

Request for comments

Regions methodological cycle – September 2017

Rating-Agentur Expert RA GmbH invites market participants to provide comments on the proposed changes in the Methodology of assigning ratings to regions (hereinafter – the Methodology). A package of changes in the Methodology was discussed and approved by the independent members of the Advisory board on the 1st of September 2017 which will lead to the following changes in the short version of the Methodology:

- 1) **We propose to separate long-term international rating for local and for foreign currency.**

Rationale:

This change will allow us to evaluate currency risks correctly in case if a region has financial liabilities denominated in foreign currency. The rating of the region in foreign currency cannot be higher than the sovereign rating of the country in foreign currency due to a strong correlation between creditworthiness of the region and country where it is located.

- 2) **We propose to add short-term international rating in local and foreign currency.**

Rationale:

Short term ratings will help us to assess default risks of an issuer in the short-term horizon with an increased accuracy. This will be done by using a transfer scale from long-term international rating to the short-term international rating.

Please submit your comments to: info@raexpert.eu or compliance@raexpert.eu by the 5th of October 2017. Your response to this consultation will be published unless confidentiality is requested.