

Criteria | Financial Institutions | General:

# Issue Credit Rating Methodology For Nonbank Financial Services Companies

December 9, 2014

*(Editor's Note: On Dec. 9, 2021, we republished this criteria article to make nonmaterial changes. See the "Revisions And Updates" section for details.)*

- These criteria explain how we rate obligations issued by nonbank financial services companies (FSCs), including nonoperating holding companies (NOHCs) of such groups. These criteria should be read in conjunction with the criteria listed in the Related Criteria And Research section. The approaches differentiate by sector (see table 1) and primarily reflect the following factors:
  - For hybrid capital instruments, the hybrid capital criteria ("Hybrid Capital: Methodology And Assumptions," published July 1, 2019) applies to all FSCs.
  - For senior obligations, we derive issue credit ratings from the issuer credit rating (ICR) of the issuer or guarantor, as determined under "Corporate Methodology" and "Guidance: Corporate Methodology."
  - Specifically, we rate senior secured, senior unsecured, and conventional nondeferrable subordinated debt (NDSD; see the glossary for more details) for FSC finance companies (FSFCs) and FSC asset managers and financial market infrastructure companies (FMI) according to "Reflecting Subordination Risk In Corporate Issue Ratings," published March 28, 2018. We rate debt issues by notching the issue credit rating up or down from the level of the ICR, group credit profile, or stand-alone credit profile (SACP) of the issuer. When recovery ratings are applicable, we rate debt issues according to "Recovery Rating Criteria For Speculative-Grade Corporate Issuers," published Dec. 7, 2016.
- These criteria are related to "Principles Of Credit Ratings," published Feb. 16, 2011.

Table 1

## Applicable Criteria (With Adjustments Where Noted) For Issue Credit Ratings For FSCs

| Sector                       | Senior secured and senior unsecured debt obligations              | Nondeferrable subordinated debt (NDSD)*                           | Hybrid capital          |
|------------------------------|---|---|-------------------------|
| FSC finance companies (FSFC) | Reflecting Subordination Risk criteria and apply recovery ratings | Reflecting Subordination Risk criteria and apply recovery ratings | Hybrid capital criteria |
| FSC asset managers (AM)      | Reflecting Subordination Risk criteria and apply recovery ratings | Reflecting Subordination Risk criteria and apply recovery ratings | Hybrid capital criteria |

### ANALYTICAL CONTACTS

**Matthew T Carroll, CFA**

New York  
+ 1 (212) 438 3112  
matthew.carroll@spglobal.com

**Robert B Hoban**

New York  
(1) 212-438-7385  
robert.hoban@spglobal.com

**Ricardo Grisi**

Mexico City  
(52) 55-5081-4494  
ricardo.grisi@spglobal.com

**Giles Edwards**

London  
(44) 20-7176-7014  
giles.edwards@spglobal.com

**Harry Hu, CFA**

Hong Kong  
(852) 2533-3571  
harry.hu@spglobal.com

**Toshihiro Matsuo**

Tokyo  
(81) 3-4550-8225  
toshihiro.matsuo@spglobal.com

See complete contact list at end of article.

Table 1

**Applicable Criteria (With Adjustments Where Noted) For Issue Credit Ratings For FSCs (cont.)**

| <b>Sector</b>                                       | <b>Senior secured and senior unsecured debt obligations</b> | <b>Nondeferrable subordinated debt (NDSD)*</b> | <b>Hybrid capital</b>   |
|---|---|--|-------------------------|
| FSC financial market infrastructure companies (FMI) | Reflecting Subordination Risk criteria                      | Reflecting Subordination Risk criteria         | Hybrid capital criteria |

\*This refers to conventional nondeferrable subordinated debt that is not classified as hybrid capital under our criteria.

**SCOPE OF THE CRITERIA**

- 3. The criteria apply to all long-term obligations of globally rated FSCs (as defined in the criteria in the Related Criteria And Research section).
- 4. We rate short-term obligations at the same level as the short-term ICR (unless, potentially, the ICR is 'D' or 'SD' [selective default]), and do not notch short-term issue credit ratings to reflect recovery prospects or subordination.

