



## WHO WE ARE

ARC Ratings, S.A. is an international credit rating agency (CRA) based in Europe, registered with the European Securities and Markets Authority (ESMA) and recognised as an External Credit Assessment Institution (ECAI). Amalgamating the know-how and background of six experienced partner agencies on four continents, ARC Ratings takes advantage of its global reach, local expertise and network-based approach to best serve issuers and investors by assigning stable credit ratings that optimally identify credit risk. ARC Ratings addresses the global capital markets' need for a stronger competitive environment in the credit rating business. ARC Ratings results from the combined efforts of six domestic CRAs to transform one of them, Companhia Portuguesa de Rating, S.A. (CPR), into a global CRA. ARC Ratings network has twenty-one offices globally, assigning ratings in approximately thirty countries spanning Asia, Africa, Europe and South America.



## ARC RATINGS NETWORK KEY NUMBERS

|                                       |                   |
|---------------------------------------|-------------------|
| Turnover                              | > US\$ 60 million |
| Clients                               | Over 10 000       |
| Rating Staff                          | Over 600          |
| Number of offices                     | 21                |
| Average Ratings business track record | Over 20 years     |

WEBSITE

[WWW.ARCRATINGS.COM](http://WWW.ARCRATINGS.COM)

## ARC RATINGS' RATINGS RECOGNISED FOR CAPITAL RELIEF PURPOSES

In 2016 the European Commission approved and published the mapping tables for Securitisation Positions, Corporate/Issuer Ratings and Solvency Capital Requirements (according to Commission Implementing Regulations (EU) 2016/1799, 1800 & 1801).

*Crucially, ARC Ratings has been accorded the same mapping as the "Big Three" CRAs and therefore ARC Ratings' ratings can be used for capital relief purposes under the standardised and ratings-based approach, as well as under Solvency II.*

## ARC RATINGS FOCUS & COMPETENCIES

### BENEFITS FROM BUILDING A NETWORK

ARC Ratings forms the centre of this network of six partners from four different continents. Joining forces allows the network to:

- Take clients all the way, from local to international ratings
- Develop and implement best practises based on ARC Ratings methodologies
- Produce and share research across the network
- Provide lead analysts to participate in ARC Ratings' rating panels

ARC Ratings approach is designed to benefit issuers as well as investors and aims to restore the anticipatory role of credit ratings.

### FOCUS

In a world where the emerging economies are becoming of increased importance, ARC Ratings branches are ideally placed. These locations allow ARC Ratings to perform "on the ground" ratings, benefiting from local knowledge in combination with the global knowledge available through its network of partners. Furthermore, these locations ensure ARC Ratings is well positioned to service the needs of small to mid-sized clients search for capital.

*ARC Ratings expansion into the European ratings market is based on the twin strategy of offering significantly higher service levels and lower fee structures relative to the larger CRAs.*

### VISION & VALUES

ARC Ratings aims to enhance reliability and transparency of international credit ratings by using a network-based and multi-perspective approach and by leveraging local expertise to the benefit of issuers and investors. ARC Ratings is dedicated to improving the risk/reward decision-making capabilities of investors globally, while allowing issuers to access capital markets at premiums

commensurate with their objectively assessed credit risk. ARC Ratings uses methodologies that are rigorous, systematic, continuous, dynamic and subject to constant validation, completely independent and unbiased, politically and geographically. ARC Ratings operates on the basis of strict internal controls as well as a robust and comprehensive system of governance.

## ARC RATINGS NETWORK

### **ARC Ratings, S.A. (formerly Companhia Portuguesa de Rating, S.A. - CPR)**

CPR was established in 1988 and in 2011 it was one of the first European CRAs to be registered with the European Securities and Markets Authority. Prior to its conversion into ARC Ratings, S.A. in 2013, CPR was the market leader for ratings in Portugal. ARC Ratings has also established offices in the United Kingdom.

### **CARE Ratings Ltd. (formerly Credit Analysis and Research Ltd)**

CARE Ratings Ltd. was established in April 1993 by major banks and financial institutions in India. CARE Ratings is a listed company and is the second-largest credit rating agency in India in terms of rating revenue. CARE Ratings has also emerged as India's leading agency covering banks and sub-sovereigns and is headquartered in Mumbai, with offices in Ahmedabad, Bengaluru, Chennai, Chandigarh, Coimbatore, Hyderabad, Jaipur, Kolkata, New Delhi, Pune & Mauritius.

