S&P Global Ratings Definitions

December 2, 2024

*(**Editor's Note:** We republished this article on Dec. 2, 2024, to add a new paragraph to the "Issue Credit Ratings--Cumulative Deferral On Hybrid Capital And Similar Instruments" section.)*

S&P Global Ratings Disclaimers

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1. This document contains S&P Global Ratings' definitions of credit ratings and other credit-related opinions. The credit ratings are classified into two types: general-purpose credit ratings and special-purpose ratings. S&P Global Ratings uses letters, numbers, words, or combinations of these in each rating scale to summarize its opinion. The rating definitions provide the meaning of the letters, numbers, and words. Additionally, some ratings feature qualifiers, suffixes, identifiers, prefixes, or a combination of these. Definitions of this supplementary information are included. NR indicates that a rating has not been assigned or is no longer assigned.

2. Section I describes the general-purpose credit rating, both issue and issuer credit ratings, and the long-term and short-term credit ratings. Section II provides information on CreditWatch, rating outlooks, and local currency and foreign currency ratings. Special-purpose ratings are detailed in section III. Qualifiers are covered in section IV. Section V details national and regional scale ratings. Other credit-related opinions are described in section VI. Section VII details seven identifiers. Section IX includes a list of contacts for further information.

3. S&P Global Ratings provides other services not covered in this ratings definitions document. Information about other products and services is located on the S&P Global Ratings website at https://www.spglobal.com/ratings.

I. GENERAL-PURPOSE CREDIT RATINGS

4. The following sets of rating definitions are for long-term and short-term credit ratings for both issuer and issue ratings. These types of credit ratings cover the broadest set of credit risk factors and are not limited in scope. Some refer to these as the "traditional" credit ratings.

A. Issue Credit Ratings

5. An S&P Global Ratings issue credit rating is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program (including ratings on medium-term note programs and commercial paper programs). It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and takes into account the currency in which the obligation is denominated. The opinion reflects S&P Global Ratings' view of the obligor's capacity and willingness to meet its financial commitments as they come due, and this opinion may assess terms, such as collateral security and subordination, which could affect ultimate payment in the event of default.

6. Issue credit ratings can be either long-term or short-term. Short-term issue credit ratings are generally assigned to those obligations considered short-term in the relevant market, typically with an original maturity of no more than 365 days. Short-term issue credit ratings are also used to indicate the creditworthiness of an obligor with respect to put features on long-term obligations. We would typically assign a long-term issue credit rating to an obligation with an original maturity of greater than 365 days. However, the ratings we assign to certain instruments may diverge from these guidelines based on market practices.

1. Long-Term Issue Credit Ratings

7. Issue credit ratings are based, in varying degrees, on S&P Global Ratings' analysis of the following considerations:

- The likelihood of payment--the capacity and willingness of the obligor to meet its financial commitments on an obligation in accordance with the terms of the obligation;
- The nature and provisions of the financial obligation, and the promise we impute; and
- The protection afforded by, and relative position of, the financial obligation in the event of a bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

8. An issue rating is an assessment of default risk but may incorporate an assessment of relative seniority or ultimate recovery in the event of default. Junior obligations are typically rated lower than senior obligations, to reflect lower priority in bankruptcy, as noted above. (Such differentiation may apply when an entity has both senior and subordinated obligations, secured and unsecured obligations, or operating company and holding company obligations.)

Table 1

Long-Term Issue Credit Ratings*

Category	Definition
AAA	An obligation rated 'AAA' has the highest rating assigned by S&P Global Ratings. The obligor's capacity to meet its financial commitments on the obligation is extremely strong.
AA	An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitments on the obligation is very strong.
A	An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitments on the obligation is still strong.
BBB	An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation.
BB, B, CCC, CC, and C	Obligations rated 'BB', 'B', 'CCC', 'CC', and 'C' are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'C' the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions.
BB	An obligation rated 'BB' is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitments on the obligation.
B	An obligation rated 'B' is more vulnerable to nonpayment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitments on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments on the obligation.
CCC	An obligation rated 'CCC' is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitments on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitments on the obligation.
CC	An obligation rated 'CC' is currently highly vulnerable to nonpayment. The 'CC' rating is used when a default has not yet occurred but S&P Global Ratings expects default to be a virtual certainty, regardless of the anticipated time to default.
C	An obligation rated 'C' is currently highly vulnerable to nonpayment, and the obligation is expected to have lower relative seniority or lower ultimate recovery compared with obligations that are rated higher.
D	An obligation rated 'D' is in default or in breach of an imputed promise. For non-hybrid capital instruments, the 'D' rating category is used when payments on an obligation are not made on the date due, unless S&P Global Ratings believes that such payments will be made within the next five business days in the absence of a stated grace period or within the earlier of the stated grace period or the next 30 calendar days. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. A rating on an obligation is lowered to 'D' if it is subject to a distressed debt restructuring.

*Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

2. Short-Term Issue Credit Ratings

Table 2

Short-Term Issue Credit Ratings

Category	Definition
A-1	A short-term obligation rated 'A-1' is rated in the highest category by S&P Global Ratings. The obligor's capacity to meet its financial commitments on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments on these obligations is extremely strong.
A-2	A short-term obligation rated 'A-2' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitments on the obligation is satisfactory.
A-3	A short-term obligation rated 'A-3' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken an obligor's capacity to meet its financial commitments on the obligation.
B	A short-term obligation rated 'B' is regarded as vulnerable and has significant speculative characteristics. The obligor currently has the capacity to meet its financial commitments; however, it faces major ongoing uncertainties that could lead to the obligor's inadequate capacity to meet its financial commitments.
C	A short-term obligation rated 'C' is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitments on the obligation.
D	A short-term obligation rated 'D' is in default or in breach of an imputed promise. For non-hybrid capital instruments, the 'D' rating category is used when payments on an obligation are not made on the date due, unless S&P Global Ratings believes that such payments will be made within any stated grace period. However, any stated grace period longer than five business days will be treated as five business days. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. A rating on an obligation is lowered to 'D' if it is subject to a distressed debt restructuring.

B. Issuer Credit Ratings

9. An S&P Global Ratings issuer credit rating is a forward-looking opinion about an obligor's overall creditworthiness. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation.

10. Sovereign credit ratings are forms of issuer credit ratings.

11. Issuer credit ratings can be either long-term or short-term. Long-term issuer credit ratings focus on the obligor's capacity and willingness over the long-term to meet all of its financial commitments, both long- and short-term, as they come due, whereas short-term issuer credit ratings focus on the obligor's capacity and willingness over the short-term to meet all of its financial commitments as they come due.

1. Long-Term Issuer Credit Ratings

Table 3

Long-Term Issuer Credit Ratings*

Category	Definition
AAA	An obligor rated 'AAA' has extremely strong capacity to meet its financial commitments. 'AAA' is the highest issuer credit rating assigned by S&P Global Ratings.
AA	An obligor rated 'AA' has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree.
A	An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.
BBB	An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments.
BB, B, CCC, and CC	Obligors rated 'BB', 'B', 'CCC', and 'CC' are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'CC' the highest. While such obligors will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions.
BB	An obligor rated 'BB' is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitments.
B	An obligor rated 'B' is more vulnerable than the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments.
CCC	An obligor rated 'CCC' is currently vulnerable and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments.
CC	An obligor rated 'CC' is currently highly vulnerable. The 'CC' rating is used when a default has not yet occurred but S&P Global Ratings expects default to be a virtual certainty, regardless of the anticipated time to default.
SD and D	An obligor is rated 'SD' (selective default) or 'D' if S&P Global Ratings considers there to be a default on one or more of its financial obligations, whether long- or short-term, including rated and unrated obligations but excluding hybrid instruments classified as regulatory capital or in nonpayment according to terms. A 'D' rating is assigned when S&P Global Ratings believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due. An 'SD' rating is assigned when S&P Global Ratings believes that the obligor has selectively defaulted on a specific issue or class of obligations but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner. A rating on an obligor is lowered to 'D' or 'SD' if it is conducting a distressed debt restructuring.

*Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

2. Short-Term Issuer Credit Ratings

Table 4

Short-Term Issuer Credit Ratings

Category	Definition
A-1	An obligor rated 'A-1' has strong capacity to meet its financial commitments. It is rated in the highest category by S&P Global Ratings. Within this category, certain obligors are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments is extremely strong.
A-2	An obligor rated 'A-2' has satisfactory capacity to meet its financial commitments. However, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in the highest rating category.

Table 4

Short-Term Issuer Credit Ratings (cont.)

Category	Definition
A-3	An obligor rated 'A-3' has adequate capacity to meet its financial obligations. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments.
B	An obligor rated 'B' is regarded as vulnerable and has significant speculative characteristics. The obligor currently has the capacity to meet its financial commitments; however, it faces major ongoing uncertainties that could lead to the obligor's inadequate capacity to meet its financial commitments.
C	An obligor rated 'C' is currently vulnerable to nonpayment that would result in an 'SD' or 'D' issuer rating and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments.
SD and D	An obligor is rated 'SD' (selective default) or 'D' if S&P Global Ratings considers there to be a default on one or more of its financial obligations, whether long- or short-term, including rated and unrated obligations but excluding hybrid instruments classified as regulatory capital or in nonpayment according to terms. A 'D' rating is assigned when S&P Global Ratings believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due. An 'SD' rating is assigned when S&P Global Ratings believes that the obligor has selectively defaulted on a specific issue or class of obligations but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner. A rating on an obligor is lowered to 'D' or 'SD' if it is conducting a distressed debt restructuring.

II. CREDITWATCH, RATING OUTLOOKS, LOCAL CURRENCY AND FOREIGN CURRENCY RATINGS

12. S&P Global Ratings uses CreditWatch and rating outlooks to indicate its view regarding the degree of likelihood of a rating change and, in most cases, the probable direction of that change. Although many rating changes are preceded by a CreditWatch placement or a non-stable outlook, changes can and should occur even when the outlook is stable or the rating is not on CreditWatch but when a sudden change in the creditworthiness can be assessed immediately. Also, a positive or negative outlook is not necessarily a precursor of a future rating action or CreditWatch listing. The following section provides details on CreditWatch and rating outlooks and how they are used. Additionally, this section explains local currency and foreign currency ratings.

A. CreditWatch

13. CreditWatch highlights our opinion regarding the potential direction of a short-term or long-term rating. It focuses on identifiable events and short-term trends that cause ratings to be placed under special surveillance by S&P Global Ratings' analytical staff. Ratings may be placed on CreditWatch under the following circumstances:

- When an event has occurred or, in our view, a deviation from an expected trend has occurred or is expected and when additional information is necessary to evaluate the current rating. Events and short-term trends may include mergers, recapitalizations, voter referendums, regulatory actions, performance deterioration of securitized assets, or anticipated operating developments.
- When we believe there has been a material change in performance of an issue or issuer but the magnitude of the rating impact has not been fully determined and we believe a rating change is likely in the short-term. For example, a group of transactions may be placed under such

surveillance as the result of identified performance deterioration until we complete our analysis of the magnitude of the rating impact, normally within 90 days.

- A change in criteria has been adopted that necessitates a review of an entire sector or multiple transactions and we believe that a rating change is likely in the short-term.

14. A CreditWatch listing, however, does not mean a rating change is inevitable, and when appropriate, a range of potential alternative ratings will be shown. CreditWatch is not intended to include all ratings under review. A CreditWatch carries one of the following designations to indicate the potential direction of a rating:

- Positive: a rating may be raised.
- Negative: a rating may be lowered.
- Developing: a rating may be raised, lowered, or affirmed.

B. Rating Outlooks

15. An S&P Global Ratings outlook assesses the potential direction of a long-term credit rating over the intermediate term, which is generally up to two years for investment grade and generally up to one year for speculative grade. In determining a rating outlook, consideration is given to any changes in economic and/or fundamental business conditions. An outlook can be one of the following:

- Positive: a rating may be raised.
- Negative: a rating may be lowered.
- Stable: a rating is not likely to change.
- Developing: a rating may be raised, lowered, or affirmed.

C. Local Currency And Foreign Currency Ratings

16. S&P Global Ratings' issuer credit ratings make a distinction between foreign currency ratings and local currency ratings. A foreign currency rating on an issuer can differ from the local currency rating on it when the obligor has a different capacity to meet its obligations denominated in its local currency versus obligations denominated in a foreign currency.

III. SPECIAL-PURPOSE RATINGS

17. Section III includes a description of different types of special-purpose ratings. Special-purpose ratings can be for capital market transactions or entities. Such a rating type can cover a specific group of the entities (i.e., insurance companies). Another type of special-purpose rating is a recovery rating, which is very different from a traditional issuer credit rating. Some ratings are limited by the type of credit such as funds or municipal short-term note ratings. Other special-purpose ratings are for the specific types of transaction structures, such as those with embedded put options.

A. Dual Ratings

18. Dual ratings may be assigned to debt issues that have a put option or demand feature. The first component of the rating addresses the likelihood of repayment of principal and interest as due, and the second component of the rating addresses only the demand feature. The first component of the rating can relate to either a short-term or long-term transaction and accordingly use either short-term or long-term rating symbols. The second component of the rating relates to the put option and is assigned a short-term rating symbol (for example, 'AAA/A-1+' or 'A-1+/A-1'). With U.S. municipal short-term demand debt, the U.S. municipal short-term note rating symbols are used for the first component of the rating (for example, 'SP-1+/A-1+').

B. Fund Credit Quality Ratings

19. An S&P Global Ratings fund credit quality rating, also known as a "bond fund rating," is a forward-looking opinion about the overall credit quality of a fixed-income investment fund. Fund credit quality ratings, identified by the 'f' suffix, are assigned to fixed-income funds, actively or passively managed, typically exhibiting variable net asset values. They reflect the credit risks of the fund's portfolio investments, the level of the fund's counterparty risk, and the risk of the fund's management ability and willingness to maintain current fund credit quality. Unlike traditional credit ratings (e.g., issuer credit ratings), a fund credit quality rating does not address a fund's ability to meet payment obligations and is not a commentary on yield levels. Fund credit quality ratings are accompanied by fund volatility ratings (i.e., 'Af/S3')--when fund volatility ratings can be assigned--to communicate our opinion about certain risks not addressed by a fund credit quality rating.

Table 5

Fund Credit Quality Ratings*

Category	Definition
AAAf	The credit quality of the fund's portfolio exposure is extremely strong.
AAf	The credit quality of the fund's portfolio exposure is very strong.
Af	The credit quality of the fund's portfolio exposure is strong.
BBBf	The credit quality of the fund's portfolio exposure is adequate.
BBf	The credit quality of the fund's portfolio exposure is weak.
Bf	The credit quality of the fund's portfolio exposure is very weak.
CCCf	The credit quality of the fund's portfolio exposure is extremely weak.
CCf	The fund's portfolio has significant exposure to defaulted or near defaulted assets and/or counterparties.
Df	The fund's portfolio is predominantly exposed to defaulted assets and/or counterparties.

*Ratings from 'AAf' to 'CCCf' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

C. Fund Volatility Ratings

20. A fund volatility rating is a forward-looking opinion about a fixed-income investment fund's volatility of returns relative to that of a "reference index" denominated in the base currency of the

fund. A reference index is composed of government securities associated with the fund's base currency. Fund volatility ratings are not globally comparable. Fund volatility ratings reflect our expectation of the fund's future volatility of returns to remain consistent with its historical volatility of returns. Fund volatility ratings reflect S&P Global Ratings' view of the fund's sensitivity to interest rate risk, credit risk, and liquidity risk, as well as other factors that may affect returns such as use of derivatives, use of leverage, exposure to foreign currency risk, and investment concentration, and fund management. Different symbology is used to distinguish fund volatility ratings from S&P Global Ratings' traditional issue or issuer credit ratings. We do so because fund volatility ratings do not reflect creditworthiness but rather our view of a fund's volatility of returns.

Table 6

Fund Volatility Ratings

Category	Definition
S1	A fund that exhibits low volatility of returns comparable to a portfolio of short-duration government securities, typically maturing within one to three years and denominated in the base currency of the fund, is rated 'S1'. Within this category, a fund may be designated with a plus sign (+). This indicates its extremely low volatility of monthly returns compared with a portfolio of short-duration government securities representing the highest-quality fixed-income instruments available in each country or currency zone with a maturity of 12 months or less. In the absence of short-duration government securities in a given country or currency zone, the volatility of one-year commercial bank deposit rates denominated in the base currency of the fund will be used as a benchmark proxy for an 'S1+' rated fund.
S2	A fund that exhibits low to moderate volatility of returns comparable to a portfolio of short- to medium-duration government securities, typically maturing within three to seven years and denominated in the base currency of the fund, is rated 'S2'.
S3	A fund that exhibits moderate volatility of returns comparable to a portfolio of medium- to long-duration government securities, typically maturing within seven to 10 years and denominated in the base currency of the fund, is rated 'S3'.
S4	A fund that exhibits moderate to high volatility of returns comparable to a portfolio of long-duration government securities, typically maturing beyond 10 years and denominated in the base currency of the fund, is rated 'S4'.
S5	A fund that exhibits high to very high volatility of returns comparable to a portfolio of long-duration government securities, typically maturing beyond 10 years and denominated in the base currency of the fund, is rated 'S5'. A fund rated 'S5' may be exposed to a variety of significant portfolio risks such as high concentration risks, high leverage, and investments in complex structured and/or illiquid securities.

D. Insurer Financial Enhancement Ratings

21. An S&P Global Ratings insurer financial enhancement rating is a forward-looking opinion about the creditworthiness of an insurer with respect to particular insurance policies or other financial obligations that are predominantly used as credit enhancement and/or financial guarantees where we consider such a policy or obligation creates a commitment to make payments in a timely manner. When assigning an insurer financial enhancement rating, S&P Global Ratings' analysis focuses on capital, liquidity, and company commitment necessary to support a credit enhancement or financial guaranty business.

22. Insurer financial enhancement ratings are based, in varying degrees, on S&P Global Ratings' analysis of the following considerations:

- The likelihood of payment--capacity and willingness of the insurer to meet its financial commitments on an obligation in accordance with the terms of the obligation;
- The nature and provisions of the financial obligation;

- The protection afforded by, and relative position of, the financial obligation in the event of a bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

Table 7

Insurer Financial Enhancement Ratings*

Category	Definition
AAA	An insurer rated 'AAA' has extremely strong capacity to meet its financial commitments. 'AAA' is the highest insurer financial enhancement rating assigned by S&P Global Ratings.
AA	An insurer rated 'AA' has very strong capacity to meet its financial commitments. It differs from the highest-rated insurers only to a small degree.
A	An insurer rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than insurers in higher-rated categories.
BBB	An insurer rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to weaken the insurer's capacity to meet its financial commitments.
BB, B, CCC, and CC	Insurers rated 'BB', 'B', 'CCC', and 'CC' are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'CC' the highest. While such insurers will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions.
BB	An insurer rated 'BB' is less vulnerable in the near term than other lower-rated insurers. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions that could lead to the insurer's inadequate capacity to meet its financial commitments.
B	An insurer rated 'B' is more vulnerable than the insurers rated 'BB', but the insurer currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the insurer's capacity or willingness to meet its financial commitments.
CCC	An insurer rated 'CCC' is currently vulnerable and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments.
CC	An insurer rated 'CC' is currently highly vulnerable.
SD and D	An insurer rated 'SD' (selective default) or 'D' has failed to pay one or more of its financial obligations when it came due. A 'D' rating is assigned when S&P Global Ratings believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due. An 'SD' rating is assigned when S&P Global Ratings believes that the obligor has selectively defaulted on a specific issue or class of obligations but it will continue to meet its payment obligations on other issues or classes of obligations. An 'SD' or 'D' rating can include the completion of a distressed debt restructuring.

*Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

E. Insurer Financial Strength Ratings

23. An S&P Global Ratings insurer financial strength rating is a forward-looking opinion about the financial security characteristics of an insurance organization with respect to its ability to pay under its insurance policies and contracts in accordance with their terms. Insurer financial strength ratings are also assigned to health maintenance organizations and similar health plans with respect to their ability to pay under their policies and contracts in accordance with their terms.

24. This opinion is not specific to any particular policy or contract, nor does it address the suitability of a particular policy or contract for a specific purpose or purchaser. Furthermore, the opinion does not take into account deductibles, surrender or cancellation penalties, timeliness of payment, nor

the likelihood of the use of a defense such as fraud to deny claims.

25. Insurer financial strength ratings do not refer to an organization's ability to meet nonpolicy (i.e., debt) obligations. Assignment of ratings to debt issued by insurers or to debt issues that are fully or partially supported by insurance policies, contracts, or guarantees is a separate process from the determination of insurer financial strength ratings, and it follows procedures consistent with those used to assign an issue credit rating. An insurer financial strength rating is not a recommendation to purchase or discontinue any policy or contract issued by an insurer.

Table 8

Insurer Financial Strength Ratings*

Category	Definition
AAA	An insurer rated 'AAA' has extremely strong financial security characteristics. 'AAA' is the highest insurer financial strength rating assigned by S&P Global Ratings.
AA	An insurer rated 'AA' has very strong financial security characteristics, differing only slightly from those rated higher.
A	An insurer rated 'A' has strong financial security characteristics but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings.
BBB	An insurer rated 'BBB' has good financial security characteristics but is more likely to be affected by adverse business conditions than are higher-rated insurers.
BB, B, CCC, and CC	An insurer rated 'BB' or lower is regarded as having vulnerable characteristics that may outweigh its strengths. 'BB' indicates the least degree of vulnerability within the range and 'CC' the highest.
BB	An insurer rated 'BB' has marginal financial security characteristics. Positive attributes exist, but adverse business conditions could lead to insufficient ability to meet financial commitments.
B	An insurer rated 'B' has weak financial security characteristics. Adverse business conditions will likely impair its ability to meet financial commitments.
CCC	An insurer rated 'CCC' has very weak financial security characteristics and is dependent on favorable business conditions to meet financial commitments.
CC	An insurer rated 'CC' has extremely weak financial security characteristics and is likely not to meet some of its financial commitments.
SD and D	An insurer rated 'SD' (selective default) or 'D' is in default on one or more of its insurance policy obligations. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action if payments on a policy obligation are at risk. A 'D' rating is assigned when S&P Global Ratings believes that the default will be a general default and that the obligor will fail to pay substantially all of its obligations in full in accordance with the policy terms. An 'SD' rating is assigned when S&P Global Ratings believes that the insurer has selectively defaulted on a specific class of policies but it will continue to meet its payment obligations on other classes of obligations. An 'SD' includes the completion of a distressed debt restructuring. Claim denials due to lack of coverage or other legally permitted defenses are not considered defaults.

*Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

F. Municipal Short-Term Note Ratings

26. An S&P Global Ratings U.S. municipal note rating reflects S&P Global Ratings' opinion about the liquidity factors and market access risks unique to the notes. Notes due in three years or less will likely receive a note rating. Notes with an original maturity of more than three years will most likely receive a long-term debt rating. In determining which type of rating, if any, to assign, S&P Global Ratings' analysis will review the following considerations:

- Amortization schedule--the larger the final maturity relative to other maturities, the more likely it will be treated as a note; and

- Source of payment--the more dependent the issue is on the market for its refinancing, the more likely it will be treated as a note.

Table 9

Municipal Short-Term Note Ratings

Category	Definition
SP-1	Strong capacity to pay principal and interest. An issue determined to possess a very strong capacity to pay debt service is given a plus (+) designation.
SP-2	Satisfactory capacity to pay principal and interest, with some vulnerability to adverse financial and economic changes over the term of the notes.
SP-3	Speculative capacity to pay principal and interest.
D	'D' is assigned upon failure to pay the note when due, completion of a distressed debt restructuring, or the filing of a bankruptcy petition or the taking of similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions.

G. Principal Stability Fund Ratings

27. An S&P Global Ratings principal stability fund rating (PSFR), also known as a "money market fund rating," is a forward-looking opinion about a fixed-income fund's capacity to maintain stable principal (net asset value, or NAV) and to limit exposure to principal losses due to credit risk. When assigning a PSFR to a fund, S&P Global Ratings' analysis focuses primarily on the creditworthiness of the fund's investments and counterparties, and also its investments' maturity structure and management's ability and policies to maintain the fund's stable net asset value.

28. We generally do not lower ratings to 'Dm' when a fund faces an unanticipated level of redemption requests during periods of high market stress and the fund manager exercises permission under the fund's prospectus to suspend redemptions for up to five business days or meets redemption requests with payments in-kind in lieu of cash.

29. PSFRs, or money market fund ratings, are identified by the 'm' suffix (e.g., 'AAAm') to distinguish a PSFR from an S&P Global Ratings traditional issue or issuer credit rating. PSFRs are neither commentaries on yield levels paid by the fund nor on loss of principal due to negative yields.

30. Market losses arising from negative yields as a consequence of investment in low credit risk, short-duration securities with a negative coupon would not solely result in lowering a PSFR when the fund operating documents permit loss of principal reflected in variable NAV or stable NAV funds with share class reductions or similar mechanisms. These strategies are consistent with the risk mitigants addressed in our analysis of and tolerance for credit and duration risk at each PSFR rating level.

Table 10

Principal Stability Fund Ratings*

Category	Definition
AAAm	A fund rated 'AAAm' demonstrates extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. 'AAAm' is the highest principal stability fund rating assigned by S&P Global Ratings.
AAm	A fund rated 'AAm' demonstrates very strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. It differs from the highest-rated funds only to a small degree.

Table 10

Principal Stability Fund Ratings* (cont.)

Category	Definition
Am	A fund rated 'Am' demonstrates strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk, but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than funds in higher-rated categories.
BBBm	A fund rated 'BBBm' demonstrates adequate capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. However, adverse economic conditions or changing circumstances are more likely to lead to a reduced capacity to maintain principal stability.
BBm	A fund rated 'BBm' demonstrates speculative characteristics and uncertain capacity to maintain principal stability. It is vulnerable to principal losses due to credit risk. While such funds will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions.
Dm	A fund rated 'Dm' has failed to maintain principal stability, resulting in a realized or unrealized loss of principal.

*Ratings from 'AAm' to 'BBm' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

H. Recovery Ratings

31. Recovery ratings focus solely on expected recovery in the event of a payment default of a specific issue, and they utilize a numerical scale that runs from 1+ to 6. The recovery rating is not linked to, or limited by, the issuer credit rating or any other rating, and provides a specific opinion about the expected recovery.

Table 11

Recovery Ratings

Category	Definition
1+	A recovery rating of '1+' denotes the highest expectation of full recovery in the event of default.
1	A recovery rating of '1' denotes an expectation of very high recovery in the event of default.
2	A recovery rating of '2' denotes an expectation of substantial recovery in the event of default.
3	A recovery rating of '3' denotes an expectation of meaningful recovery in the event of default.
4	A recovery rating of '4' denotes an expectation of average recovery in the event of default.
5	A recovery rating of '5' denotes an expectation of modest recovery in the event of default.
6	A recovery rating of '6' denotes an expectation of negligible recovery in the event of default.

Percentage ranges of recoveries assigned to each recovery rating category may vary among jurisdictions as specified in relevant criteria. Variations are based on considerations such as, among others, creditor friendliness of regimes, insolvency law provisions, enforceability, predictability, or rule-of-law risk.

I. SPUR (S&P Underlying Rating)

32. A SPUR is an opinion about the stand-alone capacity of an obligor to pay debt service on a credit-enhanced debt issue, without giving effect to the enhancement that applies to it. These ratings are published only at the request of the debt issuer or obligor with the designation SPUR to distinguish them from the credit-enhanced rating that applies to the debt issue. S&P Global

Ratings maintains surveillance of an issue with a published SPUR.

J. Swap Risk Ratings

33. An S&P Global Ratings swap risk rating is a forward-looking opinion about the likelihood of loss associated with a specific swap transaction (the "swap transaction") entered into by two counterparties.