**SUMMARY OF THE CRITERIA**

- 5. To rate senior and NDSD obligations of FSCs:
  - For FSC finance companies and asset managers. Apply the Reflecting Subordination Risk criteria and apply our recovery ratings framework. In the U.S. and other countries where we assign recovery ratings, we apply "Recovery Rating Criteria For Speculative-Grade Corporate Issuers."
  - For FMIs. Apply the Reflecting Subordination Risk criteria, with no recovery ratings.
- 6. This paragraph has been deleted.
- 7. This paragraph has been deleted.
- 8. This paragraph has been deleted.
- 9. We derive issue credit ratings from the ICR for senior debt obligations. To rate hybrid capital instruments of FSCs, we apply the hybrid capital criteria.
- 10. For FSC issue credit ratings, unless a 'D' rating applies, we do not rate senior debt obligations below 'CC' or subordinated instruments below 'C'. For how we assign 'CCC+' issue credit ratings and below to subordinated instruments, see "Credit FAQ: Applying "Criteria For Assigning 'CCC+', 'CCC-', And 'CC' Ratings" To Subordinated And Hybrid Capital Instruments," published on July 16, 2014.
- 11. This paragraph has been deleted.
- 12. This paragraph has been deleted.

## METHODOLOGY

13. For FSC issue credit ratings, unless a 'D' rating applies, we do not rate senior debt obligations or subordinated instruments below 'C'. For how we assign 'CCC+' issue credit ratings and below to subordinated instruments, see "Credit FAQ: Applying "Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings To Subordinated And Hybrid Capital Instruments," published on July 16, 2014.

### FSC Finance Companies And Asset Managers--Senior Obligations And Conventional NDSO Obligations With The Same Likelihood Of Default

14. We apply the Reflecting Subordination Risk criteria and recovery ratings.

### FSC Finance Companies And Asset Managers--Hybrid Capital Instruments

15. We apply the hybrid capital criteria.

### FSC FMIs--Senior Obligations And Conventional NDSO Obligations With The Same Likelihood Of Default

16. We apply the Reflecting Subordination Risk criteria.
17. This paragraph has been deleted.
18. This paragraph has been deleted.
19. This paragraph has been deleted.

### FMI Debt Obligations--Hybrid Capital Instruments

20. We apply the hybrid capital criteria.
21. Paragraphs 21-31 have been deleted.

## GLOSSARY

**Hybrid capital instrument.** A hybrid capital instrument is an obligation that displays features of both debt and equity, as defined in "Hybrid Capital: Methodology And Assumptions," published July 1, 2019.

**Conventional nondeferrable subordinated debt (NDSO).** Nondeferrable subordinated debt obligation that has the same default risk as senior debt issued by the same issuer.

## REVISIONS AND UPDATES

This article was originally published on Dec. 9, 2014. These criteria became effective on Dec. 9, 2014.

Changes introduced after original publication:

- Following our periodic review completed on Dec. 9, 2015, we updated our author contact information, made adjustments for superseded criteria, and updated "Related Criteria And Research." We also edited paragraphs 1 and 12 to improve readability.
- Following our periodic review completed on Dec. 9, 2016, we updated the author contact information and made updates and corrections to "Related Criteria And Research." We added an appendix, where we included "History Of Changes" and "Effective Date" sections.
- On Sept. 21, 2017, we updated references to include "Reflecting Subordination Risk In Corporate Issue Ratings," published on Sept. 21, 2017. The "Reflecting Subordination Risk" criteria replace the "Rating Each Issue" criteria for financial services finance companies and asset managers. We also included "Reflecting Subordination Risk In Corporate Issue Ratings" in the list of related criteria.
- On Sept. 28, 2017, we added "Methodology And Assumptions: Assigning Equity Content To Corporate Entity And North American Insurance Holding Company Hybrid Capital Instruments," published April 1, 2013, to the list of related criteria.
- Following our periodic review completed on Dec. 4, 2017, we updated our contact information and the "Related Criteria" section. We replaced the appendix with the "Revisions And Updates" section.
- Following the update to our "Reflecting Subordination Risk in Corporate Issue Ratings" criteria to include financial market infrastructure companies on March 28, 2018, we updated paragraphs 1 and 5 and table 1 to reflect their partial superseding now that we apply the RSR criteria to FMI's. In addition, we updated paragraph 16 and deleted paragraphs 17–19 to reflect application of the RSR criteria on FMI's. We also updated the contacts list.
- On Jan. 16, 2019, we republished this criteria article to make nonmaterial changes. We updated the contact information and criteria references.
- On July 1, 2019, we republished this criteria article to make nonmaterial changes in connection with the publication of "Hybrid Capital: Methodology And Assumptions." Specifically, we updated criteria references throughout the article and revised the glossary's definition of "hybrid capital instruments" to cross-reference "Hybrid Capital: Methodology And Assumptions." We also deleted paragraphs 6 and 8 and updated the section "FMI Debt Obligations--Hybrid Capital Instruments" because these topics are now addressed within "Hybrid Capital: Methodology And Assumptions." We also updated the "Related Criteria" section.
- On Jan. 21, 2020, we republished this criteria article to make nonmaterial changes to update criteria references.
- On Jan. 11, 2021, we republished this criteria article to make nonmaterial changes to update criteria references and the contact list.
- On Dec. 9, 2021, we republished this criteria article to make nonmaterial changes in connection with the publication of "Financial Institutions Rating Methodology," which contains the criteria for assigning NBFIs issue credit ratings. We therefore deleted all references to NBFIs issue credit ratings (from paragraphs 1, 3, 7, 9, 10, 13, and 21–31, as well as from table 1 and the glossary) and removed the reference to NBFIs in the title of this criteria article. We also updated criteria references and the contact list.

