

# MONECO FINANCIAL TRAINING

## SOVEREIGN CREDIT RISK

**November 4-5, 2019**

**Lecturer: Ron Slomovits**

**Registration Deadline: October 21, 2019**



Upcoming Seminar

*Undercover the dos and don'ts for your internal rating tool and consider the rating agencies' modus operandi.*

## Training objectives:

- **Analyse sovereign debt issuance in today's capital markets**
- **Interpret macroeconomic and other quantitative data which impact sovereign credit ratings**
- **Integrate qualitative risk factors into the risk assessment**
- **Measure the likely impact of sovereign credit rating on the evaluation of banking system support**
- **Differentiate the rating methodologies for supranational agencies from those of sovereign obligors**
- **Appreciate how the rating agencies assess risks**
- **Discuss the UN principles on distressed sovereign debt recovery and legal process**
- **Define situations of default with respect to international (external) sovereign debt and domestic sovereign debt**
- **State how investors can predict improvements and deteriorations in sovereign credit quality**

## Introduction:

The seminar identifies relevant approaches of credit analysis that are useful to incorporate in a financial institution's own internal rating tool. Further, this enables participants to deepen their expertise about credit risk for global banks and sovereign obligors.

Covering Standard & Poor's, Fitch and Moody's methodologies helps participants identifying general trends on each of the entities' rating factors and qualitative adjustments. Through detailed case studies participants will be able to analyse how rating agencies apply their own criteria, and especially which questions remain unanswered in public rating reports. Further, participants will develop skills to read between the lines in rating reports in order to fully being able to form their own informed opinions about credit risk of sovereigns and financial institutions of their interest.

Know-how about the rating agencies' modus operandi will be transformed into practical tips about how internal ratings tools should assess credit risk and which factors need to be taken into account to what extent, when analysing banks and sovereigns. The seminar further discusses also the availability of validated data, so that participants instantly know where to find the right underlying information for each of the rating factors, taking into account qualitative as well as quantitative data.

Overall this seminar leads participants to keep track of probability of default and helps to conceive an informed opinion about counterparties' creditworthiness. This again, helps improve a financial institution's own internal rating tool, make it more robust and exceptionally forward-looking.

## Starting position:

International rating agencies assess sovereign credit risk according to their own methodologies and criteria. Consequently, even taking into account the same set of hard fact data, rating outcomes may vary significantly from one rating agency to another. The large number of rating factors, and the complex interrelationships between various entities' ratings, taking into account different sectors such as financial institutions and local governments, make it very difficult to track rating decisions and almost impossible to predict them.

## Implementation:

The two-day seminar deals on one hand with the individual rating factors and thus the basic sovereign rating criteria, on the other hand practical examples in form of detailed case studies for rated sovereigns will lead participants to in-depth knowledge of the rating agencies' world of credit risk. In addition, the seminar discusses a selection of current ratings, in order to compare them qualitatively and quantitatively. Furthermore, the seminar covers current events and evaluates how they might impact specific sovereigns' credit risk and how one can incorporate useful rating factors in each own's internal rating tool.

## Added value:

The aim of the seminar is giving participants a thorough analytical perception of sovereign credit risk and discussing how they interrelate with ratings of other sectors (e.g. banking system, local governments, etc). The detailed work on case studies allows participants to break down far-reaching events for sovereigns to a single credit rating and use the knowledge for each individual own purpose. By guiding the participants through the various sovereign rating methodologies, the seminar explains how rating agencies work in detail and how they derive their rating decisions. This facilitates the participants to anticipate rating changes and initiate appropriate measures on a timely basis.

**MONDAY, NOVEMBER 4<sup>TH</sup>**

**09<sup>00</sup>–09<sup>15</sup>**

### Welcome and Introduction

*A global overview about current ratings and their relevant peer groups, as well as international rating agency criteria for various sectors.*

**09<sup>15</sup>–12<sup>30</sup>**

### Session 1

**Standard & Poor's sovereign rating criteria:**

#### Sovereign indicative rating level

- Institutional and economic profile
  - Institutional assessment
  - Economic assessment
- Flexibility and performance profile
  - External assessment
  - Fiscal assessment
  - Monetary assessment

#### Foreign-currency vs. local-currency sovereign rating

After completing Session 1, participants will be able to analyse a sovereign's institutional effectiveness, considering

factors such as predictability of policymaking, external security risks, etc.

The economic assessment will help participants to identify the key drivers for economic development which is often the long-term basis for sovereign creditworthiness. The focus is identifying potential economic volatility or concentration, stemming e.g. from above-average reliance on receipts from commodities.

