



The Pakistan Credit Rating Agency Limited

RATINGS REVIEW APPEAL STANDARDS POLICY

RATING POLICY

JANUARY 2010

1. STATEMENT OF PURPOSE

- To outline and describe the Ratings Review Appeal process

1.1 The purpose of this rating policy is to: (i) *outline and describe* the Ratings Review Appeal process of PACRA, (ii) ensure *market transparency* in the Ratings Review Appeal process, and (iii) Improve and reiterate *quality standards* by facilitating efforts *both* by the rated entity *and* PACRA to incorporate all available information in the rating opinion (*the term “rated entity” and “rating” encompasses all types of rating/grading opinions by PACRA to any entity or debt instrument*).

2. RATINGS REVIEW APPEAL – CRITICAL CONSIDERATIONS

- Circumstances warranting a ratings review appeal
- Rationale for entertaining a ratings review appeal
- Public dissemination and ratings review appeal

2.1 PACRA *strives* to ensure that its rating decisions accurately reflect *all* available information. Concurrently, *in case its assigned opinion is unacceptable to an entity*, it *considers* a review appeal of its rating decision.

2.2 A Ratings Review Appeal may be warranted:

- If a rated entity *believes* that PACRA has *inadvertently missed* or *materially misinterpreted* critical information in reaching a rating decision
- If the rated entity *believes* that it has *new* information, new background to existing information or there have been certain material developments since the management meeting

2.3 It is *noteworthy* that the Ratings Review Appeal is a *one-time* appeal opportunity *afforded* to the rated entity. Hence, *once concluded*, it cannot be *restarted*. Also, the Ratings Review Appeal process *cannot* prevail beyond its designated time period.

2.4 If circumstances such as the above come to prevail, PACRA’s *commitment to analytic rigor* requires that an evaluation of the materiality of the *missed / misinterpreted / additional* information is made and the outcome of this exercise, *if any*, factored into the rating opinion.

2.5 Driven by this commitment, the rating analysts have an obligation to give full attention to any Ratings Review Appeal request and act swiftly to get the request *processed* in an appropriate manner.

2.6 The Ratings Review Appeal request should:

- **Be** a sincere attempt by the rated entity to have *missed information* being incorporated, *misinterpreted information* being interpreted correctly and *new information* being reflected in the rating opinion
- **NOT be** used by the rated entity as a tactic *delaying* the release of an undesirable rating opinion *OR* an adverse rating change

2.7 The public dissemination of the rating *remains* the client’s prerogative for an *initial rating exercise*. However, once a rating is made public, PACRA *reserves* the right to make all its rating actions public *without prior approval* of the client. Nevertheless, the rated entity has the *right to appeal* against PACRA’s action within seven working days of the notification, *irrespective* of the fact whether that action has been made public or not.

3. WHAT & WHAT NOT CONSTITUTES A RATINGS REVIEW APPEAL

3.1 A rated entity’s *difference of opinion* with PACRA may arise on ***two*** accounts: (i) The rating opinion, *and/or* (ii) the editorial content of the rating opinion *manifested* in the shape of the detailed rating report. **Of these, only difference of opinion pertaining to the rating opinion constitutes the subject matter of a Ratings Review Appeal request.**

- Request for *Rating Revisions*
- Request for *Editorial Revisions*
- Special cases of Rating Refinements (*Outlook and Rating Watch*)

3.2 *Both* an initial rating and a rating update opinion are *eligible* to be appealed.

3.3 Regarding editorial content, there may be two *varieties* of requests, both dealt differently by PACRA. However, *it is noteworthy* that *these* do not constitute a Ratings Review Appeal:

- On occasion, a rated entity may call for editorial change(s) to be made in the interest of *factual accuracy* and/or *removal of confidential / non public information*
- *Reservations* regarding the *editorial content* and *style* may come forth with a request to make drafting changes

3.3.1 PACRA shall duly evaluate any comments *thus* made by the rated entity; however, the rated entity may not *propose* any drafting or editorial changes, *other* than to correct factual errors or remove references to non-public information. Hence, *whereas*, requests of *the former nature* are almost always accepted, requests of *the latter kind* are generally not entertained *readily* or *in full* as PACRA retains the right to publish the rating opinion in whatever form it deems *most appropriate* in its editorial judgment.

3.4 Regarding *rating refinements* and *enhancements*, assignment of **Outlook** may warrant a review appeal, however, **Rating Watch** actions are *not* subject to review at the request of the rated entity.

**4. RATINGS APPEAL
– THE PROCESS**

- **Formal Client request**
- **Mechanics**
- **Outcome**

4.1 The Ratings Review Appeal process follows the steps as enumerated below:

- I. Formal Client Request
- II. Mechanics
- III. Outcome

4.1.1 **Formal Client request:** Ratings Review Appeal has to be filed in a *written form* with “*points of contention with PACRA’s opinion*” clearly pointed out. The Ratings Review Appeal request, in order to be entertained, must be filed within *seven working days* of receiving the *ratings notification*.

