

## **PROCEDURE**

### **COMMERCIAL ORGANIZATION RATING BY THE CENTRAL BANK**

#### **1. General**

1.1 This procedure is set to govern the relations arising out of rating of commercial organizations by the Central Bank of the Republic of Armenia (the Central Bank), including to define the main principles of the rating process, the composition of rating committee and the procedure of activity.

#### **2. Rating committee**

2.1 A committee shall be established at the Central Bank in order to review issues in respect of the process of rating, including the rating of commercial organizations, and revision, change or suspension of rating. The committee shall be chaired by chairman, and in his/her absence, by deputy chairman of the Central Bank.

2.2 The committee shall evolve its activity through meetings which are to be convened as per necessity, as initiated by chairman of the committee.

Recording secretary shall at least three days prior to the meeting of the committee inform the members of the committee of the timing and agenda of the meeting.

2.3 A meeting of the committee is competent where more than half of members of the committee are present, including chairman of the committee.

Meetings of the committee shall be chaired by chairman of the committee.

2.4 Meetings of the committee shall be recorded by an officer of the Protocol Unit of Administration of the Central Bank. The minutes of the meeting shall be signed by all the members having participated in that given meeting of the committee. The minutes of the meeting shall be prepared within two days following the day of the meeting.

2.5 Conclusion on issues included in the agenda of the meeting of the committee shall be made upon majority of voice of the members present in the meeting. In case of equal votes, the vote of chairman of the committee is decisive.

2.6 After review of the outcome of issues addressed by the committee in respect of rating of commercial organizations, and revision, change or suspension of rating, chairman of the Central Bank will take a relevant decision.

2.7 Based on the decision of chairman of the Central Bank on the rating, revision, change or suspension of rating of commercial organizations, the rating given to a commercial organization shall be made available in the Internet – in the Central Bank's website – within two days following the signing of such a decision.

### **3. Rating of commercial organizations**

3.1 Rating of a commercial organization shall be carried out either upon initiation of the Central Bank or the commercial organization, only at the consent of the commercial organization.

3.2 The Central Bank shall rate commercial organizations which earn annual proceeds in excess of AMD 100 million and which have been functioning at least three years.

3.3 To participate in the rating process, a commercial organization shall furnish the Central Bank with the following documents, as established under Order No. 465 (12/31/2001) of Minister of Finance and Economy of the Republic of Armenia:

3.3.1 Accounting balance sheet (Form 1)

3.3.2 Statement on financial results (Form 2),

3.3.3 Statement on change in equity (Form 3)

3.3.4 Statement on cash flows (Form 4)

3.3.5 Notes to financial statements (Form 5).

3.4 The information as provided for in paragraph 3.3 hereinabove shall be submitted to the Central Bank on an annual basis, except for the cases established in the second part hereunder.

Where there are quarterly financial statements defined for any given commercial organization, the information as provided for in paragraph 3.3 hereinabove shall be submitted to the Central Bank on a quarterly basis.

3.5 Once the information on the commercial organization being rated is received, the committee shall review financial and economic performance of that organization.

3.6 In addition to financial statements required, the commercial organization being rated shall provide to the Central Bank any information as required by the interviewer of the Central Bank.

3.7 Rating of commercial organizations shall be carried out based on the results of analysis of financial and economic performance of any given organization. The analysis shall include a review of credit history of the organization being rated as well as quantitative and qualitative aspects of its activity.

3.8 Where a commercial organization being rated fails to provide information on its financial and economic performance, the Central Bank shall suspend the process of rating of that organization and release information about that in the Internet – in the Central Bank's website.

3.9 Rating, change or suspension of rating of commercial organizations shall take effect upon being made available in the Internet – in the Central Bank's website.

3.10 Rating of commercial organizations shall be carried out in compliance with the methodology available at the Central Bank's website.

Values of credit history, financial performance and qualitative estimations for a commercial organization shall be issued using a five-score system, and the conclusion and granting of rating will follow thereafter.

A rating shall be granted using the letters of Armenian Alphabet (for simplicity Latin equivalents are presented), with **A+** as the maximum rating and **F** as the minimum rating.

A rating shall be granted to a commercial organization relying on the average value of credit history, financial performance and qualitative estimations of activity of the organization, pursuant to the table as follows:

<b>Average estimation</b>	<b>Rating</b>
4.9 and above	A+
4.75-4.9	A
4.6-4.75	A-
4.45-4.6	B+
4.25-4.45	B
4.1-4.25	B-
3.95-4.1	C+
3.75-3.95	C
3.5-3.75	C-
3.25-3.5	D+
3.0-3.25	D
2.75-3.0	D-
2.5-2.75	E+
2.25-2.75	E
2.0-2.25	E-
2.0 and below	F