

Standard & Poor's Seeks Comment On Proposed Changes To Recovery And Issue Ratings, Says Report

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NEW YORK (Standard & Poor's) Oct. 4, 2006—In an article published today, Standard & Poor's Ratings Services announced its proposal to expand recovery rating coverage and enhance issue-level ratings. "Request For Comment: Expanding Recovery Rating Coverage And Enhancing Issue Ratings" details the proposed criteria changes and invites market participants to provide feedback by Dec. 1, 2006.

We also published today "," which provides ancillary information on the initiative.

The key proposed changes are:

—Extending recovery rating coverage to speculative-grade unsecured (and subordinated) debt for industrials, and to speculative-grade secured and unsecured debt for financial services companies, sovereigns, and non-U.S. public finance entities;

—Enhancing the recovery rating scale and the "notching" framework (i.e., raising or lowering a specific issue rating from that of its issuer credit rating) for issue ratings. We would make our recovery rating scale more granular, introducing a 7-point scale (1+ to 6) in place of our current 6-point scale (1+ to 5); and

—Standardizing our approach to issue ratings so that they reflect a combination of default and recovery prospects. We would explicitly arrive at debt ratings through a notching approach relative to the default rating, using the recovery rating to determine the amount of up- or down-notching from the issuer credit rating.

"We believe that the proposal we have put out for comment is responding in a timely and deliberate manner to marketplace demands, including the increasing focus on post-default recovery," said Standard & Poor's managing director and head of recovery ratings, Bill Chew. "Our proposal is an evolution of our innovative recovery ratings, a natural extension beyond the secured loan and note ratings we have traditionally provided."

"This proposal builds on our nearly three years experience of doing fundamental recovery ratings in different markets," according to managing director Laura Feinland Katz.

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“During this time we’ve talked with hundreds of issuers and investors, through both formal and informal discussions, and we are confident that the marketplace will welcome the changes we are proposing, which will give the marketplace greater visibility, particularly at the lower range of the rating scale.”

Standard & Poor’s noted that the implementation of the new Basel II agreement for bank capital adequacy and the explosion in the CDO and CDS markets have also been major drivers for the changes, as they both require recovery inputs.

A teleconference call is scheduled for Thursday, Oct. 5, 2006, at 9:00 AM EST.

Live-Dial-In-Numbers:

U.S./All Others: 1-210-234-9748

U.K.: 44-20-7108-6390

Conference ID#: 4697069

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Replay will expire on Thursday, Oct. 12, 2006

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The report is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. If you are not a RatingsDirect subscriber, you may purchase a copy of the report by calling (1) 212-438-9823 or sending an e-mail to research_request@standardandpoors.com. Ratings information can also be found on Standard & Poor's public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation bar, select Find a Rating, then Credit Ratings Search. Members of the media may request a copy of this report by contacting the media representative provided.

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