

# Fitch Revises Country Ceilings for 40 Countries

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Fitch Ratings-London/New York/Hong Kong-17 August 2006: Fitch Ratings has today revised upwards the Country Ceilings for 40 countries. The Country Ceilings are an effective cap on all foreign currency ratings of entities and transactions originating within each country. Fitch first publicly assigned Country Ceilings to countries with Fitch-rated sovereign issuers in June 2004. Country Ceilings capture the risk of exchange controls being imposed that would prevent or materially impede the private sector's ability to convert local into foreign currency and transfer to non-resident creditors - transfer and convertibility (T&C) risk. Country Ceilings are not ratings but rather a key analytical input and constraint on the foreign currency ratings of entities and transactions originating in the sovereign's jurisdiction. Increased integration of national economies into global production, trade and financial networks has reduced T&C risk, as evidenced by the experience of sovereign crises over the last decade. However, T&C and country risk more generally remain strongly correlated with sovereign risk and hence Country Ceilings are "notched" from the foreign currency rating of the sovereign. The ratings of transactions and non-sovereign entities that are above the sovereign and capped at the Country Ceiling may consequently exhibit more volatility at a given rating level than would normally be expected. The methodology for assigning Country Ceilings was recently updated as part of Fitch's regular and on-going review of its criteria and methodologies. As a result of the review of the Country Ceiling methodology, the Country Ceilings on 40 countries have been revised upwards (out of a total of 99). The average "notch" uplift has been increased by around 50 basis points (or half of one "notch" on the rating scale) to a little over one notch above the sovereign foreign currency issuer rating. The upward revision to Country Ceilings since they were first assigned more than two years ago reflects greater liberalisation of capital and exchange controls in many "emerging market" economies, such as Russia and Brazil, the strengthening of monetary and exchange rate regimes and the deepening integration of emerging markets in the global economy. Corporations, financial institutions and structured transactions can only be rated above the sovereign foreign currency issuer rating and up to the Country Ceiling if their stand-alone credit quality is judged to be sufficiently strong to withstand a sovereign debt crisis. The ratings of financial institutions and corporations are affected by the revision to the Country Ceilings and will be detailed in subsequent announcements. The revised Country Ceilings are listed below. A copy of the Criteria Report, Country Ceilings, is available from the agency's free website at [www.fitchratings.com](http://www.fitchratings.com). Contact: David Riley, London, +44 20 7417 6338; Richard Fox, London, +44 20 7417 4357; James McCormack, Hong Kong, +852 2263 9925; Roger Scher, New York, +1 212 908 0240. Armenia Country Ceiling revised to 'BB' from 'BB-' (BB minus) Aruba Country Ceiling revised to 'A-' (A minus) from 'BBB+' Brazil Country Ceiling revised to 'BB+' from 'BB' Bulgaria Country Ceiling revised to 'A-' (A minus) from 'BBB' Cape Verde Country Ceiling revised to 'BB-' (BB minus) from 'B+' Chile Country Ceiling revised to 'AA' from 'A+' Colombia Country Ceiling revised to 'BB+' from 'BB' Costa Rica Country Ceiling revised to 'BB+' from 'BB' Croatia Country Ceiling revised to 'BBB+' from 'BBB-' (BBB minus) Cyprus Country Ceiling revised to 'AA+' from 'AA' Czech Republic Country Ceiling revised to 'AA' from 'AA-' (AA minus) El Salvador Country Ceiling revised to 'BBB-' (BBB minus) from 'BB+' Estonia Country Ceiling revised to 'AA' from 'AA-' (AA minus) Guatemala Country Ceiling revised to 'BBB-' (BBB minus) from 'BB+' Hong Kong Country Ceiling revised to 'AAA' from 'AA' Hungary Country Ceiling revised to 'A+' from 'A' Indonesia Country Ceiling revised to 'BB' from 'BB-' (BB minus) Israel Country Ceiling revised to 'A+' from 'A' Kazakhstan Country Ceiling revised to 'BBB+' from 'BBB' Korea Country Ceiling revised to 'AA' from 'AA-' (AA minus) Latvia Country Ceiling revised to 'AA-' (AA minus) from 'A+' Lesotho Country Ceiling revised to 'A' from 'A-' (A minus) Lithuania Country Ceiling revised to 'AA-' (AA minus) from 'A+' Macedonia Country Ceiling revised to 'BBB-' (BBB minus) from 'BB+' Malaysia Country Ceiling revised to 'A' from 'A'

(A minus) Malta Country Ceiling revised to 'AA' from 'AA-' (AA minus) Mexico Country Ceiling revised to 'A-' (A minus) from 'BBB+' Namibia Country Ceiling revised to 'A' from 'A-' (A minus) Panama Country Ceiling revised to 'BBB+' from 'BBB' Peru Country Ceiling revised to 'BB+' from 'BB' Philippines Country Ceiling revised to 'BB+' from 'BB' Poland Country Ceiling revised to 'A+' from 'A' Romania Country Ceiling revised to 'BBB+' from 'BBB-' (BBB minus) Russia Country Ceiling revised to 'A-' (A minus) from 'BBB+' Slovakia Country Ceiling revised to 'AA' from 'AA-' (AA minus) South Africa Country Ceiling revised to 'A' from 'A-' (A minus) Taiwan Country Ceiling revised to 'AA' from 'AA-' (AA minus) Tunisia Country Ceiling revised to 'BBB+' from 'BBB' Turkey Country Ceiling revised from to 'BB' 'BB-' (BB minus) Uruguay Country Ceiling revised to 'BB' from 'BB-' (BB minus) Media Relations: Jon Laycock, London, Tel: +44 20 7417 4327. Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, [www.fitchratings.com](http://www.fitchratings.com). Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.