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DECISION (EU) 2026/2036 OF THE EUROPEAN CENTRAL BANK

of 21 August 2026

on delegation of the power to adopt decisions on material changes to rating systems for calculating own funds requirements for credit risk *(ECB/2026/19)*

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 [1], and in particular Article 143(3) thereof,

Having regard to Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions [2], and in particular Article 4(1), point (e), thereof,

Having regard to Decision (EU) 2017/933 of the European Central Bank of 16 November 2016 on a general framework for delegating decision-making powers for legal instruments related to supervisory tasks (ECB/2016/40) [3], and in particular Article 4 thereof,

Whereas:

(1) Within the framework of Article 6 of Regulation (EU) No 1024/2013, the European Central Bank (ECB) carries out the exclusive task to supervise credit institutions with the aim of ensuring a consistent application of supervisory standards, fostering financial stability and ensuring a level playing field.

(2) Pursuant to Article 4(1), point (e), of Regulation (EU) No 1024/2013, the ECB, as the competent authority for significant supervised entities, is responsible for granting prior permission to significant supervised entities for material changes to the range of application of a rating system that the entity has received permission to use, or to a rating system that the entity has received permission to use, in accordance with Article 143(3) of Regulation (EU) No 575/2013 and Article 2 of Commission Delegated Regulation (EU) No 529/2014 [4].

(3) The ECB, as the competent authority, is required to adopt a substantial number of decisions each year on prior permission for significant supervised entities to implement material changes to the range of application of a rating system or to a rating system for calculating own funds requirements for credit risk. To facilitate the decision-making process a delegation decision is necessary in relation to the adoption of such decisions. The Court of Justice of the European Union has recognised delegation of authority to be necessary to enable an institution required to adopt a considerable number of decisions to perform its duties. Similarly, it has recognised the need to ensure that decision-making bodies are able to function as a principle inherent to all institutional systems [5].

(4) Delegation of decision-making powers should be limited and proportionate, and the scope of the delegation should be clearly defined.

(5) To ensure an early implementation of proposed material changes or extensions to rating systems, thereby reducing the time required for the supervised entity to implement the proposed material change or extension, decisions granting permission for an early implementation of material changes or extensions to rating systems should be eligible to be taken as delegated decisions based on the criteria set out in this Decision.

(1) OJ L 176, 27.6.2013, p. 1, ELI: http://data.europa.eu/eli/reg/2013/575/oj.
(2) OJ L 287, 29.10.2013, p. 63, ELI: http://data.europa.eu/eli/reg/2013/1024/oj.
(3) OJ L 141, 1.6.2017, p. 14, ELI: http://data.europa.eu/eli/dec/2017/933/oj.
(4) Commission Delegated Regulation (EU) No 529/2014 of 12 March 2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for assessing the materiality of extensions and changes of the Internal Ratings Based Approach and the Advanced Measurement Approach (OJ L 148, 20.5.2014, p. 36, ELI: http://data.europa.eu/eli/reg_del/2014/529/oj).
(5) Judgment of the Court of Justice of 23 September 1986, *AKZO Chemie* v *Commission*, 5/85, ECLI:EU:C:1986:328, paragraph 37, and judgment of the Court of Justice of 26 May 2005, *Carmine Salvatore Tralli* v *ECB*, C-301/02 P, ECLI:EU:C:2005:306, paragraphs 59 and 60.

(6) To ensure a faster decision-making process on decisions on material changes or extensions to rating systems that follow a prior investigation by the ECB, decisions granting permission to implement material changes or extensions to rating systems with a prior investigation by the ECB should be eligible to be taken by delegated decision based on the criteria set out in this Decision.

(7) Decision (EU) 2017/933 (ECB/2016/40) specifies the procedure to be followed for adopting delegation decisions concerning supervision and the persons to whom decision-making powers may be delegated. That Decision does not affect the ECB's exercise of its supervisory tasks and is without prejudice to the Supervisory Board's competence to propose complete draft decisions to the Governing Council.

