

REQUEST  
FOR COMMENT

18 June 2026

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# Banks: Proposed Methodology Update

## Summary

In this Request for Comment, we propose changes to the [Banks](#) rating methodology published on 17 November 2025.

The key proposed revision to the current methodology is as follows:

- » **Introduce ratings that exclude government support.** Under our proposed change, we would introduce a new issuer-level rating type for financial institutions, called the "XG Issuer Rating." XG Issuer Ratings reflect an institution's ability to honor senior unsecured debt and debt-like obligations absent any implicit extraordinary government support. They incorporate, where relevant, affiliate support and the loss given failure that would accrue to senior unsecured creditors in the absence of government support.

We derive XG Issuer Ratings from the existing analytical framework by assigning no government support to the Preliminary Rating Assessment (PRA) of a bank issuer rating. XG Issuer Ratings are expressed on Moody's traditional 21-point long-term rating scale with an ".xg" suffix (for example, Baa1.xg) and are introduced as an additional rating class. Our existing issuer and instrument credit ratings remain unchanged.

We propose to incorporate XG Issuer Ratings into the methodology in response to regulatory and market developments associated with Basel III capital standards. The Basel III framework stipulates that banks using the standardized approach to measure their credit risk on exposures to other financial institutions must not use ratings that incorporate assumptions of implicit government support, unless the rating refers to a public bank owned by its government. Therefore, the XG Issuer Rating provides an issuer-level measure of credit risk that explicitly excludes government support assumptions and may be used by banks, where relevant, to assess credit risk exposures to other financial institutions.

- » We plan to assign XG Issuer Ratings to all financial institutions covered by the *Banks* methodology, including majority government-owned banks that largely compete with other commercial banks and for which our government support probability assumption is "Very High" or lower. We would exclude the issuers for whom government support is intrinsically linked to the business model, so that removing extraordinary government support would be meaningless (for example, issuers benefiting from an explicit government guarantee on all their obligations or the banks for which we apply a government-backed support assumption to the PRA of their issuer rating).
- » See the "Proposed methodology updates" section below for details on where we propose to include information on XG Issuer Ratings in the methodology.

We also propose to make editorial changes to enhance readability.

## Impact on ratings

If this methodology is updated as proposed, we expect no changes to outstanding ratings for banks.

This expected rating impact only reflects the methodological changes noted above and does not incorporate potential impact from other factors, including prevailing market conditions or factors specific to a particular issuer or transaction, such as financial metrics or qualitative considerations, that may be relevant to the rating analysis.

## How to submit comments

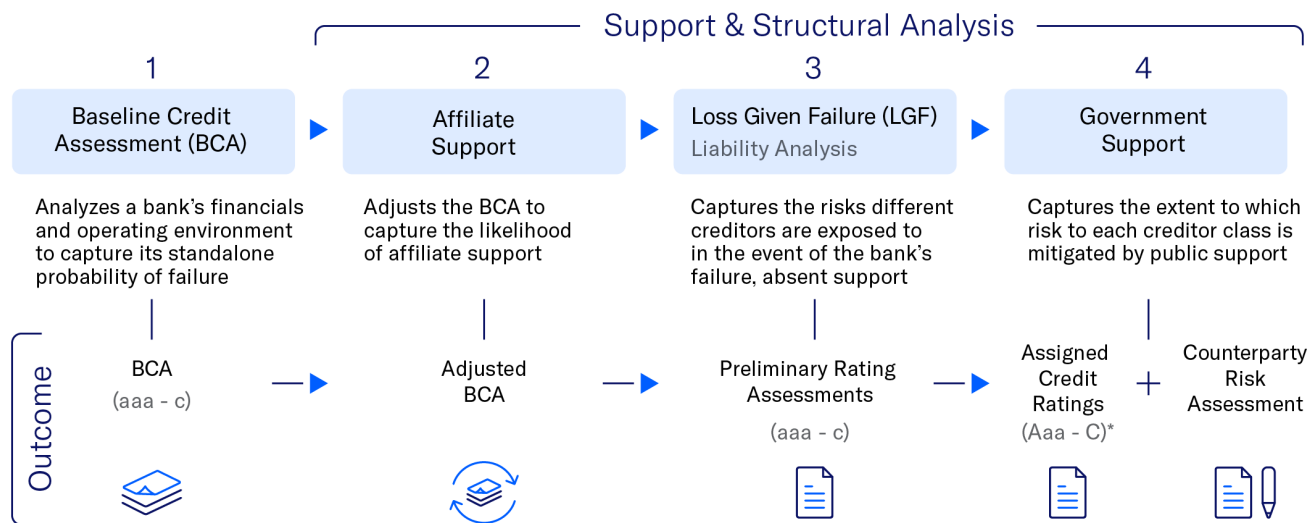
In this Request for Comment, we are seeking feedback on our proposed revisions to the *Banks* rating methodology. The text of the proposed updates follow. Prior to publication of the revised methodology, we may also consider other changes to the methodology as a result of the consultation process and our internal review.

