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## Standard & Poor's Applies Its Revised Nonbank Financial Institutions Criteria To Six Russia-Focused Securities Firms

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LONDON (Standard & Poor's) Dec. 12, 2014--Standard & Poor's Ratings Services today said it has reviewed its ratings on six Russia-focused securities firms by applying its revised criteria for rating nonbank financial institutions, published on Dec. 9, 2014. Following our review, we have raised our ratings on one of the firms. The outlook on this firm is negative. We have affirmed the ratings on the other five, and revised four outlooks to negative from stable. We also lowered the Russia national scale rating on one company (see Ratings List below).

In general, the rating actions were driven by revisions to our criteria--specifically, their increased emphasis on globally consistent measures of risk-adjusted capitalization and funding and liquidity--rather than a sudden improvement or deterioration in a firm's creditworthiness. The outlook revisions and our lowering of one Russia national scale rating take into account the rapid deterioration of operating conditions in Russia.

Our anchor--a starting point for all ratings in a given country--for securities firms operating in Russia is 'b+', reflecting our view of the

sector's economic and industry risk. The anchor is two notches below that for Russian banks (see "Banking Industry Country Risk Assessment: Russia," published on June 17, 2014, on RatingsDirect). The two-notch difference reflects our view of securities firms' higher industry risk than banks because of their weaker institutional framework; higher competitive risk; weaker revenue dynamics; increased funding risk due to a lack of central bank access; and less-liquid, more-volatile domestic capital markets. While the Bank of Russia assumed supervisory functions over securities firms in 2013, regulatory oversight is still developing, with only minimum requirements in place. We expect this to gradually converge with banking regulatory standards, but with only modest improvement over the next two-to-three years. Russian securities companies face strong competition from both banks and subsidiaries of state-owned banks. Further, Russian securities firms' revenues are typically more transactional and therefore more prone to volatility.

Securities companies are exposed to heightened credit risk in Russia due to a deterioration of economic growth aggravated by a drop in oil prices, a rapid devaluation of the Russian ruble, and a massive capital flight on the back of geopolitical tensions between Russia and Ukraine. We also believe that securities companies' access to funding may worsen on the back of rising interest rates and a decline in counterparty confidence.

We have now removed the under criteria observation (UCO) identifier from our ratings on all entities listed below. We anticipate publishing research update reports on these entities within 30 business days.

#### RELATED CRITERIA AND RESEARCH

- Nonbank Financial Institutions Rating Methodology, Dec. 9, 2014
- Issue Credit Rating Methodology For Nonbank Financial Institutions And Nonbank Financial Services Companies, Dec. 9, 2014
- National And Regional Scale Credit Ratings, Sept. 22, 2014
- Group Rating Methodology, Nov. 19, 2013
- Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Capital Methodology And Assumptions, Dec. 6, 2010

#### RATINGS LIST

Upgraded; Outlook Action

	To	From
Investment Company Veles Capital LLC Issuer Credit Rating	BB-/Negative/B	B+/Stable/B

Russia National Scale	ruAA-	ruA
Downgraded		
	To	From
REGION Investment Co. ZAO Russia National Scale	ruBBB-	ruBBB
Region Capital LLC Senior Unsecured (1)	ruBBB-	ruBBB
Ratings Affirmed; Outlook Action		
	To	From
BCS Holding International Ltd. Issuer Credit Rating	B-/Negative/C	B-/Stable/C
BrokerCreditService (Cyprus) Ltd. Issuer Credit Rating	B/Negative/B	B/Stable/B
REGION Investment Co. ZAO Issuer Credit Rating	B-/Negative/C	B-/Stable/C
Renaissance Financial Holdings Ltd. Issuer Credit Rating	B/Negative/B	B/Stable/B
Ratings Affirmed		
Ronin Europe Ltd. Issuer Credit Rating	B+/Stable/B	
Region Capital LLC Senior Unsecured (1)	B-	
Renaissance Securities Trading Ltd. Senior Unsecured (2)	B	

(1) Guaranteed by REGION Investment Co. ZAO.

(2) Guaranteed by Renaissance Financial Holdings Ltd.

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Complete ratings information is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com) and at [spcapitaliq.com](http://spcapitaliq.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm

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