(8) Where the criteria for the adoption of a delegated decision are not met, decisions should be adopted in accordance with the non-objection procedure pursuant to Article 26(8) of Regulation (EU) No 1024/2013 and Article 13g of Decision ECB/2004/2 of the European Central Bank [6]. Furthermore, the non-objection procedure should also be used where heads of work units have concerns regarding the fulfilment of assessment criteria for material changes to the range of application of a rating system or to a rating system due to the complexity of the assessment or sensitivity of the matter and where the outcome of the relevant assessment directly impacts another decision and therefore the decisions should be considered simultaneously by the same decision-maker in order to prevent conflicting outcomes. In case of the decisions referred to in Article 4, the sensitivity of a case means that the early implementation will not apply, and therefore a dedicated supervisory assessment will be conducted prior to submitting the draft decision to the Supervisory Board and the Governing Council for adoption under the non-objection procedure,

HAS ADOPTED THIS DECISION:

Article 1

Definitions

For the purposes of this Decision, the following definitions apply:

(1) 'Internal Ratings Based Approach' (IRB Approach) means the approach for calculating the risk-weighted exposure amounts for the purposes of Article 92(4), point (a), of Regulation (EU) No 575/2013 provided for in Part Three, Title II, Chapter 3 of that Regulation;

(2) 'material changes or extensions to rating systems' means the changes to the range of application of a rating system or to a rating system that are considered material in accordance with Article 4 of Delegated Regulation (EU) No 529/2014;

(3) 'decision granting permission for an early implementation of material changes or extensions to rating systems' means a decision of the ECB whereby the ECB grants prior permission for an early implementation of material changes or extensions to the range of application of a rating system or to a rating system in accordance with Article 143(3) of Regulation (EU) No 575/2013 and Article 2 of Delegated Regulation (EU) No 529/2014;

(4) 'decision granting permission to implement material changes or extensions to rating systems after an investigation' means a decision of the ECB whereby the ECB grants prior permission to implement material changes or extensions to the range of application of a rating system or to a rating system in accordance with Article 143(3) of Regulation (EU) No 575/2013 and Article 2 of Delegated Regulation (EU) No 529/2014 after a prior investigation is conducted by the ECB;

(5) 'application package' means the application submitted by the supervised entity to the ECB for permission to implement the proposed material changes or extensions, and the relevant documents supporting the request, including the self-assessment questionnaire and the independent review of the application by the internal validation function or the internal audit function;

[6] Decision ECB/2004/2 of the European Central Bank of 19 February 2004 adopting the Rules of Procedure of the European Central Bank (OJ L 80, 18.3.2004, p. 33, ELI: http://data.europa.eu/eli/dec/2004/257/oj).

(6) ‘internal validation function’ means the supervised entity’s function or business area in charge of validating the accuracy and consistency of rating systems, processes, and the estimation of all relevant risk parameters independently from the supervised entity’s function or business area in charge of the development process in order to ensure that rating systems are conceptually sound and adequately capture all material risks;

(7) ‘internal audit function’ means the supervised entity’s function or business area which audits and reviews the internal arrangements, processes and mechanisms to ascertain that they are sound and effective, implemented and consistently applied;

(8) ‘self-assessment questionnaire’ means a structured document which can be found on the ECB’s website, to be completed by the supervised entity, in which it explains how the proposed material change or extension fulfils the applicable regulatory requirements and addresses the material deficiencies identified in the current version of the rating system;

(9) ‘material deficiency leading to a material change in a rating system’ means a flaw in a rating system, as detected by the ECB or by the internal validation function or internal audit function, whose remediation requires the implementation of a subsequent material change to that rating system;

(10) ‘risk-weighted exposure amount’ means the amount resulting from applying the risk weights allocated for credit risk for the exposures set out in Part Three, Title II, Chapter 3, Section 2 of Regulation (EU) No 575/2013;

(11) ‘obligation’ means an ancillary provision to a supervisory decision that imposes a requirement on the supervised entity in accordance with Article 5;

(12) ‘limitation’ means an ancillary provision to a supervisory decision that restricts or modifies the permitted use of a rating system, including by imposing a floor on certain values determined on the basis of the output of the rating system for which permission to implement the material change or extension is requested;

(13) ‘condition’ means an ancillary provision to a supervisory decision that suspends the effects of that decision subject to the occurrence of a specific event;

(14) ‘delegated decision’ means a delegated decision as defined in Article 3, point (4), of Decision (EU) 2017/933 (ECB/2016/40);

(15) ‘heads of work units’ means the heads of work units of the ECB to whom the power to adopt decisions granting permission for an early implementation of material changes or extensions to rating systems and decisions granting permission to implement material changes or extensions to rating systems after an investigation is delegated;

