Article Title: ARCHIVE | General Criteria: Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers Data: (EDITOR'S NOTE: — \lang2057 This article has been superseded by "Methodology For Linking Long-Term And Short-Term Ratings," published April 7, 2017.) 1. These criteria expand Standard & Poor's Ratings Services' methodology for linking short-term and long-term ratings on corporate and sovereign issuers to include insurance issuers. Other criteria apply for assigning short-term ratings in other sectors. This article is related to our criteria article, "Principles Of Credit Ratings," published on Feb. 16, 2011. SCOPE OF THE CRITERIA 2. This methodology applies to short-term issuer and issue credit ratings on nonfinancial corporates, sovereigns, and insurers. The criteria do not apply to: Project finance ratings, because they have contractual cash management protections in place; Captive finance companies; and Mortgage insurers. 3. This methodology also applies to government-related entities (GREs) where the rating is equalized with that on a sovereign government regardless of their sectors of operations; and to all GREs that operate in the corporate and insurance sectors. SUMMARY OF THE CRITERIA 4. The methodology establishes a linkage between short- and long-term ratings. Corporates and insurers 5. For corporates and insurers, the linkage is through the use of liquidity descriptors. Liquidity descriptors for different sectors are described in the following articles: For corporate issuers: "Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers," published on Dec. 16, 2014, For insurers: "Insurers: Rating Methodology," published on May 7, 2013, and For bond insurers: "Bond Insurance Rating Methodology And Assumptions," published on Aug. 25, 2011. Sovereigns 6. The methodology also clarifies the link between short- and long-term sovereign credit ratings. For a sovereign, the short-term rating is derived solely from the long-term rating on the issuer. 7. Short-term ratings are generally assigned to those obligations considered short-term in the relevant market. In the U.S., for example, that means obligations with an original maturity of no more than 365 days--including commercial paper. This paragraph has been deleted. 9. This paragraph has been deleted. METHODOLOGY Corporate And Insurance Ratings 10. Liquidity is an important component of financial risk across the entire rating spectrum. Unlike most other rating factors within an issuer's risk profile, a lack of liquidity could precipitate the default of an otherwise healthy entity. 11. As an independent characteristic of a company, liquidity is measured on an absolute basis and largely factored into long-term ratings. For a corporate entity or an insurer, the short-term rating depends on both the evaluation of liquidity and the issuer's long-term rating (see table 1). For example, an issuer with an 'A-' long-term issuer credit rating is assigned an 'A-1' short-term rating if its liquidity is "exceptional." Otherwise the short-term rating is 'A-2'. Short-term issue ratings (for example, commercial paper program ratings) are not notched up or down for contractual or structural subordination, nor for recovery prospects. Sovereign Ratings 12. For sovereigns, the analysis of the liquidity profile is part of a long-term rating determination. Specifically, we analyze the country's balance of payments and the cost of external financing, the sovereign's own domestic funding profile, and the potential benefits deriving from the status of the sovereign's currency in international transactions and monetary flexibility (see "Sovereign Rating Methodology," published on Dec. 23, 2014). Since liquidity aspects are already factored in the long-term sovereign rating, the short-term sovereign rating is derived solely by combining the long-term rating and the "strong or adequate liquidity" column in table 1. Table 1 Short-Term/Long-Term Ratings Linkage For Corporate, Insurance, And Sovereign Issuers LONG-TERM RATING EXCEPTIONAL LIQUIDITY STRONG OR ADEQUATE LIQUIDITY* LESS-THAN-ADEQUATE LIQUIDITY WEAK LIQUIDITY AAA A-1+ A-1+ N/A N/A AA+/AA/AA- A-1+ A-1+ N/A N/A A+ A-1+ A-1 N/A N/A A A-1 A-1 N/A N/A A- A-1 A-2 N/A N/A BBB+ A-2 A-2 N/A N/A BBB A-2 A-2 N/A N/A BBB- A-3 A-3 N/A N/A BB+ A-3 B B N/A BB/BB-/B+/B B B B N/A B- B B B B CCC+ and below C C C C SD/D D D D D *For sovereign issuers, only this column is used to produce the short-term rating. N/A--Not applicable. Group Ratings 13. In assigning short-term ratings to a member of a group, we assess the potential for extraordinary liquidity support from group affiliates. If we assess the member's group status as "highly strategic" or "core," the group's liquidity assessment is used. If not, we may base it on the group liquidity descriptor or a descriptor based on the entity's SACP as follows: For an entity rated investment-grade and assessed as "strategically important" to its group, the liquidity assessment is the higher of "adequate" or the issuer's liquidity descriptor based on its stand-alone credit profile (SACP). For an entity rated speculative grade and assessed as "strategically important" to its group, the liquidity assessment is the higher of the group's liquidity descriptor or the issuer's liquidity descriptor based on its SACP. For an entity assessed as "moderately strategic" or "nonstrategic" to its group, the issuer's liquidity descriptor is based on its SACP. 14. For an entity with a speculative-grade SACP to be rated investment-grade on its short-term or long-term obligations based on group support, the entity's liquidity descriptor must be at least "adequate" including the potential for extraordinary support. Government-Related Entities 15. In assigning short-term ratings for GREs operating in the corporate and insurance sectors, the liquidity assessment includes the potential for extraordinary liquidity support from the government. 16. As is the case with group support, for a GRE with a speculative-grade SACP to be rated investment-grade on its short-term or long-term obligations, the entity's liquidity descriptor must be at least "adequate" when including the potential for extraordinary support. As a result, for investment-grade ratings, the issuer's liquidity descriptor is the higher of "adequate" liquidity or the issuer's liquidity descriptor based on its SACP. 17. For entities rated from 'B' to 'BB+', the issuer's liquidity descriptor is the higher of "less than adequate" liquidity or the issuer's liquidity descriptor based on its SACP. 18. When a long-term rating on a GRE is equalized with that of its related government, the short-term rating on the GRE is also equalized with the short-term rating on the government. Other Nonsovereigns 19. Regardless of our liquidity assessment, ratings on a nonsovereign can be higher than those on the sovereign if that entity meets the criteria for ratings above the sovereign (see "Methodology: Criteria For Determining Transfer And Convertibility Assessments," published May 18, 2009, and "Ratings Above The Sovereign: Corporate And Government Ratings--Methodology And Assumptions," published on Nov. 19, 2013). 20. For an issue, issuer, or short-term program of issues that benefits from a guarantee that meets the necessary conditions for credit substitution under Standard & Poor's criteria, the guarantor's short-term rating is used. Summary Of Historical Changes To This Article These criteria became effective on the date of publication. We republished this article following our periodic review completed on Feb. 24, 2016. As a result of our review, we updated contact information and criteria references and deleted outdated sections that previously appeared in paragraphs 8-9 related to the initial publication of the criteria, and which were no longer relevant. Sectors that now fall in the scope of this criteria since its original publication include: Transportation equipment leasing and car rental companies following publication of "Key Credit Factors For The Operating Leasing Industry," published on Dec. 14, 2016. RELATED CRITERIA AND RESEARCH Rating Government-Related Entities: Methodology And Assumptions. March 25, 2015 Sovereign Rating Methodology, Dec. 23, 2014 Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014 Corporate Methodology, Nov. 19, 2013 Ratings Above The Sovereign: Corporate And Government Ratings--Methodology And Assumptions, Nov. 19, 2013 Insurers: Rating Methodology, May 7, 2013 Bond Insurance Rating Methodology And Assumptions: Aug. 25, 2011 Principles Of Credit Ratings, Feb. 16, 2011 Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009 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.