34. A swap risk rating takes into consideration S&P Global Ratings' view on the terms of the swap transaction including, without limitation, the creditworthiness of one or more reference or underlying obligations or obligors (the "portfolio") above a certain specified threshold percentage or amount, termination events, and potential recovery percentage or amount on the portfolio. All swap risk ratings take into consideration the creditworthiness of the portfolio.

35. A swap risk rating may be modified by the designation "portfolio," "single counterparty--protection buyer" and "single counterparty--protection seller." A swap risk rating (portfolio) takes into consideration only S&P Global Ratings' view on the creditworthiness of the credit default swap portfolio. A swap risk rating (single counterparty--protection buyer) takes into consideration S&P Global Ratings' view on the creditworthiness of the portfolio and the buyer of protection under the swap transaction. A swap risk rating (single counterparty--protection seller) takes into consideration S&P Global Ratings' view on the creditworthiness of the portfolio and the seller of protection under the swap transaction. Because the terms of each swap transaction are highly customized, a swap risk rating may address different risks; therefore, the swap risk ratings should not be viewed as benchmarks related to swap risk across different swap transactions.

36. Swap risk ratings will be modified by a suffix that identifies the type of swap risk rating assigned. The letter ratings will be followed by the designations 'srp,' 'srb,' and 'srs' to correspond with related designations:

- Portfolio ('srp') ratings only take into consideration the creditworthiness of the reference portfolio of the credit default swap;
- Single counterparty--protection buyer ('srb') ratings take into consideration the creditworthiness of the reference portfolio and the buyer of protection under the swap transaction; and
- Single counterparty--protection seller ('srs') ratings take into consideration the creditworthiness of the reference portfolio and the seller of protection under the swap transaction.

37. A swap risk rating (portfolio) does not address either counterparty risk (including risk of periodic payments). Each of swap risk ratings (single counterparty--protection buyer) or (single counterparty--protection seller) addresses the counterparty risk of one of the counterparties to the swap transaction, respectively. None of the swap risk ratings address the specific amount of termination payments that would be payable under the swap transaction. The specific risks addressed by each swap risk rating are stated in the rating letter and the terms and conditions issued for each rated swap transaction.

Table 12

Swap Risk Ratings* (see paragraph 36 for suffix)

Category	Definition
AAA	A swap transaction with a swap risk rating of 'AAA' has the highest rating assigned by S&P Global Ratings. The likelihood of loss under the swap transaction is extremely low.

Table 12

Swap Risk Ratings* (see paragraph 36 for suffix) (cont.)

Category	Definition
AA	A swap transaction with a swap risk rating of 'AA' differs from the highest-rated swap transaction only to a small degree. The likelihood of loss under the swap transaction is very low.
A	A swap transaction with a swap risk rating of 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than swap transactions in higher-rated categories. However, the likelihood of loss under the swap transaction is still low.
BBB	A swap transaction with a swap risk rating of 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to an increased likelihood of loss under the swap transaction.
BB, B, CCC, and CC	A swap transaction with a swap risk rating of 'BB', 'B', 'CCC', and 'CC' is regarded as having significant speculative characteristics.
BB	A swap transaction with a swap risk rating of 'BB' indicates less vulnerability to a risk of loss than other speculative issues. However, major ongoing uncertainties or exposure to adverse business, financial, or economic conditions could lead to a substantial increase in the likelihood of loss under the swap transaction.
B	A swap transaction with a swap risk rating of 'B' is more vulnerable to a risk of loss than a swap transaction with a swap risk rating of 'BB'. However, major ongoing uncertainties or exposure to adverse business, financial, or economic conditions will likely lead to a substantial increase in the likelihood of loss under the swap transaction.
CCC	A swap transaction with a swap risk rating of 'CCC' is currently vulnerable to a risk of loss. In the event of adverse business, financial, or economic conditions, the swap transaction is likely to incur loss.
CC	A swap transaction with a swap risk rating of 'CC' is currently highly vulnerable to loss.
D	A swap transaction with a swap risk rating of 'D' has incurred or experienced loss.

*Swap risk ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the swap risk rating categories.

K. Counterparty Instrument Ratings

38. An S&P Global Ratings counterparty instrument rating is a forward-looking opinion about the creditworthiness of an issuer in a securitization structure with respect to a specific financial obligation to a counterparty (including interest rate swaps, currency swaps, and liquidity facilities) on an ultimate payment basis. It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the financial obligation to a counterparty and takes into account the currency in which the financial obligation is denominated. The opinion reflects S&P Global Ratings' view of the issuer's capacity and willingness to meet its financial commitments as funds become available, and this opinion may assess terms, such as collateral security and subordination, which could affect ultimate payment in the event of a default.

39. This opinion does not take into account timeliness of payment. As such, counterparty instrument ratings are long-term ratings only.

40. Counterparty instrument ratings are identified by the 'cir' suffix to distinguish the counterparty instrument rating from S&P Global Ratings' issue or issuer credit ratings.

41. Counterparty instrument ratings are based, in varying degrees, on S&P Global Ratings' analysis of the following considerations:

- The likelihood of ultimate payment--capacity and willingness of the issuer to meet its financial commitments on an obligation to a counterparty on an ultimate payment basis, without regard to a specific repayment date that may be stated in the terms of the contract, as funds become available;

- The nature and provisions of the financial obligation, not including timeliness of payment;
- The protection afforded by, and relative position of, the financial obligation in the event of a bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

42. Counterparty instrument ratings are an assessment of default risk, as well as an assessment of relative seniority or ultimate recovery in the event of a default.

Table 13

Counterparty Instrument Ratings*

Category	Definition
AAAcir	A counterparty instrument rated 'AAAcir' has the highest rating assigned by S&P Global Ratings. The issuer's capacity to meet its financial commitments on an obligation to a counterparty is extremely strong.
AAcir	A counterparty instrument rated 'AAcir' differs from the highest-rated financial obligations only to a small degree. The issuer's capacity to meet its financial commitments on an obligation to a counterparty is very strong.
Acir	A counterparty instrument rated 'Acir' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than financial obligations in higher-rated categories. However, the issuer's capacity to meet its financial commitments on an obligation to a counterparty is still strong.
BBBcir	A counterparty instrument rated 'BBBcir' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the issuer's capacity to meet its financial commitments on an obligation to a counterparty.
BBcir, Bcir, CCCcir, and CCcir	Counterparty instruments rated 'BBcir', 'Bcir', 'CCCcir', and 'CCcir' are regarded as having significant speculative characteristics. 'BBcir' indicates the least degree of speculation and 'CCcir' the highest. While such financial obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions.
BBcir	A counterparty instrument rated 'BBcir' is less vulnerable to nonpayment on an ultimate payment basis than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could lead to the issuer's inadequate capacity to meet its financial commitments on an obligation to a counterparty.
Bcir	A counterparty instrument rated 'Bcir' is more vulnerable to nonpayment on an ultimate payment basis than a counterparty instrument rated 'BBcir', but the issuer currently has the capacity to meet its financial commitments on an obligation to a counterparty. Adverse business, financial, or economic conditions will likely impair the issuer's capacity or willingness to meet its financial commitments on the obligation to a counterparty.
CCCcir	A counterparty instrument rated 'CCCcir' is currently vulnerable to nonpayment on an ultimate payment basis and is dependent upon favorable business, financial, and economic conditions for the issuer to meet its financial commitments on an obligation to a counterparty. In the event of adverse business, financial, or economic conditions, the issuer is not likely to have the capacity to meet its financial commitments on the obligation to a counterparty.
CCcir	A counterparty instrument rated 'CCcir' is currently highly vulnerable to nonpayment on an ultimate payment basis. The 'CCcir' rating is used when a default has not yet occurred but S&P Global Ratings expects default to be a virtual certainty, regardless of the anticipated time to default.

Table 13

Counterparty Instrument Ratings* (cont.)

Category	Definition
Dcir	The 'Dcir' rating category is used when payments on a counterparty instrument are not made in full once funds become available, either due to insufficient funds or failure to pay. The 'Dcir' rating is also used upon the filing of a bankruptcy petition or the taking of similar action if we anticipate that the bankruptcy filing is likely to mean that financial obligations to a counterparty will not be paid in full when funds become available.

*Ratings from 'AAcir' to 'CCCcir' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

L. Financial Institution Resolution Counterparty Ratings

43. An S&P Global Ratings financial institution resolution counterparty rating (RCR) is a forward-looking opinion about an entity's creditworthiness in reference to the timely fulfillment of the terms of certain financial obligations that may be protected from default within an applicable bail-in resolution process (RCR liabilities). This rating type only applies to financial institutions subject to effective bail-in resolution regimes. An RCR is either aligned with the issuer credit rating on a financial institution or raised incrementally higher if we believe certain categories of designated liabilities have lower default risk than liabilities rated in line with the issuer credit rating. RCR liability categories are identified for each jurisdiction with entities to which we have assigned RCRs. We collectively designate liabilities whose default risk is addressed by RCRs as RCR liabilities. RCRs do not provide opinions on post-insolvency recovery prospects for RCR liabilities.

44. RCRs are not assigned rating outlooks. Potential for changes to RCRs would be noted as part of our general issuer credit rating outlook statements for entities, particularly in cases where the RCR may move by a different magnitude than or in a different direction to the issuer credit rating. In some cases, specific issue ratings may be assigned to RCR liabilities, typically in line with the RCR except when the RCR is 'D' or 'SD', in which case RCR liabilities are rated in line with their specific default risk. RCRs may be placed on CreditWatch where appropriate, using the same approach we use to place issuer credit ratings or debt issue ratings on CreditWatch.

Table 14

Long-Term Financial Institution Resolution Counterparty Ratings*

Category	Definition
AAA	A resolution counterparty rating of 'AAA' indicates extremely strong creditworthiness in reference to RCR liabilities. 'AAA' is the highest resolution counterparty rating assigned by S&P Global Ratings.
AA	A resolution counterparty rating of 'AA' indicates very strong creditworthiness in reference to RCR liabilities, differing only slightly from higher resolution counterparty ratings.
A	A resolution counterparty rating of 'A' indicates strong creditworthiness in reference to RCR liabilities, but the obligor is somewhat more likely to be affected by adverse business or operating conditions than are obligors with higher resolution counterparty ratings.
BBB	A resolution counterparty rating of 'BBB' indicates good creditworthiness in reference to RCR liabilities, but the obligor is more likely to be affected by adverse business or operating conditions than are obligors with higher resolution counterparty ratings.
BB, B, CCC, and CC	A resolution counterparty rating of 'BB' or lower indicates that the obligor's creditworthiness in reference to RCR liabilities is regarded as having vulnerable characteristics that may outweigh its strengths. 'BB' indicates the least degree of vulnerability within the range and 'CC' the highest.

Table 14

Long-Term Financial Institution Resolution Counterparty Ratings* (cont.)

Category	Definition
BB	A resolution counterparty rating of 'BB' indicates marginal creditworthiness in reference to RCR liabilities. Positive attributes exist, but adverse business or operating conditions could lead to insufficient ability to fulfill the terms of RCR liabilities.
B	A resolution counterparty rating of 'B' indicates weak creditworthiness in reference to RCR liabilities. Adverse business or operating conditions will likely impair the obligor's ability to fulfill the terms of RCR liabilities.
CCC	A resolution counterparty rating of 'CCC' indicates very weak creditworthiness in reference to RCR liabilities and that the obligor is dependent on favorable business and operating conditions to fulfill the terms of RCR liabilities.
CC	A resolution counterparty rating of 'CC' indicates extremely weak creditworthiness in reference to RCR liabilities and that the obligor is likely not to fulfill the terms of some RCR liabilities.
SD and D	A resolution counterparty rating of 'SD' (selective default) or 'D' indicates that the obligor is in default on one or more of its RCR liabilities (whether rated or unrated), including when this default occurs as part of a resolution process. If a temporary payment moratorium tool is included in a resolution framework and is subsequently declared as part of a resolution, we assign a 'D' rating if we expect that fulfillment of the terms of RCR liabilities will not take place within applicable standards regarding grace periods as per our criteria. In situations other than a resolution process, the 'D' resolution counterparty rating will be used upon the filing of a bankruptcy petition or the taking of a similar action if fulfillment of the terms of RCR liabilities is at risk. A 'D' resolution counterparty rating is assigned when S&P Global Ratings believes that the default will be a general default and that the obligor will fail to fulfill the terms of substantially all of its RCR liabilities in full. An 'SD' resolution counterparty rating is assigned when S&P Global Ratings believes that the obligor has selectively defaulted on certain RCR liabilities but it will continue to fulfill the terms of its other RCR liabilities. A resolution counterparty rating is lowered to 'D' or 'SD' if the obligor is conducting a distressed debt restructuring of RCR liabilities.

*Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

Table 15

Short-Term Financial Institution Resolution Counterparty Ratings

Category	Definition
A-1	A short-term resolution counterparty rating of 'A-1' indicates strong creditworthiness in reference to RCR liabilities. This is the highest short-term resolution counterparty rating assigned by S&P Global Ratings. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's creditworthiness in reference to RCR liabilities is extremely strong.
A-2	A short-term resolution counterparty rating of 'A-2' indicates satisfactory creditworthiness in reference to RCR liabilities. However, the obligor is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors with higher short-term resolution counterparty ratings.
A-3	A short-term resolution counterparty rating of 'A-3' indicates adequate creditworthiness in reference to RCR liabilities. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to fulfill the terms of its RCR liabilities.
B	A short-term resolution counterparty rating of 'B' indicates the obligor is regarded as vulnerable and has significant speculative characteristics in reference to its RCR liabilities. The obligor currently has the capacity to fulfill the terms of its RCR liabilities; however, it faces major ongoing uncertainties that could lead to the obligor's inadequate capacity to fulfill the terms of its RCR liabilities.
C	A short-term resolution counterparty rating of 'C' indicates the obligor is currently vulnerable to defaulting and is dependent upon favorable business, financial, operating, and economic conditions to fulfill the terms of its RCR liabilities.

Table 15

Short-Term Financial Institution Resolution Counterparty Ratings (cont.)

Category	Definition
SD and D	A short-term resolution counterparty rating of 'SD' (selective default) or 'D' indicates that the obligor is in default on one or more of its RCR liabilities (whether rated or unrated). If a temporary payment moratorium tool is included in a resolution framework and is subsequently declared as part of a resolution, we assign a 'D' rating if we expect that fulfillment of the terms of RCR liabilities will not take place within the five business days after the due date. In situations other than a resolution process, the 'D' rating will be used upon the filing of a bankruptcy petition or the taking of a similar action if fulfillment of the terms of RCR liabilities is at risk. A 'D' resolution counterparty rating is assigned when S&P Global Ratings believes that the default will be a general default and that the obligor will fail to pay substantially all of its RCR liabilities in full in accordance with their terms. An 'SD' short-term resolution counterparty rating is assigned when S&P Global Ratings believes that the obligor has selectively defaulted on certain RCR liabilities but it will continue to fulfill the terms of its other RCR liabilities. A short-term resolution counterparty rating is lowered to 'D' or 'SD' if the obligor is conducting a distressed debt restructuring of RCR liabilities.

IV. QUALIFIERS

45. S&P Global Ratings assigns qualifiers to ratings when appropriate. This section details active and inactive qualifiers.

A. Active Qualifiers

46. S&P Global Ratings uses the following qualifiers that limit the scope of a rating. The structure of the transaction can require the use of a qualifier such as a 'p' qualifier, which indicates the rating addresses the principal portion of the obligation only. A qualifier appears as a suffix and is part of the rating.

Federal deposit insurance limit: 'L' qualifier

47. Ratings qualified with 'L' apply only to amounts invested up to federal deposit insurance limits.

Principal: 'p' qualifier

48. This suffix is used for issues in which the credit factors, the terms, or both that determine the likelihood of receipt of payment of principal are different from the credit factors, terms, or both that determine the likelihood of receipt of interest on the obligation. The 'p' suffix indicates that the rating addresses the principal portion of the obligation only and that the interest is not rated.

Preliminary ratings: 'prelim' qualifier

49. Preliminary ratings, with the 'prelim' suffix, may be assigned to obligors or obligations, including financial programs, in the circumstances described below. Assignment of a final rating is conditional on the receipt by S&P Global Ratings of appropriate documentation. S&P Global Ratings reserves the right not to issue a final rating. Moreover, if a final rating is issued, it may differ from the preliminary rating.

- Preliminary ratings may be assigned to obligations, most commonly structured and project finance issues, pending receipt of final documentation and legal opinions.

- Preliminary ratings may be assigned to obligations that will likely be issued upon the obligor's emergence from bankruptcy or similar reorganization, based on late-stage reorganization plans, documentation, and discussions with the obligor. Preliminary ratings may also be assigned to the obligors. These ratings consider the anticipated general credit quality of the reorganized or post-bankruptcy issuer as well as attributes of the anticipated obligation(s).
- Preliminary ratings may be assigned to entities that are being formed or that are in the process of being independently established when, in S&P Global Ratings' opinion, documentation is close to final. Preliminary ratings may also be assigned to the obligations of these entities.
- Preliminary ratings may be assigned when a previously unrated entity is undergoing a well-formulated restructuring, recapitalization, significant financing, or other transformative event, generally at the point that investor or lender commitments are invited. The preliminary rating may be assigned to the entity and to its proposed obligation(s). These preliminary ratings consider the anticipated general credit quality of the obligor, as well as attributes of the anticipated obligation(s), assuming successful completion of the transformative event. Should the transformative event not occur, S&P Global Ratings would likely withdraw these preliminary ratings.
- A preliminary recovery rating may be assigned to an obligation that has a preliminary issue credit rating.

Termination structures: 't' qualifier

50. This symbol indicates termination structures that are designed to honor their contracts to full maturity or, should certain events occur, to terminate and cash settle all their contracts before their final maturity date.

Counterparty instrument rating: 'cir' qualifier

51. This symbol indicates a counterparty instrument rating (CIR), which is a forward-looking opinion about the creditworthiness of an issuer in a securitization structure with respect to a specific financial obligation to a counterparty (including interest rate swaps, currency swaps, and liquidity facilities). The CIR is determined on an ultimate payment basis; these opinions do not take into account timeliness of payment.

B. Inactive Qualifiers

52. Inactive qualifiers are no longer applied or outstanding.

Contingent upon final documentation: '*' inactive qualifier

53. This symbol indicated that the rating was contingent upon S&P Global Ratings' receipt of an executed copy of the escrow agreement or closing documentation confirming investments and cash flows. Discontinued use in August 1998.

Termination of obligation to tender: 'c' inactive qualifier

54. This qualifier was used to provide additional information to investors that the bank may terminate its obligation to purchase tendered bonds if the long-term credit rating of the issuer was lowered

to below an investment-grade level and/or the issuer's bonds were deemed taxable. Discontinued use in January 2001.

U.S. direct government securities: 'G' inactive qualifier

55. The letter 'G' followed the rating symbol when a fund's portfolio consisted primarily of direct U.S. government securities.

Interest Payment: 'i' inactive qualifier

56. This suffix was used for issues in which the credit factors, terms, or both that determine the likelihood of receipt of payment of interest are different from the credit factors, terms, or both that determine the likelihood of receipt of principal on the obligation. The 'i' suffix indicated that the rating addressed the interest portion of the obligation only. The 'i' suffix was always used in conjunction with the 'p' suffix, which addresses likelihood of receipt of principal. For example, a rated obligation could have been assigned a rating of 'AAApNRi' indicating that the principal portion was rated 'AAA' and the interest portion of the obligation was not rated.

Public information ratings: 'pi' qualifier

57. This qualifier was used to indicate ratings that were based on an analysis of an issuer's published financial information, as well as additional information in the public domain. Such ratings did not, however, reflect in-depth meetings with an issuer's management and therefore could have been based on less comprehensive information than ratings without a 'pi' suffix. Discontinued use as of December 2014 and as of August 2015 for Lloyd's Syndicate Assessments.

Provisional ratings: 'pr' inactive qualifier

58. The letters 'pr' indicate that the rating was provisional. A provisional rating assumed the successful completion of a project financed by the debt being rated and indicates that payment of debt service requirements was largely or entirely dependent upon the successful, timely completion of the project. This rating, however, while addressing credit quality subsequent to completion of the project, made no comment on the likelihood of or the risk of default upon failure of such completion.

Quantitative analysis of public information: 'q' inactive qualifier

59. A 'q' subscript indicates that the rating is based solely on quantitative analysis of publicly available information. Discontinued use in April 2001.

Extraordinary risks: 'r' inactive qualifier

60. The 'r' modifier was assigned to securities containing extraordinary risks, particularly market risks, that are not covered in the credit rating. The absence of an 'r' modifier should not be taken as an indication that an obligation would not exhibit extraordinary noncredit-related risks. S&P Global Ratings discontinued the use of the 'r' modifier for most obligations in June 2000 and for the balance of obligations (mainly structured finance transactions) in November 2002.

V. NATIONAL AND REGIONAL SCALE RATINGS

61. National and regional scale ratings are special-purpose ratings that only apply to issues/issuers in a specific country or region.

A. National And Regional Scale Ratings

62. An S&P Global Ratings national scale credit rating is an opinion of an obligor's overall creditworthiness (issuer credit rating) or capacity to meet specific financial obligations (issue credit rating), relative to that of other issuers and issues in a given country or region. National scale credit ratings provide a rank ordering of credit risk within the country. Given the focus on credit quality within a single country, national scale credit ratings are not comparable between countries. S&P Global Ratings also assigns regional scale credit ratings for certain groups of countries. Regional scale credit ratings have the same attributes as national scale credit ratings in that they are not comparable with other national or regional scales and are a relative rank order within the region. The national and regional scale credit ratings use S&P Global Ratings symbols with the addition of a prefix to denote the country or region. The following table notes two countries where prefixes are not used. The regional scale rating definitions are the same as the national scale rating definitions but with the word "national" replaced with the word "regional."

63. A national scale credit rating (or regional scale credit rating in the context of this paragraph) may have different rating transition performance than a credit rating on another national scale or on a global scale. For example, a xx'BBB' rating on one national scale may have different rating transition performance than a yy'BBB' rating on another national scale or than a 'BBB' rating on a global scale. National scale ratings show credit quality of issuers and issues relative to a national scale, with higher ratings expected to have stronger rating performance than lower ratings. Credit ratings on national and global scales generally converge toward the bottom of the rating spectrum. In addition, we design national scale mapping specifications to be recalibrated from time to time when appropriate to preserve the ability for effective credit differentiation across a full rating spectrum. Hence, any scale recalibrations that may occur can also influence rating transition performance. Accordingly, rating attributes relevant to our traditional global scale ratings, for example those outlined in section A of the "Appendix" in this document, are generally less relevant to our national scale ratings. The following table lists the national or regional scales, the country or regional prefixes, and the associated countries or regions.

Table 16

National/Regional Scale Credit Rating Prefix

Scale Name	Prefix	Countries
Argentina national scale	ra	Argentina
Brazil national scale	br	Brazil
Canada national scale	no prefix	Canada
CaVal (Mexico) national scale	mx	Mexico
Gulf Cooperation Council regional scale	gc	Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates
Kazakhstan national scale	kz	Kazakhstan
Maalot (Israel) national scale	il	Israel
Nigeria national scale	ng	Nigeria

Table 16

National/Regional Scale Credit Rating Prefix (cont.)

Scale Name	Prefix	Countries
Nordic regional scale	no prefix	Denmark, Finland, Sweden
Saudi Arabia national scale	ksa	Saudi Arabia
South Africa national scale	za	South Africa
Taiwan Ratings national scale	tw	Taiwan
Turkiye national scale	tr	Turkiye
Ukraine national scale	ua	Ukraine
Uruguay national scale	uy	Uruguay

64. Eleven national and regional scales use the same rating symbols (along with a country-specific prefix) and rating definitions. Tables in the "General National And Regional Scale Ratings" section below detail the set of definitions applied to the 11 national or regional scales. The Maalot (Israel) national scale uses the same rating symbols (along with a prefix) but different rating definitions. The Canada national scales and Nordic regional short-term scale have different rating symbols and rating definitions. In addition, the Taiwan Ratings national scale ratings definitions outlined in tables in the "Taiwan Ratings National Scale Ratings" section are the same as those in tables in the following three sections except Taiwan Ratings Corp., rather than S&P Global Ratings, assigns Taiwan Ratings national scale ratings. These four unique scales appear after the general national scale ratings.

65. The national scale credit rating definitions include a country prefix denoted as 'xx'. See the table above for a list of country prefixes, the scale name, and the associated countries. For example, 'brBBB' is a Brazil national scale 'BBB' rating for entities and obligations in Brazil.

B. General National And Regional Scale Ratings

1. National Scale Issue Credit Ratings

66. An S&P Global Ratings national scale issue credit rating is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program (including ratings on medium-term note programs and commercial paper programs) relative to the creditworthiness of other national obligors with respect to their own financial obligations. National obligors include all active borrowers, guarantors, insurers, and other providers of credit enhancement residing in the country, as well as any foreign obligor active in the country's financial markets.

67. S&P Global Ratings' national scale issue credit ratings are based, in varying degrees, on analysis of the following considerations:

- The relative likelihood of payment--the rating assesses the obligor's capacity and willingness to meet its financial commitments in accordance with the terms of an obligation, compared with that of other national obligors;
- The nature and provisions of the financial obligation; and
- The protection afforded by, and the relative position of, the financial obligation in the event of a bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws

affecting creditors' rights.

2. National Scale Long-Term Issue Credit Ratings

Table 17

National Scale Long-Term Issue Credit Ratings*

Category	Definition
xxAAA	An obligation rated 'xxAAA' has the highest credit rating assigned on S&P Global Ratings' national scale. The obligor's capacity to meet its financial commitments on the obligation relative to other national obligors is extremely strong.
xxAA	An obligation rated 'xxAA' differs from the highest-rated debt only to a small degree. The obligor's capacity to meet its financial commitments on the obligation relative to other national obligors is very strong.
xxA	An obligation rated 'xxA' is somewhat more susceptible to adverse effects of changes in circumstances and economic conditions than higher-rated debt. Still, the obligor's capacity to meet its financial commitments on the obligation relative to other national obligors is strong.
xxBBB	An obligation rated 'xxBBB' exhibits adequate protection parameters relative to other national obligations. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation.
xxBB, xxB, xxCCC, xxCC, and xxC	Obligations rated 'xxBB', 'xxB', 'xxCCC', 'xxCC', and 'xxC' on the S&P Global Ratings national credit rating scale are regarded as having high risk relative to other national obligations. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions relative to other national obligations.
xxBB	An obligation rated 'xxBB' denotes somewhat weak protection parameters relative to other national obligations. The obligor's capacity to meet its financial commitments on the obligation is somewhat weak because of major ongoing uncertainties or exposure to adverse business, financial, or economic conditions.
xxB	An obligation rated 'xxB' is more vulnerable than obligations rated 'xxBB' relative to other national obligations. The obligor currently has a weak capacity to meet its financial obligations. Adverse business, financial, or economic conditions, however, would likely impair capacity or willingness of the obligor to meet its financial commitments on the obligation.
xxCCC	An obligation rated 'xxCCC' is currently vulnerable to nonpayment relative to other national obligations and is dependent upon favorable business and financial conditions for the obligor to meet its financial commitments on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitments on the obligation.
xxCC	An obligation rated 'xxCC' is currently highly vulnerable to nonpayment relative to other national obligations. The 'xxCC' rating is used when a default has not yet occurred but S&P Global Ratings expects default to be a virtual certainty, regardless of the anticipated time to default.
xxC	An obligation rated 'xxC' is currently highly vulnerable to nonpayment, and the obligation is expected to have lower relative seniority or lower ultimate recovery compared with obligations that are rated higher. (For the national scale in Argentina, where regulation requires ratings be assigned to all classes of a securitization capital structure, we may also use 'raC' to rate residual classes of securitizations. If a more senior class of the securitization is lowered to 'D', the residual class would also be lowered to 'D'. We would withdraw the rating on the residual class upon dissolution of the trust.)
D	An obligation rated 'D' is in default or in breach of an imputed promise. For non-hybrid capital instruments, the 'D' rating category is used when payments on an obligation are not made on the date due, unless S&P Global Ratings believes that such payments will be made within the next five business days in the absence of a stated grace period or within the earlier of the stated grace period or the next 30 calendar days. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. A rating on an obligation is lowered to 'D' if it is subject to a distressed debt restructuring.

