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S&P: Criteria Released To Clarify Method For Determining Ratings-Based Inputs

NEW YORK (S&P Global Ratings) July 26, 2024–S&P Global Ratings today published "Methodology For Determining Ratings-Based Inputs." This article presents the principles S&P Global Ratings applies when assessing the creditworthiness of assets or entities it doesn't rate, where this information is required to inform its rating analysis. These principles, which are materiality-based, are reflected in our sector-specific criteria.

This methodology follows our request for comment (RFC), titled "Request For Comment: Methodology For Determining Ratings-Based Inputs," published Jan. 17, 2024. For the changes between the RFC and the final criteria, as well as a summary of the comments received during the RFC process, see "RFC Process Summary: Methodology For Determining Ratings-Based Inputs."

KEY CHANGES

This is a new article that formalizes and restates the key guiding materiality-based principles we consider when using rating inputs in our rating analyses. Those are used to perform our rating analysis in accordance with the application of many of our sector-specific criteria.

In addition, we updated our approach for incorporating other credit rating agencies' (CRAs) ratings into our analysis. Under this approach, when we use other CRA ratings, we do so without adjusting them by considering the materiality of those inputs to our overall credit rating analysis. This is to ensure that the ultimate ratings we assign reflect our credit opinions and are consistent with our ratings definitions. In contrast, the previous approach generally involved adjusting other CRAs' ratings, based in part on a statistical analysis, to account for differences with our own ratings.

This update has resulted in changes to certain sector-specific criteria, which we have republished. The prior versions have been superseded, except in jurisdictions that require local registration of the new articles, where they will be superseded–and the new articles become effective–only after the local registration process is completed. In addition, we have updated our guidance for rating CLOs and corporate CDOs.

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