Article Title: ARCHIVE | Criteria | Governments | Sovereigns: Monetary Authorities Rating Methodology Data: (EDITOR'S NOTE: — This criteria article is no longer current. It has been superseded by "Monetary Authorities Rating Methodology," published Sept. 11, 2013.) 1. Standard & Poor's Ratings Services is updating its methodology for rating monetary authorities, primarily central banks. The main goal of these criteria is to enhance the clarity of our methodology. 2. We base these criteria ("criteria" and "methodology" are used interchangeably herein) on the article "Principles Of Credit Ratings," which we published on Feb. 16, 2011. SCOPE OF THE CRITERIA 3. This methodology applies to monetary authorities, including central banks of monetary and currency unions. IMPACT ON OUTSTANDING RATINGS 4. We do not expect any change to existing ratings on monetary authorities as a result of this revised methodology. EFFECTIVE DATE AND TRANSITION 5. These criteria are effective immediately for all new and outstanding ratings on monetary authorities. METHODOLOGY 6. Monetary authorities are unique among rated institutions in that they provide liquidity to all economic sectors. Their primary responsibilities include conducting monetary policy, which is one of the five key analytical areas determining Standard & Poor's sovereign ratings (see "Sovereign Government Rating Methodology And Assumptions," published June 30, 2011, on RatingsDirect on the Global Credit Portal). They also generally serve as lender-of-last-resort to a given financial system, which is critical to a country's wellbeing, and potentially an influence on several factors we take into account when rating sovereigns. 7. The ratings on monetary authorities outside of monetary and currency unions are at the same level as their respective sovereign because we consider that they are analytically inseparable from one another. 8. We apply a different approach in rating monetary authorities of monetary and currency unions, such as the European Central Bank, and the central banks of the Central African Economic and Monetary Community, West African Economic and Monetary Union, and the Eastern Caribbean Currency Union. These institutions generally have a greater degree of independence from their sovereigns' creditworthiness, as they manage the monetary policy of several nations. 9. We rate these institutions based on our assessment of their monetary policy and flexibility, as defined in our sovereign rating methodology, and on the ratings on the members of the monetary or currency union. Under our sovereign rating methodology, the assessment of a monetary authority's policy and flexibility is based on three main factors: The flexibility of the monetary policy, which the exchange rate regime determines in part; The credibility of the monetary policy, as measured by inflation trends; and The effectiveness of mechanisms for transmitting the effect of monetary policy decisions to the real economy, which is largely a function of the depth and diversification of the financial system and capital markets. 10. The ratings on sovereign members in a monetary or currency union will ultimately influence the factors underpinning the monetary authority's monetary flexibility and credibility. These factors include, for instance, the use of its currency as a reserve currency. 11. If a single nation dominates the monetary union, (for instance, accounting for more than 50% of the union's GDP), we rate the monetary authority at the same level as the relevant sovereign. 12. For monetary authorities of unions with no dominant sovereign member, we determine ratings based on the combination of their monetary flexibility and the average rating on the sovereign members of the union, weighted by their respective shares in the monetary union's GDP. 13. We factor between zero and four notches of uplift from the weighted average rating of the sovereign members of a monetary or currency union into the rating on the monetary authority. For sovereigns that are not rated, Standard & Poor's will use its own confidential credit estimates to assess their credit quality. The number of notches of uplift hinges on the monetary score we assign to the monetary authority. These scores range from '1' to '6', with the greatest uplift applied to those monetary authorities with a score of '1' and the least to those with a score of '6' (see table). 14. Within the scoring categories in the table, we determine the number of notches of uplift based on our view of the most creditworthy sovereign members' ability and willingness to take action to support confidence in the union's currency, and the monetary authority's balance sheet. 15. We may factor in uplift in excess of four notches in some cases, in application of our criteria for rating government-related entities (see "Rating Government-Related Entities: Methodology And Assumptions," published Dec. 9, 2010,). This could occur in instances where we believe that the monetary authority would likely benefit from extraordinary external support from a third party (such as another monetary authority), if needed. Determining The Rating Of The Monetary Authority Of A Monetary Or Currency Union MONETARY SCORE FOR THE MONETARY AUTHORITY* RATING ON

THE MONETARY AUTHORITY OF A MONETARY AND CURRENCY UNION 1 Up to 4 notches uplift above the weighted average rating of the sovereign members§ 2 Up to 3 notches uplift above the weighted average rating of the sovereign members 3 and 4 Up to 2 notches uplift above the weighted average rating of the sovereign members 5 Up to 1 notch uplift above the weighted average rating of the sovereign members 6 Equivalent to the weighted average rating of the sovereign members *Initial monetary score as defined in tables 9 A, B, and C in "Sovereign Government Rating Methodology And Assumptions," published June 30, 2011. §Weighted by share in the monetary union's GDP. For sovereigns that aren't rated, Standard & Poor's will use its own confidential credit estimates to assess their credit quality. RELATED RESEARCH AND CRITERIA Sovereign Government Rating Methodology And Assumptions, June 30, 2011 Principles Of Credit Ratings, Feb. 16, 2011 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.