

Appendix 12

PRA RULEBOOK: SOLVENCY II FIRMS: CREDIT QUALITY STEPS MAPPING INSTRUMENT
[2025]

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (The PRA’s general rules); and
 - (2) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

PRA Rulebook: Solvency II Firms: Credit Quality Steps Mapping Instrument [2025]

- C. The PRA makes the rules in the Annexes to this instrument.

Part	Annex
Glossary	A
Solvency Capital Requirement – Standard Formula	B
Matching Adjustment	C

Commencement

- D. This instrument comes into force on dd/mm/yy.

Citation

- E. This instrument may be cited as the PRA Rulebook: Solvency II Firms: Credit Quality Steps Mapping Instrument [2025].

By order of the Prudential Regulation Committee
[DATE]

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Annex [A]

Amendments to the Glossary Part

In this Annex new text is underlined and deleted text is struck through.

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credit quality step

(in the Solvency II Firms Sector of the PRA Rulebook) means the credit quality steps 0 to 6 set out in Solvency Capital Requirement – Standard Formula 1D~~the Annex to Commission Implementing Regulation 2016/1800.~~

credit quality step pair

means, a sequential pair of *credit quality steps*, paired in the order in which they are set out in Solvency Capital Requirement – Standard Formula 1D~~the Annex to Commission Implementing Regulation 2016/1800.~~

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Draft for consultation

Annex [B]

Amendments to the Solvency Capital Requirement – Standard Formula Part

In this Annex, the text is all new and is not underlined.

Note: the PRA consulted on adding the defined term ‘external credit assessment institution’ to the Glossary of the PRA Rulebook in CP 5/24 Review of Solvency II: Restatement of assimilated law. This Annex proposes to use that defined term.

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1D ALLOCATION OF CREDIT ASSESSMENTS OF EXTERNAL CREDIT ASSESSMENT INSTITUTIONS TO AN OBJECTIVE SCALE OF CREDIT QUALITY STEPS

1D.1 The allocation of credit assessments of *external credit assessment institutions* to an objective scale of credit quality steps shall be that set out in the following table:

Credit quality step	0	1	2	3	4	5	6
A.M. Best Europe Rating Services Limited							
Long-term issuer credit rating scale	aaa	aa+, aa, aa-	a+, a, a-	bbb+, bbb, bbb-	bb+, bb, bb-	b+, b, b-	ccc+, ccc, ccc-, cc, c, d, e, f, s
Long-term issue rating scale	aaa	aa+, aa, aa-	a+, a, a-	bbb+, bbb, bbb-	bb+, bb, bb-	b+, b, b-	ccc+, ccc, ccc-, cc, c, d, s
Financial strength rating scale	A++	A+	A, A-	B++, B+	B, B-	C++, C+	C, C-, D, E, F, S
Short-term issuer rating scale		AMB-1+	AMB-1-	AMB-2, AMB-3	AMB-4, d, e, f, s		
Short-term issue rating scale		AMB-1+	AMB-1-	AMB-2, AMB-3	AMB-4, d, s		
ARC Ratings (UK) Limited							
Long-term issuer rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Long-term issue rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Insurance Financial Strength Rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Short-term issuer rating scale		A-1+	A-1	A-2, A-3	B, C, D		
Short-term issue		A-1+	A-1	A-2, A-	B, C, D		

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rating scale				3			
Creditreform Rating AG							
Long-term issuer rating scale	AAA	AA	A	BBB	BB	B	C, SD, D
Long-term issue rating scale	AAA	AA	A	BBB	BB	B	C, D
Short-term rating scale		L1	L2	L3	NEL, D		
DBRS Ratings Limited							
Long-term obligations rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Commercial paper and short-term debt rating scale		R-1 H, R-1 M	R-1 L	R-2, R-3	R-4, R-5, D		
Financial strength rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, R
Expected loss rating scale	AAA(el)	AA(el)	A(el)	BBB(el)	BB(el)	B(el)	CCC(el), CC(el), C(el)
Egan-Jones Ratings Co.							
Long-term credit rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Short-term credit rating scale		A-1+	A-1	A-2	A-3, B, C, D		
Fitch Ratings Limited							
Long-term issuer default rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, RD, D
Corporate finance obligations — long-term rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C
Long-term international Insurer Financial Strength rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C
Derivative counterparty rating scale	AAA dcr	AA dcr	A dcr	BBB dcr	BB dcr	B dcr	CCC dcr, CC dcr, C dcr, RD dcr, D dcr