*Ratings from 'xxAA' to 'xxCCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

3. National Scale Short-Term Issue Credit Ratings

Table 18

National Scale Short-Term Issue Credit Ratings*

Category	Definition
xxA-1	A short-term obligation rated 'xxA-1' is rated in the highest category on S&P Global Ratings' national scale. The obligor's capacity to meet its commitments on the obligation relative to other national obligors is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments on these obligations relative to other national obligors is extremely strong.
xxA-2	A short-term obligation rated 'xxA-2' is slightly more susceptible to adverse changes in circumstances and economic conditions than obligations rated 'xxA-1'. The obligor's capacity to meet its financial commitments on the obligation relative to other national obligors is satisfactory.
xxA-3	A short-term obligation rated 'xxA-3' denotes adequate protection parameters relative to other short-term national obligations. It is, however, more vulnerable to adverse effects of changes in circumstances than obligations carrying the higher designations.
xxB	A short-term obligation rated 'xxB' denotes weak protection parameters relative to other short-term national obligations. It is vulnerable to adverse business, financial, or economic conditions.
xxC	A short-term obligation rated 'xxC' denotes doubtful capacity for payment.
D	A short-term obligation rated 'D' is in default or in breach of an imputed promise. For non-hybrid capital instruments, the 'D' rating category is used when payments on an obligation are not made on the date due, unless S&P Global Ratings believes that such payments will be made within any stated grace period. However, any stated grace period longer than five business days will be treated as five business days. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. A rating on an obligation is lowered to 'D' if it is subject to a distressed debt restructuring.

*Apply to obligations considered short-term in the relevant market, typically with an original maturity of no more than 365 days.

4. National Scale Issuer Credit Ratings

68. An S&P Global Ratings national scale issuer credit rating is a forward-looking opinion about the overall creditworthiness of a debt issuer, guarantor, insurer, or other provider of credit enhancement ("obligor") to meet its financial obligations as they come due, relative to other national obligors. Such national obligors include all active borrowers, guarantors, insurers, and other providers of credit enhancement residing in the country, as well as foreign obligors active in national financial markets.

69. Issuer credit ratings do not apply to specific obligations, as they do not take into account the nature and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, they do not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation.

5. National Scale Long-Term Issuer Credit Ratings

Table 19

National Scale Long-Term Issuer Credit Ratings*

Category	Definition
xxAAA	An obligor rated 'xxAAA' has an extremely strong capacity to meet its financial commitments relative to that of other national obligors. 'xxAAA' is the highest issuer credit rating assigned according to the S&P Global Ratings national scale.
xxAA	An obligor rated 'xxAA' differs from the highest-rated obligors only to a small degree and has a very strong capacity to meet its financial commitments relative to that of other national obligors.
xxA	An obligor rated 'xxA' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher-rated obligors. Still, the obligor has a strong capacity to meet its financial commitments relative to that of other national obligors.
xxBBB	An obligor rated 'xxBBB' has an adequate capacity to meet its financial commitments relative to that of other national obligors. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments.
xxBB, xxB, xxCCC, and xxCC	Obligors rated 'xxBB', 'xxB', 'xxCCC', and 'xxCC' on the S&P Global Ratings national credit rating scale are regarded as having high risk relative to other national obligors. While such obligors will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions relative to other national obligors.
xxBB	An obligor rated 'xxBB' denotes somewhat weak capacity to meet its financial commitments, although it is less vulnerable than other lower-rated national obligors. However, it faces ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could result in an inadequate capacity on the part of the obligor to meet its financial commitments.
xxB	An obligor rated 'xxB' is more vulnerable than obligors rated 'xxBB'. The obligor currently has a weak capacity to meet its financial commitments relative to other national obligors. Adverse business, financial, or economic conditions would likely impair the obligor's capacity or willingness to meet its financial commitments.
xxCCC	An obligor rated 'xxCCC' is currently vulnerable relative to other national obligors and is dependent upon favorable business and financial conditions to meet its financial commitments.
xxCC	An obligor rated 'xxCC' is currently highly vulnerable to defaulting on its financial commitments relative to other national obligors. The 'xxCC' rating is used when a default has not yet occurred but S&P Global Ratings expects default to be a virtual certainty, regardless of the anticipated time to default.
SD and D	An obligor is rated 'SD' (selective default) or 'D' if S&P Global Ratings considers there to be a default on one or more of its financial obligations, whether long- or short-term, including rated and unrated financial obligations but excluding hybrid instruments classified as regulatory capital or in nonpayment according to terms. A 'D' rating is assigned when S&P Global Ratings believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due. An 'SD' rating is assigned when S&P Global Ratings believes that the obligor has selectively defaulted on a specific issue or class of obligations but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner. A rating on an obligor is lowered to 'D' or 'SD' if it is conducting a distressed debt restructuring.

*Ratings from 'xxAA' to 'xxCCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

6. National Scale Short-Term Issuer Credit Ratings

Table 20

National Scale Short-Term Issuer Credit Ratings*

Category	Definition
xxA-1	An obligor with a 'xxA-1' short-term credit rating has a strong capacity to meet financial commitments relative to that of other national obligors. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments on these obligations relative to that of other obligors in the national market is extremely strong.
xxA-2	An obligor with a 'xxA-2' short-term credit rating has a satisfactory capacity to meet financial obligations relative to that of other national obligors.
xxA-3	An obligor with a 'xxA-3' short-term credit rating has an adequate capacity to meet financial commitments relative to that of other national obligors. However, the obligor is more vulnerable to adverse changes in business circumstances or economic conditions than higher-rated obligors.
xxB	An obligor with a 'xxB' short-term credit rating has a weak capacity to meet financial commitments relative to that of other national obligors and is vulnerable to adverse business, financial, or economic conditions.
xxC	An obligor with a 'xxC' short-term credit rating has a doubtful capacity to meet financial commitments.
SD and D	An obligor is rated 'SD' (selective default) or 'D' if S&P Global Ratings considers there to be a default on one or more of its financial obligations, whether long- or short-term, including rated and unrated obligations, but excluding hybrid instruments classified as regulatory capital or in nonpayment according to terms. A 'D' rating is assigned when S&P Global Ratings believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due. An 'SD' rating is assigned when S&P Global Ratings believes that the obligor has selectively defaulted on a specific issue or class of obligations but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner. A rating on an obligor is lowered to 'D' or 'SD' if it is conducting a distressed debt restructuring.

*Focus on an obligor's capacity and willingness over the short-term to meet all of its financial commitments as they come due.

C. National Scale Insurer Financial Strength Ratings

70. A national scale insurer financial strength rating is a forward-looking opinion about the financial security characteristics of an insurance organization with respect to its ability to pay under its insurance policies and contracts in accordance with their terms, relative to other insurers in the national market.

71. This opinion is not specific to any particular policy or contract, nor does it address the suitability of a particular policy or contract for a specific purpose or purchaser. Furthermore, the opinion does not take into account deductibles, surrender or cancellation penalties, timeliness of payment, nor the likelihood of the use of a defense such as fraud to deny claims.

72. Insurer financial strength ratings do not refer to an organization's ability to meet nonpolicy (i.e., debt) obligations. Assignment of ratings to debt issued by insurers or to debt issues that are fully or partially supported by insurance policies, contracts, or guarantees is a separate process from the determination of insurer financial strength ratings, and it follows procedures consistent with those used to assign an issue credit rating.

Table 21

National Scale Insurer Financial Strength Ratings*

Category	Definition
xxAAA	An insurer rated 'xxAAA' has extremely strong financial security characteristics relative to other insurers in the national market. 'xxAAA' is the highest insurer financial strength rating assigned by S&P Global Ratings on the national scale.
xxAA	An insurer rated 'xxAA' has very strong financial security characteristics relative to other insurers in the national market, differing only slightly from those rated higher.
xxA	An insurer rated 'xxA' has strong financial security characteristics relative to other insurers in the national market but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings.
xxBBB	An insurer rated 'xxBBB' has good financial security characteristics relative to other insurers in the national market but is more likely to be affected by adverse business conditions than are higher-rated insurers.
xxBB, xxB, xxCCC, and xxCC	An insurer rated 'xxBB' or lower is regarded as having vulnerable financial security characteristics relative to other insurers in the national market, and these vulnerabilities may outweigh its strengths. 'xxBB' indicates the least degree of vulnerability within the range and 'xxCC' the highest.
xxBB	An insurer rated 'xxBB' has marginal financial security characteristics relative to other insurers in the national market. Positive attributes exist, but adverse business conditions could lead to insufficient ability to meet financial commitments.
xxB	An insurer rated 'xxB' has weak financial security characteristics relative to other insurers in the national market. Adverse business conditions will likely impair its ability to meet financial commitments.
xxCCC	An insurer rated 'xxCCC' has very weak financial security characteristics relative to other insurers in the national market and is dependent on favorable business conditions to meet financial commitments.
xxCC	An insurer rated 'xxCC' has extremely weak financial security characteristics relative to other insurers in the national market and is likely not to meet some of its financial commitments.
SD and D	An insurer rated 'SD' (selective default) or 'D' is in default on one or more of its insurance policy obligations. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action if payments on a policy obligation are at risk. A 'D' rating is assigned when S&P Global Ratings believes that the default will be a general default and that the obligor will fail to pay substantially all of its obligations in full in accordance with the policy terms. An 'SD' rating is assigned when S&P Global Ratings believes that the insurer has selectively defaulted on a specific class of policies but it will continue to meet its payment obligations on other classes of obligations. An 'SD' includes the completion of a distressed debt restructuring. Claim denials due to lack of coverage or other legally permitted defenses are not considered defaults.

*Ratings from 'xxAA' to 'xxCCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

D. National Scale Fund Credit Quality Ratings

73. A national scale fund credit quality rating is a forward-looking opinion about the overall credit quality of a fixed-income investment fund relative to that of other fixed income investment funds in the national market. National scale fund credit quality ratings, identified by the 'f' suffix (as are the global scale fund credit quality ratings), are assigned to fixed-income funds, actively or passively managed, typically exhibiting variable net asset values, and also include a country prefix denoted as 'xx'. National scale fund credit quality ratings reflect the credit risks of the fund's portfolio investments, the level of the fund's counterparty risk, and the risk of the fund's management ability and willingness to maintain current fund credit quality. Unlike traditional credit ratings (e.g., issuer credit ratings), a national scale fund credit quality rating does not

address a fund's ability to meet payment obligations and is not a commentary on yield levels. National scale fund credit quality ratings are accompanied by national scale fund volatility ratings (i.e., 'xxAf/xxS3')--when national scale fund volatility ratings can be assigned--to communicate our opinion about certain risks not addressed by a fund credit quality rating.

Table 22

National Scale Fund Credit Quality Ratings*

Category	Definition
xxAAAf	The credit quality of the fund's portfolio exposure is extremely strong relative to that of funds in the national market.
xxAAf	The credit quality of the fund's portfolio exposure is very strong relative to that of funds in the national market.
xxAf	The credit quality of the fund's portfolio exposure is strong relative to that of funds in the national market.
xxBBBf	The credit quality of the fund's portfolio exposure is adequate relative to that of funds in the national market.
xxBBf	The credit quality of the fund's portfolio exposure is weak relative to that of funds in the national market.
xxBf	The credit quality of the fund's portfolio exposure is very weak relative to that of funds in the national market.
xxCCCf	The credit quality of the fund's portfolio exposure is extremely weak relative to that of funds in the national market.
xxCCf	The fund's portfolio has significant exposure to defaulted or near defaulted assets and/or counterparties.
Df	The fund's portfolio is predominantly exposed to defaulted assets and/or counterparties.

*Ratings from 'xxAAf' to 'xxCCCf' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

E. National Scale Fund Volatility Ratings

74. A national scale fund volatility rating is a forward-looking opinion about a fixed-income investment fund's volatility of returns relative to that of a "reference index" denominated in the base currency of the fund. A reference index is composed of government securities associated with the fund's base currency. National scale fund volatility ratings are not globally comparable. National scale fund volatility ratings reflect our expectation of the fund's future volatility of returns to remain consistent with its historical volatility of returns. National scale fund volatility ratings reflect S&P Global Ratings' view of the fund's sensitivity to interest rate risk, credit risk, and liquidity risk, as well as other factors that may affect returns such as use of derivatives, use of leverage, exposure to foreign currency risk, and investment concentration, and fund management. Different symbology is used to distinguish fund volatility ratings from S&P Global Ratings' traditional issue or issuer credit ratings. We do so because fund volatility ratings do not reflect creditworthiness but rather our view of a fund's volatility of returns. We also use a country prefix denoted as 'xx'.

Table 23

National Scale Fund Volatility Ratings

Category	Definition
xxS1	A fund that exhibits low volatility of returns comparable to a portfolio of short-duration government securities, typically maturing within one to three years and denominated in the base currency of the fund, is rated 'xxS1'. Within this category, a fund may be designated with a plus sign (+). This indicates its extremely low volatility of monthly returns compared with a portfolio of short-duration government securities representing the highest-quality fixed-income instruments available in each country or currency zone with a maturity of 12 months or less. In the absence of short-duration government securities in a given country or currency zone, the volatility of one-year commercial bank deposit rates denominated in the base currency of the fund will be used as a benchmark proxy for an 'xxS1+' rated fund.
xxS2	A fund that exhibits low to moderate volatility of returns comparable to a portfolio of short- to medium-duration government securities, typically maturing within three to seven years and denominated in the base currency of the fund, is rated 'xxS2'.
xxS3	A fund that exhibits moderate volatility of returns comparable to a portfolio of medium- to long-duration government securities, typically maturing within seven to 10 years and denominated in the base currency of the fund, is rated 'xxS3'.
xxS4	A fund that exhibits moderate to high volatility of returns comparable to a portfolio of long-duration government securities, typically maturing beyond 10 years and denominated in the base currency of the fund, is rated 'xxS4'.
xxS5	A fund that exhibits high to very high volatility of returns comparable to a portfolio of long-duration government securities, typically maturing beyond 10 years and denominated in the base currency of the fund, is rated 'xxS5'. A fund rated 'xxS5' may be exposed to a variety of significant portfolio risks such as high concentration risks, high leverage, and investments in complex structured and/or illiquid securities.

F. Canada National Scale Ratings

75. Canada national scale ratings use a unique set of rating definitions detailed in paragraphs and tables in this section.

1. Canadian Commercial Paper Ratings

76. A Canadian commercial paper rating is a forward-looking opinion about the capacity of an obligor to meet financial commitments associated with a specific commercial paper program or other short-term financial instrument ("obligation") relative to the debt servicing and repayment capacity of other obligors active in the Canadian domestic financial markets ("obligors") with respect to their own financial obligations.

Table 24

Canada National Scale Commercial Paper Ratings

Category	Definition
A-1(High)	A short-term obligation rated 'A-1(High)' is rated in the highest category by S&P Global Ratings. The obligor's capacity to meet its financial commitments on the obligation is extremely strong. Obligations would qualify for a rating of 'A-1(High)' on the Canadian commercial paper rating scale where the issuer qualifies for a rating of 'A-1+' on S&P Global Ratings' global short-term rating scale.
A-1(Mid)	Short-term obligations rated 'A-1(Mid)' reflect a strong capacity for the obligor to meet its financial commitments on the obligation. Obligations would qualify for a rating of 'A-1(Mid)' on the Canadian commercial paper rating scale where the issuer qualifies for a rating of 'A-1' on S&P Global Ratings' global short-term rating scale.

Table 24

Canada National Scale Commercial Paper Ratings (cont.)

Category	Definition
A-1(Low)	A short-term obligation rated 'A-1(Low)' is slightly more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitments on the obligation is satisfactory. Obligations would qualify for a rating of 'A-1(Low)' on the Canadian commercial paper rating scale where the issuer qualifies for a rating of 'A-2' on S&P Global Ratings' global short-term rating scale and for a long-term issuer credit rating of 'A-' or 'BBB+' on S&P Global Ratings' global long-term rating scale.
A-2(Cdn)	Obligations rated 'A-2(Cdn)' reflect a satisfactory capacity of the obligor to fulfill its financial commitments on the obligation, while exhibiting higher susceptibility to changing circumstances or economic conditions than obligations rated 'A-1(Low)'. Obligations would qualify for a rating of 'A-2(Cdn)' on the Canadian commercial paper rating scale where the issuer qualifies for a rating of 'A-2' on S&P Global Ratings' global short-term rating scale and for a long-term issuer credit rating of 'BBB' on S&P Global Ratings' global long-term rating scale.
A-3(Cdn)	A short-term obligation rated 'A-3(Cdn)' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation. Obligations would qualify for a rating of 'A-3(Cdn)' on the Canadian commercial paper rating scale where the issuer qualifies for a rating of 'A-3' on S&P Global Ratings' global short-term rating scale.
B(Cdn)	A short-term obligation rated 'B(Cdn)' is regarded as having significant speculative characteristics. The obligor currently has the capacity to meet its financial commitments on the obligation; however, it faces major ongoing uncertainties that could lead to the obligor's inadequate capacity to meet its financial commitments on the obligation. Obligations would qualify for a rating of 'B(Cdn)' on the Canadian commercial paper rating scale where the issuer qualifies for a rating of 'B' on S&P Global Ratings' global short-term rating scale.
C(Cdn)	A short-term obligation rated 'C(Cdn)' is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitments on the obligation. Obligations would qualify for a rating of 'C(Cdn)' on the Canadian commercial paper rating scale where the issuer qualifies for a rating of 'C' on S&P Global Ratings' global short-term rating scale.
D	A short-term obligation rated 'D' is in payment default or in breach of an imputed promise. For non-hybrid capital instruments, the 'D' rating category is used when payments on an obligation are not made on the date due, unless S&P Global Ratings believes that such payments will be made within any stated grace period. However, any stated grace period longer than five business days will be treated as five business days. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. A rating on an obligation is lowered to 'D' if it is subject to a distressed debt restructuring.

2. Canadian Preferred Share Scale Ratings

77. The S&P Global Ratings Canadian preferred share rating scale serves issuers, investors, and intermediaries in the Canadian financial markets by expressing preferred share ratings (determined in accordance with global rating criteria) in terms of rating symbols that have been actively used in the Canadian market over a number of years. An S&P Global Ratings preferred share rating on the Canadian scale is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific preferred share obligation issued in the Canadian market relative to preferred shares issued by other issuers in the Canadian market. There is a direct correspondence between the specific ratings assigned on the Canadian preferred share scale and the various rating levels on the global debt rating scale of S&P Global Ratings. The Canadian scale rating is fully determined by the applicable global scale rating, and there are no additional analytical criteria associated with the determination of ratings on the Canadian scale. S&P Global Ratings' practice is to present ratings on an issuer's preferred shares on both the global rating

scale and on the Canadian national scale when listing the ratings for a particular issuer. The following table shows the national scale preferred share ratings and the corresponding global scale preferred share ratings:

Table 25

Canada National Scale Preferred Share Scale Ratings

National scale preferred share rating	Global scale preferred share rating
P-1(High)	AA
P-1	AA-
P-1	A+
P-1(Low)	A
P-1(Low)	A-
P-2(High)	BBB+
P-2	BBB
P-2(Low)	BBB-
P-3(High)	BB+
P-3	BB
P-3(Low)	BB-
P-4(High)	B+
P-4	B
P-4(Low)	B-
P-5(High)	CCC+
P-5	CCC
P-5(Low)	CCC-
CC	CC
C	C
D	D

3. Canadian Preferred Share Fund Credit Quality Ratings

78. A Canadian preferred share fund credit quality rating is a forward-looking opinion about the overall credit quality of a Canadian fund that invests predominantly in preferred securities relative to similar funds in Canada. It is assigned to fixed-income funds, actively or passively managed, typically exhibiting variable net asset values, and it is identified by the 'f' suffix (as are the global scale fund credit quality ratings). A Canadian preferred share fund credit quality rating reflects the credit risks of the fund's portfolio investments, the level of the fund's counterparty risk, and the risk of the fund's management ability and willingness to maintain current fund credit quality. Unlike traditional credit ratings (e.g., issuer credit ratings), a Canadian preferred share fund credit quality rating does not address a fund's ability to meet payment obligations and is not a commentary on yield levels. The following table shows the Canadian preferred share fund credit quality ratings and the corresponding global scale fund credit quality ratings:

Table 26

Canadian Preferred Share Fund Credit Quality Ratings

Canadian preferred share fund credit quality rating	Global scale fund credit quality rating
P-1(High)f	AAf
P-1f	AA-f
P-1f	A+f
P-1(Low)f	Af
P-1(Low)f	A-f
P-2(High)f	BBB+f
P-2f	BBBf
P-2(Low)f	BBB-f
P-3(High)f	BB+f
P-3f	BBf
P-3(Low)f	BB-f
P-4(High)f	B+f
P-4f	Bf
P-4(Low)f	B-f
P-5(High)f	CCC+f
P-5f	CCCf
P-5(Low)f	CCC-f
CCf	CCf
Df	Df

G. Nordic Regional Scale Short-Term Ratings

79. Nordic regional scale ratings use a unique set of rating definitions detailed in the next paragraph and the following two tables.

80. The following is the Nordic regional scale that applies to short-term obligations. The Nordic regional scale that applies to short-term issue credit ratings appears in the table immediately below. The Nordic regional scale that applies to short-term issuer credit ratings appears in the second table below.

Table 27

Nordic Regional Scale Short-Term Issue Credit Ratings

Category	Definition
K-1	A short-term obligation rated 'K-1' exhibits strong protection parameters. This indicates that the obligor's capacity to meet its financial commitments on these obligations is strong.
K-2	A short-term obligation rated 'K-2' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitments on the obligation is satisfactory.

Table 27

Nordic Regional Scale Short-Term Issue Credit Ratings (cont.)

Category	Definition
K-3	A short-term obligation rated 'K-3' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation.
K-4	A short-term obligation rated 'K-4' has speculative characteristics but is less vulnerable in the near term than other lower-rated obligations. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitments.
K-5	A short-term obligation rated 'K-5' is regarded as vulnerable and has significant speculative characteristics, but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments.
K-6	A short-term obligation rated 'K-6' is currently vulnerable to nonpayment, and the obligor is dependent upon favorable business, financial, and economic conditions to meet its financial commitments.
D	A short-term obligation rated 'D' is in default or in breach of an imputed promise. For non-hybrid capital instruments, the 'D' rating category is used when payments on an obligation are not made on the date due, unless S&P Global Ratings believes that such payments will be made within any stated grace period. However, any stated grace period longer than five business days will be treated as five business days. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. A rating on an obligation is lowered to 'D' if it is subject to a distressed debt restructuring.

Table 28

Nordic Regional Scale Short-Term Issuer Credit Ratings

Category	Definition
K-1	An obligor rated 'K-1' is regarded as having a strong capacity to meet its financial commitments.
K-2	An obligor rated 'K-2' is regarded as having a satisfactory capacity to meet its financial commitments. However, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in 'K-1'.
K-3	An obligor rated 'K-3' is regarded as having an adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments.
K-4	An obligor rated 'K-4' has speculative characteristics but is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitments.
K-5	An obligor rated 'K-5' is regarded as vulnerable and has significant speculative characteristics, but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments.
K-6	An obligor rated 'K-6' is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments.

Table 28

Nordic Regional Scale Short-Term Issuer Credit Ratings (cont.)

Category	Definition
D/SD	An obligor is rated 'SD' (selective default) or 'D' if S&P Global Ratings considers there to be a default on one or more of its financial obligations, whether long- or short-term, including rated and unrated obligations but excluding hybrid instruments classified as regulatory capital or in nonpayment according to terms. A 'D' rating is assigned when S&P Global Ratings believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due. An 'SD' rating is assigned when S&P Global Ratings believes that the obligor has selectively defaulted on a specific issue or class of obligations but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner. A rating on an obligor is lowered to 'D' or 'SD' if it is conducting a distressed debt restructuring.

81. The table below shows the relationship between global scale long-term local currency ratings and corresponding Nordic regional scale short-term ratings.

Table 29

Nordic Mapping Table

Global scale long-term local currency rating	Regional scale short-term rating
BBB+ or above	K-1
BBB	K-2
BBB-	K-3
BB+ to BB-	K-4
B+ to B-	K-5
CCC+ to C	K-6
SD	SD
D	D

'SD'--Selective default. 'D'--Default.

H. Maalot (Israel) National Scale Ratings

82. The S&P Global Ratings Maalot (Israel) national scale uses a unique set of rating definitions detailed in paragraphs and tables in this section.

83. The Maalot national scale serves issuers, insurers, counterparties, intermediaries, and investors in the financial markets of the State of Israel by providing both issue credit ratings, which apply to a specific debt instrument, and issuer credit ratings, which apply to an obligor (i.e., borrower, guarantor, bank, insurer, or other provider of credit enhancement). The Maalot national scale uses S&P Global Ratings global rating symbols with the addition of an 'il' prefix to denote "Israel" and the scale's focus on Israeli financial markets. For the most part, the criteria employed for determining ratings on the Maalot national scale are similar to those employed on the S&P Global Ratings global scale. The Maalot national scale credit ratings provide a rank ordering of credit risk within the country. As a result, the Maalot national scale is not directly comparable with the S&P Global Ratings global scale or any other national rating scale.

1. Issue Credit Ratings

84. A Maalot national scale issue credit rating is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program (including ratings on medium-term note programs and commercial paper programs) relative to the creditworthiness of other Israeli obligors with respect to their own financial obligations. Israeli obligors include all active borrowers, guarantors, banks, insurers, and other providers of credit enhancement residing in Israel, as well as any foreign obligor active in Israeli financial markets.

2. Long-Term Issue Credit Ratings

85. Maalot national scale issue credit ratings are based, in varying degrees, on analysis of the following considerations:

- The relative likelihood of payment--the rating assesses the obligor's capacity and willingness to meet its financial commitments in accordance with the terms of an obligation, compared with that of other Israeli obligors;
- The nature and provisions of the financial obligation; and
- The protection afforded by, and the relative position of, the financial obligation in the event of a bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

86. Obligation ratings are an assessment of default risk but may incorporate an assessment of relative seniority or ultimate recovery in the event of default. Junior obligations are typically rated lower than senior obligations, to reflect the lower priority in bankruptcy, as noted above. (Such differentiation may apply when an entity has both senior and subordinated obligations, secured and unsecured obligations, or operating company and holding company obligations.)

Table 30

Maalot (Israel) National Scale Long-Term Issue Ratings*

Category	Definition
ilAAA	An obligation rated 'ilAAA' has the highest rating assigned on S&P Global Ratings' Maalot national scale. The obligor's capacity to meet its financial commitments on the obligation relative to other Israeli obligors is very strong.
ilAA	An obligation rated 'ilAA' differs from the highest-rated debt only to a small degree. The obligor's capacity to meet its financial commitments on the obligation relative to other Israeli obligors is strong.
ilA	An obligation rated 'ilA' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher–rated obligors. Still, the obligor has a moderately strong capacity to meet its financial commitments on the obligation relative to other Israeli obligors.
ilBBB	An obligation rated 'ilBBB' exhibits reasonably adequate protection parameters relative to other Israeli obligations. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation.
ilBB, ilB, ilCCC, ilCC, and ilC	Obligations rated 'ilBB', 'ilB', 'ilCCC', 'ilCC', and 'ilC' on the Maalot national rating scale are regarded as having high risk relative to other Israeli obligations. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions relative to other Israeli obligations.

Table 30

Maalot (Israel) National Scale Long-Term Issue Ratings* (cont.)