We invite market participants to comment on the Request for Comment by 20 July 2026, no later than 11:59 p.m. US Eastern time, by submitting comments on the [Request for Comment](#) page at [ratings.moodys.com](https://ratings.moodys.com). Upon appropriate consideration of received comments, we plan to adopt and publish a revised *Banks* methodology.

## Proposed methodology updates

This section presents our proposed changes to the current *Banks* methodology. We propose to replace the graphic in the current methodology's Exhibit 1, titled "Overall approach to rating bank instruments," with the graphic below. We would include a reference to XG Issuer Ratings in an exhibit note as shown below.

Exhibit 1  
Overall approach to bank ratings



\* For ratings definitions, see *Rating Symbols and Definitions*. A link can be found in the "Moody's related publications" section. For XG Issuer Ratings, the rating scale is Aaa.xg to C.xg.

Source: Moody's Ratings

## Discussion of the Government Support component

We propose to add the following text at the end of the "Government Support subcomponent: Probability of Support" section:

"We assign XG Issuer Ratings by assigning no government support to the PRA of a bank issuer rating."

## Annex 1: XG Issuer Rating hypothetical illustration

In this annex, we illustrate our proposed approach to deriving XG Issuer Ratings using hypothetical examples. The XG Issuer Rating is derived from the PRA used for the bank's issuer rating. In cases where multiple classes of senior unsecured debt coexist, the PRA corresponds to the most senior unsecured debt class available to that bank for issuance in the relevant jurisdiction that is plain vanilla (or ordinary), meaning that it does not have special structural features.

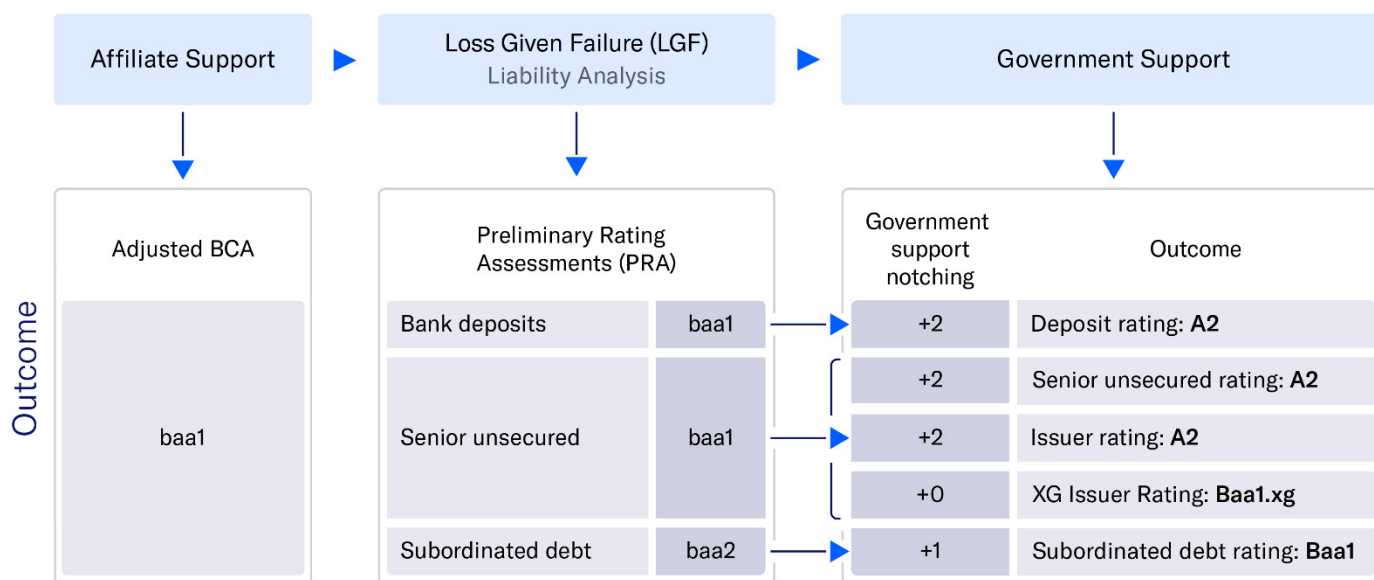
The illustrations in this annex are based on hypothetical examples and will not be included in the updated methodology.

