Article Title: ARCHIVE | General Criteria: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings Data: (EDITOR'S NOTE: — This criteria article was originally published on Dec. 23, 2010. We are republishing this article following our periodic review completed on Nov. 7, 2011. This article is no longer current. It has been superseded by the article titled, "Methodology: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings," published Oct. 24, 2013.) 1. This criteria article is a clarifying interpretation of certain provisions of Standard & Poor's Ratings Service's global issue and issuer rating definitions. We will now apply a uniform five-business-day standard with respect to grace periods and the performance of guarantees relating to ratings of issues that have not been paid or of issuers that have failed to make payments as they come due. This article is related to our rating definitions and to our criteria articles "Principles Of Corporate And Government Ratings," published June 26, 2007, and "Principles-Based Rating Methodology For Global Structured Finance Securities," published May 29, 2007. SCOPE OF THE CRITERIA 2. This criteria applies to all issue and issuer credit ratings assigned by Standard & Poor's except insurer financial strength ratings and securities structured to allow for payment deferral. The scope includes securities structured with grace periods longer than five days. IMPACT ON OUTSTANDING RATINGS 3. There is no immediate impact on outstanding ratings. In the future, the application of this criteria to securities that have missed payments may result in quicker downgrades to the 'D' and 'SD' rating levels. EFFECTIVE DATE AND TRANSITION 4. This criteria is effective immediately. METHODOLOGY 5. In order to provide consistent application of the rating definitions, Standard & Poor's interprets "as they come due" as payment no later than five business days after the due date for payment. This means that a rating of 'D' or 'SD' would apply even if an obligation has a grace period longer than five business days and we expect payment to be made more than five business days after the due date but before the expiration of the grace period. Where an obligation has no stated grace period, we treat it as having a five-business-day grace period for purposes of applying the long-term rating definitions. This means that we may not apply a rating of 'D' or 'SD' if an obligation with no grace period misses paying on its due date but we believe that payment will be made within five business days. 6. We also apply the five-business-day standard to cases where we apply a long-term rating to an obligation based on the creditworthiness of a guarantor (or other support provider). This means that, in addition to all other provisions of current criteria, we would not apply the guarantor's rating to the subject obligation unless we believe the guarantee arrangement, viewed as a whole, embodies features (i.e., systems and facilities) that adequately support the guarantor's practical ability to fulfill its obligations under the guarantee within five business days of the primary obligation's due date. If investors are required to take collection action in order to receive payment, the obligor's failure to have funds available for collection within five business days of the obligation's due date will also be considered a default. 7. Given the fundamental differences between short- and long-term expectations in credit markets, we would not impute a five-business day grace period to a short-term obligation that does not have a stated grace period. Accordingly, 'D' and 'SD' short-term ratings apply to issues and issuers if payment is not made on the date due for short-term obligations, unless we believe that payment will be made within the grace period. However, consistent with our approach on long-term ratings, a rating of 'D' or 'SD' would apply even if a short-term obligation has a grace period longer than five business days and we expect payment to be made more than five business days after the due date but before the expiration of the grace period. APPENDIX Excerpts From Standard & Poor's Rating Definitions ISSUE CREDIT RATING DEFINITIONS 8. A Standard & Poor's 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 Standard & Poor's view of the obligor's capacity and willingness to meet its financial commitments as they come due, and may assess terms, such as collateral security and subordination, which could affect ultimate payment in the event of default. 9. Issue credit ratings can be either long-term or short-term. Short-term ratings are generally assigned to those obligations considered short-term in the relevant market. For example, in the U.S., that means obligations with an original maturity of no more than 365 days—including commercial paper. Short-term ratings are also used to indicate the creditworthiness of an obligor with respect to put features on long-term obligations. The result is a dual rating, in which the short-term rating addresses the put feature, in addition to the usual long-term rating. Medium-term notes are assigned long-term ratings. Long-Term Issue Credit Ratings * * * * * 10. D:An obligation rated 'D' is in payment default. The 'D' rating category is used when payments on an obligation, including a regulatory capital instrument, are not made on the date due even if the applicable grace period has not expired, unless Standard & Poor's believes that such payments will be made during such grace period. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action if payments on an obligation are jeopardized. An obligation's rating is lowered to 'D' upon completion of a distressed exchange offer, whereby some or all of the issue is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par. * * * * * Short-Term Issue Credit Ratings 11. D:A short-term obligation rated 'D' is in payment default. The 'D' rating category is used when payments on an obligation, including a regulatory capital instrument, are not made on the date due even if the applicable grace period has not expired, unless Standard & Poor's believes that such payments will be made during such grace period. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized. * * * * * ISSUER CREDIT RATING DEFINITIONS 12. A Standard & Poor's issuer credit rating is a forward-looking opinion about an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. 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. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. 13. Counterparty credit ratings, ratings assigned under the Corporate Credit Rating Service (formerly called the Credit Assessment Service) and sovereign credit ratings are all forms of issuer credit ratings. 14. Issuer credit ratings can be either long-term or short-term. Short-term issuer credit ratings reflect the obligor's creditworthiness over a short-term time horizon. Long-Term Issuer Credit Ratings * * * * * 15. SD and D:An obligor rated 'SD' (selective default) or 'D' has failed to pay one or more of its financial obligations (rated or unrated) when it came due. A 'D' rating is assigned when Standard & Poor's 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 Standard & Poor's believes that the obligor has selectively defaulted on a specific issue or class of obligations, excluding those that qualify as regulatory capital, but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner. A selective default includes the completion of a distressed exchange offer, whereby one or more financial obligation is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par. * * * * * Short-Term Issuer Credit Ratings * * * * * 16. SD and D:An obligor rated 'SD' (selective default) or 'D' has failed to pay one or more of its financial obligations (rated or unrated) when it came due. A 'D' rating is assigned when Standard & Poor's 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 Standard & Poor's believes that the obligor has selectively defaulted on a specific issue or class of obligations, excluding those that qualify as regulatory capital, but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner. Please see Standard & Poor's issue credit ratings for a more detailed description of the effects of a default on specific issues or classes of obligations RELATED CRITERIA AND RESEARCH Principles Of Corporate And Government Ratings, June 26, 2007 Principles-Based Rating Methodology For Global Structured Finance Securities, May 29, 2007. Rating Sovereign-Guaranteed Debt, April 6, 2009 European Legal Criteria for Structured Finance Transactions, August 28, 2008 Overview Of Legal Criteria for U.S. Structured Finance Transactions, October 1, 2006 Guide To Legal Issues In Rating Australian Securitization, March 1, 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.