

# RAM

# POLICY

April 2013

## Rating Surveillance

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RATINGS





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## RATING SURVEILLANCE

### *Introduction*

Once published, a credit rating will be continuously monitored, except for those that we have clearly indicated no corresponding ongoing surveillance. We will track developments that might affect the credit risk of the entities and debt issues we rate. The goal of the surveillance is to keep the rating current by identifying issues that may affect our opinion about the creditworthiness of an entity or a particular debt issue. This paper describes generally how RAM Ratings monitors its ratings.

### *Team structure and responsibilities*

RAM Ratings will assign a Primary Analyst<sup>1</sup> to undertake the core part of the analytical work, coordinate the rating process and be the liaison person from RAM Ratings for that rating relationship. In conducting the surveillance, the Primary Analyst will:

- 1) monitor the entity and/or individual debt issue on an ongoing basis;
- 2) gather information sufficient to perform the credit assessment;
- 3) schedule a rating committee meeting to decide on the appropriate rating once all analysis has been completed; and
- 4) inform the rated entity of RAM Ratings' decisions and disseminate the rating actions to the public.

<sup>1</sup> For each rating case, RAM Ratings will assign a team of at least 2 members, including a Primary Analyst and a Secondary Analyst. The latter will serve as the back-up to the Primary Analyst, i.e. assumes the role of the Primary Analyst in his/her absence. This team structure is aimed at promoting continuity.

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### ***On-going rating relationship***

The surveillance process involves an active, ongoing dialogue between the rated entity and RAM Ratings' analysts. This is an integral part of RAM Ratings' analytical process to discuss elements that are key to the assigned ratings, consistent with our rating criteria and methodologies. In accordance with RAM Ratings' policies and procedures on rating surveillance, we will monitor all assigned ratings throughout the life of the debt issues. The frequency and extent of surveillance, however, depends on specific risk considerations for the individual entity or debt issue. Therefore, in the course of the surveillance process, RAM Ratings may update the market of its rating actions more frequently, as and when events and industry developments warrant.

### ***Focus during the surveillance exercise***

RAM Ratings' policy on rating surveillance requires us to conduct the review of each credit rating and publish a rating report within a period not later than 15 months after the last annual rating review as specified in the Guidelines on Registration of Credit Rating Agencies issued by Securities Commission Malaysia. The Primary Analyst will initiate this formal review by writing to the rated entity (or its agents) and requesting for all information pertinent to the analysis. The analyst will rely on that information, as well as those obtained from interviews and discussions with the management, and other public information sources, to assess the entity's financial condition, operating performance, management strategies, among other things. Factors external to the rated entity, including industry- or country-level trends, will also be examined. Following the initial request for information and management meeting, the Primary Analyst may conduct further discussion with the rated entity in order to obtain follow-up information and clarification.

The Primary Analyst will send out a meeting agenda to the rated entity ahead of the meeting. This is so that the rated entity is aware of the subjects that we would like to focus on at the management meeting to facilitate a meaningful discussion. Depending upon the nature of the entity being rated, site visits may also be requested. In its surveillance analysis, RAM Ratings will focus on certain fundamental factors, including but not limited to:

- modifications to plans/strategies in view of changes in the business climate stemming from shifts in the economy, new competition or technology, or major regulatory developments;
- review of management's most recent performance and strategies to address any identified challenges or opportunities;
- new developments or changes in assumptions that may affect the entity's credit quality (e.g. growing or shrinking debt burdens, hefty capital spending requirements, higher or lower traffic volume, etc).

Ultimately, our focus remains firmly anchored on how these factors would influence our view and expectations of the rated entity's credit risk or quality. The risk factors likely to be weighed in a given rating may vary considerably by sector; specific methodology reports are available on RAM Ratings' website, [www.ram.com.my](http://www.ram.com.my).

***Timeframe for completion of rating exercise***

Upon completion of the analysis, the rating team will make a recommendation to our rating committee. The role of the Primary Analyst at the rating committee meeting is to present the rating recommendation and rationale, and to ensure that relevant issues related to the credit are presented and discussed. Once the rating committee has made its decision, the Primary Analyst will communicate the rating to the rated entity. RAM Ratings' annual review process, from the time of receipt of substantial information to the decision of the rating, takes approximately 3 – 4 weeks.

***Rating disclosure***

RAM Ratings will not unduly delay disseminating our credit opinions and actions. Under extreme circumstances where the rated entity and/or its agent fail to respond to our repeated requests for information and/or unwilling to establish contact or communication with us with respect to queries or clarifications to material issues, RAM Ratings may suspend or withdraw the rating. Other rating actions may include reaffirmation, change of an existing rating, or revision in rating outlook and placement or removal of Rating Watch. RAM Ratings will publicly disclose its rating actions, generally through a press release and/or rating rationale, via our website and the media.