Category	Definition
ilBB	An obligation rated 'ilBB' denotes somewhat weak protection parameters relative to other Israeli obligations. The obligor's capacity to meet its financial commitments on the obligation is somewhat weak because of major ongoing uncertainties or exposure to adverse business, financial, or economic conditions.
ilB	An obligation rated 'ilB' is more vulnerable than obligations rated 'ilBB' relative to other Israeli obligations. The obligor currently has a weak capacity to meet its financial obligations. Adverse business, financial, or economic conditions, however, would likely impair capacity or willingness of the obligor to meet its financial commitments on the obligation.
ilCCC	An obligation rated 'ilCCC' is currently vulnerable to nonpayment relative to other Israeli obligations and is dependent upon favorable business and financial conditions for the obligor to meet its financial commitments on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is unlikely to have the capacity to meet its financial commitments on the obligation.
ilCC	An obligation rated 'ilCC' is currently highly vulnerable to nonpayment relative to other Israeli obligations. The 'ilCC' rating is used when a default has not yet occurred but S&P Global Ratings Maalot expects default to be a virtual certainty, regardless of the anticipated time to default.
ilC	An obligation rated 'ilC' is currently highly vulnerable to nonpayment, and the obligation is expected to have lower relative seniority or lower ultimate recovery compared with obligations that are rated higher.
D	An obligation rated 'D' is in default or in breach of an imputed promise. For non-hybrid capital instruments, the 'D' rating category is used when payments on an obligation are not made on the date due, unless S&P Global Ratings Maalot believes that such payments will be made within the next five business days in the absence of a stated grace period or within the earlier of the stated grace period or the next 30 calendar days. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. A rating on an obligation is lowered to 'D' if it is subject to a distressed debt restructuring.

*Ratings from 'ilAA' to 'ilBB' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

3. Short-Term Issue Credit Ratings

87. Apply to obligations considered short-term in the relevant market, typically with an original maturity of no more than 365 days.

Table 31

Maalot (Israel) National Scale Short-Term Issue Ratings

Category	Definition
ilA-1	A short-term obligation rated 'ilA-1' is rated in the highest category on the S&P Global Ratings Maalot national scale. The obligor's capacity to meet its commitments on the obligation relative to other Israeli obligors is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments on these obligations relative to that of other obligors in the Israeli market is very strong.
ilA-2	A short-term obligation rated 'ilA-2' is slightly more susceptible to adverse changes in circumstances and economic conditions than obligations rated 'ilA-1'. The obligor's capacity to meet its financial commitments on the obligation relative to other Israeli obligors is satisfactory.
ilA-3	A short-term obligation rated 'ilA-3' denotes adequate protection parameters relative to other short-term Israeli obligations. It is, however, more vulnerable to adverse effects of changes in circumstances than obligations carrying the higher designations.
ilB	A short-term obligation rated 'ilB' denotes weak protection parameters relative to other short-term Israeli obligations. It is vulnerable to adverse business, financial, or economic conditions.
ilC	A short-term obligation rated 'ilC' denotes doubtful capacity for payment.

Table 31

Maalot (Israel) National Scale Short-Term Issue Ratings (cont.)

Category	Definition
D	A short-term obligation rated 'D' is in default or in breach of an imputed promise. For non-hybrid capital instruments, the 'D' rating category is used when payments on an obligation are not made on the date due, unless S&P Global Ratings Maalot believes that such payments will be made within any stated grace period. However, any stated grace period longer than five business days will be treated as five business days. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. A rating on an obligation is lowered to 'D' if it is subject to a distressed debt restructuring.

4. Issuer Credit Ratings

88. A Maalot national scale issuer credit rating is a forward-looking opinion about the overall creditworthiness of a debt issuer, guarantor, bank, insurer, or other provider of credit enhancement ("obligor") to meet its financial obligations as they come due, relative to other Israeli obligors. Such Israeli obligors include all active borrowers, guarantors, banks, insurers, and other providers of credit enhancement residing in Israel, as well as foreign obligors active in Israeli financial markets.

89. Issuer credit ratings do not apply to specific obligations, as they do not take into account the nature and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, they do not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation.

5. Long-Term Issuer Credit Ratings

Table 32

Maalot (Israel) National Scale Long-Term Issuer Ratings*

Category	Definition
ilAAA	An obligor rated 'ilAAA' has a very strong capacity to meet its financial commitments relative to that of other Israeli obligors. 'ilAAA' is the highest issuer credit rating assigned according to the S&P Global Ratings Maalot national scale.
ilAA	An obligor rated 'ilAA' differs from the highest-rated obligors only to a small degree and has a strong capacity to meet its financial commitments relative to that of other Israeli obligors.
ilA	An obligor rated 'ilA' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher-rated obligors. Still, the obligor has a moderately strong capacity to meet its financial commitments relative to that of other Israeli obligors.
ilBBB	An obligor rated 'ilBBB' has a reasonably adequate capacity to meet its financial commitments relative to that of other Israeli obligors. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments.
ilBB, ilB, ilCCC, and ilCC	Obligors rated 'ilBB', 'ilB', 'ilCCC', and 'ilCC' on the Maalot national rating scale are regarded as having high risk relative to other Israeli obligors. While such obligors will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions relative to other Israeli obligors.
ilBB	An obligor rated 'ilBB' denotes somewhat weak capacity to meet its financial commitments, although it is less vulnerable than other lower-rated Israeli obligors. However, it faces ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could result in an inadequate capacity on the part of the obligor to meet its financial commitments.

Table 32

Maalot (Israel) National Scale Long-Term Issuer Ratings* (cont.)

Category	Definition
ilB	An obligor rated 'ilB' is more vulnerable than obligors rated 'ilBB'. The obligor currently has a weak capacity to meet its financial commitments relative to other Israeli obligors. Adverse business, financial, or economic conditions would likely impair the obligor's capacity or willingness to meet its financial commitments.
ilCCC	An obligor rated 'ilCCC' is currently vulnerable relative to other Israeli obligors and is dependent upon favorable business and financial conditions to meet its financial commitments.
ilCC	An obligor rated 'ilCC' is currently highly vulnerable to defaulting on its financial commitments relative to other Israeli obligors. The 'ilCC' rating is used when a default has not yet occurred but S&P Global Ratings Maalot expects default to be a virtual certainty, regardless of the anticipated time to default.
SD and D	An obligor is rated 'SD' (selective default) or 'D' if S&P Global Ratings Maalot considers there to be a default on one or more of its financial obligations, whether long- or short-term, including rated and unrated financial obligations but excluding hybrid instruments classified as regulatory capital or in nonpayment according to terms. A 'D' rating is assigned when S&P Global Ratings Maalot believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due. An 'SD' rating is assigned when S&P Global Ratings Maalot believes that the obligor has selectively defaulted on a specific issue or class of obligations but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner. A rating on an obligor is lowered to 'D' or 'SD' if it is conducting a distressed debt restructuring.

*Ratings from 'ilAA' to 'ilBB' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

6. Short-Term Issuer Credit Ratings

90. This focuses on an obligors' capacity and willingness over the short-term to meet all of its financial commitments as they come due.

Table 33

Maalot (Israel) National Scale Short-Term Issuer Ratings

Category	Definition
ilA-1	An obligor with an 'ilA-1' short-term rating has a strong capacity to meet financial commitments relative to that of other Israeli obligors. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments on these obligations relative to that of other obligors in the Israeli market is very strong.
ilA-2	An obligor with an 'ilA-2' short-term rating has a satisfactory capacity to meet financial obligations relative to that of other Israeli obligors.
ilA-3	An obligor with an 'ilA-3' short-term rating has an adequate capacity to meet financial commitments relative to that of other Israeli obligors. However, the obligor is more vulnerable to adverse changes in business circumstances or economic conditions than higher-rated obligors.
ilB	An obligor with an 'ilB' short-term rating has a weak capacity to meet financial commitments relative to that of other Israeli obligors and is vulnerable to adverse business, financial, or economic conditions.
ilC	An obligor with an 'ilC' short-term rating has a doubtful capacity to meet financial commitments.

Table 33

Maalot (Israel) National Scale Short-Term Issuer Ratings (cont.)

Category	Definition
SD and D	An obligor is rated 'SD' (selective default) or 'D' if S&P Global Ratings Maalot considers there to be a default on one or more of its financial obligations, whether long- or short-term, including rated and unrated obligations but excluding hybrid instruments classified as regulatory capital or in nonpayment according to terms. A 'D' rating is assigned when S&P Global Ratings Maalot believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due. An 'SD' rating is assigned when S&P Global Ratings Maalot believes that the obligor has selectively defaulted on a specific issue or class of obligations but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner. A rating on an obligor is lowered to 'D' or 'SD' if it is conducting a distressed debt restructuring.

7. Insurer Financial Strength Ratings

91. A Maalot national scale insurer financial strength rating is a forward-looking opinion about the financial security characteristics of an insurance organization with respect to its ability to pay under its insurance policies and contracts in accordance with their terms, relative to other insurers in the national market.

92. This opinion is not specific to any particular policy or contract, nor does it address the suitability of a particular policy or contract for a specific purpose or purchaser. Furthermore, the opinion does not take into account deductibles, surrender or cancellation penalties, timeliness of payment, nor the likelihood of the use of a defense such as fraud to deny claims.

93. Insurer financial strength ratings do not refer to an organization's ability to meet nonpolicy (i.e., debt) obligations. Assignment of ratings to debt issued by insurers or to debt issues that are fully or partially supported by insurance policies, contracts, or guarantees is a separate process from the determination of insurer financial strength ratings, and it follows procedures consistent with those used to assign an issue credit rating.

Table 34

Maalot (Israel) National Scale Insurer Financial Strength Ratings*

Category	Definition
ilAAA	An insurer rated 'ilAAA' has extremely strong financial security characteristics relative to other insurers in the Israel market. 'ilAAA' is the highest insurer financial strength rating assigned on the Maalot national scale.
ilAA	An insurer rated 'ilAA' has very strong financial security characteristics relative to other insurers in the Israel market, differing only slightly from those rated higher.
ilA	An insurer rated 'ilA' has strong financial security characteristics relative to other insurers in the Israel market but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings.
ilBBB	An insurer rated 'ilBBB' has good financial security characteristics relative to other insurers in the Israel market but is more likely to be affected by adverse business conditions than are higher-rated insurers.
ilBB, ilB, ilCCC, and ilCC	An insurer rated 'ilBB' or lower is regarded as having vulnerable financial security characteristics relative to other insurers in the Israel market, and these vulnerabilities may outweigh its strengths. 'ilBB' indicates the least degree of vulnerability within the range and 'ilCC' the highest.
ilBB	An insurer rated 'ilBB' has marginal financial security characteristics relative to other insurers in the Israel market. Positive attributes exist, but adverse business conditions could lead to insufficient ability to meet financial commitments.

Table 34

Maalot (Israel) National Scale Insurer Financial Strength Ratings* (cont.)

Category	Definition
ilB	An insurer rated 'ilB' has weak financial security characteristics relative to other insurers in the Israel market. Adverse business conditions will likely impair its ability to meet financial commitments.
ilCCC	An insurer rated 'ilCCC' has very weak financial security characteristics relative to other insurers in the Israel market and is dependent on favorable business conditions to meet financial commitments.
ilCC	An insurer rated 'ilCC' has extremely weak financial security characteristics relative to other insurers in the Israel market and is likely not to meet some of its financial commitments.
SD and D	An insurer rated 'SD' (selective default) or 'D' is in default on one or more of its insurance policy obligations. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action if payments on a policy obligation are at risk. A 'D' rating is assigned when S&P Global Ratings Maalot believes that the default will be a general default and that the obligor will fail to pay substantially all of its obligations in full in accordance with the policy terms. An 'SD' rating is assigned when S&P Global Ratings Maalot believes that the insurer has selectively defaulted on a specific class of policies but will continue to meet its payment obligations on other classes of obligations. An 'SD' includes the completion of a distressed debt restructuring. Claim denials due to lack of coverage or other legally permitted defenses are not considered defaults.

*Ratings from 'ilAA' to 'ilBB' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

I. Taiwan Ratings National Scale Ratings

94. Taiwan Ratings Corporation (Taiwan Ratings) is a majority-owned subsidiary of S&P Global Ratings operating as Taiwan Ratings Corporation (Taiwan Ratings). Taiwan Ratings national scale serves issuers, insurers, counterparties, intermediaries, and investors in Taiwan's financial markets, providing:

- Issue credit ratings, which apply to a specific obligation,
- Issuer credit ratings, which apply to an obligor (i.e., borrower, guarantor, bank, insurer, or other provider of credit enhancement),
- Insurer financial strength ratings, which apply to an insurer's ability to pay under its insurance policies and contracts in accordance with their terms, and
- Fixed-income fund credit quality ratings identified with an 'f' suffix to denote funds that exhibit variable net asset values.

95. Taiwan Ratings national scale uses S&P Global Ratings symbols with the addition of a 'tw' prefix to denote "Taiwan" and the scale's focus on the Taiwanese financial markets. The criteria employed for determining ratings on Taiwan Ratings national scale are comparable with those employed on the S&P Global Ratings global scale.

96. Taiwan Ratings national scale ratings definitions outlined in tables in this section are the same as those in tables in the three sections beginning with "General National And Regional Scale Ratings" except Taiwan Ratings Corp., rather than S&P Global Ratings, assigns Taiwan Ratings national scale ratings.

1. Taiwan Ratings Issue Credit Ratings

97. A Taiwan Ratings issue credit rating is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a

specific financial program (including ratings on medium-term note programs and commercial paper programs) relative to the creditworthiness of other Taiwanese obligors with respect to their own financial obligations. Taiwanese obligors include all active borrowers, guarantors, insurers, and other providers of credit enhancement residing in Taiwan, as well as any foreign obligor active in Taiwan's financial markets.

98. Taiwan Ratings issue credit ratings are based, in varying degrees, on the analysis of the following considerations:

- The relative likelihood of payment--the rating assesses the obligor's capacity and willingness to meet its financial commitments on an obligation in accordance with the terms of the obligation, compared with that of other Taiwanese obligors;
- The nature and provisions of the financial obligation; and
- The protection afforded by, and the relative position of, the financial obligation in the event of a bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

2. Taiwan Ratings Long-Term Issue Credit Ratings

Table 35

Taiwan Ratings Long-Term Issue Credit Ratings*

Category	Definition
twAAA	An obligation rated 'twAAA' has the highest credit rating assigned on Taiwan Ratings national scale. The obligor's capacity to meet its financial commitments on the obligation relative to other Taiwanese obligors is extremely strong.
twAA	An obligation rated 'twAA' differs from the highest-rated debt only to a small degree. The obligor's capacity to meet its financial commitments on the obligation relative to other Taiwanese obligors is very strong.
twA	An obligation rated 'twA' is somewhat more susceptible to adverse effects of changes in circumstances and economic conditions than higher-rated debt. Still, the obligor's capacity to meet its financial commitments on the obligation relative to other Taiwanese obligors is strong.
twBBB	An obligation rated 'twBBB' exhibits adequate protection parameters relative to other Taiwanese obligations. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation.
twBB, twB, twCCC, twCC, and twC	Obligations rated 'twBB', 'twB', 'twCCC', 'twCC', and 'twC' on the Taiwan Ratings national credit rating scale are regarded as having high risk relative to other national obligations. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions relative to other Taiwanese obligations.
twBB	An obligation rated 'twBB' denotes somewhat weak protection parameters relative to other Taiwanese obligations. The obligor's capacity to meet its financial commitments on the obligation is somewhat weak because of major ongoing uncertainties or exposure to adverse business, financial, or economic conditions.
twB	An obligation rated 'twB' is more vulnerable than obligations rated 'twBB' relative to other Taiwanese obligations. The obligor currently has a weak capacity to meet its financial obligations. Adverse business, financial, or economic conditions, however, would likely impair capacity or willingness of the obligor to meet its financial commitments on the obligation.
twCCC	An obligation rated 'twCCC' is currently vulnerable to nonpayment relative to other Taiwanese obligations and is dependent upon favorable business and financial conditions for the obligor to meet its financial commitments on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitments on the obligation.
twCC	An obligation rated 'twCC' is currently highly vulnerable to nonpayment relative to other Taiwanese obligations. The 'twCC' rating is used when a default has not yet occurred but Taiwan Ratings expects default to be a virtual certainty, regardless of the anticipated time to default.

Table 35

Taiwan Ratings Long-Term Issue Credit Ratings* (cont.)

Category	Definition
twC	An obligation rated 'twC' is currently highly vulnerable to nonpayment, and the obligation is expected to have lower relative seniority or lower ultimate recovery compared with obligations that are rated higher.
D	An obligation rated 'D' is in default or in breach of an imputed promise. For non-hybrid instruments, the 'D' rating category is used when payments on an obligation are not made on the date due, unless Taiwan Ratings believes that such payments will be made within the next five business days, in the absence of a stated grace period or within the earlier of the stated grace period or the next 30 calendar days. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. A rating on an obligation is lowered to 'D' upon completion of a distressed debt restructuring.

*Ratings from 'twAA' to 'twCCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

3. Taiwan Ratings Short-Term Issue Credit Ratings

Table 36

Taiwan Ratings Short-Term Issue Credit Ratings*

Category	Definition
twA-1	A short-term obligation rated 'twA-1' is rated in the highest category on Taiwan Ratings national scale. The obligor's capacity to meet its commitments on the obligation relative to other Taiwanese obligors is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments on these obligations relative to other Taiwanese obligors is extremely strong.
twA-2	A short-term obligation rated 'twA-2' is slightly more susceptible to adverse changes in circumstances and economic conditions than obligations rated 'twA-1'. The obligor's capacity to meet its financial commitments on the obligation relative to other Taiwanese obligors is satisfactory.
twA-3	A short-term obligation rated 'twA-3' denotes adequate protection parameters relative to other short-term Taiwanese obligations. It is, however, more vulnerable to adverse effects of changes in circumstances than obligations carrying the higher designations.
twB	A short-term obligation rated 'twB' denotes weak protection parameters relative to other short-term Taiwanese obligations. It is vulnerable to adverse business, financial, or economic conditions.
twC	A short-term obligation rated 'twC' denotes doubtful capacity for payment.
D	A short-term obligation rated 'D' is in default or in breach of an imputed promise. For non-hybrid instruments, the 'D' rating category is used when payments on an obligation are not made on the date due, unless Taiwan Ratings believes that such payments will be made within any stated grace period. However, any stated grace period longer than five business days will be treated as five business days. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. A rating on an obligation is lowered to 'D' if it is subject to a distressed debt restructuring.

*Apply to obligations considered short-term in the relevant market, typically with an original maturity of no more than 365 days.

4. Taiwan Ratings Issuer Credit Ratings

99. A Taiwan Ratings issuer credit rating is a forward-looking opinion about the overall creditworthiness of a debt issuer, guarantor, insurer, or other provider of credit enhancement ("obligor") to meet its financial obligations as they come due, relative to other Taiwanese obligors.

Such Taiwanese obligors include all active borrowers, guarantors, insurers, and other providers of credit enhancement residing in Taiwan, as well as foreign obligors active in Taiwan's financial markets.

100. Issuer credit ratings do not apply to specific obligations, as they do not take into account the nature and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, they do not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation.

5. Taiwan Ratings Long-Term Issuer Credit Ratings

Table 37

Taiwan Ratings Long-Term Issuer Credit Ratings*

Category	Definition
twAAA	An obligor rated 'twAAA' has an extremely strong capacity to meet its financial commitments relative to that of other Taiwanese obligors. 'twAAA' is the highest issuer credit rating assigned according to Taiwan Ratings national scale.
twAA	An obligor rated 'twAA' differs from the highest-rated obligors only to a small degree and has a very strong capacity to meet its financial commitments relative to that of other Taiwanese obligors.
twA	An obligor rated 'twA' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher-rated obligors. Still, the obligor has a strong capacity to meet its financial commitments relative to that of other Taiwanese obligors.
twBBB	An obligor rated 'twBBB' has an adequate capacity to meet its financial commitments relative to that of other Taiwanese obligors. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments.
twBB, twB, twCCC, and twCC	Obligors rated 'twBB', 'twB', 'twCCC', and 'twCC' on the Taiwan Ratings credit rating scale are regarded as having high risk relative to other Taiwanese obligors. While such obligors will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions relative to other Taiwanese obligors.
twBB	An obligor rated 'twBB' denotes somewhat weak capacity to meet its financial commitments, although it is less vulnerable than other lower-rated Taiwanese obligors. However, it faces ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could result in an inadequate capacity on the part of the obligor to meet its financial commitments.
twB	An obligor rated 'twB' is more vulnerable than obligors rated 'twBB'. The obligor currently has a weak capacity to meet its financial commitments relative to other Taiwanese obligors. Adverse business, financial, or economic conditions would likely impair the obligor's capacity or willingness to meet its financial commitments.
twCCC	An obligor rated 'twCCC' is currently vulnerable relative to other Taiwanese obligors and is dependent upon favorable business and financial conditions to meet its financial commitments.
twCC	An obligor rated 'twCC' is currently highly vulnerable to defaulting on its financial commitments relative to other Taiwanese obligors. The 'twCC' rating is used when a default has not yet occurred but Taiwan Ratings expects default to be a virtual certainty, regardless of the anticipated time to default.

Table 37

Taiwan Ratings Long-Term Issuer Credit Ratings* (cont.)

Category	Definition
SD and D	An obligor is rated 'SD' (selective default) or 'D' if Taiwan Ratings considers there to be a default on one or more of its financial obligations, whether long- or short-term, including rated and unrated obligations but excluding hybrid instruments classified as regulatory capital or in nonpayment according to terms. A 'D' rating is assigned when Taiwan Ratings believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due. An 'SD' rating is assigned when Taiwan Ratings believes that the obligor has selectively defaulted on a specific issue or class of obligations but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner. A rating on an obligor is lowered to 'D' or 'SD' if it is conducting a distressed debt restructuring.

*Ratings from 'twAA' to 'twCCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

6. Taiwan Ratings Short-Term Issuer Credit Ratings

Table 38

Taiwan Ratings Short-Term Issuer Credit Ratings*

Category	Definition
twA-1	An obligor with a 'twA-1' short-term credit rating has a strong capacity to meet financial commitments relative to that of other Taiwanese obligors. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments on these obligations relative to that of other obligors in the Taiwanese market is extremely strong.
twA-2	An obligor with a 'twA-2' short-term credit rating has a satisfactory capacity to meet financial obligations relative to that of other Taiwanese obligors.
twA-3	An obligor with a 'twA-3' short-term credit rating has an adequate capacity to meet financial commitments relative to that of other Taiwanese obligors. However, the obligor is more vulnerable to adverse changes in business circumstances or economic conditions than higher-rated obligors.
twB	An obligor with a 'twB' short-term credit rating has a weak capacity to meet financial commitments relative to that of other Taiwanese obligors and is vulnerable to adverse business, financial, or economic conditions.
twC	An obligor with a 'twC' short-term credit rating has a doubtful capacity to meet financial commitments.
SD and D	An obligor is rated 'SD' (selective default) or 'D' if Taiwan Ratings considers there to be a default on one or more of its financial obligations, whether long- or short-term, including rated and unrated obligations but excluding hybrid instruments classified as regulatory capital or that are in nonpayment according to terms. A 'D' credit rating is assigned when Taiwan Ratings believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due. An 'SD' credit rating is assigned when Taiwan Ratings believes that the obligor has selectively defaulted on a specific issue or class of obligations but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner. A rating on an obligor is lowered to 'D' or 'SD' if it is conducting a distressed debt restructuring.

*Focus on an obligor's capacity and willingness over the short-term to meet all of its financial commitments as they come due.

7. Taiwan Ratings Insurer Financial Strength Ratings

101. A Taiwan Ratings insurer financial strength rating is a forward-looking opinion about the financial security characteristics of an insurance organization with respect to its ability to pay under its insurance policies and contracts in accordance with their terms, relative to other insurers in the

Taiwan market.

102. This opinion is not specific to any particular policy or contract, nor does it address the suitability of a particular policy or contract for a specific purpose or purchaser. Furthermore, the opinion does not take into account deductibles, surrender or cancellation penalties, timeliness of payment, nor the likelihood of the use of a defense such as fraud to deny claims.

103. Insurer financial strength ratings do not refer to an organization's ability to meet nonpolicy (i.e., debt) obligations. Assignment of ratings to debt issued by insurers or to debt issues that are fully or partially supported by insurance policies, contracts, or guarantees is a separate process from the determination of insurer financial strength ratings, and it follows procedures consistent with those used to assign an issue credit rating.

Table 39

Taiwan Ratings Insurer Financial Strength Ratings*

Category	Definition
twAAA	An insurer rated 'twAAA' has extremely strong financial security characteristics relative to other insurers in the Taiwan market. 'twAAA' is the highest insurer financial strength rating assigned by Taiwan Ratings.
twAA	An insurer rated 'twAA' has very strong financial security characteristics relative to other insurers in the Taiwan market, differing only slightly from those rated higher.
twA	An insurer rated 'twA' has strong financial security characteristics relative to other insurers in the Taiwan market but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings.
twBBB	An insurer rated 'twBBB' has good financial security characteristics relative to other insurers in the Taiwan market but is more likely to be affected by adverse business conditions than are higher-rated insurers.
twBB, twB, twCCC, and twCC	An insurer rated 'twBB' or lower is regarded as having vulnerable financial security characteristics relative to other insurers in the Taiwan market, and these vulnerabilities may outweigh its strengths. 'twBB' indicates the least degree of vulnerability within the range and 'twCC' the highest.
twBB	An insurer rated 'twBB' has marginal financial security characteristics relative to other insurers in the Taiwan market. Positive attributes exist, but adverse business conditions could lead to insufficient ability to meet financial commitments.
twB	An insurer rated 'twB' has weak financial security characteristics relative to other insurers in the Taiwan market. Adverse business conditions will likely impair its ability to meet financial commitments.
twCCC	An insurer rated 'twCCC' has very weak financial security characteristics relative to other insurers in the Taiwan market and is dependent on favorable business conditions to meet financial commitments.
twCC	An insurer rated 'twCC' has extremely weak financial security characteristics relative to other insurers in the Taiwan market and is likely not to meet some of its financial commitments.
SD and D	An insurer rated 'SD' (selective default) or 'D' is in default on one or more of its insurance policy obligations. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action if payments on a policy obligation are at risk. A 'D' rating is assigned when Taiwan Ratings believes that the default will be a general default and that the obligor will fail to pay substantially all of its obligations in full in accordance with the policy terms. An 'SD' rating is assigned when Taiwan Ratings believes that the insurer has selectively defaulted on a specific class of policies but will continue to meet its payment obligations on other classes of obligations. An 'SD' includes the completion of a distressed debt restructuring. Claim denials due to lack of coverage or other legally permitted defenses are not considered defaults.

*Ratings from 'twAA' to 'twCCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

8. Taiwan Ratings Fund Credit Quality Ratings

104. A Taiwan Ratings fund credit quality rating is a forward-looking opinion about the overall credit quality of a fixed-income investment fund relative to that of other fixed-income investment funds in Taiwan. Taiwan Ratings fund credit quality ratings, identified by the 'f' suffix (as are the global scale fund credit quality ratings), are assigned to fixed-income funds, actively or passively managed, typically exhibiting variable net asset values, and also include a country prefix denoted as 'tw'. Taiwan Ratings fund credit quality ratings reflect the credit risks of the fund's portfolio investments, the level of the fund's counterparty risk, and the risk of the fund's management ability and willingness to maintain current fund credit quality. Unlike traditional credit ratings (e.g., issuer credit ratings), a Taiwan Ratings fund credit quality rating does not address a fund's ability to meet payment obligations and is not a commentary on yield levels.

