

## **Request for comments**

*August 2020*

RAEX-Europe invites market participants to provide comments on the proposed changes in the Methodologies of assigning sovereign government credit ratings, banks credit ratings, corporate credit ratings, regions credit ratings and insurance reliability ratings. During the Methodological Committee Meeting held on the 18<sup>th</sup> of August 2020 a package of changes in the Methodologies was discussed and approved by the independent members of the Advisory board which will lead to the following changes in all the Methodologies in the part of the rules for determination of the developing outlook on the credit rating:

- 1) We propose to change the developing outlook review horizon from 3 months to 12 months and to add the definition of “on watch” status.**

### **Rationale:**

The Agency noted the need to make a change in the time limit of the “developing outlook” and add definition of “rating on watch”. The case with an Agency’s client has shown that the 3 month limit on developing outlook included in the methodologies is inconsistent with market practices and may impose additional limitations on the rating service actions. The description of the “rating on watch” action will also be included in the methodologies in order to provide additional transparency.

### **Rating “On Watch”**

The Agency may place a credit rating under review (or “On Watch”) when this credit rating is under consideration for a change in the short term.

Placing a credit rating “On Watch” is not considered as a rating action.

A rating is placed under review when a rating action is anticipated in the short term however further information or analysis is needed in order to make a rating action decision. As a result of the review the rating may be upgraded, downgraded, or confirmed without any change. In this situation, the reason why the rating is placed under review and the time when the final conclusion on the rating is expected to be made will be stipulated in the press release.

The period of time from publishing a rating review statement and its final decision may vary from 30 to 90 days depending on the reason for the review and the amount of time needed for receiving information and conducting the analysis.

For more specific and sophisticated cases, associated with a series of events which may influence a rating, the period of placing a rating “On Watch” can last longer than 90 days.

**Please submit your comments to: [info@raexpert.eu](mailto:info@raexpert.eu) or [compliance@raexpert.eu](mailto:compliance@raexpert.eu) by the 27.09.2020. Your response to this consultation will be published unless confidentiality is requested.**