

# GLOSSARY OF TERMS

## SHORT-TERM COMMERCIAL

### Risk Rating

Average default rate on credit commitments of 1 year or less on the part of commercial obligors in a country.

### Payment Experience

Measured by the number and size of EDC claims experienced in a particular country, over a period of a year, relative to EDC's business volume growth.

- › **Positive:** The number of claims, or the amounts claimed have decreased in proportion to EDC business volume growth.
- › **Neutral:** The number of claims, or the amounts claimed have remained unchanged in proportion to EDC business volume growth.
- › **Negative:** The number of claims, or the amounts claimed have increased in proportion to EDC business volume growth.

## MEDIUM-LONG TERM COMMERCIAL

### Commercial Country Ceiling

The Commercial Country Ceiling (CCC) is meant to represent the best possible rating that can be assigned to commercial obligors domiciled in a country. The CCC is impacted by the SPD, political risks (transfer and inconvertibility, political violence, expropriation) and other mitigating or exacerbating factors.

### Expropriation

The likelihood over the medium- to long-term of government action (e.g. outright seizure of an asset/investment or less pronounced interference such as unjustified non-renewal of required permits or licenses) or weak governance conditions (e.g. a weak rule of law or high levels of corruption) having a significant impact on a country's commercial environment.

### Transfer and Conversion

The likelihood, over the medium- to long-term, of a government imposing conversion or transfer restrictions that significantly effects the commercial environment. Conversion restrictions could include measures that prevent companies from converting local currency to hard currency, while transfer restrictions would be measures that inhibit the transfer of said hard currency out of the host country by legal means.

### Political violence

The likelihood, over the medium- to long-term, of an act of political violence occurring in a country that significantly impacts the country's commercial environment. Political violence events can include: acts of war (declared or undeclared), insurrection, revolution, rebellion, riot, terrorism, sabotage, civil disturbance, or other such violent acts that are politically motivated.

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## Sovereign

The sovereign Probability of Default (SPD) measures the ability and willingness of a sovereign to honour its financial obligations over the medium-long term.

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RISK RATING LEXICON
Low
Low-Medium
Medium
Medium-High
High
Prohibitive
No Information

  

PAYMENT EXPERIENCE LEXICON
Positive
Neutral
Negative