Article Title: ARCHIVE | General Criteria: Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions Data: (EDITOR'S NOTE: —This criteria is no longer current. It has been superseded by the article titled, "Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions," published June 14, 2011.) 1. Standard & Poor's Ratings Services is publishing its methodology for rating nonsovereign issuers and structured finance transactions, including covered bonds, above the related sovereign in the 17-member European Monetary Union (EMU). 2. These criteria aim to provide additional clarity on how we determine our ratings on issuers and transactions in the EMU that are above the sovereign credit rating on the country where, for issuers, the country of domicile or jurisdiction is where the company is legally incorporated, and for transactions, most assets are located. 3. These criteria complement the articles listed in "Related Criteria And Research" at the end of this article. 4. We base these criteria on "Principles Of Credit Ratings," published Feb. 16, 2011. SCOPE OF THE CRITERIA 5. These criteria apply to all EMU-based nonsovereign issuers, and EMU-originated structured finance transactions and covered bonds that we rate above the related sovereign in the EMU. 6. In these criteria, rating refers to the issuer credit rating, if not otherwise qualified. When we refer to issuers, transactions, and covered bonds, these are within the EMU, if not otherwise qualified. SUMMARY 7. The criteria aim to help market participants better understand our approach to rating nonsovereign issuers and structured finance transactions, including covered bonds, above the related sovereign in the EMU. We also cover the following aspects. 8. The criteria outline the conditions under which we rate issuers or transactions in the EMU up to six notches above the sovereign rating. 9. The most common instances where our ratings on issuers and transactions can be higher than on the related sovereign are for: Guaranteed obligations and issuers, and corporate issuers with foreign parents, affiliates, or governments that we consider to be strong and supportive. Most structured finance asset classes, except structured finance transactions backed by sovereign or public-sector assets. Corporate issuers that we do not consider as government-related entities (GREs) under our GRE criteria that operate in sectors of activity that we consider to be resilient to country risks, and non-GRE corporates, financial institutions, and insurers that post global operations with under 10% exposure to the jurisdiction. 10. The following issuers and transactions are least likely to be rated above the sovereign: Issuers we consider to be GREs; Local and regional governments (LRGs); Domestic banks and insurers; Corporates in sectors we believe have low resilience to country risks; and Structured finance transactions backed by sovereign or public-sector assets. 11. These criteria allow a wider rating differential between sovereigns and nonsovereign issuers and transactions in the EMU than is typical in other jurisdictions. This is because we believe that the credit risks of operating or investing in an EMU member, or country risks, are less closely correlated to sovereign creditworthiness than is the case in other regions. We believe that EMU-based issuers or EMU-originated transactions benefit directly or indirectly from a specific combination of factors in the region that mitigate country risks, including overall economic prosperity and increasing integration; lesser foreign exchange risk than outside the EMU; and a supportive institutional framework resulting from EU treaties, laws, regulations, and shared institutions. 12. These criteria do not change in any way our methodology to determine our view of the underlying creditworthiness of the issuer or transaction, which incorporates exposure to country risks (into our business and financial profiles, for corporates, financial institutions and insurers) and analysis of various risk scenarios. Underlying creditworthiness permitting, we base our maximum rating differential of up to six notches on two factors: 13. We take into account the issuer or transaction's exposure to the EMU jurisdictions, which we determine as follows: First, we calculate the proportion derived from the jurisdiction of domicile of revenues for corporates, exchanges, clearing houses, and asset managers; assets for other financial institutions; policyholder liabilities or investments, whichever is higher, for insurers; and for transactions, we determine the proportions of assets invested in the various jurisdictions where they are located; and Second, we assess the degree of country risk sensitivity of the issuer or transaction's sector of activity. 