HONG KONG MONETARY AUTHORITY
香港金融管理局

Circulars

28 Sep 2006

Basel II – Recognition of External Credit Assessment Institutions and Mapping of Ratings to Risk-Weights

Our Ref: S4/10C
B1/15C

28 September 2006

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Basel II - Recognition of External Credit Assessment Institutions and Mapping of Ratings to Risk-Weights

Further to my letter dated 23 June 2006 on recognition of the assessments of Fitch Ratings, Moody's Investors Service, Standard & Poor's Ratings Services, and Rating and Investment Information, Inc. for Basel II purposes, I write to inform you that assessments by these institutions with respect to collective investment scheme exposures and securitization exposures will also be recognized under the Standardized Approach and the Securitization Framework. Lists of the mapping of these ECAIs' assessments to the credit quality grades/risk-weights for securitization exposures and collective investment scheme exposures are attached at Annexes 1 and 2 respectively, which will be prescribed in the Capital (Banking) Rules to be made by the MA.

Authorized institutions that have collective investment scheme exposures or securitization exposures to be risk-weighted under the Standardized Approach or the Securitization Framework should inform the HKMA which of the 4 ECAIs we have recognized they plan to use plus any others that they would propose to use which we have not yet assessed for recognition. Where an AI proposes to use the assessments of an ECAI that is not currently recognized by the HKMA, the HKMA will approach the ECAI inviting an application for recognition. Whether the assessment of the ECAI's eligibility can be completed before the implementation of the Capital Rules will depend on whether the HKMA has been provided sufficient lead time to undertake the recognition process and to obtain the necessary information from the ECAI.

The list of recognized ECAIs and the mapping of their assessments may be subject to future changes if considered appropriate by the HKMA.

Yours faithfully,
Simon Topping
Executive Director (Banking Policy)

Encl. Annexes 1 and 2 (PDF file, 25KB)

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