



# Caribbean Information Credit Rating Services Limited

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## COMPANY PROFILE

### OUR MISSION

To contribute to the development of a vibrant, integrated Caribbean capital market by setting the highest standards of credible independent analysis and opinion to enable informed financial decisions.



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# ABOUT CariCRIS

Caribbean Information and Credit Rating Services (CariCRIS) was formed in 2004 and is the Caribbean's leading credit rating agency, with shareholding by regional Central Banks, Multilateral Development Banks, several major regional financial institutions, and CRISIL, an associate company of the globally recognized rating agency Standard & Poor's.

Our credit ratings represent an objective assessment of the rated entity's creditworthiness relative to other rated entities in the region and reflect our intimate understanding of the risks that are unique to the Caribbean. Our Board, Rating Committee and Management team consists of highly respected professionals from across the Caribbean and underpin our regional way of thinking. A CariCRIS regional scale rating compares an entity's creditworthiness to all debt-issuers in a defined Caribbean region. We also offer a national scale credit rating where the comparison set is all debt-issuing entities in the financial markets of a single nation.

Our ratings aim to provide a regionally relevant risk assessment of entities and the debt that they issue within a wider context of an analysis of economic trends and financial developments. This will significantly improve investors' access to information and their ability to compare sovereign and corporate credits. For borrowers, our ratings will enhance credibility and expand access to funding sources.



# OUR SERVICES

## CREDIT RATINGS

With 20 years of experience and over 1000 ratings completed our credit ratings, which can be public or private, offer a comprehensive assessment of creditworthiness, tailored to the unique risks of the Caribbean region.

We rate Countries and Companies (i.e. Issuer Ratings) as well as Specific Debt Issuances including Structured Products (i.e. Issue Ratings)

## SME GRADINGS

We provide specialized assessments for Small and Medium Enterprises, helping them understand and improve their financial standing.

## RESEARCH SERVICES

Leverage our expert for in-depth studies on specific economies and Sectors within the Caribbean. Get access to our detailed credit rating reports and economic reports (coming soon) through our paid subscription service.

## TECHNICAL SERVICES

Benefit from our bond and equity valuation services for individual instruments or entire portfolios.

## TRAINING SERVICES

Enhance your knowledge with our public workshops and custom in-house training programs, covering risk management and a wide range of financial topics.

# CREDIT RATINGS

A credit rating is an independent assessment of the creditworthiness of an entity, whether it be a corporation or government. This evaluation reflects the entity's ability to meet its financial obligations and is expressed relative to the creditworthiness of other entities within the same sector or industry.

## Key Characteristics of Credit Ratings:

**Comparative Nature:** Credit ratings are always relative, meaning they are assigned in comparison to other entities within a similar sector or industry. This ensures that the rating accurately reflects the entity's position within its specific context.

**Defined Frame of Reference:** Credit ratings are issued within a specific frame of reference, which could be global, national, or regional. This context helps in understanding the scale and scope of the rating.

## Frames of Reference for Credit Ratings:

**Global:** Ratings provided by international agencies such as Standard & Poor's (S&P), Moody's, or Fitch. These ratings offer a comparative analysis on a worldwide scale.

**National:** Ratings that are specific to the credit environment within a particular country, reflecting the economic and financial conditions of that nation.

**Regional:** Ratings focused on a particular geographic region, taking into account regional economic dynamics and market conditions.

## CariCRIS focuses on Regional and National Scale Ratings

### Regional Scale Ratings

These ratings provide an opinion on the creditworthiness of an entity relative to other entities within a defined Caribbean region.

### National Scale Ratings

These ratings offer an opinion on the creditworthiness of an entity relative to other entities within a specific nation, considering the unique economic and financial conditions of that country.



## Categories:

**Foreign Currency Ratings:** Assess the ability to meet financial obligations in foreign currencies.

**Local Currency Ratings:** Assess the ability to meet financial obligations in the local currency of the respective Caribbean nation.

## Additional Considerations:

**Purpose and Use:** Credit ratings are utilized by investors, financial institutions, and other stakeholders to make informed decisions regarding the risk and return associated with investing in or lending to a particular entity.