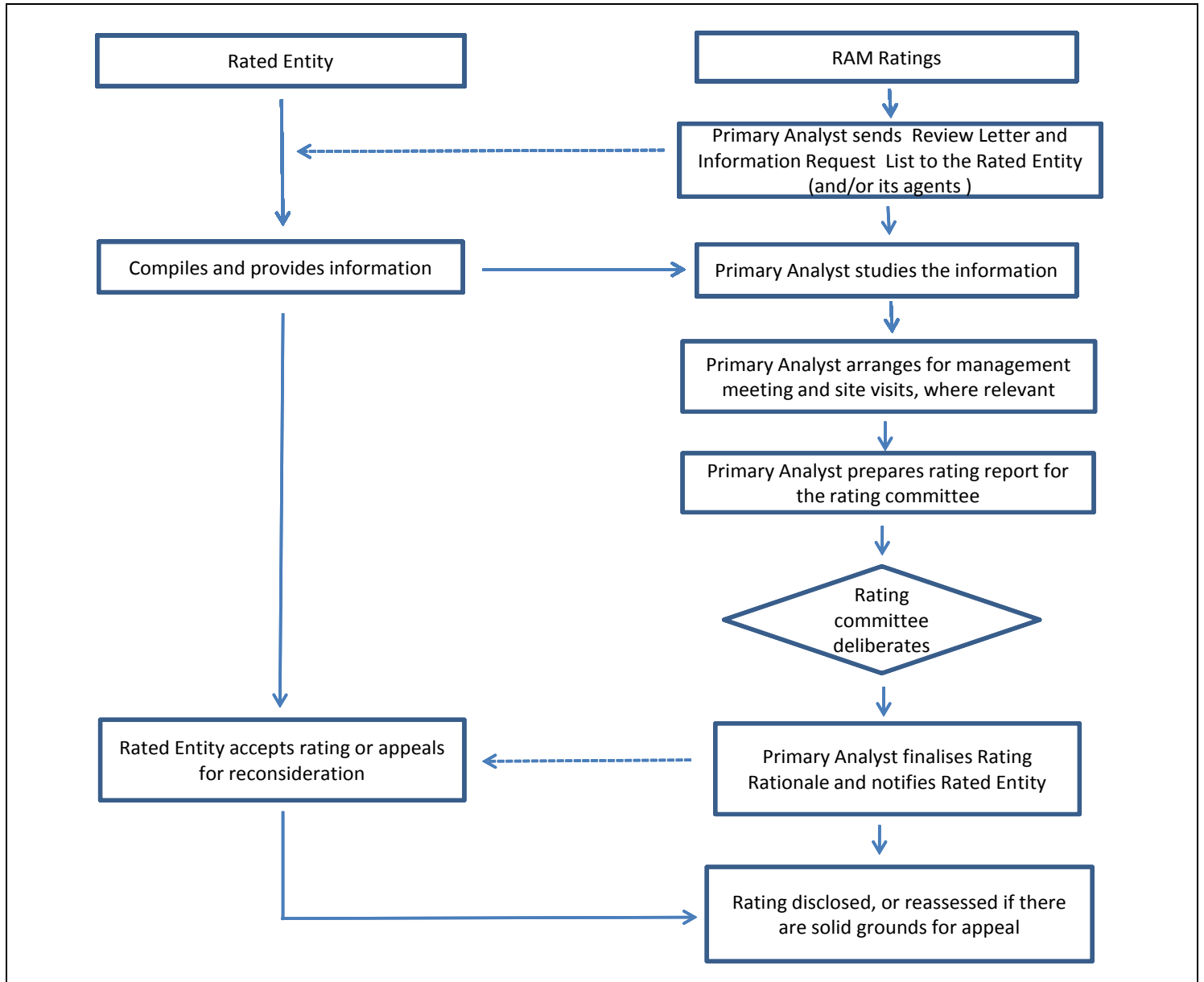
***Commitment to continuous surveillance***

Once a rating is published, RAM Ratings shall continuously monitor the rating. The team assigned to monitoring and updating a given rating will initiate a review of the rating upon becoming aware of any information that might reasonably be expected to result in a rating action, consistent with the relevant rating criteria and methodologies. RAM Ratings has put in place certain internal procedures to ensure timely and credible credit ratings. Apart from maintaining regular communication with the rated entities to keep abreast with developments and trends in their performance, RAM Ratings also maintains regular contact with key industry participants, associations and independent parties such as valuers and ministries, as well as attends relevant seminars or conferences to keep us up-to-date. There are also regular meetings with the analysts to discuss any economic-, industry- and corporate-related news. The analysts will also track and evaluate the quarterly results of public-listed entities in their portfolio that are announced to Bursa Malaysia<sup>2</sup>.

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<sup>2</sup> Paying subscribers can access the quarterly results commentaries via RAM Ratings' website, [www.ram.com.my](http://www.ram.com.my).

Flowchart below shows RAM Ratings’ general rating surveillance process.



**RELATED POLICIES**

- Rating Appeals
- Rating Dissemination and Publication
- Rating Withdrawals and Suspensions

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