Participants will further be able to analyse the financial flexibility of sovereigns, taking into account factors such as the sovereign's external position, which gives participants the ability to inspect the sovereign's currency status and its external liquidity, relative to the rest of the world.

The second important part of assessing a sovereign's financial flexibility is the fiscal assessment, meaning assessing the effect of an increasing/decreasing general government debt burden and

relate it to the country's respective funding and debt structure, contingent liabilities, etc. The session will also explain the difference between the various debt definitions, such as net external debt burden and general government debt, including identifying their sustainability and early warning signs. After completing the session, participants will further be able to explain the monetary assessment - which is the third part of assessing a sovereign's financial flexibility - including its factors such as the exchange rate regime, credibility of monetary policy and connect it to a country's development level of financial system and capital markets.

Finally, the participants will be able to differentiate between foreign-currency and local-currency debt in order to apply credit risk correctly to a specific debt instrument and learn what they should and what they could incorporate in their internal rating tools.

12<sup>30</sup>-13<sup>30</sup>

**Lunch**

13<sup>30</sup>-15<sup>30</sup>

**Session 2**

**Other relevant methodologies**

- Guarantee criteria
- Rating Partially Guaranteed Sovereign Debt
- Banking Industry Country Risk Assessment Methodology And Assumptions
- Bank system support
- Bank Capital Methodology And Assumptions
- Rating Implications Of Exchange Offers And Similar Restructurings

After completing session 2, participants will be able to compare different forms of guarantees and interpret them in the light of a sovereign's banking system. Participants will also be able to relate rating implications of exchange offers and make use of the information for their internal purposes, i.e. taking into account various constellations of credit enhancement or overlooked credit risks.

15<sup>00</sup>-16<sup>00</sup>

**Recap**

**TUESDAY, NOVEMBER 5<sup>TH</sup>**

09<sup>00</sup>-09<sup>45</sup>

**Welcome and Recap**

09<sup>45</sup>-11<sup>45</sup>

**Session 3**

**Standard & Poor's rating criteria for:**

- Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology
- Government-Related Entity (GRE) methodology

- Rating Above The Sovereign criteria
- Use of Credit Watch and Outlook

After completing session 3, participants will be able to utilize rating methodologies of different sectors, including supranational institutions and government-related entities and use them consistently together with the rating agencies' rating above the sovereign criteria. Participants can also select to deep-dive into the use of credit watch and outlook, and discuss how to incorporate such frameworks into their own rating tools and credit analyses papers.

11<sup>45</sup>-12<sup>30</sup>

**Start of case studies**

12<sup>30</sup>-13<sup>30</sup>

**Lunch**

13<sup>30</sup>-15<sup>30</sup>

**Special:**

**Case study session: Standard & Poor's**

- Analyse S&P rating reports
  - Recognize the most important rating factors and methodologies instantly.
  - Seek in-depth information on creditworthiness which is not described in the report.
  - Conceive the potential rating agency's motive for not mentioning individual rating factors profoundly.
  - Identify additional information in the reports, which is not predominantly rating relevant.
- Comprehend the rating reports between the lines, i.e. to discover not obvious information on sub-factors of creditworthiness.
- Classify rating factors that could go up or down in the next 12-24 months.
- Find rating agencies' mistakes and ambiguities in the reports.

- **Discuss relevant approaches of analysis that are useful to incorporate into a bank's own internal rating tool.**

After completing the case study session, participants will be able to retrieve the information in the latest rating reports and examine how S&P assesses credit risk. The participants will discover which information the rating agency shares, and which information potentially remains encrypted, including categorizing the relevant rating factors and qualitative adjustments. This will lead participants to form their own opinions about credit risk on selected sovereigns and enable them to uncover the dos and don'ts when analysing sovereigns in their internal rating tools.

15<sup>30</sup>-16<sup>00</sup>

**Session 4**

**Recap of the relevant sovereign rating methodologies**

- Comprehend how rating agencies apply their own methodologies
- Discuss the methodologies and compare them with the participants' internal rating tools to assess counterparty creditworthiness.

After completing session 4, participants will have a full view on in-depth analyses, taking into account various sovereign rating methodologies and will be able to use concrete learnings in order to enhance the quality of their internal rating tools (models).

Participants will discuss how to use the know-how for their internal purposes of assessing creditworthiness, and which assessment-elements and rating factors make sense to acquire for each own's analytical purposes.