### Example 1: Hypothetical Bank X — Basic LGF (Non-ORR Jurisdiction)

Bank X is a commercial bank operating in a jurisdiction without an Operational Resolution Regime (ORR). Its adjusted BCA is baa1 and we assume that the senior unsecured debt and deposits would benefit from high likelihood of extraordinary government support, resulting in a two-notch uplift from their respective PRA.

Exhibit A

#### Illustration for hypothetical Bank X



Source: Moody's Ratings

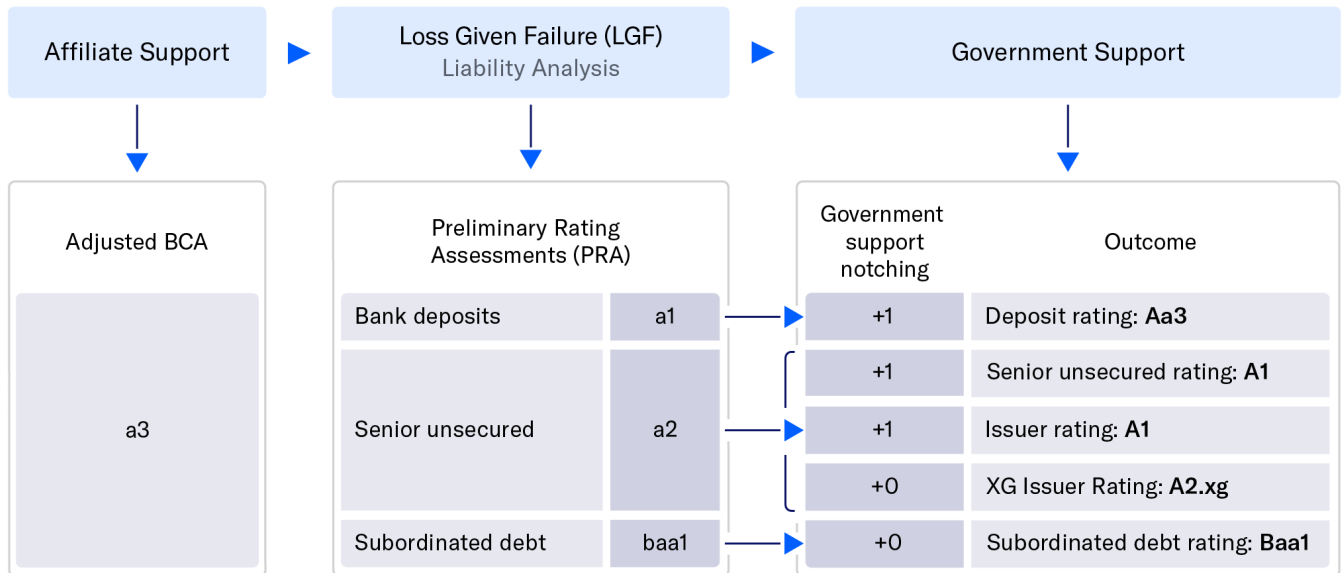
The XG Issuer Rating of Baa1.xg would exclude extraordinary government support but would reflect the affiliate support and LGF assessment embedded in the PRA.

### Example 2: Hypothetical Bank Y — Advanced LGF (ORR Jurisdiction)

Bank Y is a large bank operating in a jurisdiction with an Operational Resolution Regime (ORR). Its adjusted BCA is a3 and we assume that the senior unsecured debt and deposits would benefit from moderate likelihood of extraordinary government support, resulting in a one-notch uplift from their respective PRA.

Exhibit B

#### Illustration for hypothetical Bank Y



Source: Moody's Ratings

Under Advanced LGF, the analysis differentiates PRAs across instrument classes based on subordination and volume. We would derive the issuer rating and the XG Issuer Rating from the PRA of the most senior plain vanilla unsecured debt class. Bank Y's issuer rating of A1 would incorporate one notch of government support. The XG Issuer Rating of A2.xg would reflect the bank's creditworthiness inclusive of affiliate support and LGF considerations but absent extraordinary government support.

## Moody's related publications

Credit ratings are primarily determined through the application of sector methodologies. Certain broad methodological considerations (described in one or more cross-sector methodologies) may also be relevant to the determination of credit ratings of issuers and instruments. A list of sector and cross-sector methodologies can be found [here](#).

Data summarizing the historical robustness and predictive power of credit ratings can be found [here](#).

For more information, see *Rating Symbols and Definitions*, which is available [here](#).

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