Table 40

Taiwan Ratings Fund Credit Quality Ratings*

Category	Definition
twAAAf	The credit quality of the fund's portfolio exposure is extremely strong relative to that of funds in the Taiwan market.
twAAf	The credit quality of the fund's portfolio exposure is very strong relative to that of funds in the Taiwan market.
twAf	The credit quality of the fund's portfolio exposure is strong relative to that of funds in the Taiwan market.
twBBBf	The credit quality of the fund's portfolio exposure is adequate relative to that of funds in the Taiwan market.
twBBf	The credit quality of the fund's portfolio exposure is weak relative to that of funds in the Taiwan market.
twBf	The credit quality of the fund's portfolio exposure is very weak relative to that of funds in the Taiwan market.
twCCCf	The credit quality of the fund's portfolio exposure is extremely weak relative to that of funds in the Taiwan market.
twCCf	The fund's portfolio has significant exposure to defaulted or near defaulted assets and/or counterparties.
Df	The fund's portfolio is predominantly exposed to defaulted assets and/or counterparties.

*Ratings from 'twAAf' to 'twCCCf' can be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

VI. OTHER CREDIT-RELATED OPINIONS

A. Credit Estimates

105. A credit estimate is a confidential indication of a likely credit rating on an unrated entity or instrument. Credit estimates are generally provided at the request of a third party unrelated to the entity or the instrument. Credit estimates are formulated using an abbreviated analysis and do not include all of the aspects of a credit rating. For these reasons, among others, a credit estimate is not a substitute for a credit rating and does not constitute a credit rating. Credit estimates generally do not involve direct contact with the issuer/obligor's management or in-depth insight

into operating, financial, or strategic issues that such contact allows. They are typically based on information provided from the requesting party, together with information from third-party sources that we consider reliable. In all circumstances, credit estimates must satisfy our established credit estimate information guidelines. S&P Global Ratings does not maintain ongoing surveillance of credit estimates, but periodic updates may be provided. Credit estimates are expressed using S&P Global Ratings' traditional credit rating symbols, but in lowercase (e.g., 'bbb'). Other rating symbols may be used on a case-by-case basis.

B. Credit Assessments

106. A credit assessment is an indicator of S&P Global Ratings' opinion of creditworthiness reflecting our view of the general credit strengths and weaknesses of an issuer, obligor, a proposed financing structure, or elements of such structures. It may also pertain to limited credit matters or carve out certain elements of a credit that would ordinarily be taken into account in a credit rating. A credit assessment usually represents a point-in-time evaluation, and S&P Global Ratings generally does not maintain ongoing surveillance of credit assessments. A credit assessment is generally confidential. Credit assessments are expressed in descriptive terms or using S&P Global Ratings' traditional credit rating symbols, but in lowercase (e.g., 'bbb'), either in a broad category or with the addition of a plus (+) or minus (-) sign to indicate relative standing within the category.

VII. OTHER IDENTIFIERS

A. Active Identifiers

107. S&P Global Ratings currently uses seven other identifiers. These words or symbols provide additional information but do not change the definition of a rating or our opinion about the issue's or issuer's creditworthiness. The identifiers are often required by regulation.

Unsolicited: 'unsolicited' and 'u' identifier

108. The 'u' identifier and 'unsolicited' designation are assigned to credit ratings initiated by parties other than the issuer or its agents, including those initiated by S&P Global Ratings.

Structured finance: 'sf' identifier

109. The 'sf' identifier shall be assigned to ratings on "securitization instruments" when required to comply with an applicable law or regulatory requirement or when S&P Global Ratings believes it appropriate. The addition of the 'sf' identifier to a rating does not change that rating's definition or our opinion about the issue's creditworthiness. For detailed information on the instruments assigned the 'sf' identifier, please see the appendix for the types of instruments that carry the 'sf' identifier.

Japan: 'JR' identifier

110. The 'JR' identifier is assigned to all issue and issuer ratings assigned by either S&P Global Ratings Japan or S&P Global SF Japan, each of which is a registered credit rating agency in Japan, as ratings registered under Japanese regulation. The addition of the identifier does not change the

definition of that rating or our opinion about the issue's or issuer's creditworthiness.

European Union: 'EU' identifier

111. S&P Global Ratings applies the 'EU' identifier to global scale ratings assigned by S&P Global Ratings Europe (SPGRE) (including through its branches), which is registered with the European Securities and Markets Authority (ESMA) and subject to EU regulation on credit rating agencies. The addition of the 'EU' identifier to a rating does not change that rating's definition or our opinion about the issue's or issuer's creditworthiness.

European Endorsed: 'EE' identifier

112. S&P Global Ratings applies the 'EE' identifier to global scale ratings assigned by S&P Global Ratings affiliates established outside the European Union and endorsed by SPGRE. SPGRE is registered with ESMA and subject to EU regulation on credit rating agencies. The addition of the 'EE' identifier to a rating does not change that rating's definition or our opinion about the issue's or issuer's creditworthiness.

United Kingdom: 'UK' identifier

113. S&P Global Ratings applies the 'UK' identifier to global scale ratings assigned by S&P Global Ratings UK (SPGRUK) which is registered with the UK Financial Conduct Authority (FCA) and subject to UK regulation on credit rating agencies. The addition of the 'UK' identifier to a rating does not change that rating's definition or our opinion about the issue's or issuer's creditworthiness.

United Kingdom Endorsed: 'UKE' identifier

114. S&P Global Ratings applies the 'UKE' identifier to global scale ratings assigned by S&P Global Ratings' affiliates established outside the U.K. and endorsed by SPGRUK. SPGRUK is registered with the FCA and subject to UK regulation on credit rating agencies. The addition of the 'UKE' identifier to a rating does not change that rating's definition or our opinion about the issue's or issuer's creditworthiness.

S&P Global SF Japan: 'XN' identifier

115. S&P Global SF Japan assigns the 'XN' identifier to credit ratings assigned by S&P Global SF Japan. S&P Global SF Japan is not a Nationally Recognized Statistical Rating Organization. The addition of the 'XN' identifier to a rating does not change that rating's definition or our opinion about the issue's or issuer's creditworthiness.

Under criteria observation 'UCO' identifier

116. The 'UCO' identifier may (or shall, if an EU regulatory requirement) be assigned to credit ratings under review as a result of a criteria revision. The addition of the 'UCO' identifier to a rating does not change that rating's definition or our opinion about the issue's or issuer's creditworthiness.

B. Inactive Identifiers

117. Inactive identifiers are no longer applied or outstanding.

European Endorsement: 'EX' identifier

118. S&P Global Ratings provisionally assigned the 'EX' identifier during a transitional period ending on April 30, 2012, to global scale ratings assigned by S&P Global Ratings entities established in jurisdictions outside the European Union (EU) that were not recognized by EU regulators as endorsable but which nevertheless were recognized for certain EU regulatory purposes. Before the transitional period ended, S&P Global Ratings replaced the 'EX' identifier on certain ratings with 'EE' identifiers following determinations by EU regulators that such ratings were endorsable. However, following the end of the transitional period, any ratings still bearing the 'EX' identifiers are no longer recognized for certain EU regulatory purposes. With certain exceptions, S&P Global Ratings no longer assigns the 'EX' identifier and may remove the 'EX' identifier from existing ratings. The addition, or lack, of the 'EX' identifier to a rating does not change the definition of that rating. Discontinued use in June 2012.

VIII. APPENDIX

119. This appendix provides fundamental concepts behind our ratings and explains how we apply various rating and other symbols to specific instruments and situations.

A. What Kind Of Risk Dimensions Do Our Credit Ratings Address?

120. This section explains the fundamental attributes of credit risks that our credit ratings are designed to address.

1. Rank Ordering Of Creditworthiness

121. As stated in our ratings definitions, our credit ratings are forward-looking opinions about the creditworthiness of issuers and obligations. More specifically, our credit ratings express a relative ranking of creditworthiness. Issuers and obligations with higher ratings are more creditworthy, in our opinion, than issuers and obligations with lower credit ratings. Conversely, when we use a given rating symbol, we intend to connote roughly the same level of creditworthiness to the widely disparate sectors on a global basis, such as a Canadian mining company, a Japanese financial institution, a Wisconsin school district, a British mortgage-backed security, or a sovereign nation.

122. Lower ratings reflect our view as to the rated credit's vulnerability to cyclical fluctuations and, accordingly, generally address shorter time horizons and may reflect specific forecasts and projections. Conversely, higher ratings generally address longer time horizons and are usually less reflective of forecasts or projections of what is likely to occur in the near term. Instead, they focus more on what might occur in less likely future scenarios.

123. Creditworthiness expressed in our ratings is a multifaceted phenomenon and encompasses likelihood of default, the prospect of recovery following a default, and credit stability as detailed under the next three headings.

124. Our credit ratings attempt to condense these multiple factors into rating symbols along a simple, one-dimensional scale. While there is no single formula for combining them, we generally use:

- The likelihood of default as the dominant driver in determining the rating,
- The prospect of recovery following a default as "notching" if relevant, and
- Credit stability as a limiting factor on the ratings as shown in the table in the "Credit Stability" section below.

125. The relative importance of different factors may be different in different situations. For example, credit stability has increasing significance as the likelihood of default decreases (i.e., at higher rating levels). On the other hand, the prospect of recovery following a default is relevant only for some issue credit ratings and has increasing significance as the likelihood of default increases (i.e., at lower rating levels). In addition, the relative importance of these factors may wax or wane with changes in market conditions and the economic environment.

2. Likelihood Of Default--Primary Factor

126. The likelihood of default, encompassing both capacity and willingness to pay, is the single most important factor in our assessment of the creditworthiness of an issuer or obligation. In our expectation, issuers or obligations with higher ratings should default less frequently than issuers and obligations with lower ratings, all other things being equal.

127. Although our credit ratings are not measures of absolute probability of default and we instead focus on the rank ordering of default likelihood, we do not view the rating categories solely in relative terms. We associate each successively higher rating category with the ability to withstand successively more stressful economic environments, which we view as less likely to occur. We associate issuers and obligations rated in the highest category ('AAA') with the ability to withstand extreme stress in absolute terms without defaulting. Conversely, we associate issuers and obligations rated in lower categories with vulnerability to mild or modest stress.

128. We use hypothetical stress scenarios as benchmarks for calibrating our criteria across different sectors to maintain comparability of our ratings. These scenarios represent hypothetical stress conditions corresponding to each rating category shown below. The scenario for a particular rating category reflects a level of stress that credits rated in that category should, in our view, be able to withstand without defaulting (though they might be downgraded to levels near default).

- 'AAA' (extreme) stress scenario. An issuer or obligation rated 'AAA' should be able to withstand an extreme level of stress and still meet its financial obligations. A historical example of such a scenario is the Great Depression in the U.S. In that episode, real GDP for the U.S. declined 26.5% from 1929 through 1933. U.S. unemployment peaked at 24.9% in 1933 and was above 20% from 1932 through 1935. U.S. industrial production declined 47% and home building dropped 80% from 1929 through 1932. The stock market dropped 85% from September 1929 to July 1932 (as measured by the Dow Jones Industrial Average). The U.S. experienced deflation of roughly 25%. Real GDP did not recover to its 1929 level until 1935. Nominal GDP did not recover until 1940. We consider conditions such as these to reflect extreme stress. The 'AAA' stress scenario envisions a widespread collapse of consumer confidence. The financial system suffers major dislocations. Economic decline propagates around the globe.
- 'AA' (severe) stress scenario. An issuer or obligation rated 'AA' should be able to withstand a severe level of stress and still meet its financial obligations. Such a scenario could include GDP declines of up to 15%, unemployment levels of up to 20%, and stock market declines of up to 70%.
- 'A' (substantial) stress scenario. An issuer or obligation rated 'A' should be able to withstand a substantial level of stress and still meet its financial obligations. In such a scenario, GDP could

decline as much as 6% and unemployment could reach up to 15%. The stock market could drop up to 60%.

- 'BBB' (moderate) stress scenario. An issuer or obligation rated 'BBB' should be able to withstand a moderate level of stress and still meet its financial obligations. A GDP decline of as much as 3% and unemployment at 10% would be reflective of a moderate stress scenario. A drop in the stock market of up to 50% would similarly indicate moderate stress.
- 'BB' (modest) stress scenario. An issuer or obligation rated 'BB' should be able to withstand a modest level of stress and still meet its financial obligations. For example, GDP might decline as much as 1% and unemployment might reach 8%. The stock market could drop up to 25%.
- 'B' (mild) stress scenario. An issuer or obligation rated 'B' should be able to withstand a mild level of stress and still meet its financial obligations. Scenarios in which GDP is flat or declines as much as 0.5% and unemployment is in the area of 6% or less could be viewed as mild stress scenarios. A flat stock market or a drop of up to 10% would be another indicator of such a scenario.

Table 41

S&P Global Ratings' View Of Stress Levels For Selected Recessions And Financial Crises

Name	Duration (interval or months)	Real GDP peak-to-trough decline (%)	Peak unemployment (%)	Stress level	Notes
Panic of 1797	1797-1800	N.A.	N.A.	BB (U.S.)	Market disruptions caused by deflationary pressures from Britain.
Depression of 1807	1807-1814	N.A.	N.A.	BBB (U.S.)	The Embargo Act of 1807 suppressed shipping-related industries and led to increased smuggling in New England.
Panic of 1819	1819-1824	N.A.	N.A.	A (U.S.)	This was the first major financial crisis in the U.S. There was significant unemployment and declines in both manufacturing and agriculture.
Panic of 1837	1837-1843	N.A.	N.A.	AA (U.S.)	Bursting of a speculative bubble and loss of confidence in paper money led to a five-year depression. About 40% of U.S. banks closed. Banks stopped paying in gold and silver coinage. Some consider this to be a depression comparable in scope and severity to the Great Depression.
Panic of 1857	18 months	N.A.	N.A.	AAA (U.S.)	Every U.S. railroad bond defaulted. More than 5,000 businesses failed during the first year. Bank failures were widespread. The full impact of this recession did not dissipate until after the Civil War. Poor's Manual was first published in the immediate wake of this recession.

Table 41

S&P Global Ratings' View Of Stress Levels For Selected Recessions And Financial Crises (cont.)

Name	Duration (interval or months)	Real GDP peak-to-trough decline (%)	Peak unemployment (%)	Stress level	Notes
Panic of 1873	65 months	N.A.	N.A.	BBB (U.S.)	The start of the Long Depression in Europe caused the bursting of the post-Civil War speculative bubble in the U.S.
Long Depression	1873-1896	N.A.	N.A.	AA (Britain)	The collapse of the Vienna Stock Exchange caused a depression that spread around the globe.
Panic of 1893	17 months	(2.6)	18.4	AA (U.S.)	This event involved the failure of more than 15,000 companies and 500 banks. Overbuilding of railroads was one of the key causes. A major protest march by unemployed workers--known as Coxey's Army--occurred during this event.
Panic of 1907	13 months	(3)	8	A (U.S.)	A failed attempt to corner the copper market started a chain of bank failures, including the collapse of Knickerbocker Trust Co. Intervention by J.P. Morgan may have helped to dampen the intensity of the event.
Post-World War I recession (U.S.)	18 months	(6.6)	11.7	A (U.S.)	A brief postwar recession involving high unemployment because of returning troops.
Post-World War I recession (U.K.)	14 months	(19.2)	N.A.	AA (U.K.)	Severe postwar recession spanning three years of sharply declining GDP.
Spanish Civil War	16 months	(31.3)	N.A.	>AAA (Spain)	Civil war in which the Second Spanish Republic was overthrown and replaced by the fascist Franco regime.
Great Depression (first leg) (1929)	43 months	(26.5)	24.9	AAA (U.S.)	Probably the worst depression in U.S. history, involving very high unemployment and sharp declines in GDP and industrial production. The event was accompanied by the "Dust Bowl" ecological disaster in the High Plains region.
Great Depression (second leg) (1937)	13 months	(3.4)	19	AAA (U.S.)	Second leg of Depression. Retightened monetary and fiscal policy after initial recovery.
World War II	1943-1947	(40-75)	N.A.	>AAA (France, Germany, and Japan)	Global military conflict that involved most of the world's nations, including Britain, Japan, France, Germany, Italy, the Soviet Union, and the U.S.

Table 41

S&P Global Ratings' View Of Stress Levels For Selected Recessions And Financial Crises (cont.)

Name	Duration (interval or months)	Real GDP peak-to-trough decline (%)	Peak unemployment (%)	Stress level	Notes
1945	8 months	(12.8)	3.9	BB (U.S.)	Drop in military spending after WWII. Return of soldiers looking for work. A brief but sharp recession.
1948	11 months	(1.7)	7.9	BBB (U.S.)	Inventory correction after postwar recovery.
1953	10 months	(2.5)	6.1	BB (U.S.)	Post-Korean War military buildup accompanied by tighter Federal Reserve policy to fight inflation.
1957	8 months	(3.6)	7.5	BBB (U.S.)	This recession extended to many developed countries. U.S. auto sales dropped 31% in 1958 relative to 1957.
1960	10 months	(1.3)	7.1	BB (U.S.)	Monetary policy tightened to fight inflation and a housing boom.
1970	11 months	(1.1)	6.1	BB (U.S.)	High interest rates were put in to fight inflation. A General Motors Co. strike deepened the recession.
1973 oil crisis	16 months	(3.1) (U.S.)	9.0 (U.S.)	BBB (U.S., France, and the U.K.)	OPEC countries initiated an oil embargo against the U.S. in reaction to U.S. support for Israel during the Yom Kippur War. The oil embargo combined with high government spending on the Vietnam War resulted in a sharp stock market decline and an extended period of stagflation (i.e., high unemployment and high inflation at the same time) in the U.S. This shock also translated into a short recession in the large European countries in 1974.
1979 oil crisis	21 months	(5.3) (U.K.)	11.9 (U.K.)	BBB (U.K., Germany, Italy, and Japan)	Oil prices rose sharply in the wake of the 1979 Iranian revolution and the new Iranian regime's oil export policies. This pushed inflation to new highs in several advanced economies. Monetary policies were tightened significantly to reduce inflation in countries including the U.K., Germany, Italy, and Japan.
Early 1980s recessions (1980)	6 months	(2.2)	7.8	BB (U.S.)	Higher oil prices adversely affected the U.S. economy later than other advanced economies. Credit controls imposed by the Carter Administration suppressed consumer spending.

Table 41

S&P Global Ratings' View Of Stress Levels For Selected Recessions And Financial Crises (cont.)

Name	Duration (interval or months)	Real GDP peak-to-trough decline (%)	Peak unemployment (%)	Stress level	Notes
Early 1980s recessions (1982)	16 months	(2.6)	10.8	BBB (U.S.)	Attempting to control inflation, the Fed's tight monetary policy produced another recession. The focus on inflation was a remnant of the previous decade's high inflation driven by oil prices.
Latin American debt crisis	1981-1982	N.A.	N.A.	A (Latin America); BB (global)	Latin American countries borrowed heavily in the 1960s and 1970s to finance industrialization and infrastructure. Large fiscal and external imbalances led to sharply weaker local currencies, raising the burden of servicing foreign currency debt.
Bursting of the Japanese asset price bubble (1989)	>200 months	Below 1% average growth over 20 years	5.4 (2002)	BBB (Japan)	Japanese real estate and stock market prices rose sharply from 1986 through 1989 and then started a slow but lengthy process of decline. This continued for about 20 years, leading to low/stagnant growth and the Japanese financial crisis in 1997.
Early 1990s recession (U.S.)	8 months	(1.4)	7.8	BB (U.S.)	Although this recession was modest in overall terms, it had stronger effects on the West Coast of the U.S., where it coincided with the bursting of a regional real estate bubble.
Early 1990s recession (Europe)	24 months	(2.4) (U.K.)	10.7 (U.K.)	BBB (U.K., France, Germany, and Italy)	Britain faced both a fiscal deficit and a current account deficit. These amplified pressures on the European exchange rate mechanism through which the British pound was tied to the deutsche mark. The recession also was tied to banking sector problems in both the U.S. and Sweden. France and Germany entered recession later compared with the U.K., and the weak economic environment resulted in higher unemployment rates.
Early 1990s Nordic banking crisis (Sweden)	13 months	(5.6)	8.3	BBB (Sweden)	Bursting of a real estate bubble caused a credit crunch and deleveraging in Nordic countries. The impact was most pronounced in Sweden.

Table 41

S&P Global Ratings' View Of Stress Levels For Selected Recessions And Financial Crises (cont.)

Name	Duration (interval or months)	Real GDP peak-to-trough decline (%)	Peak unemployment (%)	Stress level	Notes
1994 Mexican economic crisis	9 months	(15)	7.4	AA (Mexico); BB (global)	Years of deficit spending, current account deficits, and unprecedented political uncertainty led to capital flight. This undermined the fixed exchange rate, produced devaluation of the peso, and led to high inflation, a banking crisis, and a recession. A $20 billion loan from the U.S. in early 1995 helped resolve the crisis. Mexico repaid the loan in 1997.
Thai currency crisis (1997-1998)	15 months	(12.5)	3.4	AA (Thailand); BB (global)	Many years of rapid growth and expansion of bank lending resulted in inflated asset values and a growing current account deficit. Resulting devaluation of the Thai baht triggered a regional financial crisis across the emerging markets of East Asia. The worst macro effects were concentrated in Thailand, Indonesia, Malaysia, and South Korea.
1998 Russian financial crisis	12 months	(9.1)	12.2	A/AA (Russia); BB (global)	This event was triggered by falling commodity prices, in the wake of the 1997 Asian financial crisis, which exacerbated Russia's mushrooming fiscal pressures. The Russian stock market declined 75% from January to August. Yields on ruble-denominated bonds reached 200%. Inflation reached 84%.
Argentine economic crisis (1998-2002)	~48 months	(25)	21	AAA (Argentina); BB (global)	The Argentine peso was pegged to the U.S. dollar. The strength of the U.S. dollar, low commodity prices for Argentine exports, and loose fiscal policy undermined the country's ability to grow, leading to a severe recession and capital flight. In late 2001, the government undertook a distressed debt exchange, devalued the currency, and subsequently imposed a broad moratorium on sovereign debt repayment.
2001 recession (U.S.)	8 months	(0.3)	6.3	BB (U.S.)	Corporate accounting scandals and the bursting of the tech bubble contributed to a modest recession.

Table 41

S&P Global Ratings' View Of Stress Levels For Selected Recessions And Financial Crises (cont.)

Name	Duration (interval or months)	Real GDP peak-to-trough decline (%)	Peak unemployment (%)	Stress level	Notes
2001 recession (Germany)	21 months	(1.55)	11.2	BB (Germany)	Germany entered recession in the middle of 2001 through early 2003. The economy suffered from the aftermath of the tech bubble as the unemployment rate increased significantly, reaching a peak in mid-2005.
Global financial crisis (GFC)	2008-2009	(4.0) (U.S.)	10.0 (U.S.)	BBB (many countries, including the U.S., the U.K., Germany, France, and Japan)	The 2008 global financial crisis (aka the Great Recession) was a harsh economic downturn, which resulted in lowered economic activity, job losses, and higher unemployment rates worldwide. Falling U.S. home prices caused the failure of many subprime lenders and then spread into a funding and credit crunch across international financial markets and banking systems. Financial institutions suffered significantly, some of them failed, and many others were bailed out by governments in the U.S. and across Europe to prevent a total collapse of global financial markets. Recovery from this financial crisis was much slower than from past recessions. Subsequently, this crisis sparked additional problems in the European debt and banking markets.
GFC and subsequent European periphery financial, banking, and sovereign debt crises	2008-2015	(5.7) (Eurozone)	12.2 (Eurozone)	BBB (Eurozone, Italy); A (Spain, Portugal, and Ireland); AA (Iceland); AAA (Greece)	A European debt and banking crisis followed the GFC. The financial crisis heavily affected the Irish economy and banks because of a sharp decline in property prices combined with a lack of access to international bank funding. Major banks failed in Ireland while Greece and Portugal faced a severe sovereign debt crisis following the Great Recession. Spanish banking sectors suffered significantly, and Italy was also among countries adversely affected during the European debt and banking crisis.

Table 41

S&P Global Ratings' View Of Stress Levels For Selected Recessions And Financial Crises (cont.)

Name	Duration (interval or months)	Real GDP peak-to-trough decline (%)	Peak unemployment (%)	Stress level	Notes
COVID-19 economic downturn	2020	(9.1) (U.S.)	14.7 (U.S.)	BBB (many countries, including the U.S., France, Germany, Australia, and Japan); A (several large European countries, including the U.K., Italy, and Spain)	The COVID-19 pandemic led to a global economic recession. The economic impact of COVID-19 in terms of GDP was one of the steepest downturns in modern history, affecting nearly every country. Stock markets fell significantly and the lockdown-induced recession resulted in a sharp rise in unemployment in many economies. However, recovery from this downturn was much faster than from past recessions as government economic responses around the world improved economies and shortened the recession duration.

U.S. recessions are included from the National Bureau of Economic Research canon after 1945; before 1945 only a selective list. Based on annual GDP and unemployment data before 1948. N.A.--Not available. Sources: National Bureau of Economic Research; U.S. Dept. of Commerce, Bureau of Economic Analysis; U.S. Dept. of Labor, Bureau of Labor Statistics; Romer, C., "Remeasuring Business Cycles," Journal of Economic History, vol. 54 (Sept. 1994); Barro, J.R. et al., "Macroeconomic Crises Since 1870," Working Paper 13940, National Bureau of Economic Research, April 2008; Bloomberg; Organization for Economic Cooperation and Development.

129. The scenarios presume a starting point of benign conditions and a fairly rapid path of deterioration in economic conditions. Less favorable starting conditions would require proportionally more adverse scenarios. Accordingly, the scenarios are not part of the rating definitions, which apply universally in all economic conditions. For example, for an issuer to attain a rating of 'AAA', our rating definition requires it to have "extremely strong capacity to meet its financial commitments" under the actual conditions at the time of consideration. If the starting conditions are adverse, then the obligor or obligation must have the capacity to withstand further deterioration of "extreme" magnitude.

130. Similarly, it should be noted that these stress scenarios generally contemplate highly developed economies. For developing economies, adjustments would be appropriate because such economies may experience pronounced and frequent swings. Even among developed economies, the scenarios may require adjustments for structural differences in specific countries, such as above-average unemployment rates even during periods of economic expansion. Moreover, criteria for rating credits above sovereign rating levels separately consider scenarios in which the sovereign itself defaults.

131. Moreover, these scenarios are mere examples of stress at each level. Therefore, market participants should not interpret them as the only scenarios we consider. We may adjust these scenarios depending on economic, geographic, and sector-specific considerations, as applicable. The scenarios do not represent a guarantee that rated entities will not default in those or similar scenarios. Sector-specific factors might result in significant variations in stress levels during recessions. For example, in a specific crisis period in the table above, some sectors might have undergone a higher or lower level of stresses than shown in the table.

132. Given that the likelihood of default is the single most important factor for our ratings, a key

measure that we use for assessing the performance of our ratings is how well our ratings have rank-ordered default frequencies during a given test period. When our ratings perform as intended, credits with higher ratings should display lower observed default frequencies than credits with lower ratings during a given test period.

133. However, we do not ascribe a specific probability of default to each rating category. Neither do we ascribe specific probabilities to economic stresses shown in the table above. On the contrary, the observed default rates for all rating categories rise and fall as the economic environment fluctuates through periods of expansion and contraction. Moreover, any given economic cycle generally does not produce the same degree of stress in all sectors and regions. Accordingly, only over the very long term (e.g., covering multiple economic cycles), would we expect to be able to observe whether similarly rated issuers from different market segments actually experience similar long-term default frequencies.

3. Prospect Of Recovery Following Default

134. Beyond likelihood of default, there are other factors that may be relevant. One such factor for some issue credit ratings is the prospect of recovery of a rated obligation following a default. When a corporation issues both senior and subordinated debts, we usually assign a lower rating to the subordinated debt due to a weaker prospect of recovery following default even if we expect the likelihood of default to be exactly the same. We incorporate such a prospect of recovery into some ratings, typically those on nonsecuritization issues, based either on the payment priority of a rated obligation in a case of a bankruptcy or similar legal proceeding or on a recovery rate we estimate for the obligation under a hypothetical default scenario.

4. Credit Stability

135. Another factor of creditworthiness is credit stability. For some types of issuers and obligations, any deterioration in credit tends to be gradual and the likelihood of default may be less sensitive to changing economic and business conditions. Others may be more vulnerable to sudden deterioration, and the likelihood of default may change more rapidly. Differing degrees of credit stability constitute differences in creditworthiness.

