CCV's policies to invest resources to integrate its funds. Therefore, ratings do not have a significant role in risk assessments processes.	The CNBV does not plan to require CCV to perform its own credit analysis when deciding where to invest its funds. The current CCV's policies and mechanisms to invest resources are considered to be cautious. Banxico will request the CCP a review of the investments of

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")
		As indicated in the response to question 1.a) Banxico will request the CCP a review of the investments of funds internal rules, in order to define plans to move to own credit assessments.	funds internal rules, in order to define plans to move to own credit assessments in 2014.
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.	CNBV	Currently, the CCP does not conduct stress tests or estimate the procyclical effects. However, the CCP elaborated a self-assessment against the CPSS-IOSCO PFMIs in June 2013, and based on the results for Principle 5 and 6, it elaborated a plan to address the implementation of procyclicality in the margin methodology by May 2014. Nevertheless, the vast majority of participants' collateral is cash.	Completion of the actions to address procyclicality in the margin methodology according to the PFMIs is expected by May 2014.
b) Assess the reliance on credit ratings in the investment policy of the CCP.	CNBV	The CNBV has as its supervisory policy the adoption of the PFMIs.	No further steps are envisaged at the moment.

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) 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.			
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.			
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.			

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.			
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).			

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.			
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.			

	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.	CNBV	For banks and brokerage houses, the compliance of requirements for Know Your Product Assessments (KYP) is supervised. In respect of securities issuances, as well as for other products, intermediaries are obliged to conduct an analysis that includes a minimum range of factors such as the investment need, the objectives and specification, the risk associated, and any evaluation of the assets thereunder. In case of securities that are rated by a CRA, it is required to consider additional elements to that rating in order to determine credit risk. In addition, in the case of ABS securities, derivatives, structured notes, and other complex products, the KYP assessment must include some other elements to be taken into account.	No further steps are envisaged at the moment.