**Public vs Private Ratings:** Credit ratings can be public or private. For public ratings a press release of the rating result and brief rationale is sent to the press, posted on the CariCRIS website and LinkedIn page. CariCRIS paid subscribers have access to the full rating rationale report.

Private ratings are for the sole use of the rated entity and cannot be disclosed in the public domain. These reports are not available to paid subscribers. Private ratings can include annual surveillance or can be a one-time exercise. Private ratings can be made public within a specified period of time.

**Annual Surveillance:** All public Credit ratings are subject to ongoing surveillance and can be upgraded, downgraded, or affirmed based on changes in the entity's financial health, economic conditions, and other relevant factors. A review of all public ratings is conducted annually, usually in keeping with the date of the initial rating. A detailed annual surveillance process, similar to the initial rating process, is conducted each year on the anniversary of the initial rating. A full report is produced with any changes to the rating noted, however rating actions and reports can be issued at any time if there are material developments that can impact the rating. Private ratings can be subject to annual surveillance if the client chooses, this makes it easier to convert to a rating.

**Rating Scales:** Each rating agency has its own scale and methodology for assigning ratings, which typically range from investment grade (indicating high credit quality/low credit risk) to speculative grade (lower credit quality/higher credit risk).

**Note:** A credit rating provided by CariCRIS is an independent assessment of creditworthiness and does not constitute an audit of the rated entity. It is intended to be used as one of several tools for evaluating credit risk and should not be solely relied upon for making financial decisions. A rating is not a recommendation to buy, sell, or hold any securities, nor does it imply an endorsement of the rated entity.



# SME GRADINGS

## Specialized SME Rating Methodology and eSMART System

CariCRIS has crafted a dedicated methodology and grading scale specifically designed to address the unique characteristics and needs of small and medium enterprises (SMEs) in the Caribbean region. This tailored approach acknowledges the distinct challenges and opportunities faced by SMEs, ensuring a more accurate and relevant assessment of their creditworthiness.

### Key Features of Our SME Rating Methodology:

**Nuanced Approach:** Our methodology is meticulously developed to consider the specific nuances and financial dynamics of the SME segment, providing a more precise evaluation of their credit profiles.

**Holistic Analysis:** By integrating both quantitative and qualitative factors, the methodology offers a comprehensive view of an SME's financial health, business prospects, and overall credit risk.

**SME eSMART System:** To enhance accessibility and usability, we have embedded our SME grading methodology into a software solution – the SME eSMART system. This innovative tool allows entities to conduct their own SME credit assessments efficiently and accurately.

**Benefits of the SME eSMART System:** Independent Assessments: Entities can perform their own credit evaluations of SMEs using a proven, standardized methodology, ensuring consistency and reliability in the results.

By offering this specialized methodology and innovative software, CariCRIS is committed to supporting the growth and development of SMEs in the Caribbean, fostering a more inclusive and dynamic economic environment.



# BENEFITS OF A CREDIT RATING

- **Independent Assessment:** Offers an objective evaluation of a company's financial health, highlighting both strengths and weaknesses.
- **Relative Creditworthiness:** Indicates the relative creditworthiness of a company through issuer ratings, providing a benchmark against peers.
- **Default Probability:** Assesses the relative likelihood of default on debt obligations through issue ratings, aiding in risk management.
- **Forward-Looking Analysis:** Provides a prospective view on creditworthiness, incorporating future potential risks and opportunities.
- **Informed Decision-Making:** Enhances the quality of investment and lending decisions by providing a comprehensive analysis of credit risk.
- **Instrument Pricing:** Assists in the accurate pricing of financial instruments, reflecting their underlying risk profile.
- **Market Confidence:** Builds confidence among investors and stakeholders by offering a credible and transparent assessment of credit risk.
- **Regulatory Compliance:** Supports compliance with regulatory requirements by providing standardized credit assessments.
- **Stakeholder Communication:** Facilitates clear communication with stakeholders regarding the company's financial health and credit standing.