136. We use credit stability as a limiting factor on the ratings as shown in the table below. This table shows the maximum projected deterioration under moderate stress conditions (the stress for 'BBB') that we would associate with each rating level for time horizons of one year and three years. For example, we typically would not assign a rating of 'AA' where we believe the rating would likely fall below 'A' within one year or below 'BB' in three years under moderate stress conditions.

Table 42

Credit Stability As A Limiting Factor On Ratings

Maximum projected deterioration associated with rating levels for one-year and three-year horizons under moderate stress conditions

	AAA	AA	A	BBB	BB	B
One year	AA	A	BB	B	CCC	D
Three years	BBB	BB	B	CCC	D	D

These credit-quality transitions do not reflect our view of the expected degree of deterioration that rated issuers or obligations could experience over the specified time horizons. Nor do they reflect the typical historical levels of deterioration among rated issuers and securities. In addition, specific business segments--such as housing, energy, retail, and transportation--could experience different degrees of stress over any given period. Furthermore, the primary focus of the stability consideration is intended to be ordinary business risk rather than special types of risk, such as changes in laws, fraud, or corporate acquisitions.

B. What Kind Of Promise Do Our Ratings Address?

137. When assigning an issue credit rating, a ratable promise should exist at least on principal in general, while such a promise can be either stated in the terms of the instrument or imputed by S&P Global Ratings. As a general principle, we consider a promise ratable if it is credit-based and measurable.

138. By "credit-based," we mean that the payment is primarily linked to an obligor's willingness and ability to pay or that the risks embedded in the promise are viewed as ordinary risks in the fixed-income landscape.

139. By "measurable," we generally mean that the promise to pay relates to a specific amount due on a specific date so that we can determine whether the rated promise has been broken. A stated promise is not measurable in general if the payment amount or date in the stated promise is qualified or illusory.

140. Generally, when an instrument breaches the rated promise--whether stated or imputed--the issue credit rating will fall to 'D' following the standards described in the "Payment Timeliness Standards" section. We generally do not lower the rating to 'D' for de minimis shortfalls of the amount due (typically not exceeding 1 basis point (bps) of original principal on a cumulative basis), regardless of whether we expect recovery of the shortfall amount.

1. Ratability Of Various Instruments

141. This section elaborates on the attributes of ratable promise in more detail by types of instruments.

a) Payment likelihood linked to a noncredit event

142. When the likelihood of investors receiving payments is linked to a noncredit event, and the instrument transforms a noncredit type of event into a credit risk, such a promise is generally ratable. For example, we rate catastrophe bonds and market-value collateralized debt obligations, where we focus on sizing the likelihood of a specified noncredit event occurring to cause a failure to pay a fixed amount.

b) Variable payment amount

143. An instrument is not ratable if a principal amount to be repaid is linked to a certain market price without a commitment to repay the amount invested originally as principal (i.e., there is no "principal protection"). "Market price" here includes an equity index, commodity index, fixed-income (bond price) index, CDS index, price of an individual equity, etc., but excludes those specified in the next paragraph. Similarly, if the interest amount is linked to such a market price, the interest component is not ratable even if it's not referred to as interest but as something else such as investment return. To be clear, we do not typically consider the following amounts to be part of the principal protection, meaning they don't need to be protected in order for the principal component to be ratable:

- Any premium amount that investors pay for the value of any option embedded in the instrument. For example, exchangeable notes may be issued at a price greater than the principal because of a premium linked to the exchange optionality.
- Any premium amount that investors pay because investors deem that the coupon rates are

more attractive than those available in the market.

- Other amounts that S&P Global Ratings doesn't typically consider as principal, such as fees or hedging costs included in the price that investors pay.

144. Even if the payment amount is variable for the principal or interest component, such a component can still have a ratable promise if it satisfies either of the following two conditions.

- It is linked to an inflation-related index (including a minimum wage index), currency index, or market-accepted interest rate index, and such an index (1) has an established track record or is considered by S&P Global Ratings as a successor to a long-standing index, (2) is readily accessible, such as posted on a public website, (3) is independent, for example, calculated by a third party independent of the issuer, and (4) is calculated in a transparent, consistent, and verifiable manner. For the purpose of this and previous paragraphs, we consider precious metals, such as gold and silver, to be commodities rather than currencies.
- For the interest component, even if no index is used, the promise to pay is based on a rate that is periodically determined by an independent third party according to an established market-based process, for example as in auction-rate securities and some variable-rate demand obligations.

c) Residual instruments

145. Residual instruments, where the debtholder receives all remaining cash flows once other obligations have been paid, are not ratable because one cannot determine whether the promise was honored by observing the amount paid. As an exception, in a jurisdiction with a regulatory requirement to rate the whole capital structure in a securitization, we may assign the lowest possible rating to the residual tranche, even if it lacks the characteristics of a ratable promise.

d) Convertible debts

146. Convertible debts are generally ratable with an exception in the third bullet below.

- If an instrument will convert to shares at a preset date (often referred to as mandatory convertible securities), we rate it based on the promise that exists until the time of the conversion, at which point we will withdraw the rating.
- If the investor holds the conversion option, we can rate them. The conversion feature by itself has no effect on the rating.
- If the conversion is at the issuer's option, the instrument is ratable unless the conversion price varies with the equity price without a floor that protects the principal (see paragraph 143 above). If the instrument converts to shares upon credit deterioration such as a deterioration in a capital ratio (often referred to as contingent capital), it's ratable, but the rating reflects our view of the likelihood of such an event per related criteria (and the rating would be lowered to 'D' upon conversion unless the value after the conversion is considered to be in line with the original par amount).

2. When Principal And Interest Have Different Risk Profiles

147. When the principal and interest components both have ratable promises but rely on different credit sources, a single and standard rating can be assigned. In such a case, we generally take a

weak-link approach, by which the rating would not be higher than that of the lowest-rated credit source. For example, if both the principal and interest have ratable promises and the promise to pay principal relies on the credit source rated 'AA+', our rating approach depends on the promise to pay interest as follows.

- If the promise to pay interest relies on a different credit rated 'A', the rating on the instrument would typically be 'A'.
- If the promise to pay interest relies on a different and unrated credit, the instrument is not ratable.

Sector-specific criteria may provide details for both cases.

148. If a ratable promise exists only in the principal component or only in the interest component, our approach is as follows.

If only principal is ratable

149. When an instrument has a ratable promise (whether stated or imputed) only in the principal but not in the interest, we generally will either:

- Not rate the instrument, or
- Add the subscript 'p' to the rating.

One example is a senior note issued by an 'A' rated obligor with an interest rate that is linked to an equity index. We will either not rate such a note, or rate it at 'Ap'. For the avoidance of doubt, a debt with no coupon, or a zero-stated coupon note, can be ratable without a 'p' subscript, subject to the "Additional payments" subsection in the next section, "3. Using Imputed Promises To Rate Debt Instruments."

150. For the instrument described in the previous paragraph, we take a different approach in certain cases where:

- Principal payment and interest payments rely on different credit sources,
- The terms of the instrument indicate that a failure to fulfill the promise on the interest could lead to a liquidation of all assets and a windup of the transaction (typically referred to as an event of default), and
- Any insufficiency in the proceeds from such a liquidation could result in the default of the instrument.

In this case, the promise to pay principal is linked to the weaker of the two different credit sources. Therefore:

- If the credit source of interest payments is not rated, the instrument is not generally ratable, even with a 'p' subscript, and
- If both credit sources have ratings, the rating on the instrument is the lower of the two ratings and carries a 'p' subscript. For example, if one source is rated 'AA+' and the other source is rated 'A', the rating on the instrument would be 'Ap'. We would add the 'p' subscript because the instrument lacks a ratable promise as far as the interest is concerned.

151. The rating will also have a 'p' subscript if the interest relies on residual cash flows from the underlying assets while the principal does not. One example is a repack where:

- An issuer issues a $10 million, principal-protected note that matures in 10 years,
- The note is backed by a $10 million, zero-coupon, sovereign bond rated 'AA+' that also matures in 10 years, as well as by the residual tranche of an RMBS transaction, and
- The repack note has no stated coupon but promises to pay "supplemental amounts" based on cash flows from the underlying RMBS tranche.

The rating on this repack note would be 'AA+p'.

152. Upon any failure to pay interest, a rating with a 'p' subscript would not go to 'D' unless it results in a default on the principal. This is because such a rating does not address the interest component.

If only interest is ratable

153. When the principal component lacks a ratable promise (whether stated or imputed), we do not generally rate an instrument even if the interest component is ratable, while relevant sector criteria may provide an approach specific to interest-only securities, typically in structured finance.

3. Using Imputed Promises To Rate Debt Instruments

154. Where a promise stated in the term of an instrument is not credit-based or not measurable, we may still rate the instrument by imputing a ratable promise, on which we base our issue credit rating. For example, if the stated promise is qualified or illusory and therefore allows payments under a certain circumstance to be deferred, converted into shares, written down, etc., we typically impute a promise so that our rating addresses the risk of such an event occurring.

155. We don't impute any promise for instruments that capitalize interest from inception for a reason other than credit stress. A promise rated here is identical to the actual terms. Examples include zero-coupon bonds and accrual or accretion bonds that accrue interest from inception. However, once the deferral period ends and the instrument begins paying interest in cash, the rest of this section would apply to any subsequent deferral (even in accordance with the terms).

a) Principal

156. If the terms of an instrument specify a final maturity date (or legal maturity date) as well as an earlier, projected principal repayment schedule--sometimes referred to as the expected maturity date or the target amortization schedule--including instruments with a temporary principal write-down feature, the imputed promise is payment of principal due at final maturity in cash. As a result, missing a projected payment does not constitute a default, because it does not breach the imputed promise. Although more typically found in securitizations, this treatment applies to all rated instruments with similar features, including project finance instruments and leveraged loans with cash sweep features that provide for projected repayment before the final maturity. We also apply this approach to project finance subordinated instruments whose terms and conditions (including senior debt terms and conditions and/or cash flow lock-up triggers) allow, in certain circumstances, for deferral of any principal payment (and associated accrued interest) until maturity.

157. If the terms of a securitization do not specify a final maturity (such as those for certain pass-through securitizations), the imputed promise is payment of principal by the latest original maturity of the underlying assets, plus a period if needed to allow for liquidation of the collateral.

Both of the aforementioned two types of features are sometimes referred to as temporary shock absorbers for the principal. In the case of a nonsecuritization with terms that do not specify a final maturity (for example, perpetual bonds or preferred stock), the imputed promise is that the instrument will maintain its rank in the capital structure (such as senior or subordinated) and the principal will be paid in full at a specified call date, an optional refinancing date, or the time of liquidation.

b) Interest

Rate, amount, and timing

158. If the terms of an instrument indicate a specific rate (with or without qualifications), our rating typically uses the stated rate for a promise on interest even if the stated rate is not a legal obligation (in the case of preferred stock, for example). If a structured finance instrument lacks a specific rate, the imputed promise may use a rate based on the underlying assets.

159. The payment amount in the rated promise is generally the amount due on the outstanding face amount (i.e., unamortized par amount) and the rated interest rate, whether stated or imputed.

160. The timing of the interest payment in the rated promise is either the dates associated with the instrument, or if none are stated in the case of certain structured finance securities, the payment dates associated with the underlying assets.

Additional payments

161. If an instrument contains provisions by which investors may receive amounts in addition to the stated coupon, in the way of special distributions, fees, or other supplemental payments, our approach depends on the nature of the coupon payment itself (or effective yield, when there is no stated coupon) and the additional payments as below.

- If the coupon payment itself is not de minimis and not illusory, the rated promise does not consider the likelihood that these additional payments will be made.
- If the coupon payment itself is de minimis or illusory, and if the additional payments are both credit-based and measurable, then we would generally include the additional payments in the rated promise, and a single, standard rating would apply (see paragraph 147).
- If the coupon payment itself is de minimis or illusory, and if the additional payments are not credit-based or not measurable, we would either not assign a rating or we would assign a rating that indicates the interest is not rated, as in 'AA+p'.

To be clear, we do not consider a market-accepted interest rate benchmark as de minimis. However, the base rate must meet the minimum standards set out in paragraph 144. In general, to evaluate whether a promised coupon payment is de minimis, we would consider the following two factors.

- Whether the promised coupon exceeds the relevant sovereign government borrowing rate at the time of issuance for an instrument with the same tenor and currency of the rated issue. (To be clear, even if a coupon rate on a bond is lower than the relevant sovereign government borrowing rate, as is often seen in bonds giving investors the option to convert them to shares, the bond can be still ratable if there is no additional amounts).
- On a judgmental basis, whether the promised coupon constitutes only a small fraction of the

overall return offered, above the return of original invested principal, for the instrument.

Step-up

162. If the instrument specifies a higher coupon payment upon the occurrence of certain events such as a failed remarketing, deferred payments, or credit deterioration, the imputed promise usually considers the potential step-up in coupon as part of the promise to be rated unless otherwise specified in the next paragraph. For example, if a corporate bond has terms that require a step-up of 100 bps in the interest rate upon deterioration in debt to EBITDA to a certain defined level, such a step-up is part of the rated promise. In other words, we would lower the rating to 'D' if such a step-up is triggered and the stepped-up interest is not paid on time and in full. (See paragraph 166 for step-down payments.)

163. For an instrument where such a step-up coupon is subordinated (typically seen in structured finance), the rated promise does not include such additional amounts unless the initial coupon rate (whether stated or imputed) is de minimis or the failure to pay such additional amounts leads to an event of default. If at least one of the two conditions is met, the rated promise includes the subordinated step-up differential and the rating on the instrument would reflect our credit opinion of the subordinated step-up.

164. If the principal is market-linked but protected while the interest rate after a specific time steps up from the de minimis rate to a rate that is not de minimis, our approach is as follows.

- If the weighted-average yield of the credit-based and measurable component of the promise to pay interest is not de minimis, the instrument is ratable without a 'p' subscript.
- Otherwise, the promise to pay interest is not ratable and the rating, if any, on the instrument carries a 'p' subscript.

c) Qualifications On Payment Obligations

165. Some instruments have a provision that qualifies the payment obligation under certain circumstances. When payments could be deferred temporarily or the payment obligation could be foregone, such a feature is referred to as a temporary shock absorber or a permanent shock absorber, respectively in certain sectors. How to treat such a qualification depends primarily on whether or not the qualification is credit-based, as detailed below.

166. If a qualification is not credit-based, the rated promise for the instrument also allows for such a qualification in general. Examples of noncredit-based qualifications include:

- Allowances for lower payments for activated military reservists (Servicemembers Civil Relief Act provisions);
- Lower payments due to lost interest from prepayments (typically in RMBS);
- Qualifications that cap a promise to pay interest at the lower of an interest index plus a spread or the weighted-average coupon of the underlying assets (subject to the second paragraph below);
- Allowances for lower payments due to negative amortization; and
- A clause that allows the deduction of a potential negative interest payment amount from the principal, resulting in less than par repayment.

Lower payments (sometimes referred to as a "step-down") in accordance with these noncredit-based qualifications would not constitute a breach of the rated promise and would not cause the rating to fall to 'D'.

167. In contrast, if a qualification is credit-based, the imputed promise does not allow such qualification. Lower payments or payment deferrals resulting from a credit-based event would represent a breach of the rated promise, while the "Payment Timeliness Standards" section explains our standards for the temporary payment delay before moving the rating to 'D'. One example is hybrid capital instruments with a provision for deferral of interest or principal, a conversion of the principal to equity, or a write-down of principal. Another example of credit-based qualifications includes nonpayments on certain U.S. public finance appropriation obligations because of a decision not to appropriate funds.

168. Where a securitization instrument's interest obligation is constrained by reference to the weighted-average coupon of the underlying assets in the pool, a severe deterioration in the weighted-average coupon resulting from credit events (such as loan modifications) would be a breach of the imputed promise.

169. To be clear, if the lower payment is a result of credit improvement, it has no effect on the rating. One example is a corporate note on which the coupon rate will be lowered when debt to EBITDA improves to a certain level.

d) Acceleration Or Early Amortization

170. Early redemption features, such as acceleration and early amortization, would not cause an issue to be unratable if redemption is at par value. If early redemption may be at less than par, the issue may be unratable, unless we view the event triggering the redemption as remote. Examples of triggering events we generally consider remote include illegality (a change in law), tax event (such as a change in tax law), force majeure, and technical reasons (such as calculation difficulty with or dissolution of the basis indices), respectively in a case where such an event is not being contemplated when the ratings are assigned. On the contrary, triggering events we do not generally consider remote include an increase in hedging costs, upon which the hedging costs are passed through or breakage/unwinding charges are deducted from par repayments. If we believe the triggering event is not remote but we can assess the likelihood of the triggering event occurring, we may determine the issue is ratable but capped at a level commensurate with our assessment of the likelihood of the triggering event, since that represents the likelihood that repayment could be less than par.

171. When payments on a nonsecuritization instrument, such as a corporate bond, are accelerated, this is a breach of the rated promise unless accelerated amounts are paid per the terms of the acceleration clause.

172. For a securitization instrument that is not tranched (e.g., a repackaged security), our treatment of acceleration or early amortization follows the methodology we use to rate the underlying securities.

173. For a tranched securitization where payment acceleration alters the payment waterfall for senior creditors while payments continue, the rated promise for principal is principal payment by the original final maturity. The lack of immediate payment of principal following such an event would not be a breach of the rated promise. We focus on the fact that the acceleration could increase a likelihood of full payment of obligated amounts in a shorter period.

e) Calls And Puts

174. When an issuer is allowed to call the instrument before maturity (a "call" feature) or is obliged to

pay principal before maturity at the demand of an investor (a "put" feature), the promise to pay under these events (if it exists) should meet the conditions for a ratable promise (therefore should be credit-based and measurable) in order for the instrument to be ratable. For example, if the instrument allows the issuer to call it at its present value, the instrument would not be ratable, with the exception described in the next paragraph.

Call feature

175. An instrument with a possibility of a call at less than par can be ratable if all of following conditions are satisfied:

- The call provision allows the issuer to call the instrument at less than par;
- The redemption value upon the call being exercised is known in advance (i.e., not affected by credit or market factors);
- There is a high level of transparency and a low likelihood that a call provision could be misunderstood when an instrument is sold; and
- The possibility of a call at less than par is reflected in the price of the instrument.

One example is a zero-coupon note that the issuer can call at accreted value, which is the sum of the original invested amount plus a return in line with the original effective yield of the instrument, and therefore known in advance. Another example is a case where an instrument can be called at 93% of par during a defined time period and this is well understood by investors and priced accordingly.

176. If an instrument with a call option requires full repayment of the outstanding par amount upon the exercise of the call, a call at less than 100% of the par amount would be a breach of the rated promise, with the exception of the scenarios described in the previous paragraph.

177. If call provisions require an early redemption at less than par upon the default of a referenced security that we rate, the rating we assign to the callable notes would be no higher than the rating on the referenced security. If a structured finance security can be called at less than par and call provisions are credit sensitive, such a security can be rated at a level that satisfies the following conditions:

- A scenario resulting in a call redemption at less than par is more stressful (higher periodic losses, for example) than we assume in our rating specific stress scenarios based on the applicable credit and cash flow criteria; and
- We believe the likelihood of the issuer paying the full par amount is consistent with our rating definition for the rating we assign (e.g., a 'AAA' rating may not be assigned if we are of the view that the issuer's capacity to meet its financial commitment on the obligation is not extremely strong).

As a result, such a security may be rated differently (lower) than it would be without the credit-sensitive call provisions--provided, however, that the rating addresses the likelihood that the securities will be paid the full par amount of principal.

Put feature

178. For an instrument with a put option, the ratable promise is equivalent to the stated promise. An issuer's failure to honor the put would constitute a breach of the rated promise. However, when

instruments contain provisions that allow investors to indicate their desire to put back an obligation but do not obligate the issuer to honor the desire, an issuer's decision not to repay the amount does not constitute a breach of the rated promise.

C. Scope Of Obligations Addressed By Issuer Credit Ratings

179. This section explains the scope of obligations addressed by issuer credit ratings.

1. Types Of Obligations

180. Issuer credit ratings generally address all types of financial obligations, including derivatives, but generally excluding the following:

- Settlements for a commercial dispute,
- Employment benefit obligations and other labor obligations,
- Lease payments (both finance and operating leases), and
- Vendor or supplier obligations.

181. For insurers, obligations addressed by the issuer credit rating include obligations under insurance policies and insurance contracts. However, the issuer credit rating does not address the timeliness of payment on insurance policies and contracts. This is unless they are financial guarantees in the form of bond insurance policies or bond insurance contracts that are provided by a financial guarantor and create a measurable promise (which generally means that the promise to pay relates to a specific amount due on a specific date).

2. Types Of Creditors

a) For Sovereign Issuers

182. For a sovereign, our issuer credit rating reflects its capacity and willingness to service financial commitments to nonofficial (commercial) creditors.

183. Our issuer credit rating on a sovereign does not reflect its capacity and willingness to service financial obligations to another government, a group of governments, a development bank related to such a government, a public sector enterprise, or a similar official creditors. The rationale is that we generally expect these creditors to give concessional treatment on a debt owed by a distressed sovereign as a policy matter to help the borrower government recover from a distressed economic scenario. Depending on the case, the distressed sovereign may continue to pay its commercial debt obligations. We believe our sovereign ratings are more meaningful if we don't count such concessions as a default event, because it would otherwise overstate the likelihood of nonpayment to commercial creditors.

184. Also, our issuer credit rating on a sovereign does not reflect the sovereign's capacity and willingness to service financial obligations to a supranational creditor (multilateral lending institution). Generally, we expect most multilateral lending institution loans to sovereign governments will be repaid on a priority basis, in connection with our expectation that such a lender would be treated as a preferred creditor. However, in some cases we have observed that a multilateral lending institution (or group of such institutions) may choose to offer concessional terms to a particular distressed government for public policy reasons, whereby such a government

may continue to service debt owed to commercial creditors. Therefore, as with other types of official debt, we believe our sovereign ratings are more meaningful if we exclude terms granted by supranational creditors, risking otherwise misrepresenting the underlying capacity and willingness of a sovereign to honor its financial obligations to commercial creditors.

b) For Local And Regional Government Issuers

185. S&P Global Ratings does not consider it a default when a local or regional government fails to pay an obligation it owes to a related government, such as when a distressed city fails to pay an obligation to a provincial or state government, or when a distressed provincial or state government fails to pay an obligation to a central government.

c) For Other Issuers

186. For other types of entities, any failure to pay an obligation owed only to a group member would not be considered a default.

3. Currency Distinction

a) Local currency issuer credit ratings

187. For all issuers other than sovereigns and entities unlikely to be the subject of any transfer and convertibility restriction, an S&P Global Ratings local currency issuer credit rating is a forward-looking opinion about an obligor's capacity and willingness to meet its financial commitments (as specified in section C) as they come due, regardless of currency and absent restrictions on access to foreign exchange. It thus reflects an obligor's capacity to generate sufficient local currency to meet all financial obligations, even those denominated in foreign currency.

188. For a sovereign and entities unlikely to be the subject of any transfer and convertibility restriction, an S&P Global Ratings local currency issuer credit rating is a forward-looking opinion about an obligor's capacity and willingness to meet its financial commitments (as specified in section C) denominated in local currency as they come due.

b) Foreign currency issuer credit ratings

189. An S&P Global Ratings foreign currency issuer credit rating is a forward-looking opinion about an obligor's capacity and willingness to meet its relevant financial commitments denominated in a foreign currency as they come due.

D. Default-Related Topics

1. Payment Timeliness Standards

a) Issue Credit Ratings--In General

190. We would lower our issue credit rating on an instrument to 'D' as soon as a payment is missed unless we believe the payment will be made within a certain time period, which is subject to whether the instrument is long-term or short-term, and the length of the stated grace period, if any. Our general standards for such a delay in the timing of a debt payment, which we refer to as timeliness standards, are described in our definitions of 'D' issue credit ratings. Our definition of a long-term 'D' issue credit rating in table 1 includes the phrase "within the next five business days in the absence of a stated grace period or within the earlier of the stated grace period or the next 30 calendar days." Our definition of a short-term 'D' issue credit rating in the Short-Term Issue Credit Ratings table includes the phrase "within any stated grace period. However, any stated grace period longer than five business days will be treated as five business days." The table below illustrates how these standards work for six hypothetical examples, for all of which the payment due date is Monday, March 1, and the full payment is not made on that day. For temporary interest shortfalls for structured finance instruments and covered bonds, separate timeliness standards are provided in the next subsection, "Issue Credit Ratings--Temporary Interest Deferrals And Shortfalls For Other Instruments."

Table 43

How We Determine Whether A Past-Due Obligation Is Rated 'D'

Assuming full payment is not made on a payment due date of Monday, March 1				
Examples	**Additional assumptions**		**Does the rating go to 'D' as soon as March 2 (immediately after the payment failure), and what is the rationale?**	
	Stated grace period	**Date on which the delayed payment is likely to be made in our expectation as of March 2**	**If the debt is long-term:**	**If the debt is short-term:**
Case A	None	March 3	No. We assume the grace period for our rating is five business days (until March 8), given none is stated.	Yes. We assume there is no grace period for our rating, given none is stated.
Case B	Three business days (March 2-4)	March 3	No. Given the stated grace period is within 30 calendar days, we assume the grace period for our rating is identical (until March 4).	No. Given the stated grace period is within five business days, we assume the grace period for our rating is identical (until March 4).
Case C (i)	10 calendar days (March 2-11)	March 8	No. Given the stated grace period is within 30 calendar days, we assume the grace period for our rating is identical (until March 11).	No. We assume the grace period for our rating is five business days (until March 8).
Case C (ii)	10 calendar days (March 2-11)	March 9	No. Given the stated grace period is within 30 calendar days, we assume the grace period for our rating is identical (until March 11).	Yes. We assume the grace period for our rating is only five business days (until March 8).
Case D (i)	60 calendar days (March 2-April 30)	March 31	No. We assume the grace period for our rating is 30 calendar days (until March 31).	Yes. We assume the grace period for our rating is only five business days (until March 8).
Case D (ii)	60 calendar days (March 2-April 30)	April 15	Yes. We assume the grace period for our rating is only 30 calendar days (until March 31).	Yes. We assume the grace period for our rating is only five business days (until March 8).

191. These timeliness standards also apply when a hybrid capital or similar nonsecuritization instrument breaches an imputed promise in a way that causes a permanent payment loss--more specifically, in one of following ways:

- Deferral or reduction of coupon on a noncumulative basis (where missed coupons will not be repaid in the future),
- Permanent write-down of principal, or
- Conversion into common equity due to a credit event, unless the current market value of the shares received upon conversion equals or exceeds the original principal amount.

In these cases, the applicable timeliness standard is typically five business days (Case A in the table above) because such an instrument typically is long-term and lacks a stated grace period for the imputed promise.

192. In practice, we would lower the ratings to 'D' on the business day immediately after the original missed payment (T+1 day) in most cases, particularly in the cases of hybrid capital instruments with noncumulative deferability, because we rarely expect the missed payment to be made during the applicable timeliness standard. In circumstances where we believe a payment will be made within the applicable timeliness standard (as in a case where payment was delayed due to an administrative error), the rating would not go to 'D'.

193. If we initially expect the missed payment will be made within the applicable timeliness standard, but we subsequently come to expect that it will take longer, we would lower the rating to 'D' as soon as we reach such a new expectation.

194. If we expect a missed payment would be made after our applicable timeliness standard, but within a few business days after that, we will apply reasonable judgment and the rating may not go to 'D' in the following cases.

- A noncredit administrative error. One example is the case where payment is made in a timely manner but into an incorrect account due to what we believe is an administrative error on the part of the issuer, payment agent, or trustee, and we believe the error will be corrected in a few business days.
- A noncredit extraordinary event. One example is the case where, due to a natural catastrophe or other force majeure event, an issuer cannot access payment systems only for a few business days.