14. We factor in the level of the sovereign rating. IMPACT ON OUTSTANDING RATINGS 15. We expect modest rating changes as a result of the application of these criteria. Over time, we could lower our ratings on issuers or transactions in cases where we downgrade the related EMU sovereign. For structured finance and covered bond ratings in the nearer term, we expect a few rating actions to result from the application of these criteria, combined with our April 11, 2006, criteria ("Weighing Country Risk In Our Criteria for Asset Backed Securities"). For public sector covered bond programs that we classify as bearing "high" exposure, absent any mitigating factor, there may be rating actions on those programs with assets located in jurisdictions with an investment-grade sovereign rating, if the covered bond rating exceeds the sovereign rating by more than one notch. EFFECTIVE DATE AND TRANSITION 16. The criteria described in this article are effective immediately. We intend to complete our review of all issuers and transactions affected within the next three to six months. METHODOLOGY A. Six-Notch Maximum Rating Differential Between Nonsovereign Issuers And Structured Finance Transactions And The Related EMU Sovereign 17. To establish the maximum rating differential of up to six notches between issuers and transactions and the related EMU sovereign, we use the following approach (see chart below): First, we determine, for the issuer or transaction: 1) the proportion derived from the jurisdiction of domicile of revenues for corporates, exchanges, clearing houses, and asset managers; assets for financial institutions; policyholder liabilities or investments, whichever is higher, for insurers; and the proportion of assets invested in the various jurisdictions for transactions; and 2) the degree of country risk sensitivity for the issuer or the transaction's sector. We consider this sensitivity by sector to be the same across all EMU jurisdictions. Second, we assess the country risk exposure of the issuer or transaction by combining the two factors just above. Lastly, we establish the maximum rating differential based on the sovereign rating level and the issuer or transaction's country-risk exposure we derive in the second point. 18. In these criteria, we do not make a distinction between foreign and local currency issuer credit ratings and we refer to them as ratings, unless otherwise qualified. This is because we equalize the foreign and local currency ratings on all EMU domiciled entities. In the case of nonsovereigns, this is due to the fact that our Transfer & Convertibility (T&C;) risk assessments are 'AAA' for all EMU members and thus represent no rating constraint. For sovereigns, we equalize the ratings due to their membership in the EMU, and the related ceding of monetary authority to the European Central Bank (ECB). The T&C; risk assessment reflects our view of the extremely low likelihood that the ECB would restrict EMU members' access to foreign exchange needed for debt service. B. Why We Apply A Higher Maximum Rating Differential In The EMU Than In Other Regions 19. Globally, we may rate issuers and transactions above the sovereign of the jurisdiction in which they are incorporated or their assets are invested if we believe them capable of withstanding the relevant sovereign default scenarios. Such scenarios may involve, among other possibilities, protracted deflation or high inflation adversely affecting the economy, or an agreed and orderly rescheduling of sovereign debt that would result in less uncertainty and differing impacts on the economy and on nonsovereign credit quality. 20. We nevertheless typically consider that nonsovereign creditworthiness would come under significant stress because of the heightened credit risks associated with operating or investing in a country experiencing sovereign credit stress or default. These risks include, but are not limited to, the risk arising directly from sovereign contracts or legislation. A large number of risks are related to the overall economic, social, and financial environment. Therefore, the rating differential would be narrow under most circumstances. 21. In the EMU, we believe that a wider maximum rating differential compared with those in other regions is warranted because we consider that country risks are less closely aligned with the sovereign's creditworthiness than in other jurisdictions. In addition, T&C; risk, which we assess at 'AAA', is not a rating constraint. 22. Due to our view of the unique country risk considerations within the EMU, at this stage of the European (EU and EMU) integration process, we expect the combination of the following factors to support the credit quality of EMU-based nonsovereigns, even under sovereign stress or default: An economically prosperous and strongly inter-linked region and low currency risk, considering the monetary union and the euro's global status as a reserve currency, for transactions within the EMU, and moderate foreign exchange rate risk vis-à-vis other currencies. We believe that strong social stabilizers benefit, in particular, sectors close to consumers, including consumer products, retail, telecommunications, consumer loans, and mortgage loans. Deep and integrated euro-based capital markets and investor bases. A strong political and judicial framework, including low expropriation risk; EU-level remedies to breaches of common EU laws and regulations; and a low risk of sovereign credit quality significantly influencing insolvency regimes. A supportive framework and overall practices of governance, transparency, and accounting rules, mostly determined at EU level; and a strong payment culture in terms of both commercial and financial obligations. Continued EU funding support to specific projects for regional development, including transport infrastructure. 