4.1.2 **Mechanics:** The mechanics of the Ratings Review Appeal process go through these steps:

- At the Analyst’s *and* manager’s level, the current rating opinion is *re-visited* in the light of the *objections raised by the client* and/or the *missed/misinterpreted/new information*. In case the rating team *perceives* the need, further information is *solicited* from the rated entity through a *questionnaire* and/or the management of the rated entity is asked to make a *representation*
- A revised opinion is, thus, formulated, *ready* to be proposed to the Rating Committee (RC)
- The RC is *re-convened* with senior analysts and/or managers *not previously involved in the committee process* joining members of the original RC to reconsider the rating analysis. The idea behind this practice of having a broader composition of the RC is to make an effort to bring a *fresh perspective* upon the opinion
- After *careful re-deliberation*, the RC gives its opinion and the appeal moves towards *OUTCOME*

4.1.3 **Outcome:** The appeal process is *concluded* within *seven working days* of receiving the appeal request. This period may extend if the desired information/meeting is not arranged in a timely manner. However, if PACRA sees this as a “*tactic*” to delay public dissemination of rating opinion, it may go ahead with dissemination after seven working days of appeal. The outcome may take the *shape* of:

- I. *Affirming* the original rating opinion
- II. *Revising* the original rating opinion
 - In case of both *affirming* and *revising* the original rating opinion, the client is *apprised* of PACRA’s decision as to the Rating Review Appeal in the form of a *letter*
 - A *NEW* notification of the ratings is made to the client, *ONLY* in cases where *PACRA* decides to *revise* its opinion
 - *Simultaneously* with client notification, PACRA *publicly disseminates* its revised opinion, *if it is a rating update exercise*. However, in case of an initial rating, the public dissemination *remains* the rated entity’s *prerogative*, which is *supposed to* inform PACRA within a week’s time as to its decision *whether* to make the rating public or keep it confidential
 - *Following* the outcome, the Ratings Review Appeal process is closed
 - In case of *any editorial changes* made to the detailed report, the revised version of the said would also be sent to the client

REFER to Annexure – Ratings Review Appeal - Process Flow

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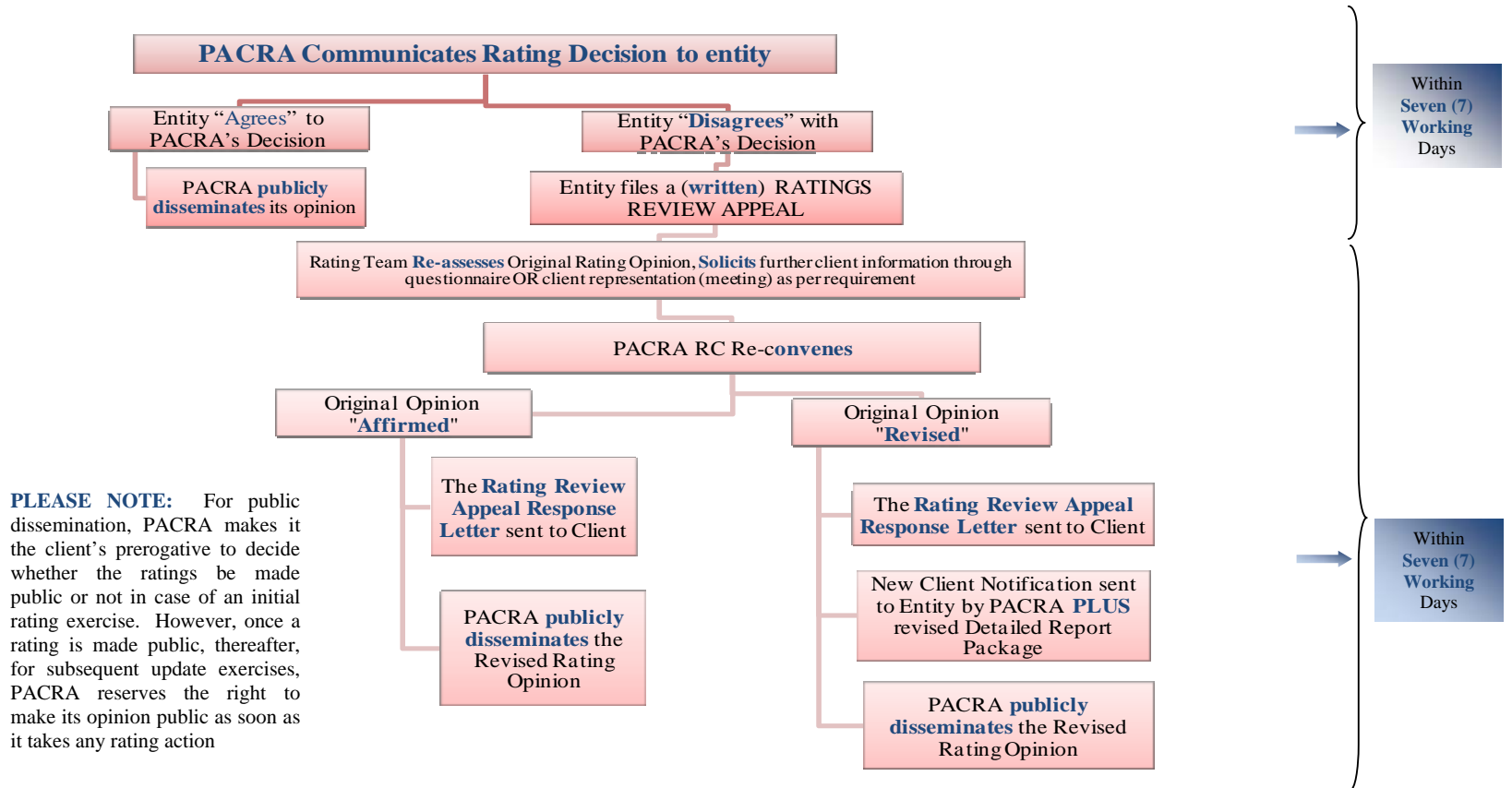
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1. PROCESS FLOW

- A transparent, smooth and speedy process



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