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Research Update:

Cyprus-Based FG BCS Rated 'B-/C'; Outlook Stable; BCS Holding International 'B-/C' Ratings Withdrawn At Group's Request

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Research Update:

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Overview

- In June 2016, BCS Group introduced a new top-level holding company, FG BCS Ltd., to its group structure, and we understand it will therefore eventually liquidate BCS Holding International Ltd.
- In our view, liabilities of nonoperating holding company FG BCS are subordinate to those of BCS Group's operating companies.
- We are assigning our 'B-/C' ratings to FG BCS and affirming and withdrawing our 'B-/C' ratings on BCS Holding International at the group's request.
- The stable outlook on FG BCS reflects our view that the group will be able to withstand potential deterioration of operating conditions in Russia in the next 12-18 months, while maintaining sufficient capitalization and liquidity.

Rating Action

On Aug. 9, 2016, S&P Global Ratings assigned its 'B-/C' long- and short-term counterparty credit ratings to Cyprus-based nonoperating holding company FG BCS Ltd. The outlook is stable.

At the same time, we affirmed and consequently withdrew our 'B-/C' long- and short-term counterparty credit ratings on BCS Holding International Ltd. at the company's request. At the time of the withdrawal, the outlook was stable.

Rationale

FG BCS is the new top-level nonoperating holding company of BCS Group, a large independent Russian financial services group with key operating subsidiaries in Russia, Cyprus, and the U.K.

Our ratings on FG BCS reflect our opinion of BCS Group as one of the largest and most diversified brokers in the Russian market, with a 25% share of the equity market's turnover and 12% of the retail clientele across Russia. We also take into account the group's noticeable international presence and its gradual emergence as a key execution platform for global players in Russia-related markets.

We consider the group's capitalization to be adequate, given what we view as

reasonable leverage and a risk-adjusted capital (RAC) ratio of about 10.8% as of year-end 2015, which we expect will be sustained over the next 12-18 months. The group's earnings are also adequate in our view, supported by a pick-up of the stable portion of revenues in 2015. Risk management procedures are robust, but commensurate with the complexity of the group's operations and activities. The group maintains a considerable liquidity cushion, with adequate liquidity coverage metrics: The ratio of broad liquid assets plus available committed unsecured lines to short-term wholesale funding was about 200% as of year-end 2015. However, it frequently resorts to short-term wholesale funding for operating activities, causing volatility in funding ratios.

Our long-term rating on FG BCS is one notch lower than our assessment of the group credit profile to reflect the structural subordination of the nonoperating holding company's liabilities to those of the operating companies.

Outlook

The stable outlook on FG BCS reflects our opinion that BCS Group will be able to withstand potential deterioration of operating conditions in Russia in the next 12-18 months while maintaining sufficient capitalization and liquidity.

We may take a negative rating action if we see that the group's capitalization is insufficient to absorb potential losses, with the RAC ratio declining to less than 7%. This could result from an increased risk appetite or higher risks in Russia or other countries. A disruption of market confidence in the group or the creation of barriers to liquidity transfer among group members may also result in a negative rating action.

A positive rating action is likely to be contingent on an improvement of operating conditions in Russia, including a more robust and credible regulatory regime. However, should we see further consistent strengthening of profitability, supported by strong capitalization with a RAC ratio above 10%, we may also take a positive rating action.

Ratings Score Snapshot

Issuer Credit Rating	B-/Stable/C
Group Credit Profile	b
Anchor	b
Business Position	Strong (+1)
Capital and Earnings	Adequate (0)
Risk Position	Adequate (0)
Funding and	Moderate and (-1)

Liquidity	Adequate-High
Support	0
ALAC Support	0
GRE Support	0
Group Support	0
Sovereign Support	0
Additional Factors	-1

Related Criteria And Research

Related Criteria

- Criteria - Financial Institutions - Banks: Commercial Paper I: Banks - March 23, 2004
- Criteria - Financial Institutions - Banks: Bank Capital Methodology And Assumptions - December 06, 2010
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - November 09, 2011
- Criteria - Financial Institutions - Banks: Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework - June 22, 2012
- Criteria - Financial Institutions - General: Nonbank Financial Institutions Rating Methodology - December 09, 2014
- General Criteria: Group Rating Methodology - November 19, 2013
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings - October 01, 2012
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

Ratings List

New Rating

FG BCS Ltd
Counterparty Credit Rating B-/Stable/C

Ratings Affirmed; Ratings Withdrawn

BCS Holding International Ltd.
Counterparty Credit Rating NR/--/NR B-/Stable/C

NR--Not rated.

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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings 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 (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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