

Minimum coverage requirements for ECAs in the ECAF

1. The Eurosystem reserves the right to decide whether to initiate an ECAF-acceptance procedure upon request of a credit rating agency (CRA). This decision takes notably into account whether the CRA provides relevant coverage for an efficient implementation of the ECAF according to the following requirements:
 - (a) Concerning current coverage, in each of at least three out of the four asset classes (i) uncovered bank bonds, (ii) corporate bonds, (iii) covered bonds and (iv) ABS, the CRA must provide a minimum coverage of:
 - (i) 10% in the eligible universe of euro area assets, computed in terms of rated assets and rated issuers except for the ABS asset class, for which coverage in terms of rated assets only shall apply; and
 - (ii) 20% in the eligible universe of euro area assets computed in terms of nominal amounts outstanding; and
 - (iii) in at least two-thirds of the euro area countries with eligible assets in the respective asset classes, the CRA shall provide the required coverage of rated assets, rated issuers or rated nominal amounts defined in (i) and (ii).
 - (b) The CRA shall provide sovereign ratings at the minimum for all euro area issuer residence countries where assets in one of the four asset classes mentioned in (a) are rated by this CRA, with the exception of assets for which the Eurosystem considers the respective country risk assessment irrelevant for the credit rating provided by the CRA for the issue, issuer or guarantor.
 - (c) Concerning historical coverage, the CRA shall meet at least 80% of the minimum coverage requirements outlined in (a) and (b) in each of the last three years prior to the application for ECAF acceptance and at least 100% at the time of application and during the entire period of ECAF acceptance.
 - (d) The coverage shall be estimated on the basis of credit ratings issued or endorsed by the CRA in accordance with the CRA Regulation (Regulation (EC) No 1060/2009) and meeting all other requirements for ECAF purposes. The coverage of a CRA shall be computed in line with the priority rules according to Article 84 of Guideline ECB/2014/60 by considering only this CRA's ratings. The coverage shall be based on the eligible assets for Eurosystem monetary policy operations. In the

calculation of the minimum coverage of a CRA not yet accepted for ECAF purposes, the Eurosystem shall also include relevant credit ratings provided for assets that are not eligible because of the lack of a rating from ECAF-accepted ECAs.

2. The compliance of the accepted ECAs with these coverage requirements shall be reviewed annually and non-compliance with the coverage requirements would be sanctioned in accordance with ECAF rules and procedures.
3. Following the initiation of an ECAF-acceptance procedure, the Eurosystem will investigate all additional information deemed relevant to ensure the efficient implementation of the ECAF, including the criteria and rules of the ECAF performance monitoring process. The Eurosystem reserves the right to decide whether to accept an ECAI for the purposes of ECAF on the basis of the information provided and its own due diligence assessment.