

# RatingsDirect®

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## General Criteria:

# Advance Notice Of Criteria Change: National And Regional Scale Ratings

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## General Criteria:

# Advance Notice Of Criteria Change: National And Regional Scale Ratings

In the upcoming weeks, Standard & Poor's Ratings Services will be updating its criteria for assigning ratings on national and regional scales (here, both referred to as "national scales"). The criteria update has three objectives: (1) to enhance the transparency of our criteria; (2) to help market participants better understand our approach to assigning ratings on national scales, including our approach to constructing the mapping tables; and (3) to enhance global consistency in our approach to assigning issuer and issue credit ratings on national scales. In line with our transparency objective, we will be publishing "mapping tables" for all national scales, which will inform market participants of the relationship between our global and national scale ratings.

The criteria update will retain key characteristics of our current national and regional scale criteria:

- National scale ratings will continue to reflect our opinion of an issuer's or issue's credit quality relative to that of other borrowers in a given country or region.
- To determine national scale ratings, we will continue to use criteria that are identical to, or consistent with, our global scale criteria, as well as the mapping tables.
- The national scale mapping tables can be recalibrated, e.g., if the sovereign rating changes or if the credit quality distribution in the country shifts.

The criteria update will also introduce certain additional clarifications and changes, including:

- We will clarify how we determine national and regional scale ratings using one of two methods: a) determining a rating on the global scale, and using mapping tables to determine the national scale rating, or b) using criteria that are specific for national scale ratings in a given market.
- We will provide guidelines on how we determine our country-specific mapping tables.
- We will provide more guidance on how we determine the national scale rating when we are using mapping tables for a given global scale rating.
- We will clarify how we determine issue credit ratings, including how we treat characteristics such as subordination and recovery; how we rate hybrid capital instruments; and how we rate instruments issued in foreign currency.

The updated criteria will replace our current criteria, "Understanding National Rating Scales," published April 14, 2005, on RatingsDirect, which will remain in effect until the criteria update is published. We expect the implementation of the criteria to lead to a modest number of rating changes because of minor changes in our mapping tables; a clarified approach to issue credit ratings, including "notching" for subordination and hybrid capital instruments, and considering foreign currency-related risks; and a clarified approach to how we determine the national scale rating using mapping tables.

In certain jurisdictions, local regulations require notification and/or registration of the criteria by the respective regulator.

## **RELATED CRITERIA AND RESEARCH**

### **Related Criteria**

- Principles Of Credit Ratings, Feb. 16, 2011
- Understanding National Rating Scales, April 14, 2005

These criteria represent the specific application of fundamental principles that define credit risk and ratings opinions. Their use is determined by issuer- or issue-specific attributes as well as Standard & Poor's Ratings Services' assessment of the credit and, if applicable, structural risks for a given issuer or issue rating. Methodology and assumptions may change from time to time as a result of market and economic conditions, issuer- or issue-specific factors, or new empirical evidence that would affect our credit judgment.

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