

## **Request for comments**

*Non-financial non-holding corporates cycle - October 2018*

Rating-Agentur Expert RA GmbH invites market participants to provide comments on the proposed changes in the Methodology of assigning credit ratings to Non-financial non-holding corporates (hereinafter – the Methodology) and changes in disclosure policy of the Agency with regard to the public version of the Methodology. During the methodological committee meeting held on the 8<sup>th</sup> of October 2018 a package of changes in the Methodology, as well as disclosure policy change of the public version of the Methodology were discussed and approved by the independent members of the Advisory board, which will lead to the following changes in the public version of the Methodology:

- 1) **We propose to include the Corporate Industry Risk (CIR) score for the adjustment in order to obtain the final credit rating according to the international scale.**

Rationale:

The actual Methodology is mostly focused on the idiosyncratic risk of the entity. Therefore, based on the current assessment we have identified that our ratings could be inappropriately high in countries with moderate to high systematic risk (e.g. Russia). In order to include systematic risks to our analysis, we incorporate Corporate Industry Risk (CIR) score to our rating model.

- 2) **We propose to substitute the factor called *5.1.3 Trends in the company's business volume* for *5.1.3 Market position*.**

Rationale:

This factor is already be evaluated as part of the strategy assessment. A better and more complete factor, which includes a business volume analysis relative to the entity's peer group, is "Market position". In this factor we also assess the competitive position of the company within the industry of specialization. This is a key factor for the creditworthiness assessment of any entity. Moreover, our internal tests have shown this factor to be correlated with the rating level.

Please submit your comments to: [info@raexpert.eu](mailto:info@raexpert.eu) or [compliance@raexpert.eu](mailto:compliance@raexpert.eu) by the 15<sup>th</sup> of November 2018. Your response to this consultation will be published unless confidentiality is requested.