Bond Case Briefs

Municipal Finance Law Since 1971

S&P: Rating Structurally Enhanced Debt Issued By Regulated Utilities And Transportation Infrastructure Businesses.

1. Standard & Poor's Ratings Services is updating its criteria for assigning issue credit ratings to structurally enhanced debt (SED) issued by regulated utilities and transportation infrastructure businesses. This update follows our "Request for Comment: Rating Structurally Enhanced Debt Issued By Regulated Utilities And Transportation Infrastructure Businesses," published on Feb. 27, 2015. These criteria are related to the criteria "Methodology: Holding Companies That Own Corporate Securitizations And Structurally Enhanced Debt Transactions," published on Feb. 24, 2016.

2. We define SED as debt that 1) is issued by a financing group that is delinked from its parent company (see chart 2), and 2) includes structural enhancements designed to reduce the likelihood that the financing group (including the related operating company) may default. For an operating company that experiences a moderate degree of underperformance, the enhancements provide a set credit remedy period (see glossary of terms) during which the company can take steps to stabilize its credit quality, or creditors can sell the company's shares while it retains significant value. SED structures lack postinsolvency protection, unlike structures such as corporate securitizations.

3. The criteria partially supersede our "Methodology For Considering Pre-Insolvency Structural Protections In Europe," published on Dec. 13, 2012, on RatingsDirect. It relates to the more general criteria articles "Principles Of Credit Ratings" published on Feb. 16, 2011, and "Corporate Methodology," published on Nov. 19, 2013. The criteria explain how Standard & Poor's applies its corporate methodology to SED and analyzes its specific features.

Continue reading.

24-Feb-2016