



**Guernsey Financial Services Commission
Isle of Man Financial Supervision Commission
Jersey Financial Services Commission**

Unsolicited ratings from approved rating agencies.

November 2006

The Pan-Island Approach

The Guernsey Financial Services Commission, the Isle of Man Financial Supervision Commission and the Jersey Financial Services Commission have been working together to establish a unified approach, wherever possible, to implementing Basel II. This is not only because a number of banks operate in all three (or two of the three) jurisdictions, but also because their geographical proximity and similar constitutions leave them vulnerable to regulatory arbitrage if a common approach is not reached.

In this notice the three Commissions are referred to as the “**Tri-party Group**”. Any further use of the word “Commission” refers to the relevant individual Commission.

Unsolicited Ratings

The Tri-Party Group has had concerns expressed to it regarding its decision not to recognise unsolicited ratings from approved rating agencies. After due consideration of representations made by one rating agency the Tri-Party Group has concluded it will permit banks to utilise unsolicited ratings by any of the three recognised ECAIs (namely Fitch Ratings; Standard & Poor’s Ratings Services; and Moody’s Investors Service). However, the Tri-Party Group may indicate that individual unsolicited ratings are not to be used if those assessments are considered to be inferior in quality to the general quality of solicited assessments or if it considers that an ECAI’s strategy in relation to the issuing of unsolicited assessments is founded in the placing of pressure on the rated entity to pay for a rating.

Consequent revisions have been made to the following Tri-Party Group publications which are available from the Commissions’ web sites:

National Discretions for the Standardised Approaches to Credit and Operational Risk under the Basel II Capital Framework, issued in August 2006; and

Basel II – External Credit Assessment Institutions’ Ratings and Mapping of Ratings to Risk-Weights issued in October 2006.