

Request for comments

Regions methodological cycle – May 2020

Rating-Agentur Expert RA GmbH invites market participants to provide comments on the proposed changes in the Methodology of assigning ratings to banks, insurance companies, non-financial non-holding companies and sovereigns (hereinafter – the Methodologies). A package of changes in the Methodology was discussed and approved by the independent members of the Advisory board on the 18th of May 2020 which will lead to the following changes in the Methodologies:

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

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.

The following part shall be added to the above mentioned methodologies:

“In addition, the Agency can assign the short-term credit rating in accordance with the international scale in local currency and short-term credit rating in accordance with the international scale in foreign currency.

The general definition of the short-term rating mentioned in the document “Definitions and rules of the assignment of short-term credit ratings”, is specified as following:

Short-term credit rating in accordance with the international scale in local currency represents an opinion of the Agency on the ability of the region to fulfill its short-term financial liabilities nominated in local currency fully and in a timely manner;

Short-term credit rating in accordance with the international scale in foreign currency represents an opinion of the Agency on the ability of the region to fulfill its short-term financial liabilities nominated in foreign currency fully and in a timely manner.”

“In addition to the abovementioned ratings, the Agency can assign short-term credit ratings in local and foreign currency. The assigning of these ratings is performed through the transferring the long-term credit ratings in local and foreign currency respectively to the short-term rating scale on the basis of “Rating correspondence table” described in the document “Definitions and rules of the assignment of short-term credit ratings.”

Please submit your comments to: info@raexpert.eu or compliance@raexpert.eu by the 18th of June 2020. Your response to this consultation will be published unless confidentiality is requested.