



Partial Guarantees for Structured and Unsecured Debt Issues

08/23/2023

HR Ratings updates its methodology for partial guarantees for structured and unsecured debt issues

HR Ratings announces that starting on 08/23/2023 the ratings including the use of a partial guarantee will follow the processes established in the updated criteria which can be found in the following link: <https://www.hrratings.com/methodology/>.

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Main Changes

The methodology determines the method to incorporate Partial Guarantees to Structured and Unstructured Debt Emissions. The process covers the effects of the guarantee when it is granted to unsecured unstructured debt, structured bank loans, emissions of debt from Mexican states and municipalities, project finance structures and debt backed by mortgage credits or financial assets. The guarantees will be considered only if the guarantor has a credit quality equal to or higher than the emission.

The following are the main changes for the updated methodology:

- The update clarifies the relationship between the methodology and the legal analysis set forth in HR Ratings' General Methodological Criteria.
- The update establishes the process for considering a partial guarantee in the rating process for infrastructure and project finance, RMBS and CMBS transactions.
- The definition and construction of the Target Stress Rate (TSR) is expanded upon to offer greater clarity.
- The update clarifies that, for the guarantee to be considered, the third party extending the partial guarantee must have a credit rating equal to or higher than the credit rating for the debt issue.
- The update clarifies the process used to consider the effect of reserve funds backed by non-cash assets.



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Rating Impact

HR Ratings reviewed the effects of these updates for all applicable ratings and concluded that no rating actions are necessary.



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