

Group Rating Methodology Published

July 1, 2019

LONDON (S&P Global Ratings) July 1, 2019--S&P Global Ratings today published its global framework for rating entities that are part of a group, titled "Group Rating Methodology." The criteria take effect immediately, except in those markets that require prior notification to and/or registration by the local regulator, where the criteria will become effective when so notified by S&P Global Ratings and/or registered by the regulator.

The criteria follow our request for comment ("Request For Comment: Group Rating Methodology," published Dec. 12, 2018). For a summary of the changes between the request for comment and the final criteria, and the rationale behind those changes, see "RFC Process Summary: Group Rating Methodology."

These criteria apply to corporate, financial institution, insurance, and international public finance entities that we consider part of a group and U.S. public finance entities that we consider part of an obligated group. For these entities, we believe that their ownership, control, influence, or support by or to another entity could have a material bearing on their credit quality. Examples of entities that are outside the scope of these criteria include project finance and corporate securitizations.

These criteria articulate the steps in determining an issuer credit rating (ICR) on group members and their holding companies. This involves assessing the group credit profile (GCP; i.e. the group's overall creditworthiness), the stand-alone credit profiles (SACP) of group members, and the status of an entity relative to other group entities. The criteria also describe how we assess the potential for support (or negative intervention) from group entities, or from other external sources such as a government.

We are revising our group rating methodology to provide greater clarity and transparency, and enhance cross-sector consistency. While the underlying fundamentals remain the same, the new criteria also increases scope for analytical adjustments.

The potential rating impact of the new criteria on issuer credit ratings differs by sector.

The criteria could lead to modest credit rating actions on no more than about 2% of ratings in the insurance sector, with more upgrades than downgrades. The potential rating actions are mostly due to changes relating to rating issuers above the sovereign rating. Other, mostly single-notch rating actions, will mostly result from greater scope for analytical adjustments in the criteria.

The criteria could lead to modest issuer credit rating actions in the corporate and infrastructure sector, where we anticipate rating actions for about 1% of the rated universe. We expect a more pronounced rating impact in the infrastructure sector in particular, where we anticipate rating actions for up to about 4% of those entities. The clear majority of anticipated rating actions in the corporate and infrastructure sectors will be limited to an upgrade of one notch and primarily in the regulated utilities sector, where we have changed how we assess insulation that is sufficient for a potential ICR that is one notch higher than the GCP.

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The criteria could lead to extremely modest (under 1%), and mostly positive rating actions in the financial institutions sector. Where rating actions will occur, we anticipate that they will be mostly limited to upgrades and downgrades of one notch as a result of greater scope for analytical adjustments in the criteria.

We do not expect the criteria to affect the ratings on U.S. public finance and international public finance entities.

We also published today "Guidance: Group Rating Methodology," which provides additional information and guidance related to the application of our group rating methodology.

This report does not constitute a rating action.

The report is available to subscribers of RatingsDirect at www.capitaliq.com. If you are not a RatingsDirect subscriber, you may purchase a copy of the report by calling (1) 212-438-7280 or sending an e-mail to research_request@spglobal.com. Ratings information can also be found on S&P Global Ratings' public website by using the Ratings search box located in the left column at www.standardandpoors.com. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4009.

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