Article Title: ARCHIVE | Guidance | General Criteria: Rating Implications Of Exchange Offers And Similar Restructurings, Update Data: (EDITOR'S NOTE: —This article is no longer effective after Aug. 7, 2020. Its contents were moved in their entirety into "S&P; Global Ratings Definitions" (see "Government-Initiated Debt Payment Moratoria And Loan Forbearance" in "Appendix") without any change in substance. These contents are primarily definitional in nature and characterized as either fundamental attributes of our rating products, clarifications of the meanings of our ratings, or specific applications of our rating definitions.) OVERVIEW AND SCOPE This document provides additional information and guidance related to our methodology for determining whether we would view an exchange offer or similar restructuring as tantamount to default, as provided in "Rating Implications Of Exchange Offers And Similar Restructurings, Update," published May 12, 2009. It is intended to be read in conjunction with those criteria. This guidance applies when lenders allow borrowers to defer the payment of interest or principal during a deep economic crisis as part of systemic intervention initiated or sponsored by a government or entity with prudential oversight over a jurisdiction. In some situations, such as in the EU, the actions of a central bank or regulator may apply in several jurisdictions. Specifically, this article focuses upon how we may view systemic intervention benefitting lenders in a jurisdiction as a form of adequate compensation to offset such payment deferral when considering whether a restructuring constitutes a borrower's selective default. For a further explanation of guidance documents, please see the description at the end of this article. This guidance applies to deferrals, not cases where interest or principal payments are waived or have been forgiven, meaning they are no longer payable, which we would generally view as default. We would typically not apply this guidance if we believe the risk of the issuer defaulting, even with the relief of the deferral, is so high that, ultimately, the lender is highly unlikely to receive the promised rescheduled payments from the borrower. Neither the criteria nor this guidance address restructurings (exchanges, deferrals, etc.) that are mandatory for the lender, the borrower, or both. A restructuring that is mandatory for the lender would be one where lenders or investors do not have the option to decline to enter into the exchange or restructuring. Key Publication Information This article provides guidance to "Rating Implications Of Exchange Offers And Similar Restructurings, Update," published May 12, 2009. We may revise our general guidance from time to time when market dynamics warrant reevaluating the variables and assumptions we generally use in our analysis. GUIDANCE Government-initiated debt payment moratoria and loan forbearance may be part of systemic intervention intended to stabilize an economy in direct response to a deep economic crisis, for example caused by a global health pandemic or natural disaster. In that context, we may consider systemic intervention as adequate offsetting compensation for lenders when it: 1. Directly and tangibly benefits lenders. For example, when it provides lenders prudential benefit such as relief from provisioning, capital guidelines, or liquidity guidelines; 2. Goes beyond what is normally in place and is provided specifically as part of an effort to support overall financial stability during a deep economic crisis. We would be likely to consider it when we view compensation provided directly by a borrower to a lender to be insufficient; and 3. Provides tangible benefits for a period we expect to last at least as long as the accompanying deferrals. We expect that such systemic intervention, typically provided at the jurisdiction level, would benefit mainly banks or other prudentially regulated financial institutions, and therefore we would apply this guidance primarily to bilateral bank loans or club transactions within a single jurisdiction. If the loans originate with banks in different jurisdictions, we would determine whether systemic intervention constitutes adequate offsetting compensation to all lenders in all relevant jurisdictions. If any one jurisdiction is not providing systemic intervention and we determine that there is no other adequate form of offsetting compensation for the lender in such jurisdiction(s), we would likely consider the borrower to be in selective default. In the context of this guidance, we consider loans to be credit lines or loans where a bank or a group of banks or prudentially regulated institutions is or are the holder or holders of the commitment or obligation. It is unlikely we would apply this guidance to capital market instruments such as: Debt (such as bonds or notes) issued to investors; and Syndicated term loans or other debt obligations including credit facilities that include, have been sold to, or originated by nonbank entities that are not prudentially regulated, such as collateralized loan obligations, hedge funds and other investment vehicles, or finance companies. This guidance generally applies to corporate, infrastructure, and financial services issuers (borrowers). We would not expect to apply this guidance to structured finance debt, although we may if the investor or lender is prudentially regulated. In particular, this guidance does not supersede structured finance criteria pertaining to interest shortfalls. In certain circumstances, this guidance may apply to sovereigns, non-U.S. local and regional governments (LRGs), and government-related entities (GREs), depending on the type of creditor involved (see "Related Publications"). For example, when a commercial lender such as, but not limited to, a non-GRE bank provides funding to a non-U.S. LRG, we would apply this guidance when determining whether adequate offsetting compensation has been provided in connection with a government-initiated deferral of payments. RELATED PUBLICATIONS Related criteria Methodology For Rating Local And Regional Governments Outside Of The U.S., July 15, 2019 Sovereign Rating Methodology, Dec. 18, 2017 Structured Finance Temporary Interest Shortfall Methodology, Dec. 15, 2015 Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015 Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014 Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings, Oct. 24, 2013 Rating Implications Of Exchange Offers And Similar Restructurings, Update, May 12, 2009 Related research Criteria And Guidance: Understanding The Difference, Dec. 15, 2017 What Does S&P; Global Ratings Consider A Default For Sovereign And Non-U.S. Local And Regional Governments? April 13, 2017