### **Global Credit Rating Company Limited ("GCR")**

GCR was established in 1996 as the African arm of Duff & Phelps and is now the African market leader, accounting for the majority of all ratings accorded on the African continent. Key institutional shareholders are Carlyle (one of the largest international Private Equity groups) and DEG/KfW Group (owned by the German Government). GCR's African regional headquarters are based in Johannesburg, with its main SADC, West, and East African regional offices established in Harare, Lagos and Nairobi respectively.

### **Malaysian Rating Corporation Berhad ("MARC")**

MARC was launched in 1995 and is now the second largest rating agency in Malaysia. Its shareholders include major insurance companies, stockbrokers and investment banks in Malaysia. The agency covers the full spectrum of rating sectors in Malaysia and has established a strong position in the Sukuk bond ratings market.

### **SR Ratings, LTDA.**

Founded in 1993, SR Ratings has a long and sound presence in the Brazilian market. The company has a proprietary office in Rio de Janeiro and maintains close international partnerships with American, European and Asian investors.

## **SummaRatings (Calificadora de Riesgos SummaRatings, S.A.)**

SummaRatings was established in April 2009 and has established a prominent position in the Ecuadorian rating market. It is licensed to rate any instrument listed on the Ecuadorian Stock Market, as well as private insurance companies and financial institutions. SummaRatings is headquartered in Santiago de Guayaquil and has a commercial office in Quito. SummaRatings intends to expand its activity into other Latin America markets in future.

## **ARC RATINGS' RATING METHODOLOGIES**

### **AN OVERVIEW**

ARC Ratings methodologies are thoughtful, transparent and responsive to market needs. They incorporate the effects of any relevant quantitative and qualitative risks and by extensive local knowledge they offer insights superior to those of their competitors. All of ARC Ratings methodologies are dynamic and undergo continuous reviews, a process possible due to a corporate culture encouraging multi-perspective critical thinking along with criteria updates. *ARC Ratings detailed methodologies can be accessed on ARC Ratings website ([www.arcratings.com](http://www.arcratings.com)).*

### **CORPORATE METHODOLOGY**

ARC Ratings Corporate Methodology...

- centres around the rated entity's underlying business model and its sustainability in the broader context of macroeconomic shifts, leading to the assessment of the rated entity's resilience
- takes into account cyclical and sector trends
- demands an in-depth analysis not only of the rated entity but also of the underlying context in which it operates
- recognizes the paramount importance of local knowledge for the full understanding of the rated entity and therefore for a correct assessment of the entity's capacity to fulfil its obligations
- dynamically adjusts to on-going developments within the market

### **FINANCIAL INSTITUTIONS METHODOLOGY**

ARC Ratings Financial Institutions Methodology includes:

- a network analysis-based assessment of the interconnectedness of each rated financial institution in order to understand its systemic importance
- an analysis of the complexity of the respective financial institution reflected not only by its on and off-balance sheet positions, but also in reviewing the results of so-called living wills, where they exist

- concentration risk, not only of the institution to be rated, but also of the system within which it is headquartered
- ARC Ratings centres its analysis on liquidity risk as liquidity risk equates to credit risk for financial institutions
- in addition to liquidity and systemic risk, ARC Ratings rating methodology also considers market and operational risk, as far as those risks may impact the creditworthiness of the rated institution

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## **STRUCTURED FINANCE METHODOLOGY**

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In its methodologies of structured transactions ARC Ratings applies:

- the inherent economic value of structures
- models to assess creditworthiness, as supplements to qualitative analysis
- assessment of the underlying assets as the basis for rating structured transactions
- complexity of structures
- stress-testing against the background of extreme scenarios
- strict external controls by rating only such structured transactions with full disclosure by their prospective issuer
- strict internal controls, prohibiting ARC Ratings to advise issuers on optimal composition of any structured transactions

Structured Finance transactions include all forms of asset backed securities, amongst others: Residential and Commercial Mortgages, Auto Loans, Consumer Loans, Trade Receivables, Repack Vehicles, Equipment Leases and Structured Credit.