195. In contrast, we do not allow further delay beyond our timeliness standards due to a judicial action against the issuer, for example in the following cases.

- The issuer pays the trustee on a timely basis, but judicial action (such as a government sanction against the issuer) interferes in payment being made to the investor.
- Successful litigation by one class of investors results in redirection or sharing of payments between different classes of investors.

On the other hand, if payment doesn't reach an investor due to judicial action against that investor, such as a freezing of investor assets, such action would not affect the issue credit rating. This typically includes the case of an obligor not making a debt payment to a particular creditor because of a sanction imposed on that particular creditor to prohibit the obligor from making such payment to them.

196. We also apply the timeliness standards in the table above to guaranteed obligations. The existence of a guarantee would not generally affect our timeliness standard applicable to the

obligation.

197. As the exception to the previous paragraph, if a central government formally guarantees a non-U.S. local or regional government's debt, we would not view a nonpayment as a default on the guaranteed debt when we expect the central government to make its guarantee payment within the terms of the guarantee.

b) Issue Credit Ratings--Cumulative Deferral On Hybrid Capital And Similar Instruments

198. We lower to 'D' an issue rating on hybrid capital instruments with cumulative deferral features, including economically similar nonsecuritization instruments but excluding project finance subordinated instruments, upon a payment deferral on coupons or on principal with no permanently diminished interest, respectively, unless we expect repayment to occur on or before the first anniversary of the deferral date and in accordance with terms (including any penalty interest, for example). If we expect repayment to occur in that period, the issue credit rating is not 'D' and reflects our opinion of the risk that the repayment will not occur in that period.

199. This approach also applies to a nonsecuritization payment-in-kind (PIK) instrument rated on an imputed promise that the investor will receive payments in cash. For other nonsecuritization PIK instruments, including toggle notes, for which the issuer can choose to switch between paying interest in cash or in kind, our issue credit rating would fall to 'D' upon a PIK event only if we determine with virtual certainty that repayment will not occur by the maturity date.

200. Similarly, for debt instruments with principal and/or cumulative interest deferral features linked to predefined extreme natural disasters and that are primarily issued by speculative-grade sovereigns, we generally do not lower to 'D' the issue rating when such deferral is triggered so long as we expect the principal and/or cumulative interest payment to occur within the earlier of the stated deferral period and the original final maturity. Acceptable deferral periods are generally up to two years.

c) Issue Credit Ratings--Temporary Interest Deferrals And Shortfalls For Other Instruments

201. For structured finance instruments and covered bonds,

- Our ratings typically address the likelihood of timely interest payments and ultimate principal repayment,
- Our timeliness standards for principal payment are explained in the section (a) above, while
- Our timeliness standards for interest shortfalls are explained within this section.

With PIK or equivalent features

202. If a structured finance instrument, project finance subordinated instrument, or covered bond has a PIK or economically equivalent feature (such as securities with capitalized interest), the issue credit rating would fall to 'D' upon a PIK event only if we determine with virtual certainty that repayment will not occur by the maturity date. The rationale for this treatment is that such instruments are generally expected to repay both principal and interest, along with the PIK-capitalized interest or the economic equivalent. This approach also applies to:

- Securities that include additional compensation beyond the imputed interest due as direct economic compensation for the delay in interest payment, and
- U.S. RMBS delayed reimbursement securities and similarly structured securities.

Absent this virtual certainty, however, we may lower our ratings because of credit deterioration, as assessed using the relevant sector criteria.

203. Compensation in the previous paragraph may include compensating interest accrued on the deferred amount, capitalization of deferred amounts to the security balance, or other economically equivalent structures. If the security does not include direct economic compensation for the delay (i.e., compensating interest or capitalization), we would consider the extent that a deferral could be reflected in the security price (and therefore yield), which would provide indirect economic compensation for the delay. In such a case, we would deem the structure to be economically equivalent.

204. A structure we consider economically equivalent is one for which a reasonable awareness of the deferral could be assumed such that anticipation of a deferral could be accounted for in terms of yield. As a result, compensation could be factored in by investors when assessing the acceptable price of the security. To the extent our ratings analysis is based on the ultimate payment of outstanding interest amounts by the legal final maturity date, we assess whether the pricing could embed the deferral as an economically equivalent structure as follows:

- We consider the feature causing the interest deferral to be not uncommon in the market (at the time of issuance) and reasonably forecastable (e.g., a trigger breach leading to a reprioritization of interest payments on junior classes to below senior principal payments in the transaction waterfall);
- We determine that a rational reason exists why direct economic compensation for the delay is not implemented (e.g., the legal framework may not conclusively permit) and/or that it is not uncommon in the market to issue securities without direct economic compensation for the delay; and
- We ensure that an adequate description of the deferral and the affected notes appears in our issuance reports such that the pricing can account for the deferral.

205. If we determine that an economically equivalent structure exists (by the fulfillment of all three points above), our analysis then considers whether deferrals are anticipated to be paid by the securities' maturity date when assessing if the deferral is consistent with the associated rating scenario.

Without PIK or equivalent features

206. When a structured finance instrument or a covered bond without a PIK or economically equivalent feature experiences an interest shortfall, we do not necessarily lower the rating to 'D' but cap the rating, based primarily on the duration of aggregate interest shortfalls that have occurred and are expected to occur, including the time until the full reimbursement of the interest shortfall, unless the second paragraph below applies. The table below shows such caps on the rating, or the maximum potential rating, associated with the duration of the interest shortfall. These caps act as additional limiting factors on ratings on instruments that have experienced or are expected to experience an interest shortfall. Therefore, the caps in the table below can be lower than the maximum potential rating indicated in table 42 (Credit Stability As A Limiting Factor On Ratings). This analysis also considers relevant criteria including but not limited to criteria for sovereign risk depending on case-specific qualitative and quantitative considerations.

Table 44

Maximum Potential Rating And Interest Shortfall Periods

Maximum potential rating	Maximum amount of time until full interest repayment
AA+	<=2 months
AA-	<=3 months
A-	<=6 months
BBB-	<=9 months
B	<=12 months

207. For example, if a monthly pay structured finance tranche experiences an interest shortfall in January, the maximum potential rating would be 'AA+' if we expect the interruption to be repaid in the next payment period (February). If the analysis indicates that the interest shortfall will likely continue until June (five months duration), the maximum potential rating would be 'A-'. If a quarterly pay structured finance transaction experiences an interest shortfall in June, and we expect the full interest amount to be repaid at the next payment period in September, the applicable maximum potential rating will be 'AA-'. These approaches address the temporary nature of certain kinds of interest shortfalls in structured finance instruments and covered bonds. In situations where transactions experience intermittent interest shortfalls, we may determine that the credit risk is greater than those indicated by the maximum potential ratings noted in the table above. At a minimum, the longest duration interest shortfall would be used to assess the maximum potential rating. For example, if a structured finance tranche experiences an interest shortfall lasting six months until full repayment, and then the tranche receives full and timely payment for a year before experiencing a second interest shortfall that lasts three months before full repayment, the analysis could determine that a rating below 'A-' (the maximum potential rating based upon the longest duration interest shortfall) is more reflective of the credit risk.

208. Alternatively, we typically consider an interest shortfall a default in each of the following cases.

- In our view, the asset composition and structural mechanics of the transaction effectively prohibit reimbursement of interest shortfalls.
- We expect the reimbursement to take more than one year.
- The interest shortfall is considered a monetary default under the terms of the transaction.

209. If a temporary interest shortfall led us to downgrade a rating in accordance with the table above, the rating can be subsequently upgraded only when:

- All past interest shortfalls are reimbursed,
- Subsequent interest has been paid in a timely manner over a certain period, and
- We determine that no future shortfalls are likely to occur, taking into account the underlying creditworthiness of the securities as considered using the relevant sector criteria.

However, such a rating would not be raised to 'AAA'.

210. Generally, for any tranche downgraded to below 'BB+' because of temporary interest shortfalls, a subsequent upgrade under the conditions in the previous paragraph may be as high as:

- 'BB+' after payment of timely interest over at least the subsequent six months, and
- 'AA+' after payment of timely interest over at least the subsequent 15 months, which can include six months to potentially achieve a 'BB+' rating.

211. For any tranche downgraded to 'BB+' or a higher rating, a subsequent upgrade under the aforementioned conditions may be considered to as high as 'AA+' after payment of timely interest over at least the subsequent nine months.

d) Issuer Credit Ratings--In General

212. We would lower the issuer credit ratings, both long-term and short-term, to 'D' or 'SD' in the event of a breach of the issuer's stated promise on any financial obligation, whether rated or not, and whether long-term or short-term, and if our applicable timeliness standard under the "Issue Credit Ratings--In General" subsection of this "Payment Timeliness Standards" section considers the case to warrant a 'D' issue credit rating on that specific financial obligation. This, however, excludes cases where the defaulting financial obligation is a hybrid instrument classified as regulatory capital or in nonpayment according to terms.

213. Issuer credit ratings of 'D' and 'SD' generally apply only to the legal entity involved in the default. This means that any default at one entity would not cause us to lower ratings on its parent, subsidiary, or affiliate to 'D' or 'SD' unless the related entity guarantees the defaulted debt.

e) Issuer Credit Ratings On Guarantors

214. For the purpose of the "Issuer Credit Ratings--In General" subsection above, a guarantee obligation with all of the following four features constitutes a financial obligation under our definition of an issuer credit rating. Therefore, any failure to honor it would generally cause us to lower the issuer credit rating on the guarantor to 'SD' or (less frequently) 'D'.

- The payment obligation is legal, valid, and binding. We do not consider comfort letters or support letters to be legally binding obligations. In certain jurisdictions, a failure to observe material requirements regarding the issue of a guarantee may also result in a guarantee becoming nonvalid through a court ruling. This would be the case, for example, if the guarantor exceeded its authority in issuing the guarantee.
- The payment obligation is either unconditional from the outset (for instance, in cases of payment on first demand) or has become unconditional because conditions necessary for the guarantee payment to become due under the terms of the guarantee have been satisfied. As an example of the second case, if the terms of a guarantee require a guarantor to pay the guaranteed obligation on receipt of a written demand by the trustee or bondholders, then the payment would become unconditional once this condition has been satisfied. Another example can be found in jurisdictions where government guarantees are guarantees of collection but not of payment. This means that the government is under no obligation to pay under the guarantee until a final judgment has been rendered stating that a sum is due on the underlying obligation and that this sum has not been paid.
- The amount due under the guaranteed obligation is fully determined. The amount due under a guarantee may constitute the full amount of the underlying financial obligation or, in the case of a partial guarantee, a portion of it. The amount due may become fully determined after the closing of a liquidation procedure following a court ruling, for example in the case of sureties or statutory guarantees for which the payment obligation refers to the amount remaining due after the liquidation of the primary obligor's assets or on dissolution of the primary obligor.
- The underlying primary obligation is a financial obligation for the purpose of our issuer credit ratings (see paragraph 180).

215. In the following two specific circumstances, nonpayment by a guarantor does not cause the issuer

credit rating on the guarantor to be lowered to 'SD'.

- In the case of a bona fide commercial dispute arising from the terms of a primary obligation or those of a guarantee. The main reason for considering a commercial dispute bona fide is not based on the validity of a legal claim or an expectation that a court would rule in favor of the guarantor. Instead, a commercial dispute would be considered bona fide when the application of the terms of the underlying obligation or the guarantee, or their legality or validity, may be ambiguous and subject to differing interpretations. A possible example might be when a legal proceeding regarding a specific transaction has been engaged before the payment due date.

- In the case where failure to deliver timely payment on the guaranteed obligation does not reflect the guarantor's lack of willingness or ability to honor its financial obligation. It would be the case when all or most of the following characteristics are met: (i) the guaranteed obligation is not a capital market debt; (ii) it is part of guarantees for small amounts issued in large numbers as part of a public policy (for example, student loans or farmers loans); (iii) the payment delay is caused by administrative or operational reasons and is cured within the grace period contained in the guarantee documentation; and (iv) the obligation does not trigger the activation of cross-default clauses contained in the guarantor's other financial obligations.

216. If the due date of the guarantee obligation is after the due date of the underlying obligation, the timing to lower the issuer credit rating on the guarantor to 'SD' depends on the due date of the guarantee but not of the underlying obligation (for example, 30 days later or on the closure of a liquidation procedure). More precisely, if the guarantee documentation contains a grace period, then the issuer credit rating on the guarantor would be lowered to 'SD' if the guarantee is not paid at the end of the grace period.

217. Also, repudiating an irrevocable guarantee on a financial obligation would result in the lowering of the issuer credit rating on the guarantor to 'SD' or 'D' on the date of repudiation, unless the underlying obligation is defeased with sufficient funds so as to cover any ensuing need, or it's clear that the compensation to the beneficiaries is not less than the original promise. The same would apply if an irrevocable guarantee is revoked and there is a realistic probability of the guarantee being called on the underlying obligation. In order to assess the probability of a guarantee being called, we apply the same guidelines as those in the subsequent "Distressed Debt Restructuring And Issue Credit Ratings" section.

218. If a guaranteed debt undergoes a distressed debt restructuring, which we consider a default by the primary obligor, that would not cause us to lower the issuer credit rating on the guarantor to 'D' or 'SD', inasmuch as the guarantee is not invoked.

219. This section applies to not only a guarantee but also any other similar commitment to repay the obligation of a third party, such as letters of credit.

2. Distressed Debt Restructuring And Issue Credit Ratings

220. As stated in our ratings definitions, a distressed debt restructuring constitutes a default for our issue credit rating purposes. A debt restructuring such as an exchange, a repurchase, or a term amendment would be considered as distressed if it meets both these conditions:

- We believe that the debt restructuring implies the investor will receive less value than promised when the original debt was issued; and

- We believe that if the debt restructuring does not take place, there is a realistic possibility of a conventional default (that is, the company could file for bankruptcy or similar proceedings, become insolvent, or fall into payment default) on the instrument subject to the debt restructuring, over the near to medium term. Conversely, we view a debt restructuring as opportunistic, rather than distressed, if we believe the issuer would be able to avoid insolvency or bankruptcy in the near to medium term even if the debt restructuring did not take place. For example, an entity that is a strong credit may offer to exchange or repurchase its bonds for below par where changes in market interest rates or other factors have caused its bonds to trade at a discount. Such an offer is opportunistic.

221. Upon completion of a distressed debt restructuring, we lower:

- Our ratings on the affected issues to 'D', and
- The issuer credit rating to 'SD', assuming the issuer continues to honor its other obligations, or 'D' if the restructuring is more generalized.

This is the case even though the investors, technically, may accept the debt restructuring voluntarily and no legal default occurs.

222. Our approach to such transactions pertains equally to the restructuring of any financial obligation of the entity--debt security, loan, or derivatives contract.

a) Distressed Versus Opportunistic

223. The extant issuer credit ratings, as well as rating outlooks or CreditWatch listings, can often serve as proxies for our assessment.

224. For example, we consider the following guidelines, in addition to other information:

- If the issuer credit rating is 'BB-' or higher, the debt restructuring would ordinarily not be characterized as distressed.
- If the issuer credit rating is 'B+' or 'B', market prices or other cues would be considered.
- If the issuer credit rating is 'B-' or lower, the debt restructuring would ordinarily be viewed as distressed.

An SACP may also be a relevant consideration instead of an issuer credit rating in certain cases, for example typically for restructurings of bank hybrid capital instruments.

225. Trading prices of the debts and/or the offering prices can also provide some insight about the characterization of the debt restructuring. Creditors usually assess and compare the values they can receive under various alternatives.

226. A debt restructuring conducted several quarters in advance of maturity, where investors are asked to extend the tenor, with compensation in the form of amendment fees or increased interest rates, would be considered proactive treasury management, rather than a distressed restructuring.

b) Financial Benefit Of Debt Restructurings

227. Upon completion of a distressed debt restructuring, the entity ordinarily will benefit financially. This may ultimately lead to higher ratings than prior to the debt restructuring. However, this positive change would be the result of restructuring the obligation (i.e., not meeting its financial obligations in accordance with its terms). In our view, it is analogous to a bankruptcy--a process that also benefits an entity by relieving it of the financial burdens that it undertook previously. Accordingly, we consider such a failure to pay in accordance with the terms of the obligation to be a default.

c) Coercive Versus Distressed

228. A debt restructuring may be deemed coercive, if, for example, the entity employs tactics that pit holders of one series against holders of another series, or imperils holdouts with the threat of stripping covenants once 51% of the bonds are purchased. But from a credit perspective, the coercive aspect of a debt restructuring is largely irrelevant. Whether coercive tactics are involved or not, investors may elect to participate in debt restructurings if they perceive a significant risk that the original obligation may not be fulfilled, and vice versa.

d) Less Than The Original Promise

229. Investors receive less value than promised in the original securities if one or more of the following happens without adequate offsetting compensation:

- The combination of any cash amount and principal amount of new debts provided in the debt restructuring is less than the original par amount;
- The interest rate is lower than the original yield;
- The new debt's maturity extends beyond the original;
- The timing of payments is slowed (e.g., zero-coupon from quarterly paying, or bullet from amortizing); or
- The ranking is altered to more junior.

Even a small discrepancy between the restructured debt and the original promise may cause a restructuring to be deemed distressed. However, if the value of the restructured debt is so close to the original promise that it is hard to discern any shortfall, we would not characterize it as a default.

230. In the case of an exchange offer, it does not matter if the entity is offering cash, securities, or common equity, as long as the market value of the offer can reasonably be shown to equate to the accreted value of the original debt (par and any accrued interest).

231. Holders may be pleased with an offer that is above market prices or above a purchase price. But such considerations do not detract from the credit perspective: The obligation is not being fulfilled as originally promised.

e) Rating Actions Upon Distressed Restructurings

232. Consummation of a distressed debt restructuring is viewed as a de facto default with respect to the debt involved, resulting in a 'D' rating on that debt, even if only a portion of it is subject to the debt restructuring.

233. For sovereigns, once the distressed debt restructuring has been confirmed (albeit with a future effective date), we lower the issuer credit rating to 'SD' and the affected issue rating to 'D'.

234. Once a distressed debt restructuring is announced or otherwise anticipated, we lower the issuer and issue ratings to reflect the risk of the expected de facto default. The issuer credit rating is generally lowered to 'CC' and ordinarily carries a negative rating outlook. The issue that is subject to the debt restructuring is generally lowered to 'CC'. We may lower an issue rating to 'C' if we expect the obligation to have relatively low seniority or low ultimate recovery among the same issuer's obligations. Our analysis of hypothetical default scenarios to determine recovery

ratings--and related notching implications--do not focus on the selective default scenarios; rather, it continues to focus on the recovery expected after a conventional default.

235. If the debt restructuring is rejected and we don't expect another debt restructuring, the issuer and issue ratings will ordinarily be raised above 'CC'.

f) Loan Modifications

236. If a loan is rescheduled such that the lender receives less value than the original value of the loan--for example, if tenor is extended without appropriate compensation (e.g., an amendment fee or increased interest rate), or if interest or principal is reduced, we may consider it a de facto restructuring. However, the extension of the loan maturity for a bilateral bank loan (between a bank and its customer, as opposed to a syndicated loan) in the normal course of business (rather than an extension for a distressed issuer) would not be considered a distressed restructuring.

237. Sometimes it is difficult to discern the nature of the changes. Apart from the credit risk of the borrower (i.e., whether it is viewed as distressed by virtue of low ratings), the context and timing of an extension may offer insights. Accordingly, whether we consider them distressed restructurings depends on the circumstances.

g) Secondary Market Repurchases Below Par

238. We don't typically treat a debt repurchase in the open market as a restructuring unless either of the following two conditions is present:

- We believe there is direct or indirect negotiation with sellers, such as a tender offer or similar mechanism or if the company otherwise advertises itself as a buyer.
- A significant portion of that debt issue is repurchased.

In those cases, we treat the repurchase as a restructuring and assess the impact as outlined in applicable sections of this ratings definitions document.

h) Purchase Of Debt Below Par By A Party Related To The Obligor

239. If a related party offers to buy an obligor's debt from market investors at clearly less than par, we would view it in the same light as if the obligor made the same offer in a debt restructuring. The fact that the debt remains outstanding, held by the related party, is irrelevant, because the investors participating in the transaction receive less than the original promise.

i) Amount Of Debt Restructured

240. How much of the original par amount that gets restructured does not directly matter, because even very small amounts may be deemed a default, just as if a company misses a minimal amount of payment due. However, if the transaction involves only a de minimis amount, we would not characterize that as a restructuring. Consider that in such instances any impact on the company's risk profile is de minimis (even though we do not otherwise attempt to gauge the extent to which a de facto restructuring will succeed in relieving the risk of a conventional default.)

j) Standstill Agreements

241. Unless a standstill agreement provides appropriate compensation with respect to the obligations to be deferred, we would lower to 'D' the issue ratings on those obligations subject to the standstill agreement.

242. In particular, we do not wait until a payment on an obligation is first missed but typically lower affected issue ratings to 'D' upon agreement with lenders on the standstill or any similar formalization of the default. The ratings in such cases will remain 'D' or 'SD' until the obligations are subsequently restructured.

k) Restructurings Of Structured Finance Transactions

243. For structured finance transactions, debt document terms and conditions are sometimes amended. If, for example, the floating-rate payer in a credit derivative swap (the protection buyer) agrees to a higher or more remote threshold amount or attachment point in exchange for paying a far lower insurance premium or fixed-rate swap payment leg, such an amendment is often to lower the coupon on a note issued by the trust or special purpose vehicle (SPV) that has entered into the credit default swap as a seller of protection. For such amendments, the same principles will apply as described in the previous paragraphs. When we believe an amendment is not made to avoid an issue payment default or an SPV insolvency or bankruptcy in the absence of such an amendment, we will view the amendment as opportunistic and not distressed, and we would not lower the rating to 'D'. Conversely, if we believe the issuer would face insolvency, bankruptcy, or imminent payment default if the restructuring was not executed, then we would view it as commensurate with a distressed debt restructuring and lower the issue rating to 'D'.

l) Cash Tender Offer By An Entity Rated In The 'CCC' Category

244. Typically, a tender offer below par conducted by a company rated in the 'CCC' category would be viewed as distressed. However, the transaction could be considered treasury management and therefore opportunistic if it satisfies all of the following conditions:

- The discount to par is minimal,
- The company has significant excess cash reserves on its balance sheet and can fund the tender without incurring additional debt,
- The tender is conducted several quarters before maturity of the bond, and
- The default scenario implicit in the 'CCC' category rating is unrelated to the tender offer.

m) Government-Initiated Debt Payment Moratoria And Loan Forbearance

245. This subsection provides additional information related to our determination as to whether we would view a debt restructuring as tantamount to default, as provided in subsections a) to l) above. It is intended to be read in conjunction with those subsections.

246. This subsection applies when lenders allow borrowers to defer the payment of interest or principal during a deep economic crisis as part of systemic intervention initiated or sponsored by a government or entity with prudential oversight over a jurisdiction. In some situations, such as in the EU, the actions of a central bank or regulator may apply in several jurisdictions. Specifically, this subsection focuses upon how we may view systemic intervention benefitting lenders in a

jurisdiction as a form of adequate compensation to offset such payment deferral when considering whether a restructuring constitutes a borrower's selective default.

247. This subsection applies to deferrals, not cases where interest or principal payments are waived or have been forgiven, meaning they are no longer payable, which we would generally view as default. We would typically not apply this subsection if we believe the risk of the issuer defaulting, even with the relief of the deferral, is so high that, ultimately, the lender is highly unlikely to receive the promised rescheduled payments from the borrower. Neither the subsections a) to l) above nor this subsection address restructurings (exchanges, deferrals, etc.) that are mandatory for the lender, the borrower, or both. A restructuring that is mandatory for the lender would be one where lenders or investors do not have the option to decline to enter into the exchange or restructuring.

248. Government-initiated debt payment moratoria and loan forbearance may be part of systemic intervention intended to stabilize an economy in direct response to a deep economic crisis, for example caused by a global health pandemic or natural disaster. In that context, we may consider systemic intervention as adequate offsetting compensation for lenders when it:

- Directly and tangibly benefits lenders. For example, when it provides lenders prudential benefit such as relief from provisioning, capital guidelines, or liquidity guidelines;
- Goes beyond what is normally in place and is provided specifically as part of an effort to support overall financial stability during a deep economic crisis. We would be likely to consider it when we view compensation provided directly by a borrower to a lender to be insufficient; and
- Provides tangible benefits for a period we expect to last at least as long as the accompanying deferrals.

249. We expect that such systemic intervention, typically provided at the jurisdiction level, would benefit mainly banks or other prudentially regulated financial institutions, and therefore we would apply this subsection primarily to bilateral bank loans or club transactions within a single jurisdiction. If the loans originate with banks in different jurisdictions, we would determine whether systemic intervention constitutes adequate offsetting compensation to all lenders in all relevant jurisdictions. If any one jurisdiction is not providing systemic intervention and we determine that there is no other adequate form of offsetting compensation for the lender in such jurisdiction(s), we would likely consider the borrower to be in selective default. In the context of this subsection, we consider loans to be credit lines or loans where a bank or a group of banks or prudentially regulated institutions is or are the holder or holders of the commitment or obligation.

250. It is unlikely we would apply this subsection to capital market instruments such as:

- Debt (such as bonds or notes) issued to investors; and
- Syndicated term loans or other debt obligations, including credit facilities, that include, have been sold to, or originated by nonbank entities that are not prudentially regulated, such as collateralized loan obligations, hedge funds and other investment vehicles, or finance companies.

251. This subsection generally applies to corporate, infrastructure, and financial services issuers (borrowers). We would not expect to apply this subsection to structured finance debt, although we may if the investor or lender is prudentially regulated. In particular, this subsection does not supersede paragraphs 201-211.

252. In certain circumstances, this subsection may apply to sovereigns, non-U.S. local and regional governments (LRGs), and government-related entities (GREs), depending on the type of creditor involved (see paragraphs 182-185). For example, when a commercial lender such as, but not limited to, a non-GRE bank provides funding to a non-U.S. LRG, we would apply this subsection

when determining whether adequate offsetting compensation has been provided in connection with a government-initiated deferral of payments.

3. Upgrade From 'D' Or 'SD'

253. This section explains what conditions must be met to raise an issue credit rating from 'D', or an issuer credit rating from 'D' or 'SD'. Generally, after we lower a rating to 'D' or 'SD', the rationale and the timing of any upgrade involve consideration of the nature of the event that caused the downgrade to 'D' or 'SD' and whether the event was resolved. The weight on each factor varies depending on the nature of the situation. The following subsections categorize 'D' or 'SD' ratings into five distinct types of causal events. For each event, specific conditions must be met to raise a 'D' or 'SD' rating (for example, to the 'CCC' category or higher) to reflect our forward-looking opinion about the post-default creditworthiness of an issue or issuer if the rating has not already been withdrawn. If the situation pertains to more than one of the types of events described in sections a) to e), all conditions specified in the relevant sections must be met to raise a 'D' or 'SD' rating.

254. To be clear, an upgrade from 'D' or 'SD' does not presuppose that the likelihood of another default is low. For instance, we may raise a rating only to the 'CCC' category, which denotes a relatively high likelihood of another default. However, we will not raise a rating from 'D' or 'SD' if we believe a further default is virtually certain, which corresponds to 'CC' in our rating definition.

255. To enhance the clarity of communications, we do not raise a rating from 'D' or 'SD' on the same day we lowered it to 'D' or 'SD'. This is in addition to any other condition mentioned below.

256. In this section, the terms "payment resumption" or "payments resume" indicate:

- Debt service has fully resumed according to the original terms of the obligation (or new terms, if the original terms were amended), and
- Any arrearages, any penalties, and any interest owed on deferred interest have been settled if the obligation is cumulative and, therefore, the issuer is obliged to settle missed payments.

a) After A Filing For Bankruptcy Or Similar Proceedings

Issue credit ratings

257. If an issue credit rating was lowered to 'D' as a result of bankruptcy proceedings (including similar legal proceedings in this section), we will not raise the rating from 'D' until the issuer emerges from such bankruptcy proceedings, typically following the bankruptcy court's approval of the reorganization or a similar plan. As an exception, where the obligation has been restructured and is expected to be serviced during the proceedings, the issue credit rating may be raised to reflect our forward-looking view of the likelihood that the obligation would be paid in accordance with its new terms.