*Knowledge Leads the Way...*

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## Lecturer: Ron Slomovits

Mag. Ron Slomovits has established Rating Advisory after twelve years of professional experience in the financial and consulting industry. He supports capital markets participants on credit rating related matters, specialising on regional government ratings, as well as bank ratings. The company offers a broad variety of products, that all have one thing in common: to deepen market participants' knowledge in credit ratings, which finally puts them in the driver's seat when it comes down to assessing creditworthiness of international entities.

The basis for that knowledge, Mr. Slomovits gained at the international rating agency Standard & Poor's, at the department for Sovereigns/International Public Finance. He covered ratings on states and municipalities as well as government-related entities in Austria and Germany, and worked closely with the Financial Institutions team on bank ratings.

In this role he lead annual personal meetings with high-placed government officials in order to analyse creditworthiness of states and municipalities. Mr. Slomovits was also engaged in various sovereign and bank ratings in order to assess and quantify the interrelationship between the entities.

Prior to joining Standard and Poor's Mr. Slomovits worked as a credit analyst with an Austrian bank, where he gained many years of professional experience in the field of European banking analysis/stress testing and prepared investment decisions by analysing financial robustness of 57 worldwide major banks.

Mag. Slomovits holds a Master's Degree from Vienna University of Economics and Business.



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# Terms and Conditions of the MONECO Financial Training

## MONECO Financial Training

MONECO Financial Training offers a comprehensive programme of English-language seminars, trainings and practical workshops lectured by qualified tutors. Our objective is to provide the industry professionals with advanced financial know-how and up-to-date analytical methods and skills.

## Seminar Venue and Accommodation

The bulk of the MONECO seminars are traditionally held at the international four-star NH Prague Hotel in Prague, Czech Republic. Since we are expanding our training activities, we run some selected seminars also in other European destinations. Accommodation is not included in the seminar price, but upon request we are happy to offer you hotel reservations in every of our training destinations at special discounted prices for our valued clients.

## Tuition Language

Seminar tuition is in English language, as are all manuals, training software etc. Therefore, in order to benefit from participation, at least a passive knowledge of English, including common financial phrases and related terminology, is required.

## Registration

Clients who decided to participate, should submit us in advance a registration for a particular seminar (letter, fax, internet etc.). Subject to availability, the participant will then receive a confirmation of participation. The number of participants is always strictly limited in order to secure an effective and focused learning environment.

## Seminar Prices

The quoted seminar prices are per person and include all the training manuals, lunches and refreshments, certification diploma in English and selected software solutions used at the seminar. The price does not include hotel accommodation. Quoted prices are exclusive of local VAT (21 %) "Bundle" prices represent the total fee for participation in mutually related seminars (i.e. "Bundles 3+2, 2+3, 2+2, 3+1, 1+3, 1+2+2 and 2+2+1"). "Bundle" prices are provided in the Calendar of the MONECO Financial Training seminars.

## Discounts

Bulk discounts are offered when submitting an application for the participation of more than one person. A 10 % discount is offered when at least two participants from one company register for a seminar or one participant registers at once for two or more seminars. The discounts do not apply for "bundle" prices, as these already represent discounted prices.

## Invoicing and Payment

An invoice for the seminar price will be sent to the participants no later than 10 working days prior to the beginning of the seminar. **Full payment of the invoice must be made before the start of the seminar as a precondition of participation.**

## Terms of Cancellation

If for whatever reasons a registered participant is unable to attend, a substitute delegate may be appointed to participate instead. For cancellations received 20 days or more before the beginning of the seminar, a 10 % cancellation fee of the full price will be invoiced i.e. 90 % of the price is refunded. **For cancellations received less than 20 days prior to the beginning of the seminar, the full price is payable i.e. no refund will be provided. All cancellations must be in writing.** The organizers of the MONECO Financial Training courses reserve the right to cancel the individual participation or cancel the entire seminar or part of it for whatever unspecified reasons, including possible force majeure. In this case, the price paid will be refunded in full or in part, accordingly.

## REGISTRATION FORM

**Registration Deadline:  
October 21, 2019**

• Sovereign Credit Risk

November 4 – 5, 2019

€ 1,400

## COMPANY

Name:

Approving Manager:

Person responsible for training:

Address:

Tax Registration No.:  VAT Identification No.:

## PARTICIPANTS

1. Title:  Name:  Phone:   
Mr/Mrs/Ms  
E-mail:  Position:

2. Title:  Name:  Phone:   
Mr/Mrs/Ms  
E-mail:  Position:

3. Title:  Name:  Phone:   
Mr/Mrs/Ms  
E-mail:  Position:

Date:  Signature: