Article Title: ARCHIVE | General Criteria: Global Counterparty And Supporting Obligations Framework For Classifying Currencies Data: (EDITOR'S NOTE: — This criteria article is no longer current. It has been superseded by "Counterparty Risk Framework Methodology And Assumptions," published on Nov. 29, 2012. This criteria article supersedes paragraph 82 of "Counterparty And Supporting Obligations Methodology And Assumptions," published Dec. 6, 2010. It also references "Counterparty And Supporting Obligations Update," published Jan. 13, 2011.) 1. Standard & Poor's Ratings Services is updating its criteria for counterparty and supporting obligations by providing a framework for classifying currencies and determining the volatility buffers for derivative obligations. This update addresses the counterparty risk principles described in "Principles Of Credit Ratings," published on Feb. 16, 2011. I. SCOPE OF THE CRITERIA 2. These criteria apply to all new and existing structured finance securities, certain U.S. public finance securities, and to financial counterparties in corporate and government issues possessing structured finance characteristics. Examples of corporate and government issues that these criteria apply to include equipment trust certificates, project finance transactions, insurance catastrophe bonds, and structured energy transactions (including gas prepay financings) globally. The scope will further include covered bonds, once the final criteria for counterparty risk are published (see "Request For Comment: Covered Bonds Counterparty and Supporting Obligations Methodology And Assumptions," published March 23, 2011). II. SUMMARY OF CRITERIA UPDATE 3. These criteria supersede paragraph 82 of "Counterparty And Supporting Obligations Methodology And Assumptions," published Dec. 6, 2010. These criteria also reference "Counterparty And Supporting Obligations Update," published Jan. 13, 2011. These criteria: Provide a framework to classify currencies eligible for derivative obligations into one of four risk groups (1-4, with 1 being the least risky and 4 being the most risky); Provide volatility buffers for Groups 1, 2, and 3 currencies, and limit the security rating to one notch above the issuer credit rating (ICR) on the counterparty for Group 4 currencies; May assign currencies to different groups for single-currency and cross-currency swaps; Update the list of currencies from paragraph 82 of "Counterparty And Supporting Obligations Methodology And Assumptions," published Dec. 6, 2010, to include the Hong Kong dollar, Korean won, Mexican peso, New Taiwan dollar, New Zealand dollar, Russian ruble, Singapore dollar, and South African rand. See table 3 for the specific risk group for each currency. III. IMPACT ON OUTSTANDING RATINGS 4. Because of this update, securities with derivatives denominated in currencies not listed in "Counterparty And Supporting Obligations Methodology And Assumptions" could have a rating that is higher than the ICR on the counterparty plus one notch, depending on the classification of the currency. 5. Following this update, we will maintain the ratings on the affected securities on CreditWatch for an additional six months in order to apply the criteria and account for any changes to the transaction structure. This criteria update may affect the ratings on 25 securities in the Asia-Pacific region and on two securities in the Europe, Middle East, and Africa region. IV. EFFECTIVE DATE AND TRANSITION 6. These criteria are effective immediately for all new and outstanding ratings covered by the scope of the criteria herein. V. METHODOLOGY 7. These criteria provide a framework for classifying currencies based on (i) the sovereign's foreign currency rating, (ii) the political risk of that country, and (iii) data analysis and an analysis of historical events. The framework consists of four risk groups ranging from 1 to 4: Group 1 is the least risky and Group 4 is the most risky. The group classification determines the maximum potential rating on the supported security and the volatility buffers, where applicable. Table 1 summarizes the framework. Table 1 Analytical Factors By Risk Groups ANALYTICAL FACTORS GROUP 1 GROUP 2 GROUP 3 GROUP 4 Sovereign foreign currency rating (see paragraphs 14, 15) AAA and AA category A category BBB category BB+ or below Political risk ranking (see paragraphs 16, 17) Strongest <----------> Weakest Data analysis and historical events (see paragraphs 18, 19) Satisfactory Satisfactory Satisfactory Not satisfactory Volatility buffers (see table 2) Group 1 Group 2 Group 3 Not applicable Maximum potential rating (see table 1 of "Counterparty And Supporting Obligations Methodology And Assumptions," published Dec. 6, 2010) AAA AAA AAA Counterparty's ICR + 1 notch 8. The applicable volatility buffers vary for each group and are provided in table 2. For Group 1 currencies, the applicable volatility buffers are those shown in "Counterparty And Supporting Obligations Update," published Jan. 13, 2011. 9. For Group 2 currencies, the applicable volatility buffers are 1.5x the Group 1 levels. Derivatives in these currencies would be more difficult to replace than derivatives in Group 1

currencies, warranting higher volatility buffers. Moreover, historical data analysis for Group 2 currencies typically shows greater fluctuation in interest rates or exchange rates, and a more illiquid derivatives market than Group 1 currencies. For Group 3 currencies, the volatility buffers are 2.0x the Group 1 levels. For these, a swap replacement would be even more unlikely to occur. Group 4 currencies are the riskiest therefore the rating on the supported security would be no higher than one notch above the ICR on the counterparty. Table 2 Volatility Buffer By Risk Group (Percent Of Notional) INTEREST RATE SWAPS (%) CROSS CURRENCY SWAPS (%) SWAP TENOR – LEGAL FINAL (YEARS) FIXED TO FLOATING FLOATING TO FLOATING FIXED TO FLOATING FIXED TO FIXED FLOATING TO FLOATING GROUP 1 VOLATILITY BUFFERS (JAN. 13, 2011 PUBLICATION) Less than or equal to 3 8.5 4 10 20 5 Greater than 3 and less than or equal to 5 12.5 5 15 30 8 Greater than 5 and less than or equal to 10 15 6 18 36 9 Greater than 10 and less than or equal to 15 18 7 22 44 11 Greater than 15 21 8 25 50 13 GROUP 2 VOLATILITY BUFFERS Less than or equal to 3 13 6 15 30 8 Greater than 3 and less than or equal to 5 19 8 23 45 12 Greater than 5 and less than or equal to 10 23 9 27 54 14 Greater than 10 and less than or equal to 15 27 11 33 66 17 Greater than 15 32 12 38 75 20 GROUP 3 VOLATILITY BUFFERS Less than or equal to 3 17 8 20 40 10 Greater than 3 and less than or equal to 5 25 10 30 60 16 Greater than 5 and less than or equal to 10 30 12 36 72 18 Greater than 10 and less than or equal to 15 36 14 44 88 22 Greater than 15 42 16 50 100 26 VI. ANALYTICAL FACTORS 10. As described in paragraph 7, these criteria classify the currencies based on the following analytical factors in the order shown: Sovereign risk; Political risk; and Data analysis and historical events. 11. The sovereign risk, measured by the foreign currency rating, is the primary constraint. Each subsequent constraint can only move the currency into a riskier group. It cannot move the currency into a less-risky group. For example, the currency for an 'A' rated sovereign would fall into Group 2. Political risk may cause it to be in Group 3, but it cannot get into Group 1. 12. Overall, the assessment of sovereign and political risk is more important to the analysis than historical data analysis. However, the lack of robust data or historically volatile behavior can push the currency to a riskier group. In other words, data analysis and historical events can serve as knockout factors. 13. Sovereign creditworthiness and political stress may lead to volatility in the financial markets of that jurisdiction. Such circumstances may make it more difficult to find a replacement counterparty because counterparties may be reluctant to take on more financial obligations in times of uncertainty. As such, historical data may have little value in such a case. A. Sovereign risk 14. Sovereign risk is the first and most important analytical factor when assigning a currency to a risk group. These criteria use the sovereign foreign currency rating on the jurisdiction of the currency to assess sovereign risk. 15. These criteria consider sovereign risk because the factors that influence sovereign creditworthiness are likely to affect the derivatives market by having an impact on market confidence and the willingness of counterparties to do business in that jurisdiction. The key economic and political risks that Standard & Poor's considers when rating sovereign debt are detailed in "Sovereign Credit Ratings: A Primer," published