23. We believe the EMU is currently the only region where all of the above factors apply. We analyze exposure to non-EMU country risks, if any, according to our country risk criteria (see articles with an (*) in Related Criteria And Research). C. How We Determine The Maximum Differential Between Sovereign And Nonsovereign Ratings In The EMU 24. To determine the maximum rating differential between sovereign and nonsovereign ratings (other than for specific situations discussed in sections D and E and in paragraph 41) we first establish the level of exposure of the nonsovereign issuer or transaction to country risks (see table 1A for nonsovereign issuers and table 1B for structured finance transactions). 25. We consider that issuers and transactions are exposed to country risks to varying degrees. We assess this exposure as "low," "moderate," or "high." A "low" exposure to country risks for an issuer or transaction indicates, in our view, a low credit risk of operating, or being invested, in the country of domicile, even if the sovereign were to default. Conversely, a "high" exposure reflects a high additional risk for the issuer or transaction. C.1. How we determine EMU-based issuers' exposure to country risks 26. Using our matrix in table 1A below, we determine the degree of country risk exposure for nonsovereign issuers. To do this, we assess the degree of concentration of their revenues, policyholder liabilities, or assets in the country of domicile. We use these measures because we expect them to be widely publicly available and indicative of exposure. In specific cases we could use alternative measures, for example, capital employed for companies with sizable minority interests or nonconsolidated affiliates; or operating income for issuers whose operations post very diverse levels of capital intensity across jurisdictions. We evaluate this against the degree of sensitivity to country risk of the issuer's sector of activity. 27. To assess the concentration in the jurisdiction, we calibrate our four ranges (10%-19%, 20%-39%, 40%-69%, and 70% and above) to reflect the impact we expect a sovereign default would have on an issuer's credit quality (in sections D and E, we discuss situations where the revenue, asset, or policyholder-liability exposure is less than 10%, as well as where it reaches or exceeds 70%, specifically for banks and insurers). We expect a limited impact for exposures under 20%, a modest impact for exposures within 20%-39%, a significant impact for exposures within 40%-69%, and a severe impact for exposures of 70% or higher. In cases where an issuer carries significant exposures to two or more noninvestment-grade EMU sovereigns (that is, with issuer ratings of 'BB+' and below), we would sum the corresponding exposures. For financial institutions other than exchanges, clearing houses and asset managers, we classify entities' country risk exposure in three categories: Less than 10% exposure by assets; 10%-39% exposure by assets; and Exposure of 40% or more of its assets in the jurisdiction. 28. Our matrix in table 1A reflects our assessment of sensitivity to country risks for various domestic sectors. We have established three buckets by which we assess the degree of sensitivity: "high," "moderate," and "low". 29. When we analyze a sector's country risk sensitivity, the factors described in paragraph 22 in our view support nonsovereign credit quality in the EMU. We believe, however, that other factors continue to be influenced by sovereign credit quality: Regulatory risks, notably for industries that include tightly regulated operations. A central government under credit stress could, for example, pressure these industries in order to improve its fiscal balance or to strengthen the purchasing power of heavily-taxed consumers. Political, including fiscal, risks, such as: increasing or accelerating income or indirect taxes, slowing payment terms by public authorities, and rising social benefits and labor costs (which are already high in the EMU), especially for large employers. Macroeconomic risks, including deflationary pressures or developments adversely affecting asset prices, demand or price developments for products or services, or operating and capital costs. Risks linked to cost and availability of refinancing, and financial-asset price risk, including of government bonds. 30. Our classification of the sensitivity of an issuer's sector to country risk, based on our experience with sovereign stress and default scenarios, breaks down as follows. 31. We qualify as "high:" Insurers, because their assets tend to be dominated by domestic government debt and domestic bank deposits. To relieve resulting stress on insurers, some past sovereign defaults have led some governments to mandate changes in insurance contract terms (in turn prompting downgrades of affected insurers to 'D'/'R'). (Paragraph 43 addresses insurers with the highest exposures to the jurisdiction of domicile). Financial institutions, because they often hold domestic government debt, including for liquidity purposes, and because their businesses are affected by domestic economic trends. They are typically exposed to fiscal policies, and are subject to domestic regulation. (Paragraph

44 addresses financial institutions with the highest exposures to the jurisdiction of domicile). Domestic utilities and transport infrastructure companies, because the predictability and stability of demand and of the regulatory framework are major factors supporting the ratings. This means we consider that exposure to regulatory, fiscal and political, and macroeconomic risks is high. Nonexporting natural-resource producers, given the fiscal and political risks we believe they face. Nonexporting cyclical companies that produce steel, chemicals, autos, cement, and capital goods, given our view of their extreme sensitivity to their domestic macroeconomic environment. Domestic investment holding companies, given their exposure to equity markets in a sovereign stress scenario. 32. We qualify as "moderate" the additional main corporate sectors to those outlined in the previous and subsequent paragraphs including the large and partly regulated fixed and mobile telecoms sector. Unless we believe it is warranted by case-specific evidence, we consider the telecoms sector to be somewhat less sensitive than utilities to country risk (Table 1A's "moderate" outcome for telecoms, versus "high" for utilities, for exposures in the 40%-69% range reflects the difference in sensitivity). We base this on our experience of there typically being lower financial leverage, stronger free cash flow generation, and somewhat lower pressure for service on telecoms than on the even more essential services providing water, energy, or transport. We also assess as "moderate" some financial institutions, such as those that carry out international clearing or exchange roles. 33. We qualify as "low": staple consumer-product manufacturers, food retailers, and pharmaceutical companies. We base this assessment on these sectors' track records in the EMU and emerging markets, primarily consisting of their generally very low revenue sensitivity to the macroeconomic environment, as unregulated providers of basic products and services to end customers. In addition, in the EMU we consider that social stabilizers partly protect household consumption. We would assess country risk exposure as "moderate" if we considered that a corporate issuer's track record did not support our assessment at "low," or we viewed the issuer's liquidity as "less than adequate" or "weak" (for further details on our liquidity descriptors, see "Methodology And Assumptions: Standard & Poor's Standardizes Liquidity Descriptors For Global Corporate Issuers," published July 2, 2010). C.2. How we determine EMU-based structured finance transactions and covered bonds' exposure to country risks 34. When we assess structured finance transactions and covered bonds (transactions hereinafter), we analyze their sensitivity to country risk and the asset portfolio's diversification by jurisdiction. We assign an assessment of "low" or "high" to a transaction's country risk exposure (see table 1B). In specific circumstances, when the asset pools are or may be invested in several EMU jurisdictions, the criteria in paragraphs 40 and 41 apply. 35. For structured finance transactions we consider sensitivity to EMU country risks to be either "low" or "high" but not "moderate." Specifically, we classify an asset pool's exposure to country risks as follows: We consider asset pools of sovereign or public sector obligors (public-sector assets hereinafter) to have "high" exposure to country risks. Our assessment acknowledges the direct link between the asset cash flows and the sovereign's creditworthiness. We classify as "low" the country risk exposure of transactions backed by corporate loans, commercial mortgage loans, consumer assets such as auto loans, credit card receivables, and residential mortgage loans. This reflects credit enhancement levels that tend to be raised to offset the risks associated with a potential sovereign default. These higher levels in turn reflect our view that some of the factors that contribute to a government default would also likely lead to deteriorating credit performance in any securitized asset pool whose obligors are domiciled in the country (see "Weighing Country Risk In Our Criteria for Asset-Backed Securities," published April 11, 2006). C.3. How we set the maximum rating differential between nonsovereign and sovereign ratings in the EMU 36. We combine our assessment of an issuer or transaction's country risk exposure with the rating level of the related sovereign to determine the maximum rating differential (see table 2). In addition, when in table 1A "high" exposure is derived by 70% or more concentration for a "high" sensitivity sector, we generally restrict the maximum rating differential to one notch. This is also the case for public-sector covered bonds, to reflect their link to the sovereign's creditworthiness. 37. Our matrix in table 2 links sovereign ratings and an issuer or a transaction's country risk exposure because sovereign credit quality weighs to varying degrees on all issuers and transactions within the jurisdiction. We take into account the higher default likelihood and volatility of noninvestment grade sovereign ratings by assigning a rating differential with fewer notches when the sovereign rating is in the 'BB' or 'B' categories. In addition, we believe that, the closer to

distress the sovereign is (rated 'B-' or below), the more predictable its actual default scenario is. We factor this in by applying absolute rating-level caps. In the case of financial institutions (other than exchanges, clearing houses, and asset managers): We rate no higher than the sovereign those that have 40% or more exposure to the domestic jurisdiction (unless there is a guarantee consistent with our rating substitution criteria); We rate no higher than the sovereign plus one notch those entities with exposure of less than 40%; and We consider the specific risks of financial institutions' assets, and the specific risks that may arise from a funding or liquidity perspective in the event of sovereign distress, when assessing these institutions' underlying creditworthiness. 38. For issuers and transactions exposed to a single jurisdiction, the sovereign rating in table 2 is that of the jurisdiction. 39. If a corporate, insurer, or financial institution posts over 50% aggregate exposure to two or more EMU jurisdictions (and 10% or more to each, with one being its domicile) where the sovereign ratings are noninvestment grade, we would apply our criteria as follows: For corporates, we use our matrix in table 2, taking the average of these sovereign ratings, weighted by the company's proportion of revenues derived from the relevant jurisdictions (rounding exposures to the nearest 5%). For insurers, see "Criteria Update: Factoring Country Risk Into Insurer Financial Strength Ratings," published Feb. 11, 2003. For financial institutions, see "Sovereign Risk for Financial Institutions," published Feb. 16, 2004. 40. To determine the maximum potential rating on multijurisdictional structured finance transactions (that is, those with assets in two or more EMU jurisdictions supporting the securities), unless covered in the next paragraph, we add the maximum rating differential in table 2 to the relevant jurisdictions' rating. We determine the relevant jurisdictions depending on our expectation of the exposure of cash flows from the securitized assets, based, for example, on the existence of defined eligibility criteria in the documentation; or ongoing representations made by the asset sponsor or other relevant party; or our projections based on historical levels and on our view of future exposures. In addition, to assess the amount of securities that can achieve the maximum potential rating, we adjust down the cash flows from assets located in jurisdictions where we rate the sovereign lower than the relevant jurisdictions. More specifically, in our approach to transactions, we follow the steps below (see also our sample applications in Appendix 1): 1) We apply our matrix in table 2 based on our assessment of the securities' "high" or "low" country risk exposure derived in table 1B. 2) We identify the relevant sovereign(s) as those that can support the rating on the transaction's securities because these sovereigns are rated within the maximum rating differential with the securities in table 2. For example, in cases where we believe an asset has "low" exposure and we rate the security 'AAA', the sovereigns include those rated 'A-' or higher as they are rated at most six notches lower than the security. 3) To determine the maximum potential rating on the transaction's securities, we add the maximum rating differential to the highest–rated relevant sovereign. For example, for a "low"-exposure asset, given the maximum rating differential of six notches, we may assign a 'AAA' rating to the security if cash flows are located in sovereigns rated 'A-' or higher. If the highest relevant sovereign rating is 'BBB+', the maximum potential rating on the security is 'AA+'. 4) To assess the amount of securities that can be rated at the maximum potential rating, we analyze cash flows from the relevant sovereigns. Further, for any exposures to the sovereigns that are not relevant in the second bullet above, we consider these cash flows on a prorata basis up to an aggregate 10% of the asset pool balance. 5) For exposures to sovereigns that represent over 10% of the pool balance, we apply table 2 to determine the maximum potential security rating applicable to those cash flows. 41. For multijurisdictional structured finance transactions, based on our "Principles Of Credit Ratings" criteria and on "Weighing Country Risk In Our Criteria for Asset-Backed Securities," we may not apply the maximum differentials shown in table 2 or the conditions in the previous paragraph if we have otherwise applied other criteria to assess country risks. Examples include: Transactions with structures carrying increased credit enhancement levels to reflect sovereign default risk; for instance, default stresses for public sector covered bonds also consider the sovereign rating. If, in our view, such stresses only partially address sovereign default risk, we may still apply our matrix in table 2 and the approach in the previous paragraph. Transactions with tranched structures where we determine advance levels for each tranche by taking into account the cash flows and respective ratings of their jurisdiction, for example, when we rate commercial mortgage-backed securities (CMBS). Transactions with structures that have other mitigating features, such as individual country limits and credit enhancement floors. D. Ratings On LRGs, Financial

Institutions, Insurers, And GREs Are Least Likely To Exceed Those On The Related Sovereign 42. We expect to rate most LRGs no higher than their sovereign because we typically view their credit quality as closely correlated. For the specific conditions where we rate LRGs higher than the related sovereign rating, see paragraph 23 of "Methodology For Rating International Local And Regional Governments," published Sept. 20, 2010, and "Methodology: Rating A Regional Or Local Government Higher Than Its Sovereign," published Sept. 9, 2009. 43. We generally cap--at the level of the sovereign local-currency rating--the ratings on domestic insurers that receive: No external group support; or External group support but that we do not consider "core" and are not guaranteed (see "Criteria Update: Factoring Country Risk Into Insurer Financial Strength Ratings"). 44. Globally, including in the EMU, we generally cap--at the level of the sovereign foreign-currency rating--the ratings on domestic financial institutions that receive: No external group support; or External group support but that are not "core" under our methodology and are not guaranteed (see "Sovereign Risk for Financial Institutions"). 45. Issuers in financial institutions and insurance groups that we classify as "core" to their parent under our global group rating methodology, that is whose existence and operations we consider integral to the group's current identity and future strategy and which we believe the rest of the group would support under any foreseeable circumstance (see "Group Methodology," published April 22, 2009). In the EMU, we cap our rating on a "core" subsidiary with 10% exposure or higher to the jurisdiction of domicile at three notches above our rating on the subsidiary's related sovereign (except for a financial institution, where the cap is one notch). This cap reflects our view of the heightened regulatory risks stemming from sovereign stress, which could override group intentions to provide support. In addition, when the rating on the related sovereign moves into the noninvestment grade category, we may decide to no longer consider a subsidiary as "core." 46. We generally cap our ratings on GREs at the sovereign rating level given their direct exposure to the sovereign. We discuss rating GREs above their related sovereign in paragraphs 42-46 of our GRE criteria (see "Rating Government-Related Entities: Methodology And Assumptions"). Under specific circumstances discussed in these paragraphs of our GRE criteria, we may rate a GRE above its sovereign if its stand-alone credit profile (SACP) is higher than the sovereign foreign currency rating and if we consider that the sovereign's willingness and ability to impair the GRE's credit standing in periods of stress is limited. In the EMU, as long as the sovereign is rated 'B' or higher, we believe only GREs (1) operating in a competitive, unregulated environment, or mostly overseas; or (2) with a limited "link" to the government would qualify (see table 3 of the GRE criteria to assess the risk of sovereign extraordinary intervention weighing on the GRE's credit quality). If an EMU-based GRE meets only one of these two conditions, we rate it up to one notch above the sovereign. If it satisfies both conditions, we rate the GRE up to two notches higher than the sovereign. If the sovereign is rated 'B-' or lower, we rate a GRE meeting both the above conditions as high as 'BB-', and when satisfying only one of the two conditions, as high as 'B+'. 47. The maximum rating differentials in paragraphs 43-46 are cumulative with caps described elsewhere in these criteria. This means that, underlying creditworthiness allowing, we rate an issuer as high as the lower of the two maximum rating differentials. E. Situations Where We Apply No Rating Cap 48. We continue to set no maximum rating differential in the following cases, based on applicable criteria: Financial obligations guaranteed by a counterparty rated higher than the primary obligor's sovereign, where the guarantor is located outside the jurisdiction, where the guarantee meets our rating substitution criteria (see "European Legal Criteria for Structured Finance Transactions," published Aug. 28, 2008). Corporate issues and issuers, receiving in our view sufficient support from foreign affiliates or parents rated above the obligor's sovereign, in application of our global parent-subsidiary criteria (see "2008 Corporate Criteria: Ratios And Adjustments," published April 15, 2008; section 'Nonrecourse Debt Of Affiliates {Scope Of Consolidation})'. A low rating on the relevant sovereign