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CDO Spotlight:
**Guidance On Providing Credit
Estimates After Public Ratings Are
Withdrawn**

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Guidance On Providing Credit Estimates After Public Ratings Are Withdrawn

In this article Standard & Poor's Ratings Services is giving guidance on the provision of a credit estimate in Europe when a public rating is withdrawn or suspended.

There may be circumstances when we are not able to provide a credit estimate when a public rating is withdrawn or suspended for six months from the date of withdrawal/suspension.

This will be to prevent any perception that a credit estimate is in any sense equivalent to a formal rating. In particular, this six month "cooling off" period will eliminate any possibility that private information received as part of our previous rating relationship would be perceived as underpinning the new credit estimate.

The reasons for ratings being withdrawn and the precise circumstances surrounding the withdrawal vary. For this reason, we will decide whether to provide a credit estimate on request or six months after withdrawal or suspension on a case-by-case basis and at our sole discretion.

This has particular implications for European CDO managers, who rely on credit estimates in lieu of public ratings to calculate portfolio scenario default rates within Standard & Poor's CDO Evaluator modelling tool. Upon request we will inform CDO managers of our decision whether or not we will be able to provide an estimate.

When a public rating is withdrawn or suspended and a credit estimate is not available, for CDO Evaluator we generally "notch" down another international rating agency's issuer credit rating, if available, on any asset in either a cash portfolio or referenced in a synthetic portfolio. If that rating is investment grade, we lower the rating on the asset by one notch. For speculative-grade ratings, we lower the rating by two notches. In both cases, we would apply a further one notch lowering if the rating is on the equivalent of CreditWatch with negative implications.

In the event that there is no rating from another international rating agency and no credit estimate is available, we would typically allocate a 'CCC-' classification to the asset.

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