



**Caribbean Information &
Credit Rating Services Limited**

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METHODOLOGY FOR MAPPING REGIONAL & NATIONAL SCALE CREDIT RATINGS

The following rating methodology is the generalized version of the methodology that CariCRIS would use to map regional scale and national scale credit ratings.

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SCOPE

This methodology applies to all CariCRIS regional scale and national scale credit ratings.

SUMMARY OF THE CRITERIA

This article updates our criteria for assigning national and regional scale credit ratings. We assign national scale credit ratings in almost all jurisdictions except for the islands of the Organization of Eastern Caribbean States (OECS) in which case we assign regional scale ratings only. This methodology seeks to describe how mapping tables between national and regional scale ratings are designed and calibrated and explains how we determine these ratings.

METHODOLOGY

Regional Scale and National Scale Credit Rating Principles and Definitions

A regional scale credit rating is an opinion of an obligor's creditworthiness (issuer, corporate, issue) relative to other issuers and issues within the Caribbean region. CariCRIS' regional scale ratings represent a relative rank ordering of creditworthiness within the Caribbean region.

A national scale rating is an opinion of an obligor's creditworthiness (issuer, corporate, issue) relative to other issuers and issues within a specific country.

National scale credit ratings use CariCRIS' regional scale rating symbols, including pluses and minuses, with the addition of a two-letter, lower case prefix to denote the country. For example, the Barbados national scale uses the prefix *bb* as in '*bbAAA*'. National scale ratings can be assigned for both long-term and short-term issues. We use Credit Watch and assign outlooks in the same manner as we do for regional scale credit ratings.

National scale credit rating definitions are similar to regional scale credit rating definitions. For example, the long-term issue rating definition of an obligor rated *xxAAA* is, "an obligor rated *xxAAA* assessed relative to other obligors in country *xx* is the **highest**".

Mapping Table Design and Calibration

To determine the national scale credit ratings we first have to determine the regional scale credit ratings of the different sovereigns in the region, consistent with our sovereign rating methodology, and then design mapping tables that show the relationship between the regional and national scale ratings.

There are instances in which an entity is rated on the regional scale only. These entities are typically regional, or even global in scope, with a significant presence in several different jurisdictions and industries with no single jurisdiction dominating the earnings and assets of the entity (representing more than 50% of revenue and assets) such as a regional conglomerate.

Once the sovereign ratings on the regional scale are assigned, if the sovereign is rated *CariAAA*, its regional scale ratings would map 1 to 1 on the national scale.

For sovereigns that are rated below *CariAAA*, the design of the national scale mapping table begins with the determining the mapping correspondence between the highest national scale credit rating and the regional rating scale. We would expect the mapping tables to converge between the regional scale and national scale ratings

at the lower end of the scale and a D credit rating indicates default on both the regional and national scales (An example of a national scale mapping table is attached).

The mapping table typically maps each regional scale credit rating to up to a maximum of four national scale credit rating choices.

National scales are designed to provide greater distinction of credit risk within a country than is possible with a regional scale rating. For example, two issuers from the same country may have the same regional scale credit rating but could have different national scale credit ratings, indicating their credit risk within the particular country.

The mapping table is specific to a given country and national scale ratings on different scales cannot be compared to each other without the respective mapping tables. For example, the regional scale mapping of a *ttAAA* is different to that of a *jmAAA*.

We may recalibrate the scale when we change a sovereign's regional scale credit rating.

We may also recalibrate the national scale from time to time to provide credit quality distinctions, such as if a national scale rating exhibits rating "compression" (a large proportion of ratings clustered among two or three rating levels), indicating changing credit quality.

National Scale Foreign Currency Ratings

Historically national scale ratings have been primarily local currency (LC) issues. However, we have seen increasing interest in the use of national scale ratings for non-domestic currency issues. To rate a foreign currency (FC) issue on the national scale, we first establish the national scale local currency rating and, then determine whether or not the level of foreign currency risk is equal to, or lower than the local currency ratings. This will be guided by the level of foreign currency earnings attributable to the entity, the ease of transfer and conversion from local to foreign currency, as well as its access to foreign currency from other sources (such as from a parent company, its principals or the state).

Attachement 1 – Example of a National Scale Mapping Table

<u>Country xx National Scale</u>	<u>Regional Scale</u>
<u>LC Rating</u>	<u>LC Rating</u>
xx AAA	Cari AAA
xx AA+	Cari AA+
xx AA	Cari AA
xx AA-	Cari AA-
xx A+	Cari A+
xx A	Cari A
xx A-	Cari A-
xx BBB+	Cari BBB+
xx BBB	Cari BBB
xx BBB-	Cari BBB-
xx BB+	Cari BB+
xx BB	Cari BB
xx BB-	Cari BB-
xx B+	Cari B+
xx B	Cari B
xx B-	Cari B-
xx C	Cari C
xx D	Cari D

The prefix xx before the rating symbol in the left column indicates a National Scale Rating on the Country xx national scale. The prefix Cari before the rating symbol in the right column indicates a Regional Scale Rating on the CariCris Regional scale.