Trustworthy Digital Society Hub

May 2025

A Trust Index for Sovereign and Sub-sovereign Credit Assessments

Introduction

The governing institutions of a country, region, or municipality express their effectiveness through the quality of public services that they deliver. These services are live demonstrations of the capacity of institutions to translate policy into practice; planning, funding, implementing, and maintaining the complex operations necessary to fulfil challenging social and economic responsibilities. Standards of public services enjoyed by different populations reflect the competence, reliability, adaptability, innovation, and accountability of their governments. These governments’ capacity to deliver services to individuals – both day-to-day and during critical life events – forms a basis for their institutional legitimacy. For credit ratings agencies, public trust in the quality of government services can offer an indication of institutional strength and resilience at sovereign and sub-sovereign levels.

Digitisation enables detailed real-time monitoring of institutional performance, through platforms supporting the collection and analysis of voluminous data on public service quality: objective metrics for processes and outcomes, and subjective metrics for user experience and trust. The success of public service digitisation initiatives will increasingly help inform credit ratings agencies on the institutional credibility of debt-issuing governments. A global trust index summarising information on the quality of government services could serve to track and benchmark factors relevant to modern credit assessments, including the maturity of digital systems underlying service provision.[[1]](#footnote-1) This note will briefly introduce the assessment methodologies of the three major credit ratings agencies – Moody’s, Standard & Poor’s, and Fitch – before considering the role that a global trust index could play in supporting credit assessments in the digital age.

Assessment Frameworks

Three agencies dominate the global credit-score market, using similar schemes to categorise long-term debt instruments into *investment* (higher-price, lower-yield) and *speculative* (lower-price, higher-yield) grades. Ratings scores significantly impact governments’ financing costs, with the prices of bonds and credit default swaps highly sensitive to the potential of ratings upgrades or downgrades. In addition to a rating, agencies can also assign a positive or negative *outlook* to sovereign assessments – indicating the likely direction of a future rating change. Current sovereign ratings assigned by the three major agencies are generally similar.

***Ratings Agency Grades***

|  |  |  |  |
| --- | --- | --- | --- |
| Grade | Description | S&P / Fitch | Moody’s |
| **Investment** | **Prime** | **AAA** | **Aaa** |
| **High Medium Grade** | **AA+** | **Aa1** |
| **AA** | **Aa2** |
| **AA-** | **Aa3** |
| **Upper Medium Grade** | **A+** | **A1** |
| **A** | **A2** |
| **A-** | **A3** |
| **Lower Medium Grade** | **BBB+** | **Baa1** |
| **BBB** | **Baa2** |
| **BBB-** | **Baa3** |
| **Speculative** | **Speculative** | **BB+** | **Ba1** |
| **BB** | **Ba2** |
| **BB-** | **Ba3** |
| **Highly Speculative** | **B+** | **B1** |
| **B** | **B2** |
| **B-** | **B3** |
| **Substantial Risk** | **CCC+** | **Caa1** |
| **CCC** | **Caa2** |
| **CCC-** | **Caa3** |
| **Extremely Speculative** | **CC** | **Ca** |
| **C** |
| **In Default** | **DDD-D** | **C** |

The exact methods used by ratings agencies to determine these scores are proprietary, with varying levels of detail made public.

*Moody’s*

Moody’s accounts for about 40% market share…

Standard & Poor’s

Moody’s accounts for about 40% market share…

Fitch

Moody’s accounts for about 40% market share…

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Conclusion

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Assessment Frameworks

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Assessment Frameworks

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|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | Moody’s | Standard & Poor’s | Fitch |
|  |  |  |  |  |
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Ratings scores significantly impact governments’ financing costs, with bond prices sensitive to the prospect of upgrades or downgrades. In addition to a credit rating, agencies can give sovereign debt instruments a positive or negative outlook – indicating the likely direction of a credit upgrade or downgrade. Each of the three agencies provides differing levels of public detail on their proprietary (and continuously-evolving) methodologies for sovereign and sub-sovereign ratings.

Moody’s

sss

Standard & Poor’s

The governing institutions of a country, region or municipality express their effectiveness through the quality of the

Fitch

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Conclusion

1. See associated note. [↑](#footnote-ref-1)