May 29, 2008 (herein, sovereign criteria) and "Request for Comment: Sovereign Government Rating Methodology and Assumptions," published Nov. 26, 2010. B. Political risk 16. Political risk is the second analytical factor when assigning a currency to a risk group. Political risk is a component of Standard & Poor's sovereign ratings analysis and measures the effectiveness of a government's institutions to respond to economic or political shocks, and to stabilize the sovereign's credit fundamentals during a downturn. These criteria consider political risk separately since other factors, like fiscal risk and external exposure, may lead to a higher sovereign rating than the political risk analysis might suggest. The ability to replace a counterparty may be negatively affected if counterparties decide to withdraw from a market due to an unstable political environment. 17. These criteria use the political risk ranking scale in Standard & Poor's sovereign criteria (see "Sovereign Credit Ratings: A Primer," published May 29, 2008) and "Request for Comment: Sovereign Government Rating Methodology and Assumptions," published Nov. 26, 2010. The jurisdiction of a Group 1 currency has a stronger political risk ranking than a Group 4 currency. C. Data analysis and historical events 18. The analysis of data and historical events is the third analytical factor when assigning a currency to a risk group. These criteria consider data analysis satisfactory if there are sufficient relevant data reflecting performance through economic market downturns and financial market shocks. Relevant data may include government security prices, swap bid/ask spreads, interest rates, exchange rates, and

derivative trading volumes. Lessons learned from specific markets help guide the analysis of similar markets. If the data are sufficiently robust and the analysis is satisfactory, the data analysis would not be a knockout factor and the criteria apply the volatility buffers from the appropriate group. 19. These criteria consider the nature of the derivatives, such as single currency and cross-currency swaps. Consequently, these criteria may classify a currency into two groups. For example, a currency may be classified as a lower-risk group for single-currency swaps, such as interest rate swaps, and as a higher risk group for cross-currency swaps. VII. LIST OF CURRENCIES 20. Table 3 lists the classification of the currencies in paragraph 82 of "Counterparty And Supporting Obligations Methodology And Assumptions," published Dec. 6, 2010, and the following currencies: Hong Kong dollar, Korean won, Mexican peso, New Taiwan dollar, New Zealand dollar, Russian ruble, Singapore dollar, and South African rand. These criteria apply to all currencies, not just those listed, and the currency risk groups may change over time as the relevant analytical factors change. 21. Currently, these criteria classify the Euro in Group 1. Countries that use the Euro as their official currency are qualified under the monetary union due to the supportive arrangements of the European Union (EU). Although there may be differences in sovereign credit and political profile, a majority of countries included in the EU have strong sovereign ratings and strong political profiles. Table 3 Currencies By Risk Groups CURRENCY SINGLE-CURRENCY SWAP CROSS-CURRENCY SWAP U.S. dollar 1 1 Euro 1 1 Japanese Yen 1 1 British Pound 1 1 Canadian dollar 1 1 Australian dollar 1 1 Danish krone 1 1 Norwegian krone 1 1 Swedish krona 1 1 Swiss Franc 1 1 New Zealand dollar* 1 1 Singapore dollar* 1 1 Hong Kong dollar* 2 2 New Taiwan dollar* 2 2 Korean Won* 3 3 Mexican peso* 3 4 South African rand* 3 4 Russian ruble* 4 4 *Denotes currency not listed in "Counterparty And Supporting Obligations Methodology And Assumptions," published Dec. 6, 2010. RELATED CRITERIA AND RESEARCH Request For Comment: Covered Bonds Counterparty and Supporting Obligations Methodology And Assumptions, published March 23, 2011. Principles of Credit Ratings, published Feb. 16, 2011. Counterparty And Supporting Obligations Update, published Jan. 13, 2011. Advance Notice of Proposed Criteria Change: Covered Bonds Methodology And Assumptions For Counterparty Risk, published Jan. 13, 2011. Counterparty And Supporting Obligations Methodology And Assumptions, published Dec. 6, 2010. 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.