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Key rating assessment
factors

ACRA assigns AA-(RU) to PC “Fund for the Protection of the Rights of Citizens Participating in Shared-Equity Construction”, outlook Stable

The credit rating assigned to [PC “Fund for the Protection of the Rights of Citizens Participating in Shared-Equity Construction”](#) (hereinafter, the Fund) is based on the very high probability of regular extraordinary support from the state due to the Fund’s high systemic importance and the very high level of state influence on its activities. However, the Fund’s standalone creditworthiness is extremely low; without state support, it is very unlikely that the Fund would be able to fulfill its obligations to citizens participating in shared-equity construction (hereinafter, the Shareholders).

The Fund was created in accordance with Federal law № 218-FZ, dated July 29, 2017, “On the Public Company Protecting the Rights of Citizens Participating in Shared-Equity Construction in the Event of Insolvency (Bankruptcy) of Developers and On Amendments to Certain Legislative Acts of the Russian Federation” (hereinafter, the Law) in order to implement state housing policy aimed at increasing the guarantee of protection of the rights and legitimate interests of Shareholders. The Fund’s assets consist of contributions of the Russian Federation, subjects of the Russian Federation, other governmental entities, mandatory contributions from developers, and income from the investment of temporarily free funds. The Fund’s main function is to compensate Shareholders or finance the completion of construction in the event of developer insolvency (bankruptcy). As developers move to escrow accounts, the volume of construction financed by Shareholders will decrease. As a result, the volume of the Fund’s obligations to Shareholders will decrease. ACRA expects that the Fund will fully perform its function and could be liquidated within approximately the next 10 years.

High systemic importance. The Fund performs the important function of reducing financial risks for citizens buying apartments at the construction stage. The termination or disruption of its activities could have negative social and economic consequences, as well as carry reputational risks for the government. In accordance with the Law, the Fund performs an important social function. Taking into account the number of citizens who fall under protection, as well as the scale of their possible financial losses, ACRA believes that the level of risks to the population in the case of Fund insolvency can be estimated in the range of “moderate” to “high.” In addition, ACRA sees that the absence of such state support for housing construction could negatively affect the level of demand for real estate, and, consequently, lead to a decrease in the level of business activity in the sector.

The transition of developers to project financing will gradually reduce the social role of the Fund and the amount of its obligations. This fact limits the final assessment of systemic importance, which ACRA assesses as high.

Very strong state influence. In accordance with the Law, the government of the Russian Federation, the Federation Council, and the State Duma determine the staff of the Fund’s management bodies, including its CEO. Thus, the state fully controls both the strategy and the operational activities of the Fund. An additional factor in assessing state influence is the complete dependence of the Fund’s financial condition on the regular extraordinary support provided by the Russian Federation.

The Fund’s standalone creditworthiness is extremely low. According to IFRS reporting for 6 months of 2019, the Fund’s proprietary funds deficit amounted to RUB 202.7 bln. According to the results of the actuarial evaluation, the total amount of necessary state support up to 2024 is about RUB 660 bln. Practically, this means that the Fund is unable to meet its obligations without state support.

Key assumptions

- Preservation of the basic provisions of the Law;
- The government maintaining its willingness to provide regular extraordinary support to the Fund.

Potential outlook or rating change factors

The **Stable outlook** assumes that the rating will most likely stay unchanged within the 12 to 18-month horizon.

A positive rating action may be prompted by:

- Significant increase in the Fund's systemic importance for the Russian economy.

A negative rating action may be prompted by:

- Significant decrease in the Fund's systemic importance for the Russian economy;
- Substantial increase in commercial debt;
- Decrease in the government's willingness to provide regular extraordinary support to the Fund.

Rating components

SCA: none.

Adjustments: none.

Support: On par with RF minus 3 notches.

Issue ratings

No outstanding issues have been rated.

Regulatory disclosure

The credit rating of PC "Fund for the Protection of the Rights of Citizens Participating in Shared-Equity Construction" has been assigned under the national scale for the Russian Federation based on the [Methodology for Analyzing Relationships Between Rated Entities and the State](#), and the [Key Concepts Used by Analytical Credit Rating Agency within the Scope of Its Rating Activities](#).

The credit rating has been assigned to PC "Fund for the Protection of the Rights of Citizens Participating in Shared-Equity Construction" for the first time. The credit rating and its outlook are expected to be revised within one year following the publication date of this press release.

The credit rating was assigned based on the data provided by PC "Fund for the Protection of the Rights of Citizens Participating in Shared-Equity Construction", information from publicly available sources, and ACRA's own databases. The rating analysis was performed using the consolidated IFRS statements of PC "Fund for the Protection of the Rights of Citizens Participating in Shared-Equity Construction" and the standalone financial statements of PC "Fund for the Protection of the Rights of Citizens Participating in Shared-Equity Construction". The credit rating is solicited, and PC "Fund for the Protection of the Rights of Citizens Participating in Shared-Equity Construction" participated in its assignment.

No material discrepancies between the provided information and the data officially disclosed by PC "Fund for the Protection of the Rights of Citizens Participating in Shared-Equity Construction" in its financial statements have been discovered.

ACRA provided no additional services to PC "Fund for the Protection of the Rights of Citizens Participating in Shared-Equity Construction". No conflicts of interest were discovered in the course of credit rating assignment.

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