

Request for comments

April 2022

RAEX-Europe invites market participants to provide comments on the proposed changes in the Methodology for assigning sovereign government credit ratings. During the Methodological Committee Meeting held on the 7th of April 2022 three proposals in the Methodology were discussed and approved by the independent members of the Advisory board. The proposed changes are not fundamental, but rather technical adjustments. The changes in the Methodology are the following:

1.2.4. Spread between a country's 10Y USD or EUR denominated bond benchmark 10Y bond yield

This factor is changed due to some countries having issued bond denominated only in EUR. Thus, this must be compared vs EUR-denominated benchmark bonds such as the German bund.

2.1.4 Level of capital adequacy in the banking system and its dynamics

The name of the factor is changed to “capital-to-assets”. The term “capital adequacy” is generally used to measure the ratio of capital to risk-weighted assets, not total assets as we do it here.

5.2. Quality of the business environment

The *Doing Business* report was discontinued by the World Bank in September, 2021. There is no good replacement for this index, so we propose to remove this factor from the methodology. The other factors in this sections are reweighted according to the table below.

| Weights | Old | New |
|--|-------------|-------------|
| V. Institutional development of the country | 8.0% | 8.0% |
| <i>Level of corruption, CPI</i> | 1.0% | 1.14% |
| <i>Government Effectiveness Index</i> | 2.0% | 2.16% |
| <i>Quality of the business environment, position in Doing Business Ranking</i> | 1.0% | - |
| <i>Level of investment in human capital, adjusted for inequality</i> | 1.0% | 1.14% |
| <i>Rule of Law Index</i> | 1.0% | 1.14% |
| <i>Transparency of government policymaking Index</i> | 0.5% | 0.64% |
| <i>Level of information transparency of the government</i> | 0.5% | 0.64% |
| <i>Political Stability and Absence of Violence/Terrorism Index</i> | 1.0% | 1.14% |

Please submit your comments to: info@raexpert.eu or compliance@raexpert.eu by the 25.05.2022. Your response to this consultation will be published unless confidentiality is requested.