

Request for comments

Regions methodological cycle – May 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). During the methodological committee meeting held on the 23rd of May 2017 a package of changes in the Methodology was discussed and approved by the independent members of the Advisory board which will lead to the following changes in the short version of the Methodology:

- 1) **We propose to replace the rating logic scheme with an updated scheme, which reflects the factors influencing the preliminary credit rating of the region and the adjustment for CCE (macro factor).**

Rationale:

The current logic scheme only shows the integral factors included in each of the three groups of factors, namely social and economic risks analysis, financial risks analysis and political risks analysis. The proposed logic scheme, while showing the same groups of factors as the current scheme, it incorporates the adjustment for CCE as another integral section of our analysis, in order to arrive to the final credit rating according to the international scale.

- 2) **We propose to rename the first source of information in our methodology (Annual reports on the region’s budget) in order to cover a broader geographical scope.**

Rationale:

The current source of information includes “the execution of budgets of state territorial off-budgetary fund” as part of this source of information. Since this applies mostly to Russian regions, we propose to rename this source as “Annual reports on the region’s budget execution for three years preceding the rating assignment”.

- 3) **We propose to make our methodology more transparent by including definitions for each of the factors under section 4. “System of indicators” in the methodology.**

Rationale:

We improve the transparency of our methodology by including a detailed explanation of the meaning and importance of each factor in the rating assessment. In this way, it will be more understandable how the rating assessment was carried out as well as which features of the factors influenced the final rating.

Please submit your comments to: info@raexpert.eu or compliance@raexpert.eu by the 24th of June 2017. Your response to this consultation will be published unless confidentiality is requested.