may, however, weigh on incentives for the parent to extend support in the first place. In the EMU, on issuers or transactions with under 10% exposure to the jurisdiction of domicile (defined as the proportion of revenues for corporates, exchanges, clearing houses, and asset managers; policyholder liabilities or investments for insurers, whichever is higher; and assets derived from the jurisdiction for other financial institutions, or assets located in the jurisdiction in the case of transactions). When the issuer in question is a subsidiary, the caps in paragraphs 43-45 do not apply. APPENDIX 1: Application Of Maximum Rating Differential To Structured Finance Transactions And Covered Bonds In Multiple EMU Jurisdictions 49. Below are two examples of how we apply our criteria to structured finance transactions (and covered bonds) backed by various underlying portfolios in multiple jurisdictions within the EMU. APPENDIX 2: Responses To Standard & Poor's Request For Comment And Main Changes To Proposed Criteria 50. On March 14, 2010, Standard & Poor's published "Request for Comment: Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions." To incorporate responses received from market participants, we have made the following main changes to our proposed criteria: 51. We have clarified in paragraph 32 the rationale for our classification of the sensitivity to country risks of the utilities and telecommunications sectors. 52. In table 2 (following paragraph 36), we have widened to two notches from one notch the maximum rating differential for issuers and transactions carrying "high" exposure, when the related sovereign is rated investment grade. This is to better reflect our view of the low likelihood of sovereign stress and to provide slightly more scope for nonsovereign ratings to differ from the relevant sovereign rating. We have also changed our sovereign rating level cutoff, putting it between the 'B' and 'B-' rating levels to bring it closer in line with our view of sovereign stress points (versus between 'B-' and 'CCC+' previously). 53. In paragraph 46, we introduce, for GREs, the same sovereign rating cutoff as just above and for the same reason. 54. For financial institutions, we have made the changes below. For issuers other than exchanges, clearing houses, and asset managers, we have reduced the maximum gap above the sovereign rating to one notch from three (excluding cases where parental guarantees are consistent with our rating substitution criteria, or where the entity has less than 10% exposure to the jurisdiction). We apply a maximum rating differential of one notch for subsidiaries we consider "core" under our group methodology, instead of assigning to these subsidiaries the core group ratings on either the parent operating or holding companies (see "Group Methodology," published April 22, 2009). For financial institutions, we clarify that exposure is measured on the basis of revenues for exchanges, clearing houses, and asset managers. We clarify the use of table 1A. 55. We have added an appendix (Appendix 1), which is not in itself criteria, containing examples of the application of our criteria for multijurisdictional structured finance transactions. RELATED CRITERIA AND RESEARCH Watch the CreditMatters TV segment titled, "How Sovereign, Economic, And Technological Risks Could Affect Europe's Largest Telecom Companies," dated May 17, 2011 General Criteria: Principles Of Credit Ratings, Feb. 16, 2011* General Criteria: Methodology: Criteria For Determining Transfer and Convertibility Assessments, May 18, 2009 (see section 'Ratings Above The Sovereign's')* Criteria/Corporates/General: "2008 Corporate Criteria: Ratios And Adjustments," April 15, 2008 (see section 'Nonrecourse Debt Of Affiliates {Scope Of Consolidation})'. 2008 Corporate Criteria: Analytical Methodology, April 15, 2008 (see section 'Country Risk')* Criteria/Governments/International Public Finance: Methodology For Rating International Local And Regional Governments, Sept. 20, 2010* Criteria/Governments/ International Public Finance: Methodology: Rating A Regional Or Local Government Higher Than Its Sovereign, Sept. 9, 2009 Criteria/Insurance/General: Criteria Update: Factoring Country Risk Into Insurer Financial Strength Ratings, Feb. 11, 2003* Criteria/Structured Finance/Legal: European Legal Criteria for Structured Finance Transactions, Aug. 28, 2008 Criteria/Financial Institutions/General: Group Methodology, April 22, 2009 Criteria/Financial Institutions: Sovereign Risk for Financial Institutions, Feb. 16, 2004* General Criteria: Rating Government-Related Entities: Methodology And Assumptions, Dec. 9, 2010* General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010 Criteria/Corporates/General:Methodology And Assumptions: Standard & Poor's Standardizes Liquidity Descriptors For Global Corporate Issuers, July 2, 2010 Criteria/Structured Finance: ABS: Weighing Country Risk In Our Criteria for Asset-Backed Securities, April 11, 2006* Industry And Country Risks Drive Nonsovereign Credit Quality In The EMU, July 21, 2006 Corporate And Government Ratings That Exceed The Sovereign Rating, March 4, 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.