Article Title: ARCHIVE | General Criteria: Criteria Update: Commodity- And Equity-Linked Notes Data: (EDITOR'S NOTE: — We originally published this criteria article on Dec. 10, 2009. We are republishing this article following our periodic review completed on July 25, 2013. This criteria article is no longer current. It has been superseded by the article titled, "Principles For Rating Debt Issues Based On Imputed Promises," published Oct. 24, 2013.) 1. Standard & Poor's Ratings Services will no longer rate obligations with variable principal payments linked to commodity prices, equity prices, or indices linked to either commodity or equity prices. Such obligations are among the class of obligations sometimes called market-linked notes or MLNs. 2. This article relates to both "Principles-Based Rating Methodology For Global Structured Finance Securities," which we published on May 29, 2007, and "Principles Of Corporate And Government Ratings," which we published on June 26, 2007. Scope Of The Criteria 3. This criteria applies to obligations with variable principal payments linked to commodity prices, equity prices, or indices based on either commodity prices or equity prices. It does not apply to obligations where interest payments are linked to equity or commodity prices or indices linked to either, provided the principal is fixed or is variable based only on debt prices or indices. In addition, it does not apply to obligations where, although principal is equity- or commodity-linked, the return of the original principal amount is guaranteed by the issuer. Summary Of Criteria Update 4. Standard & Poor's will no longer rate obligations with variable principal payments linked to commodity prices, equity prices, or indices linked to either commodity or equity prices. Impact On Outstanding Ratings 5. We intend to start withdrawing outstanding ratings on March 31, 2010, and to continue withdrawing ratings as quickly as practical thereafter. Effective Date 6. This criteria is effective immediately. Rationale 7. Standard & Poor's historically rated equity- or commodity-linked notes based on our assessment of the likelihood that principal would be paid according to the terms of the instrument, even though principal payments were variable based on the performance of the linked equities or commodities. Accordingly, the obligations' credit ratings reflected our opinion of the creditworthiness of the issuer, but not the potential market risk present in the terms of many of these instruments; the credit rating reflected our view of the likelihood of payment by the issuer according to the terms. 8. In "Credit Policy Update: Rating Market-Linked Notes" (published March 31, 2005), we reminded market participants that instruments with similar tenors and identical ratings could have different overall risk profiles because their non-credit risks may vary significantly. Subsequently, in May 2008, we issued a Request for Comment seeking feedback on how best to enhance transparency regarding the difference between the credit and market risks in MLNs, and the specific scope of the credit risks that our MLN issuer credit ratings address. See "Request for Comment: Framework For Rating Notes Linked To Non-Interest-Rate References" (published May 23, 2008). In the Request for Comment we stated: We are reviewing our practice of rating MLNs "to terms" due to the increasing complexity and growing volume of issuance of these type of notes issued as general obligations of financial institutions. We reinforce our message that issue credit ratings on financial institutions' general obligations do not reflect the market risk embedded in the terms. The severe turbulence in global debt markets since the summer of 2007 draws even greater attention to demands for clarity in disclosure, including for credit ratings. We are reviewing ways to enhance the transparency of issue credit ratings particularly investment guidelines that refer to credit ratings. For example, a rated market-linked general obligation note that was in substance an equity derivative could be misclassified as debt because it carried a credit rating. 9. With today's decision to stop rating obligations with principal payments linked to equities, commodities or indices linked to either, we are highlighting the primarily noncredit nature of such structures. 10. Note that we are not discontinuing our issuer credit ratings (ICRs) for entities that issue obligations with variable principal payments linked to equity prices, commodity prices, or indices based on equity or commodity prices. Accordingly, investors in such obligations can continue to know our view of the issuing entity's ability to honor the terms of such an obligation by looking to the ICR of the issuer. Related Research Credit Policy Update: Rating Market-Linked Notes (published March 31, 2005) Request for Comment: Framework For Rating Notes Linked To Non-Interest-Rate References (published May 23, 2008) 11. 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 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.