

May 13, 2008

**Credit FAQ:**

# Standard & Poor's New Approach To Speculative-Grade Ratings

**Corporate & Government Ratings:**

Solomon B Samson, Managing Director, New York (1) 212-438-7653; [sol\\_samson@standardandpoors.com](mailto:sol_samson@standardandpoors.com)  
Nicholas D Riccio, Managing Director, New York (1) 212-438-7853; [nick\\_riccio@standardandpoors.com](mailto:nick_riccio@standardandpoors.com)

## Table Of Contents

---

### Frequently Asked Questions

## Credit FAQ:

# Standard & Poor's New Approach To Speculative-Grade Ratings

Standard & Poor's Ratings Services recently reviewed its approach to rating leveraged credits. This process included independent market research and a very hard look at key analytical issues within the leveraged markets. The review has prompted us to introduce several enhancements to our analytical approach, which were outlined in a report published earlier today, titled "Standard & Poor's Revises Its Approach To Rating Speculative-Grade Credits." The following series of questions and answers will hopefully further clarify the reasoning behind our enhanced approach and how we intend to implement it, as well as give the leveraged markets an indication of our expectations for the new approach's ramifications.

## Frequently Asked Questions

### **How will Standard & Poor's implement the changes?**

The various elements of the proposed changes are meaningful individually. As a package, the elements reinforce each other and represent a more substantial overall enhancement to speculative-grade ratings. They will be phased in--and some elements will be introduced earlier than others for a given credit. In any event, the enhancements will be applied in the ordinary course of surveillance, as part of the continual review of ratings. There is no need for a portfolio review, since there are no explicit criteria changes.

### **Do you expect rating changes as a result of the analytical enhancements? If so, in which direction would ratings likely move?**

The enhancements were not designed to affect the ratings distribution. Rather, we expect that some companies will be candidates for rating upgrades and others for downgrades. We have not attempted to quantify the number of potential changes. On the other hand, we cannot predict that the overall impact will be neutral, particularly given the current backdrop of economic and credit market challenges. All things being equal, the envisioned analytical changes--especially the greater sensitivity to near-term factors--should lead to overall higher ratings in good times, but lower ones in troubled times.

### **So does this imply greater ratings volatility?**

Indeed, volatility should increase, given the shorter time frame and re-balancing of analytical factors, as well as a more dynamic approach to surveillance. All these elements increase the likelihood for rating changes and reversals as company fortunes change. We view this as a positive, making for an improved rating product. However, there is no intention to go overboard in this respect. We recognize that extreme volatility would detract from the usefulness of ratings.

### **Why is Standard & Poor's introducing these enhancements now?**

This initiative is largely a function of our ongoing efforts to improve our products and keep them current with market developments. We think of these changes as evolutionary, building on past enhancements. We should also be better positioned to confront the current credit environment and its challenges--even if the timing is coincidental. In particular, the greater emphasis on liquidity seems timely under current market conditions.

Copyright © 2008, Standard & Poors, a division of The McGraw-Hill Companies, Inc. (?S&P?). S&P and/or its third party licensors have exclusive proprietary rights in the data or information provided herein. This data/information may only be used internally for business purposes and shall not be used for any unlawful or unauthorized purposes. Dissemination, distribution or reproduction of this data/information in any form is strictly prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P, its affiliates or its third party licensors, S&P, its affiliates and its third party licensors do not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P, its affiliates and its third party licensors be liable for any direct, indirect, special or consequential damages in connection with subscriber?s or others? use of the data/information contained herein. Access to the data or information contained herein is subject to termination in the event any agreement with a third-party of information or software is terminated.

Analytic services provided by Standard & Poor's Ratings Services (Ratings Services) are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. The credit ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly, any user of the information contained herein should not rely on any credit rating or other opinion contained herein in making any investment decision. Ratings are based on information received by Ratings Services. Other divisions of Standard & Poor's may have information that is not available to Ratings Services. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during the ratings process.

Ratings Services receives compensation for its ratings. Such compensation is normally paid either by the issuers of such securities or third parties participating in marketing the securities. While Standard & Poor's reserves the right to disseminate the rating, it receives no payment for doing so, except for subscriptions to its publications. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1)212.438.9823 or by e-mail to: [research\\_request@standardandpoors.com](mailto:research_request@standardandpoors.com).