(16) ‘non-objection procedure’ means the procedure set out in Article 26(8) of Regulation (EU) No 1024/2013 and further specified in Article 13g of Decision ECB/2004/2;

(17) ‘negative decision’ means a decision that does not or does not fully grant the permission as requested by the supervised entity. A decision with ancillary provisions such as conditions, obligations or limitations shall be considered a negative decision unless such ancillary provisions (a) ensure that the supervised entity fulfils the requirements of relevant Union law referred to in Articles 4(1) and 5(1), (b) merely restate one or more of the existing requirements that the supervised entity has to comply with pursuant to Union law or require information on the fulfilment of one or more of such requirements, or (c) have been accepted in advance and in writing by the supervised entity;

(18) ‘sensitivity’ means a characteristic or factor that may have a negative impact on the ECB’s reputation and/or on the effective and consistent functioning of the Single Supervisory Mechanism, including but not limited to any of the following: (a) where, with regard to the decisions covered by Article 4, the supervised entity’s internal audit or internal validation functions are considered by the ECB not to be sufficiently comprehensive and effective to ensure compliance with the regulatory requirements, or the pending material deficiencies leading to a material change of a rating system have not been adequately solved; (b) where the relevant supervised entity has previously been, or is currently, subject to severe supervisory measures such as early intervention measures; (c) the draft decision once adopted will set a new precedent that could bind the ECB in the future; (d) the draft decision once adopted may attract negative media or public attention; or (e) a national competent authority that has entered into close cooperation with the ECB communicates its disagreement with the proposed draft decision to the ECB;

(19) ‘supervised entity’ means a significant supervised entity as defined in Article 2, point (16), of Regulation (EU) No 468/2014 of the European Central Bank (ECB/2014/17) ([7]);

(20) ‘supervised group’ or ‘group’ means a significant supervised group as defined in Article 2, point (22), of Regulation (EU) No 468/2014 (ECB/2014/17);

(21) ‘ECB guide’ means a document, adopted by the Governing Council upon a proposal from the Supervisory Board, which is published on the ECB’s website and which gives guidance on the ECB’s understanding of legal requirements.

Article 2

Subject matter and scope

1. This Decision specifies the criteria for the delegation of decision-making powers to the heads of work units of the ECB for the adoption of certain decisions on material changes or extensions to rating systems.

2. The delegation of decision-making powers is without prejudice to the supervisory assessment to be performed for the purposes of taking decisions granting permission for an early implementation of material changes or extensions to rating systems and decisions granting permission to implement material changes or extensions to rating systems after an investigation.

Article 3

Delegation of decisions on prior permission to implement material changes or extensions to rating systems

1. In accordance with Article 4 of Decision (EU) 2017/933 (ECB/2016/40), the Governing Council hereby delegates to the heads of work units nominated by the Executive Board in accordance with Article 5 of that Decision the power to adopt decisions granting permission for an early implementation of material changes or extensions to rating systems which fulfil the delegation criteria set out in Article 4.

2. In accordance with Article 4 of Decision (EU) 2017/933 (ECB/2016/40), the Governing Council hereby delegates to the heads of work units nominated by the Executive Board in accordance with Article 5 of that Decision the power to adopt decisions granting permission to implement material changes or extensions to rating systems after an investigation which fulfil the criteria set out in Article 5.

3. Decisions referred to in paragraphs 1 and 2 shall not be adopted by means of a delegated decision if the supervisory assessment of those decisions has a direct impact on the supervisory assessment of another decision which is to be adopted under the non-objection procedure, or the complexity of the assessment or the sensitivity of the matter require that they are adopted under the non-objection procedure following a dedicated supervisory assessment.

4. Negative decisions on early implementation of material changes or extensions to rating systems and negative decisions on material changes or extensions to rating systems after an investigation shall not be adopted by means of a delegated decision.

Article 4

Criteria for the adoption of delegated decisions on early implementation of material changes or extensions to rating systems

1. Decisions granting permission for an early implementation of material changes or extensions to rating systems shall be taken by means of a delegated decision if all of the following criteria are met:

(a) the application package is complete;

([7]) Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (SSM Framework Regulation) (ECB/2014/17) (OJ L 141, 14.5.2014, p. 1, ELI: http://data.europa.eu/eli/reg/2014/468/oj).