Issuer credit ratings

258. Similarly, we will not raise an issuer credit rating that was lowered to 'D' because of bankruptcy proceedings until the issuer emerges from such bankruptcy proceedings.

259. Neither an issuer credit rating nor an issue credit rating will be raised from 'D' or 'SD' after the issuer becomes subject to bankruptcy proceedings if the bankruptcy is in the form of a liquidation.

b) After A Failure Of Payment Under A Contractual Promise

Issue credit ratings and issuer credit ratings in general

260. If we lowered an issue credit rating to 'D', or an issuer credit rating to 'D' or 'SD', to reflect a failure of payment under a contractual promise, the rating will not be raised from 'D' or 'SD' until payments resume in accordance with the original terms. This applies unless the terms are amended and have become legally effective, in which case we would raise the rating from 'D' or 'SD' when the term amendments become legally effective, unless we believe a default under the amended terms is virtually certain.

Issuer credit ratings--special considerations

261. For the following two types of issuers, even if the defaulted obligations have not been discharged by a court or formally restructured or renegotiated by the parties involved, the issuer credit rating may be raised from 'SD' or 'D' if, based on the passage of time, we expect no further resolution to occur and we believe a revised rating better reflects our forward-looking opinion about the creditworthiness of the entity.

- Sovereign issuers
- Nonsovereign entities that are not subject to bankruptcy, including, but not limited to, many local and regional governments (LRGs), government-related entities (GREs), multilateral lending institutions and other supranationals, and central banks

262. This approach also applies in rare circumstances where entities may be subject to bankruptcy provisions but we assess that such proceedings are highly unlikely to occur, such as:

- LRGs and GREs that can become subject to bankruptcy, only if we become confident that a bankruptcy is very unlikely to be filed.
- Companies that are subject to bankruptcy, only if we become confident that a bankruptcy is very unlikely to be filed. We expect such cases to be rare and likely limited to emerging markets where companies are not subject to involuntary bankruptcy filings or where we believe creditors would not have practical access to legal remedies such as bankruptcy proceedings.

263. To be clear, even where the issuer credit rating is raised from 'SD' or 'D' based on the considerations described in the previous two paragraphs, we will not raise our issue credit ratings on the defaulted obligations, as described in the first paragraph of this "After A Failure Of Payment Under A Contractual Promise" subsection, until payments have resumed or the terms are amended and have become legally effective within any necessary process.

c) Breach Of An Imputed Promise (Contractual Deferral Or Contractual Payment Omission)

Issue credit ratings

264. When an issue credit rating is lowered to 'D' to reflect the breach of an imputed, rather than a contractual, promise (for example, a payment was deferred or omitted in accordance with the

terms and conditions of the obligation), we will not raise the issue credit rating on the obligation from 'D' until payments resume in accordance with the initial imputed promise.

Issuer credit ratings

265. Of note, under S&P Global Ratings' ratings definitions, the lowering of an issue credit rating to 'D' as a result of the breach of an imputed, but not contractual, promise does not necessarily lead to a lowering of the associated issuer credit rating to 'D' or 'SD'.

d) A Principal Write-Down Has Occurred

Issue credit ratings

266. When an issue credit rating is lowered to 'D' to reflect a principal write-down that occurred in accordance with the terms and conditions of the obligation or the statutory powers or legal framework applicable to the obligation, the below requirements must be satisfied in order to raise the rating (see the next two paragraphs, as well as the table below).

267. For temporary write-downs, the issue credit rating may be raised if:

- The principal has been written back up to initial par; and
- If the terms and conditions of the obligation contemplate compensation for the temporary lower par and interest foregone during the period when par was below initial par, such compensation has been paid to creditors in accordance with these terms and conditions.

268. For permanent and partial write-downs:

- For hybrid capital issues of corporate and government issuers, the issue credit rating may be raised after payment has resumed. With respect to corporates and governments, an upgrade after a principal write-down can occur. Our forward-looking view in this case would reflect the likelihood that the lower par amount and associated interest will be paid. For example, when the principal amount of a bank's hybrid capital instrument is partially written down because of a failure to meet a certain regulatory capital ratio while the obligation still has a very long residual life, such as 60 years, any new rating after 'D' reflects the likelihood of payment going forward based on the written-down principal amount throughout the remaining 60 years.
- However, securitizations (structured finance transactions) will usually not be upgraded from 'D' after a permanent and partial write-down. Such a write-down of the principal on securitizations usually means the transaction has permanently exhausted cash-flow coverage from the securitized assets to fully support the issuance. Therefore it would be unusual to raise the rating from 'D'.

Table 45

Conditions For Raising 'D' Issue Credit Ratings After Principal Write-Downs

	Conditions for upgrade from 'D'*		
Nature of write-down	**Payment resumption**	**Write-up back to initial par**	**Compensation payment§**
Temporary, with compensation payment clause§	No	Yes	Yes

Table 45

Conditions For Raising 'D' Issue Credit Ratings After Principal Write-Downs (cont.)

	Conditions for upgrade from 'D'*		
Nature of write-down	**Payment resumption**	**Write-up back to initial par**	**Compensation payment§**
Temporary, without compensation payment clause§	No	Yes	N/A
Permanent, partial, hybrids	Yes	N/A	N/A
Permanent, partial, structured finance	The rating will usually not be raised from 'D'.	The rating will usually not be raised from 'D'.	The rating will usually not be raised from 'D'.
Permanent, full†	N/A	N/A	N/A

*When multiple conditions apply, all conditions need to be concurrently met for an upgrade from 'D'. §Compensation payment in this table refers to payment required as compensation for the temporary, lower par having reduced interest during the write-down period. †The rating is typically withdrawn for full, permanent write-downs. N/A--Not applicable.

Issuer credit ratings

269. Of note, the lowering of an issue credit rating to 'D' owing to a principal write-down in accordance with an obligation's terms and conditions does not necessarily lead to a lowering of the associated issuer credit rating to 'D' or 'SD' under our ratings definitions.

e) After A Distressed Debt Restructuring

270. A distressed debt restructuring typically takes the form of either an exchange, a repurchase, or a term amendment. Exchanges can be either full or partial (see the third paragraph below), and repurchases can be effected in either a single transaction or multiple transactions (see the fourth paragraph below). Term amendments can include, but are not limited to, an amendment of principal amount, interest rate, deferability, maturity, seniority, and/or currency denomination.

Issue credit ratings

271. In the case of a single repurchase, the issue credit rating on any remaining portion will not be raised from 'D' until the next business day after the downgrade to 'D' (see the third paragraph below for multiple repurchases). In the case of a term amendment, we will not raise from 'D' our issue credit rating before the next business day after the downgrade to 'D', and the revised rating reflects the amended terms of the obligation.

Issuer credit ratings

272. Unless the next paragraph applies, if we lowered an issuer credit rating to 'D' or 'SD' as a result of a restructuring (whether an exchange, a repurchase, or a term amendment), the earliest the rating could be raised from 'D' or 'SD' will be the next business day after the downgrade to 'D' or 'SD'.

Partial exchanges

273. If we lowered an issuer credit rating to 'D' or 'SD' owing to an exchange, we will raise the issuer credit rating from 'SD' or 'D'--even if full and timely payment has not been made on the original

securities that have not been exchanged--if:

- The circumstances fall under one of the four situations described in paragraphs 261 and 262; and
- We consider, given the acceptance rate level, that (i) no further resolution of the default will likely occur, and (ii) the near-term ability of holdout creditors to materially complicate the issuer's financing ability is limited.

Multiple repurchases

274. If we lowered our issue credit rating on an obligation to 'D' as a result of a repurchase and we expect additional repurchases to occur in separate transactions over the course of several weeks or months, the rating remains at 'D' until we become confident that the likelihood of further repurchases is remote. By contrast, even in such a case, the issuer credit rating can be raised as early as one business day after the downgrade to 'D' or 'SD' without regard to ongoing repurchases on the obligation to reflect our forward-looking opinion about the creditworthiness of the entity.

E. Relevant Measures Of Insurer Creditworthiness When A Transaction Relies On Credit Enhancement Or Collateral Support By An Insurer

275. This section explains which of financial strength rating, financial enhancement rating, or issuer credit rating is relevant when S&P Global Ratings rates a transaction that relies on credit enhancement or collateral support provided by insurers.

1. Issuer Credit Ratings

276. The issuer credit rating on the insurer may be the relevant measure when the support is not in the form of an insurance policy or insurance contract but creates a measurable promise (by which we generally mean that the promise to pay relates to a specific amount due on a specific date). In contrast, we do not use the issuer credit rating when such a promise contains qualifications such as those that make it unclear when monies are to be received. When we use the issuer credit rating, if an insurer does not perform on such a promise on a timely basis, we would typically lower the issuer credit rating to 'SD' or 'D'.

2. Financial Strength Ratings

277. Traditional insurance policies often have terms and conditions, supplemented by legal precedent, that preserve the insurer's ability to withhold payments while it explores the validity of an insurance claim. This is a key reason that a financial strength rating addresses the insurer's ability to pay under its insurance policies and contracts in accordance with their terms but does not address the timeliness of payment. Accordingly, we generally do not use a financial strength rating in assessing the transaction.

278. However, we may use a financial strength rating in assessing the transaction if:

- Timely payment on the contracts on which our analysis relies is supported by relevant regulatory requirements or legal precedent such that we consider the risk of a delay in payment to be a remote event, or
- The risk of a payment delay under an insurance policy is mitigated by other elements relevant

to rating the transaction. One example could be alternative liquidity sources, which, in our assessment, are available and timely.

279. Given that the financial strength rating does not address the timeliness of payment on insurance obligations, a delay in payment by the insurer typically would not result in a 'D' or 'SD' financial strength rating unless the delay is due to the insurer's inability to pay (i.e., only if it has defaulted consistent with the financial strength rating definition).

3. Financial Enhancement Ratings

280. We may use a financial enhancement rating when an insurer supports a transaction through an insurance policy or other commitment predominantly used as a credit enhancement or financial guarantee where we consider such a policy or obligation creates a commitment to make payments in a timely manner. For such a policy or obligation, the financial enhancement rating addresses the capacity and willingness of the insurer to meet its financial commitments in accordance with the terms of the obligation. Our analysis of a transaction would refer to a financial enhancement rating on an insurer when such a policy or obligation supports the transaction that is seeking credit enhancement. A financial enhancement rating is typically assigned when we have determined that an insurer will likely make payments when due, similar to debt repayments and bank-issued letters of credit. If the insurer does not perform on its obligation on a timely basis as defined in the insurance policy or other commitment predominantly used as a credit enhancement or financial guarantee, we would lower the financial enhancement rating to 'SD' or 'D'.

4. When The Three Ratings Are Not At The Same Level

281. When we assign all of an issuer credit rating, a financial strength rating, and a financial enhancement rating on the same insurer, the three ratings are generally identical in their levels because they are subject to the same criteria, but there can be exceptions due to the definitions of the three ratings. For example, if an insurer fails to make payments in a timely manner, the issuer credit rating and the financial enhancement rating can be lowered to 'SD', whereas the financial strength rating can stay higher if we believe that the insurer maintains its financial security characteristics with respect to ability to pay in accordance with the terms of its insurance policies and contracts. It's also possible that the financial enhancement rating is lowered to 'SD' while the issuer credit rating stays higher in a case where the insurer fails to make timely payments on a policy or obligation by raising legal defenses against making such payments but the insurer had been committed, in our financial enhancement rating analysis, to pay in a timely manner.

F. Link Between Long- And Short-Term Ratings

282. When we assign a short-term rating, whether an issue credit rating or an issuer credit rating, we typically derive (or "map") it from a long-term rating.

283. The table below shows our standard and alternative mapping between long- and short-term ratings. Relevant criteria provides how we choose between the two mappings on individual cases.

Table 46

Standard And Alternative Mappings Of Short-Term Ratings To Long-Term Ratings

Long-term rating	Short-term rating	
	Standard mapping	Alternative mapping
AAA, AA+, AA, AA-	A-1+	N/A
A+	A-1	A-1+
A	A-1	N/A
A-	A-2	A-1
BBB+, BBB	A-2	N/A
BBB-	A-3	N/A
BB+	B	A-3
BB, BB-, B+, B, B-	B	N/A
CCC+, CCC, CCC-, CC, C	C	N/A
SD, D	SD, D	N/A

N/A--Not applicable, as there is no alternative mapping and the standard mapping in the middle column applies. 'SD'--Selective default. 'D'--Default.

G. Use Of CreditWatch And Outlooks

1. CreditWatch

284. Ratings may be placed on CreditWatch when we believe that there is at least a one-in-two likelihood, as a broad guideline, of a rating change or rating suspension or withdrawal (with the latter two generally linked to a lack of information) within the next 90 days. Rating changes as well as rating suspensions and withdrawals can occur without the ratings being placed on CreditWatch beforehand.

285. When we believe a rating change is certain but the magnitude of the change is not, we will move the rating to a level that we consider represents the then-current opinion, based on the information available, and placed on CreditWatch for further surveillance.

286. A developing designation for CreditWatch is used for unusual situations where potential future events are unpredictable and differ so significantly that the rating could be raised or lowered, such as where a company discloses it is in merger discussions with multiple suitors, of which one is rated higher than the company and the other is lower.

287. When an acquisition is likely and we expect a combined entity to be stronger or weaker than the entity to be acquired, the issuer credit rating on that entity may be placed on CreditWatch even if the entity will not exist as an independent legal entity following the transaction and the entity is likely to have all existing debts repaid according to the terms of each obligation concurrent with or before the transaction closes. In contrast, in such a case, we will not use CreditWatch for an issue credit rating if we are virtually certain that the obligation will be extinguished concurrent with or before the transaction closes because of the acceleration in accordance with a change-of-control clause, redemption at the maturity, or the entity's exercise of its call option. To meet this level of certainty:

- We expect a creditworthy mechanism in place that is designated to retire the entire par amount of the rated issue. Examples of such a mechanism include a committed facility from a bank rated at or above the entity to be acquired and sufficient cash at the acquirer. Without such a mechanism, a mere creditor protection clause requiring the repayment of obligations upon such a transaction, such as a change-of-control clause, is not sufficient.
- A change-of-control put is not sufficient unless we are virtually certain that all investors will exercise the put option.
- The intent to initiate a tender offer is not sufficient unless we are virtually certain that all investors would participate.

2. Outlooks

288. In contrast to CreditWatch, an outlook generally is assigned as an ongoing component to long-term issuer credit ratings on corporate and government entities and some long-term issue credit ratings (except when the rating is on CreditWatch). Outlooks have a longer time horizon than CreditWatch listings and incorporate trends or risks that we believe have less-certain implications for credit quality. More specifically, we assign a positive or negative outlook generally when we believe that an event or trend has at least a one-in-three likelihood, as a broad guideline, of resulting in a rating change in two years for investment-grade credits and in one year for speculative-grade credits. The shorter time frame for speculative-grade credits reflects their very nature: They are more volatile and more susceptible to nearer-term risks.

289. An outlook pertains to the rating on a specific issuer. Therefore, outlooks can be different on entities within a given industry or on entities within a given country. Occasionally, however, most or all companies in a given industry may share the same outlook (or even CreditWatch) because of a possible change in business conditions that would affect that entire industry. Also, when the creditworthiness of some entities in a given country are constrained or supported by sovereign-related factors, outlooks on those entities are more likely to be the same as the sovereign outlook.

290. There are cases where a rating is lowered and assigned a negative outlook rather than a stable one, or it is raised and assigned a positive outlook. On the other hand, it is unusual for a rating to be lowered and assigned a positive outlook, or raised and assigned a negative outlook, though it may occur.

291. An example of a developing outlook may be where a subsidiary is flagged for sale, or a government enterprise is identified for privatization, and the time period for such an action is more within the outlook period than the 90-day CreditWatch period.

H. Types Of Instruments Carrying The 'sf' Identifier

292. European Union Regulation (EC) No. 1060/2009, as amended (Regulation), requires us to differentiate rating categories attributed to "securitization instruments" using an "additional symbol which distinguishes them from rating categories used for any other entities, financial instruments, or financial obligations."

293. Since late 2010, we've been assigning "(sf)" identifiers to ratings on these instruments globally, regardless of where the securitization instrument is issued or of the location of the originator or assets. The EU's precedent has been followed elsewhere. Other jurisdictions have since adopted (or expanded the scope of) their own credit rating regulations to require the differentiation of ratings of "structured finance instruments" from other rating categories.

294. (Note, however, that the definition of "securitization instruments" referred to in Article 2(1) of the EU Securitization Regulation (EU) 2017/2402 and addressed in this article may not include the same instruments captured by related Japanese regulation. For credit ratings subject to Japanese regulation, we identify whether an instrument is an "asset securitization product" in the "Presentation of Credit Ratings" section of our Japanese website in accordance with Article 313 (3) (iii) of Cabinet Office Ordinance on Financial Instruments Business, etc.)

295. The EU Securitization Regulation defines a "securitization instrument" as one that results from a "securitization transaction or scheme" as further defined in Article 2(1) of Regulation (EU) 2017/2402 (Securitization Regulation).

296. That article defines "securitization" as an arrangement that, among other things, is characterized by payments being dependent upon "the performance of an exposure or pool of exposures" and by the subordination of tranches determining the distribution of losses "during the ongoing life of the transaction or scheme".

297. We'll assign the "(sf)" identifier to those classes of transaction listed below that are characterized by payments to investors being dependent upon the performance of an "exposure or pool of exposures" and the subordination of tranches determining the distribution of losses "during the ongoing life" of the transaction.

298. In practice, therefore, if the credit risk relating to such a transaction cannot, in our view, be separated from the operating or bankruptcy risk of the sponsor, the rating on the transaction will likely be linked to the rating on the sponsor, much like a "notched" corporate rating, and will not have the "(sf)" identifier.

299. If, however, we view the transaction as separated from the sponsor's operating or bankruptcy risk, we would view the transaction as less dependent on the sponsor, possibly allowing the transaction to be rated more as a structured financing, and thus, it would have the "(sf)" identifier. For example, transactions featuring certain structural protection mechanisms designed to make the transaction bankruptcy remote and operationally independent from the sponsor and that feature subordination of tranches determining the distribution of losses during the life of the transaction would have the "(sf)" identifier.

300. The list of securitization instruments to which we will assign the "(sf)" identifier includes, where consistent with the description above:

- Asset-backed securities (ABS);
- Asset-backed commercial paper (ABCP);
- Collateralized loan obligations (CLOs) and collateralized debt obligations (CDOs);
- Commercial mortgage-backed securities (CMBS) (except for credit lease transactions);
- Credit default swaps (CDS), except "single-name CDS";
- Debentures whose principal payment and interest come from cash flows resulting from the assignment of credit rights;
- Enhanced equipment trust certificates (EETCs) with at least one subordinated tranche of debt;
- Gas/electric prepay transactions with at least one subordinated tranche of debt;
- Instruments issued by Brazilian investment vehicles. These are: Fundo de Investimento em Direitos Creditórios (FIDC) (Receivable investment fund shares (cotas)) and their share funds; Certificados de Recebíveis Imobiliários (CRI) (Real Estate Receivables Certificates); and Certificados de Recebíveis do Agronegócio (CRA) (Agribusiness Receivables Certificates);
- Instruments backed by cash flows from a pool of power purchase agreements (PPA)

obligations;

- Instruments backed by cash flows from a pool of volumetric production payment (VPP) obligations;
- Insurance securitizations;
- Residential mortgage-backed securities (RMBS), including debt backed by mortgages issued by the Japan Housing Finance Agency;
- Secured corporate debt transactions or "corporate securitizations" with at least one subordinated tranche of debt that fall within the definition of "securitization" whose rating isn't linked to that of the sponsor;
- Spanish multi-cédulas transactions;
- Tender option bonds (TOBs) with at least one subordinated tranche of debt;
- Affordable housing bonds with at least one subordinated tranche of debt; and
- Military housing bonds with at least one subordinated tranche of debt.

IX. REVISIONS AND UPDATES

We have made the following changes to this article since 2011.

- On Nov. 1, 2011, we updated the ratings definitions to reflect that the 'G' rating modifier on principal stability fund ratings is no longer active.
- On Feb. 24, 2012, we included a revised short-term rating definition for the 'B' category and removed the 'B-1', 'B-2', and 'B-3' rating definitions for both issue and issuer ratings. In addition, we updated our definitions of 'D' and 'SD' long-term issuer ratings, and 'D' long-term issue ratings, to clarify the treatment of a grace period. We also revised our definition of the 'EX' identifier to reflect the updated transitional period regarding EU endorsement.
- On May 23, 2012, we republished this article following a substantial reorganization of the material. The largest modification is the adoption of an identical set of national scale rating definitions for 14 countries. Several other countries use unique national scale definitions reflecting a different rating type or market use. We didn't change any assigned national scale ratings because we regularized the national scale rating definitions. We withdrew the ADEF (France) national scale. We also removed the bank fundamental strength rating definitions and the stability rating definitions. Additionally, we amended the definition of default to clarify the treatment of a grace period. The change to the 'D' definition applied to both global and national scale ratings. Also, we corrected several minor inconsistencies in the version published on May 21, 2012.
- On June 22, 2012, we republished this article following inactivation of the 'EX' identifier.
- On May 30, 2013, we revised the definition of dual ratings.
- On June 17, 2013, we introduced new identifiers for unsolicited ratings and under criteria observation.
- On Oct. 24, 2013, we included revised definitions for lower rating categories ('CC', 'C', 'SD', and 'D') in order to conform our rating definitions to related credit rating methodology.
- On Nov. 25, 2013, we revised the definition of 'D' and 'SD' in the National Scale Long-Term Issuer Credit Ratings table.

- On March 21, 2014, we revised the definition of the 'sf' identifier. In addition, we removed the Argentine stock fund ratings.
- On Sept. 22, 2014, we revised portions of our national and regional scale rating definitions following publication of our updated "National And Regional Scale Credit Ratings" criteria on Sept. 22, 2014.
- On Nov. 20, 2014, we added definitions of mid-market evaluation ratings and national scale insurer financial strength ratings definitions. We also added a table showing national scale insurer financial strength ratings definitions for the Standard & Poor's Maalot (Israel) national scale.
- On Feb. 1, 2016, we updated our definitions for principal stability fund ratings and Canadian commercial paper ratings. We also updated the "Qualifiers" section to indicate that the 'pi' (public information) qualifier had become inactive, and we eliminated use of the 'prelim' (preliminary rating) qualifier for U.S. Rule 415 shelf registrations.
- On May 3, 2016, we included our counterparty instrument rating (CIR) and 'cir' qualifier definitions. We also added the suffix 'Cdn' for Canada national scale commercial paper ratings of 'A-3(Cdn)' and below.
- On June 29, 2016, we added the Chile national scale to the National/Regional Scale Credit Rating Prefix table.
- On Aug. 18, 2016, we revised the definition of 'unsolicited' ratings.
- On June 26, 2017, we revised the definitions of fund credit quality ratings and fund volatility ratings, added the definitions of national scale fund credit quality ratings and national scale fund volatility ratings, removed Canadian fund sensitivity ratings, removed a sentence offering an example of short-term obligations, and made various minor refinements to wording.
- On March 19, 2018, we updated the relevant contacts.
- On April 19, 2018, we added financial institution resolution counterparty rating definitions, municipal short-term note rating 'D', and a mapping table for Nordic regional scale ratings; removed the Japan SME national scale section; removed references to the Japan SME national scale as well as ASEAN and Greater China regional scales from the National/Regional Scale Credit Rating Prefix table; refined our credit estimate and credit assessment definitions; and made some minor refinements.
- On Oct. 31, 2018, we modified the definitions of "SD and D" in issuer credit rating tables, added Canadian preferred share fund credit quality rating definitions to clarify the application of our existing Canadian preferred share rating scale to Canadian funds invested in preferred securities, expanded the definition of the 'xxC' national scale long-term issue credit rating, added the appendix "Types Of Instruments Carrying 'sf' Identifier," and made some minor refinements.
- On July 5, 2019, we removed the 'R' symbol from all rating scales, added the 'D' symbol to the insurer financial enhancement ratings, modified the definitions of credit estimates as well as 'EU' and 'EE' identifiers, added the "Revisions And Updates" section, and made some minor refinements.
- On Sept. 18, 2019, we removed the Chile national scale from the National/Regional Scale Credit Rating Prefix table and made related minor updates to the following paragraph.
- On Aug. 7, 2020, we added definitional content to this article from various existing articles. See the media release "S&P Global Ratings Consolidates Various Articles Into Its Rating

Definitions," published on Aug. 7, 2020, for a list of the articles. In repositioning definitional content, we also clarified our approach to rating project finance subordinated notes (in the "Principal" section) as well as market-linked notes and exchangeable notes (in the "Variable payment amount" section). Also, we replaced the term "exchange offer" with the term "debt restructuring" in various tables, added a clarification sentence to our description of long- and short-term issuer credit ratings in the "General-Purpose Credit Ratings" section, updated wording in the definition of financial enhancement ratings as well as the "Types Of Instruments Carrying The 'sf' Identifier" section, and made some other minor or editorial refinements.

- On Dec. 7, 2020, we added 'UK' and 'UKE' identifiers and added clarification to the "Issue Credit Ratings--In General" section, more specifically, our rating approach to payment delays due to judicial action.
- On Jan. 5, 2021, we removed a note from the text on 'UK' and 'UKE' identifiers.
- On Nov. 10, 2021, we added Saudi Arabia national scale ratings and the inactive 'i' qualifier; refined wording in grace period language in various 'D' rating definitions, some rating horizon language in the "National and regional scale ratings" section, and the "Distressed Debt Restructuring And Issue Credit Ratings" section; and made some minor updates.
- On June 9, 2023, we deleted a sentence on the ratings we assign to medium-term notes; added clarifying language, removed our Russia national scale, and replaced "Turkey" with "Turkiye" in the "National And Regional Scale Ratings" section; and made minor updates.
- On Oct. 15, 2024, we removed the mid-market evaluation ratings section; updated 1) a table in the "Recovery Ratings" section, 2) a table and text in the "Likelihood Of Default--Primary Factor" section, 3) the first paragraph of the "Without PIK or equivalent features" section, and 4) the "Secondary Market Repurchases Below Par" section; and made minor updates.
- On Dec. 2, 2024, we added a new paragraph to the "Issue Credit Ratings--Cumulative Deferral On Hybrid Capital And Similar Instruments" section.

X. RELATED CRITERIA AND RESEARCH

Related Criteria

- National And Regional Scale Credit Ratings Methodology, June 8, 2023
- Methodology For Assigning Financial Institution Resolution Counterparty Ratings, April 19, 2018
- Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Counterparty Instrument Ratings Methodology And Assumptions, May 3, 2016
- Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- The Time Dimension of Standard & Poor's Credit Ratings, Sept. 22, 2010

This report does not constitute a rating action.

XI. CONTACT INFORMATION

Table 47

Methodology Group Contacts

	Location	Telephone	Email
Primary Contacts			
Lapo Guadagnuolo	London	(44) 20-7176-3507	lapo.guadagnuolo@spglobal.com
Takamasa Yamaoka	Tokyo	(81) 3-4550-8719	takamasa.yamaoka@spglobal.com
Michelle M Brennan	London	(44) 20-7176-7205	michelle.brennan@spglobal.com
Additional Contacts			
Andrew Bowyer	London	(44) 20-7176-3761	andrew.bowyer@spglobal.com
Kenneth T Gacka	San Francisco	(1) 415-371-5036	kenneth.gacka@spglobal.com
Marta Castelli	Buenos Aires	(54) 114-891-2128	marta.castelli@spglobal.com
Michael P Altberg	New York	(1) 212-438-3950	michael.altberg@spglobal.com