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Short-term rating scale		F1+	F1	F2, F3	B, C, RD, D		
Short-term Insurer Financial Strength rating scale		F1+	F1	F2, F3	B, C		
HR Ratings de México, S.A. de C.V.							
Global long-term rating scale	HR AAA(G)	HR AA(G)	HR A(G)	HR BBB(G)	HR BB(G)	HR B(G)	HR C(G)/HR D(G)
Global short-term rating scale	HR+1(G)	HR1(G)	HR2(G)	HR3(G)	HR4(G), HR5(G), HR D(G)		
Japan Credit Rating Agency Ltd							
Long-term issuer rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, LD, D
Long-term issue rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Short-term issuer rating scale		J-1+	J-1	J-2	J-3, NJ, LD, D		
Short-term issue credit rating scale		J-1+	J-1	J-2	J-3, NJ, D		
Kroll Bond Rating Agency UK Limited							
Long-term credit rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Short-term credit rating scale		K1+	K1	K2, K3	B, C, D		
Insurance Financial Strength rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Moody's Investors Service Limited							
Global long-term rating scale	Aaa	Aa	A	Baa	Ba	B	Caa, Ca, C
Global short-term rating scale		P-1	P-2	P-3	NP		
Scope Ratings UK Limited							
Long-term rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D/SD

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Short-term rating scale		S-1+	S-1	S-2	S-3, S-4, D/SD		
S&P Global Ratings UK Limited							
Long-term issuer credit rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, R, SD/D
Long-term issue credit rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D
Insurer financial strength rating scale	AAA	AA	A	BBB	BB	B	CCC, CC, SD/D, R
Long-term Financial Institution Resolution Counterparty Ratings	AAA	AA	A	BBB	BB	B	CCC, CC, SD, D
Mid-Market Evaluation rating scale			MM1	MM2	MM3, MM4	MM5, MM6	MM7, MM8, MMD
Short-term issuer credit rating scale		A-1+	A-1	A-2, A-3	B, C, R, SD/D		
Short-term issue credit rating scale		A-1+	A-1	A-2, A-3	B, C, D		
Short-term Financial Institution Resolution Counterparty Ratings		A-1+	A-1	A-2, A-3	B, C, SD/D		
The Economist Intelligence Unit Limited							
Sovereign rating band scale	AAA	AA	A	BBB	BB	B	CCC, CC, C, D

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Annex [C]

Amendments to the Matching Adjustment Part

In this Annex new text is underlined and deleted text is struck through.

Note: the PRA consulted on introducing Matching Adjustment 7.4 in CP19/23 – Review of Solvency II: Reform of the Matching Adjustment and, prior to Matching Adjustment 7.4 coming into force as part of PS 10/24, the PRA consulted on amending Matching Adjustment 7.4 in CP 5/24 Review of Solvency II: Restatement of assimilated law. This Annex proposes further amendments to those consulted on in CP 5/24, which are shown in this Annex highlighted in yellow. However please note that the version of Matching Adjustment 7.4 in PS 10/24 that came into force on 30 June 2024 refers to ‘Commission Implementing Regulation 2016/1800’ rather than ‘Binding Technical Standard 2016/1800’ as originally consulted on and as also set out in CP 5/24. For consistency with Matching Adjustment 7.4 as currently in force, the version of Matching Adjustment 7.4 in this Annex refers to ‘Commission Implementing Regulation 2016/1800’.

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7 INTERNAL CREDIT ASSESSMENTS AND CREDIT RATINGS

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- 7.4 The use of *credit ratings* in the calculation of the *matching adjustment* shall be in line with the specifications set out in Articles 4—6 of the Commission Delegated Regulation (EU) 2015/35 Solvency Capital Requirement – Standard Formula 1A to 1C and Commission Implementing Regulation 2016/1800.

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