



Fitch Rates Credit Suisse Securities Sociedad de Valores 'A-', Positive Outlook

Fitch Ratings-London-04 February 2019: Fitch Ratings has assigned Credit Suisse Securities, Sociedad de Valores, S.A. (CSSSV) a Long-Term Issuer Default Rating (IDR) of 'A-'. The Outlook is Positive. Fitch has also assigned CSSSV a Short-Term IDR of 'F1', a Support Rating of '1' and a Derivative Counterparty Rating (DCR) of 'A-(dcr)'.

KEY RATING DRIVERS

Fitch has equalised the Long-Term IDR of CSSSV with the Viability Rating (VR) of its 100% parent, Credit Suisse AG (A/Positive/a-). This reflects CSSSV's envisaged core role in the group post-Brexit, high reputational risk for CS in case of CSSSV's default, deep integration with the parent and the small size of the subsidiary, limiting the cost of potential support. The Positive Outlook on CSSSV's Long-Term IDR mirrors that on CS.

CSSSV is a Spain-based securities firm that will act as CS's hub for trading activities with EU-27 counterparties following the UK's scheduled departure from the EU on 29 March 2019. We believe that CSSSV is an integral part of CS and is core to its strategy. The ratings also reflect our view that a default of CSSSV would result in high reputational damage for the parent and could have significant implications for CS's overall franchise. We expect that CSSSV will take over new and, over time, existing securities, derivatives and securities lending business with EU-27 counterparties from CS's UK-based subsidiaries Credit Suisse International (A-/Positive) and Credit Suisse Securities Europe Limited, and that a substantial share of these activities will be effectively transferred by end-2019.

We expect CSSSV's management, governance and risk policies and controls to be highly integrated with the parent's. We also believe that capital and liquidity above the local requirements will be fungible within the group.

CSSSV's Long-Term IDR is below that of CS since we do not expect that the parent will initially pre-place at the subsidiary a sufficiently large buffer of junior debt. Over time, as CSSSV's balance sheet grows, the regulators may require CS to downstream a material amount of eligible debt that would be subordinated to external senior creditors. At that stage, we would likely use the Long-Term IDR of CS, rather than its VR, as the anchor rating for CSSSV.

The 'F1' Short-Term IDR is the higher of the two options mapping to an 'A-' Long-Term IDR and is aligned with CS's Short-Term IDR. This reflects the benefits for CSSSV of the group's central treasury approach and strong funding and liquidity at CS level.

The 'A-(dcr)' DCR is at the same level as the entity's Long-Term IDR because derivative counterparties have no definitive preferential status over other senior obligations in a resolution scenario in Spain.

RATING SENSITIVITIES

The ratings are mainly sensitive to changes in CS's VR. They are also sensitive to adverse changes in the parent's propensity to provide support. Sufficient buffers of junior and internal loss-absorbing debt pre-placed at CSSSV, along with clear regulatory incentives to maintain these, could result in CSSSV's Long-Term IDR being equalised with CS's, provided there are no changes to our view on CS's support propensity.

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Additional information is available on www.fitchratings.com
Applicable Criteria
Non-Bank Financial Institutions Rating Criteria (pub. 12 Oct 2018)

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