ARC Ratings Global Structured Finance Rating Methodology lays down the fundamental considerations for any structured finance transaction rated by ARC Ratings and is complemented by specific criteria for each major structured finance asset type.

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## **SOVEREIGN METHODOLOGY**

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ARC Ratings unique vision for sovereign ratings includes:

- a comprehensive approach to incorporating all dynamic macro factors into our analysis of the creditworthiness of sovereigns
- an intimate knowledge of our partner countries due to our local presence and expertise, a model that we extend to our entire sovereign ratings portfolio
- a thoughtful integration of conventional indicators used in sovereign risk analysis with more nuanced measurements that target the scope for financial volatility and recovery
- a robust quantitative framework that is also inspired by qualitative elements

## THE BENEFITS OF A RATING

A rating...

- potentially reduces the risk premium or collateral demanded by investors through a better understanding of the risk of a given obligation
- may be accepted by lenders as a substitute for bank guarantees or reduce the costs of such guarantees for the borrower
- provides an important tool for negotiating with banks
- facilitates debt disintermediation
- may reduce the capital reserve requirements set aside for lending activities by banks using the standardised, or external rating based, approach under Basel II and Basel III
- facilitates obtaining credit from suppliers and increases credibility with customers
- allows an issuer to distinguish itself from its peers and from its country of residence in terms of risk

## THE BENEFITS OF AN ARC RATINGS RATING

At ARC Ratings we pride ourselves on our multi-perspective assessments of every rating

- investors and issuers receive an independent, neutral and deeply considered rating
- ARC Ratings global presence and multi-cultural structure allows for our ratings to be more adaptive to the local market
- ARC Ratings approach is rigorous, systematic, continuous and timely
- ARC Ratings uses a mixture of public and private information to make informed comparisons within markets
- ARC Ratings offices are located in multiple markets globally which allows for effective market monitoring and the ability to respond swiftly to any market

ARC Ratings also differentiates itself by offering significantly higher service levels and lower fee structures relative to its more established peers.

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## KEY STAFF PROFILES



**David Charles King**  
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David has over twenty-five years' experience in the ratings industry and holds a Bachelor's Degree in Commerce and an Honours Degree in Economics from UNISA. He is the former CEO and Chairman of Global Credit Rating Co (GCR) and was responsible for building GCR into the largest rating agency in Africa. His expertise is in credit and strategic risk management and he relocated to Europe to help facilitate ARC Ratings international expansion.



**Emma-Jane Fulcher**  
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Emma-Jane is Head of Structured Finance and CRO at ARC Ratings. Her responsibilities include overseeing the rating process for all asset classes and industry sectors. She worked for Fitch Ratings for twelve years in Structured Finance, as well as heading up their European ABCP team. Previous to that she worked at ING-Barings and UBS Warburg, where she was responsible for managing the Mont Blanc conduits.



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Philip was previously the Managing Director and Head of the European Structured Finance Business function at Fitch Ratings. He has forty years' experience of complex financings, having spent sixteen years at Fitch and over twenty years in investment banking. Philip holds a degree in law from the University of Exeter as well as a History & Politics degree from the Open University.



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Mark has eight years' experience as a senior Structured Finance Analyst, being the lead analyst across a broad range of asset classes. He holds a Bachelor's Degree in Accounting, from the University of Johannesburg, and an Honours Degree in Finance Management Sciences, from the University of Pretoria.



**David Payne**  
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David spent fifteen years in Union Bank of Switzerland's Corporate Banking department, where he was appointed Head of Credit. He joined Deutsche Bank as a Director in 1999 with prime responsibility for Credit Risk Management of the securitisation business. Most recently, David spent five years as Senior Credit Specialist for Structured Products at FMS-Vertmanagement Service GmbH.



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Isabel is Head of Sovereign and Senior Corporate Analyst at ARC Ratings. Isabel has over thirty years of experience in auditing and credit rating analysis. She holds a Bachelor's Degree in Economics, from Nova School of Business and Economics, in Lisbon.