## RELATED PUBLICATIONS

### Superseded Criteria

- Criteria Guidelines For Recovery Ratings On Global Industrials Issuers' Speculative-Grade Debt, Aug. 10, 2009
- Finance Companies: Recovery Ratings For U.S. Finance Companies, June 19, 2008

### Related Criteria

- Group Rating Methodology, July 1, 2019
- Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- The Treatment Of Non-Common Equity Financing In Nonfinancial Corporate Entities, April 29, 2014
- Corporate Methodology, Nov. 19, 2013
- Principles Of Credit Ratings, Feb. 16, 2011

### Related Research

- Credit FAQ: Applying "Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings" To Subordinated And Hybrid Capital Instruments, July 16, 2014

### Related Guidance

- Guidance: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Guidance: Corporate Methodology, July 1, 2019

This article is a Criteria article. Criteria are the published analytic framework for determining Credit Ratings. Criteria include fundamental factors, analytical principles, methodologies, and /or key assumptions that we use in the ratings process to produce our Credit Ratings. Criteria, like our Credit Ratings, are forward-looking in nature. Criteria are intended to help users of our Credit Ratings understand how S&P Global Ratings analysts generally approach the analysis of Issuers or Issues in a given sector. Criteria include those material methodological elements identified by S&P Global Ratings as being relevant to credit analysis. However, S&P Global Ratings recognizes that there are many unique factors / facts and circumstances that may potentially apply to the analysis of a given Issuer or Issue. Accordingly, S&P Global Ratings Criteria is not designed to provide an exhaustive list of all factors applied in our rating analyses. Analysts exercise analytic judgement in the application of Criteria through the Rating Committee process to arrive at rating determinations.

## Contact List

### ANALYTICAL CONTACTS

**Matthew T Carroll, CFA**  
New York  
+ 1 (212) 438 3112  
matthew.carroll@spglobal.com

### ANALYTICAL CONTACTS

**Robert B Hoban**  
New York  
(1) 212-438-7385  
robert.hoban@spglobal.com

### ANALYTICAL CONTACTS

**Ricardo Grisi**  
Mexico City  
(52) 55-5081-4494  
ricardo.grisi@spglobal.com

### ANALYTICAL CONTACTS

**Giles Edwards**  
London  
(44) 20-7176-7014  
giles.edwards@spglobal.com

### ANALYTICAL CONTACTS

**Harry Hu, CFA**  
Hong Kong  
(852) 2533-3571  
harry.hu@spglobal.com

### ANALYTICAL CONTACTS

**Toshihiro Matsuo**  
Tokyo  
(81) 3-4550-8225  
toshihiro.matsuo@spglobal.com

### ANALYTICAL CONTACTS

**Victor Nikolskiy**  
Moscow  
(7) 495-783-40-10  
victor.nikolskiy@spglobal.com

### ANALYTICAL CONTACTS

**YuHan Lan**  
Taipei  
(8862) 8722-5810  
yuhan.lan@spglobal.com

### METHODOLOGY CONTACTS

**Nik Khakee**  
New York  
(1) 212-438-2473  
nik.khakee@spglobal.com

### METHODOLOGY CONTACTS

**Michelle M Brennan**  
London  
(44) 20-7176-7205  
michelle.brennan@spglobal.com

### METHODOLOGY CONTACTS

**Matthew B Albrecht, CFA**  
Centennial  
+ 1 (303) 721 4670  
matthew.albrecht@spglobal.com

### METHODOLOGY CONTACTS

**Russell J Bryce**  
Charlottesville  
+ 1 (214) 871 1419  
russell.bryce@spglobal.com

Copyright © 2021 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.