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Fitch Publishes Exposure Draft On New Short-Term Rating Criteria.

Fitch Ratings-London-22 March 2019: Fitch Ratings has published an exposure draft proposing new criteria for short-term ratings across its corporate, financial institution and public finance portfolio. The proposals follow a major review of the function and utility of our short-term rating scale, begun in August 2018 with the publication of a discussion paper and a broad-based market dialogue, which has helped shape our proposed, expanded approach to a short-term scale for today's capital markets.

The proposed criteria revisions would amend our correspondence table between Long- and Short-Term IDRs to provide a substantially more differentiated analytical view of short-term risk between issuers. More specifically, we propose increasing the number of long-term ratings that can correspond to more than one short-term rating to five from three, by permitting Long-Term IDRs of 'A' to correspond to 'F1+' (in addition to the existing 'F1' mapping) and Long-Term IDRs of 'BBB+' to correspond to 'F1' (in addition to the existing 'F2' mapping).

The new proposed criteria would also reflect the greater granularity now present in our asset class criteria, compared with criteria in effect at the time of the original introduction of the short-term scale. Consequently, the exposure draft proposes specific short-term oriented analytical factors that would be used as the primary elements to distinguish between short-term ratings at crossover points.

We have also published a summary of feedback received during our market dialogue on alternative approaches to the current short-term rating scale. As well as responding to different options discussed with the market, this paper outlines some of the logistical issues associated with the proposed revised criteria.

The exposure draft contains an assessment, by sector, on the estimated potential impact of the proposed criteria. The short-term ratings of any issuers whose ratings we believe will be affected by the finalised change in criteria will be individually placed Under Criteria Observation (UCO) upon publication of the final criteria, at the conclusion of the exposure draft period. No long-term ratings will be affected by this proposed criteria change, and we also do not currently expect any impact on any money market fund ratings, where short-term ratings serve as inputs to the rating process. We intend to conclude resolution of all eventual UCO designations within six months of the publication of final criteria. The new criteria would apply cross-sector at the point of finalisation, and sector criteria would be updated to reflect the approach in the course of scheduled sector criteria updates.

Fitch invites feedback on the proposed criteria from market participants. Comments should be sent to criteria.feedback@fitchratings.com by 23 April 2019. Fitch will publish on its website any written responses it receives, in full, including the names and addresses of such respondents, unless the response is clearly marked as confidential by the respondent.

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