

**COMMISSION de SURVEILLANCE
du SECTEUR FINANCIER**

In case of discrepancies between the French and the English text, the French text shall prevail

Luxembourg, 28 February 2011

To all Luxembourg credit institutions and branches of non-EU credit institutions, to all Luxembourg investment firms, branches of non-EU investment firms and Luxembourg management companies subject to Chapter 13 of the law of 20 December 2002 relating to undertakings for collective investment

CIRCULAR CSSF 11/501

Re: Amendments to Annexe 1 of Circulars CSSF 06/273 and CSSF 07/290, as amended, defining capital ratios pursuant to Article 56 of the amended law of 5 April 1993 on the financial sector

Ladies and Gentlemen,

This circular aims to amend Annexe 1: "Mapping of credit assessments established by eligible ECAIs to credit quality steps referred to in the standardised approach for credit risk and in the context of securitisation" of Circulars CSSF 06/273 and CSSF 07/290 as amended.

This amendment results from the recognition by the CSSF of the rating agency DBRS as "eligible ECAI" in accordance with the provisions of Parts VII and X of these circulars, for the market segments "public finance" (including the sovereign ones), "commercial entities" (including banks and firms) and "structured finance" (including ABS but not UCIs).

The CSSF decision on recognition is based on the last sentence of item 77 of Part VII of Circulars CSSF 06/273 and CSSF 07/290 (which provides that, where an ECAI has been recognised as eligible by the competent authorities of a Member State of the European Union, the CSSF will recognise it as such, without carrying out its own evaluation process) and item 82(d) (which requires that at least two credit institutions use the ratings established by the ECAI).

The number of "eligible ECAIs" in Luxembourg now stands at five (it is worth noting that the agencies Standard and Poor's, Moody's, Fitch and JCRA already benefited from that status). It should be borne in mind that the CSSF may, at any time, revoke the recognition of a rating agency as "eligible ECAI" or amend the rating mapping tables in the case where new circumstances or information would justify this revocation or amendment. Possible updates of recognised ECAIs or of the mapping of their assessments are published in the part "Supervisory Disclosure" of the CSSF website, on the page <https://www.cssf.lu/en/supervisory-disclosure/>

This circular enters into force with immediate effect.

Yours faithfully,

COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER

Claude SIMON
Director

Andrée BILLON
Director

Simone DELCOURT
Director

Jean GUILL
Director General

Annexe 1 of Circulars CSSF 06/273 and CSSF 07/290, as amended, defining capital ratios pursuant to Article 56 of the amended law of 5 April 1993 on the financial sector are amended as follows:

The following text is added at the end of Annexe 1:

5. DBRS

5.1. Standardised approach for credit risk

Credit assessments	AAA to AAL	AH to AL	BBBH to BBBL	BBH to BBL	BH to BL	CCCH and below
Credit quality steps	1	2	3	4	5	6

Short-term credit assessments	R-1	R-2	R-3	R-4, R-5
Credit quality steps	1	2	3	4

5.2. Securitisation: Standardised approach

Credit assessments	AAA to AAL	AH to AL	BBBH to BBBL	BBH to BBL	BH to BL
Credit quality steps	1	2	3	4	5

Short-term credit assessments	R-1	R-2	R-3	Below R-3
Credit quality steps	1	2	3	Any other credit assessment

5.3. Securitisation: Ratings Based Method

Credit assessments	AAA	AAH to AAL	AH	A	AL	BBBH	BBB	BBBL
Credit quality steps	1	2	3	4	5	6	7	8

Credit assessments	BBH	BB	BBL	Below BBL
Credit quality steps	9	10	11	Above 11

Short-term credit assessments	R-1	R-2	R-3	Below R-3
Credit quality steps	1	2	3	Any other credit assessment