# CREDIT RATING PROCESS

1. Initial meetings are held with the client and/or their advisor to explain the process, costs etc.
2. When the client decides to proceed, a rating agreement is executed by CariCRIS and the client.
3. The CariCRIS team communicates with the client to provide a list of data requirements and arrange meetings with the client's executive management team or in the case of a sovereign entity the meetings are held with key government stakeholders, central bank officials etc.
4. When all the data is collected, and meetings completed the CariCRIS team conducts their analysis and prepares a rating report.
5. The rating report is reviewed by an independent rating committee and the final rating assigned. The rating committee can request further information or changes to the report.
6. When the rating process is completed, the client is provided with a draft of the rating report and can review to ensure no confidential or inaccurate information is contained in the report.
7. When the report is finalized the client signs a rating acceptance letter. At this stage the client can opt to keep the rating private.
8. In the case of a public rating, a brief press release is prepared and distributed to the media, distributed via the CariCRIS mailing list, posted on CariCRIS' website and LinkedIn pages.
9. On an annual basis, steps 3, 4, 5, 6 and 8 are repeated as part of the annual surveillance process.



# RESEARCH & TECHNICAL SERVICES

## BOND VALUATIONS

- Independent Valuation: Provides unbiased, expert valuation of bonds.
- Expert Determination of Credit Spreads: Utilizes specialized knowledge to accurately determine credit spreads.
- Reduced Client Burden: Simplifies the process for clients by handling complex calculations and providing justifications for auditors.
- Economies of Scale: Leverages CariCRIS' extensive experience and resources across multiple portfolios for efficient service delivery.
- Cost-Effective Solutions: Offers affordable services compared to competitors without compromising on quality.

## EQUITY VALUATIONS

- Objective Valuation: Provides independent and objective equity valuations based on well-established methodologies.

## RESEARCH SERVICES

### Economic and Sector Studies:

- In-Depth Analysis: Provides comprehensive analysis of economic trends and sector-specific developments.
- Market Insights: Delivers valuable insights into market dynamics, helping businesses navigate economic conditions.
- Customized Research: Offers tailored research solutions to meet the specific needs of clients, covering a wide range of industries.
- We offer a very competitive subscription that includes access to all rating reports and any research reports produced (coming soon).

## TRAINING SERVICES

- We provide a diverse range of training courses, including both public and in-house programs, in collaboration with global and regional training providers. Our in-house programs can be customized to meet the specific needs of your organization. Courses are available in virtual formats or can be conducted in-person upon request.



# FACTORS IMPACTING COST OF SERVICES

## Credit Ratings:

**Issuer Ratings** – Based on size and complexity of the entity, usually a flat fee with an annual surveillance fee for public ratings.

**Issue Ratings** – Based on a combination of dynamics of the issuer, structure of facility, credit enhancements and size of issue. This is usually a few basis points of the issue size subject to a floor

## Research, Training and Technical Services

**Research Reports** – Based on the breadth and detail required for the research, including the number of sectors or economic indicators analyzed. More comprehensive studies typically require more resources and time. The complexity and extent of data collection and analysis, including the need for primary data gathering (e.g., surveys, interviews) versus secondary data analysis (e.g., existing reports, databases), can affect the overall cost. The degree of customization required to meet specific client needs or focus on particular aspects of a sector or economy can also impact pricing.

**Bond valuation** – Dependent on the size of the portfolio, availability of yield data and estimation of credit and liquidity spreads for unrated issuers. Valuations that involve bonds issued in multiple jurisdictions or regions or bonds with complex structures may require additional analysis and considerations, affecting the cost.

**Equity Valuation** – Dependent on the complexity of the business and data availability and quality. The intricacy of the company's business model, financial structure, and operations can significantly influence the cost. Complex businesses require more detailed analysis and advanced valuation techniques. The availability and quality of financial and operational data provided by the company are crucial. High-quality, readily available data streamlines the valuation process, potentially reducing costs.

**Training Programs** – Based on the content, number of days the course is being run, use of internal and/or external resources and location (for in person courses)



# GET IN TOUCH

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