

Article Title: ARCHIVE | Criteria | Corporates | General: Advance Notice Of Proposed Criteria Change: Assigning "High" Equity Content To Corporate Hybrid Capital Instruments Data: (EDITOR'S NOTE: — Standard & Poor's published the request for comment titled, "Assigning 'High' Equity Content To Corporate Hybrid Capital Instruments," on Nov. 14, 2012. This advance notice of proposed criteria change is no longer current.) Standard & Poor's Ratings Services is reviewing the assumptions and methodologies it uses to determine the equity content of certain corporate hybrid capital instruments, i.e., the degree to which these instruments are included in our measures of capital for issuers, especially those classified as having "high" equity content. The criteria that we are reviewing are the references to high equity content in: "Hybrid Capital Handbook: September 2008 Edition," published on Sept. 15, 2008, on RatingsDirect on the Global Credit Portal, "Criteria Clarification On Hybrid Capital Step-Ups, Call Options, And Replacement Provisions," published on Oct. 22, 2012, and "Unregulated Issuers' Hybrid Instruments: Rating Methodology And Assessment Of Equity Content," published on March 17, 2011. The review will apply to hybrid capital instruments issued globally by corporate entities and by North American insurance holding companies, except for leveraged buyout companies (LBOs). The review will not affect the criteria for assessing equity content for hybrid capital instruments issued by banks or by insurance companies that are subject to prudential regulation. Our review will consider the methodology and assumptions we use to assign "high" equity content to hybrid capital instruments with a focus on the permanence of these instruments. We intend to examine in particular the extent to which incentives for early repayment exist for the issuer if we reclassify the equity content to "minimal" from "high" under our existing criteria (i.e., changing the treatment of the instrument in our capital measures), even when there is no other economic incentive to redeem. In particular, the review will consider whether a reclassification of the equity content early in the life of the instrument creates such an incentive to redeem as to put into question the permanence of the instrument and therefore its initial "high" equity content classification. The review will look at instruments with a stated or effective maturity and those with early call options that are not conditional to external events. The scope of this review excludes all instruments achieving "high" equity content by virtue of mandatory conversion features, or because of ownership of the instrument by a government or a group entity. We classify the equity content of hybrid capital instruments in one of three categories, "high," "intermediate," or "minimal" (see our "Hybrid Capital Handbook: September 2008 Edition" for more details). For corporates, we treat "high" and "intermediate" equity content instruments as equivalent to 100% and 50% equity, respectively, in our calculation of credit metrics. For all issuers, instruments receiving "minimal" equity content are treated entirely as debt in calculating the metrics. This review could lead to a revision of equity content for some existing instruments from "high" to either "intermediate" or "minimal" equity content. The effect that any potential revisions could have on issuer credit ratings (ICRs), if any, will depend on the final criteria we adopt. The final criteria will take account of market feedback as appropriate. We are not reviewing our criteria for assigning issue ratings to hybrid capital instruments. We do not expect the potential change in equity content criteria to lead to any changes in the notching of issue ratings relative to long-term ICRs. An issue rating may, however, change in line with the long-term ICR on an issuer, in accordance with our existing criteria for assigning issue ratings. We expect to publish a Request for Comment outlining our proposed criteria change in November 2012, seeking market feedback. Subsequently, we will publish our final criteria. RELATED CRITERIA AND RESEARCH Criteria Clarification On Hybrid Capital Step-Ups, Call Options, And Replacement Provisions, Oct. 22, 2012 Standard & Poor's Ratings Definitions, June 22, 2012 Unregulated Issuers' Hybrid Instruments: Rating Methodology And Assessment Of Equity Content, March 17, 2011 Principles Of Credit Ratings, Feb. 16, 2011 Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008 General: 2008 Corporate Criteria: Rating Each Issue, April 15, 2008 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. And watch the related CreditMatters TV segment titled, "Comments Requested On Proposed Revisions To Standard & Poor's Corporate Hybrid Capital Criteria," dated Nov. 19, 2012.