(b) the application package includes a review or an assessment of the application conducted by the supervised entity's internal validation function or internal audit function which concludes that:

(i) the material change to a rating system as described in the self-assessment questionnaire completed by the supervised entity fulfils the relevant requirements namely that no material deficiencies leading to a material change to a rating system have been detected; and

(ii) obligations from past ECB decisions related to the rating system in scope of the application are fulfilled;

(c) the supervised entity agrees in writing in the application to apply a limitation, in the form of a floor to its capital requirements as further specified in paragraphs 2 or 3, as applicable;

(d) the supervised entity agrees in writing that it is ready to implement the proposed material change or extension within three months after the date of notification of the decision granting the permission.

2. Where a material change is requested, the floor referred to in paragraph 1, point (c), is applied to all exposures belonging to the range of application of the rating system for which the material change permission is requested. The floor is applied at the highest level of consolidation within participating Member States.

3. The floor applies to the ratio between the risk-weighted exposure amount and the underlying exposure value, and is calculated as the higher of:

(a) the risk weight calculated using the rating system including the material change;

(b) 0,98 times the risk weight determined under paragraph 5.

4. Where a material extension is requested, the floor referred to in paragraph 1 is determined and applied separately at the level of each additional business unit, additional type of product or obligor, or additional exposures related to the lending decision of a third party to the group, to which the range of application of each rating system is requested to be extended. The floor is applied to the ratio between the risk-weighted exposure amount and the underlying exposure value, and is calculated as the higher of:

(a) the risk weight calculated for the full rating system, including the business unit for which the material extension is requested;

(b) the risk weight determined under paragraph 6.

5. For the purposes of the calculation of the floor described in paragraph 3, the supervised entity informs the ECB, as part of the application package, of the ratio between the risk-weighted exposure amount and the underlying exposure value for each rating system for which the material change is requested at the end of the last quarter preceding the date of submission of the application package to the ECB.

6. For the purposes of the calculation of the floor described in paragraph 4, the supervised entity, at the end of the last quarter preceding the submission of the application package to the ECB and as part of the application package, informs the ECB of the ratio between the risk-weighted exposure amount and the underlying exposure value for each additional business unit, additional type of product or obligor, or additional exposures related to the lending decision of a third party to the group, to which the range of application of each rating system is requested to be extended, according to the calculation method used for the additional exposures prior to the extension.

7. Where the application package consists of both a material change and a material extension on the scope of a rating system, the limitation applied by the supervised entity on that scope will be the higher of the floors determined under paragraphs 3 and 4.

Article 5

Criteria for the adoption of delegated decisions on material changes or extensions to rating systems after an investigation

1. Decisions granting permission to implement material changes or extensions to rating systems after an investigation shall be taken by means of a delegated decision if all of the following criteria are met:

(a) the proposed material change or extension has received a positive assessment from the ECB;

(b) the Common Equity Tier 1 capital ratio at consolidated level of the supervised entity, after implementation of the proposed material change or extension to the rating system, does not increase or decrease by more than 20 basis points measured at the level of the range of application of the relevant rating system;

(c) the decision does not impose limitations or conditions;

(d) where the decision imposes obligations, the supervised entity has agreed in writing to those obligations in advance, and the obligations comply with all of the following:

 (i) where relevant, the obligations require the supervised entity to improve its rating systems, the use of the IRB Approach, the rating and exposure assignment process, the calculation of risk-weighted exposure amounts and loss exposure amounts, data and documentation, risk quantification, default detection, IT infrastructure or credit risk mitigation techniques in accordance with Part Three, Title II, Chapters 3 and 4, of Regulation (EU) No 575/2013, as required by the relevant regulatory technical standards and interpreted in accordance with the relevant European Banking Authority guidelines and ECB Guides;

 (ii) where relevant, the obligations require the supervised entity to improve its governance, control or validation activities in accordance with Part Three, Title II, Chapters 3 and 4, of Regulation (EU) No 575/2013, as required by the relevant regulatory technical standards and interpreted in accordance with the relevant European Banking Authority guidelines and ECB Guides;

 (iii) the obligations set deadlines of a minimum of 3 months and a maximum of 36 months.

2. The criteria set out in paragraph 1 shall also apply where the application package consists both of a material change and a material extension.

Article 6

Transitional provision

This Decision shall not apply in cases where the application package was submitted to the ECB prior to the entry into force of this Decision.

Article 7

Entry into force

This Decision shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

Done at Frankfurt am Main, 21 August 2026.

The President of the ECB
Christine LAGARDE