Proposed U.S. Public Finance College and University Rating Criteria: Exposure Draft FAQs

Additional Details on Exposure Draft

Special Report

Frequently Asked Questions

Fitch Ratings' revised "U.S. Public Finance College and University Rating Criteria" will provide a disciplined approach to the analysis of U.S. college and university credits that is grounded in data and focused on better communicating Fitch's experienced analytical judgment.

The criteria follow the framework of Fitch's revenue-supported master criteria that will be published for all revenue-supported sectors.

Fitch welcomes comments through Jan. 31, 2019. Comments should be sent to: criteria.feedback@fitchratings.com This special report addresses a list of frequently asked questions pertaining to the exposure draft.

Related Research

Pensions in Public Higher Education: Not Expected to Drive Rating Change (November 2018)

Leverage, Ratings and the Relevance of Unfunded Pension Liability (November 2018)

Proposed U.S. Public Finance College and University Rating Criteria: User Guide (November 2018)

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- Will Fitch still be publishing medians reports?

Rating Changes

What rating changes would be expected under the proposed revision? What would be the leading causes of rating changes?

Assuming current credit characteristics are maintained, Fitch estimates that approximately 85% of institutions covered by the revised criteria would be unaffected by the proposed revision. Upgrades are expected to lead downgrades for those affected, and rating changes are expected to be predominantly between one to two notches.

Upgrades would most likely result for institutions with high levels of operating flexibility and modest leverage positions that are maintained in a forward looking/through the cycle analysis. Downgrades would be most likely for institutions with less resilient business models or elevated leverage positions that limit resilience and recovery in the forward looking scenario or institutions having portfolio asset allocations that increase volatility in a forward looking/through the cycle scenario, reducing available funds to a level consistent with a lower rating.

The revised criteria do not reflect a change in Fitch's analysis regarding the credit quality of the U.S. colleges and universities. Rather, the goal is to better communicate Fitch's approach in a manner that is more consistent and transparent across credits and sectors.

How would the inclusion of unfunded pension liabilities in the leverage assessment affect rating changes?

Pension liability is just one consideration in Fitch's analysis of an institution and then only after considering the overall strengths of an institution's underlying business model. Although the unfunded portion of a pension liability can significantly increase financial leverage at many public institutions, higher overall leverage has previously been considered in prior ratings. The specific inclusion of unfunded pension liability in overall financial leverage improves the transparency and specificity of our analytical approach. Fitch does not expect unfunded pension liabilities to generally drive rating changes.

Could ratings be placed on Rating Watch as a result of the criteria revision?

Following the exposure draft period and the subsequent publication of final revised criteria, ratings that could incur rating changes as a result of the application of the revised criteria will be identified by placing the rating Under Criteria Observation (UCO). The rating and any existing Outlook or Watch status will remain unchanged and unaffected by the UCO. Ratings for which the UCO action has been taken will be reviewed as soon as practical but, in all cases, within six months of the publication of the final criteria.

Ratings may be placed on Rating Watch instead of UCO if positive or negative rating action can be clearly anticipated. See Implementation section, page 8, for questions related to the criteria implementation process.

Changes in Analytical Focus

What is new about Fitch's rating approach in this sector?

Most importantly, it is a new approach in how we communicate our rating analysis and better convey how the analytical pieces considered in a rating fit together in an explicit and consistently applied forward look.

Related Criteria

Exposure Draft: U.S. Public Finance College and University Rating Criteria (November 2018)

Rating Criteria for Public Sector, Revenue-Supported Debt (February 2018)

With its revised criteria for public colleges and universities, Fitch is implementing key rating driver assessments as a tool to better communicate its ratings. A framework of key rating drivers — revenue defensibility, operating risk and financial profile — is used to evaluate credits in the sector. The adoption of the framework is intended to clarify each step of Fitch's analytical process, the information it considers, the metrics used to inform judgments and how these relate to the final rating conclusion. This is done by looking at the components of a key rating driver, scaling each assessment and using those assessments to form a view on the key rating driver as applied to the specific institution.

The new framework makes it clear that an assessment of the strength of an institution's business model is a key determinant of the level of leverage that can be supported at a given rating level. The assessment of an institution's revenue defensibility considers the fundamentals of demand, its pricing power and the strength of other sources of revenue and revenue support. The operating risk assessment evaluates the relative capacity an institution has to control its operating costs, adjust these costs to shifts in demand and maintain the physical infrastructure required to operate.

Through this framework, the strength of the business model is the lens through which financial leverage is considered when determining a rating. This relationship is made clear through a rating positioning table that specifically links business model strength and leverage at every rating level. Although we have always considered financial leverage in our analysis, the relationship to operating fundamentals is now presented more clearly.

Also, Fitch is now considering unfunded pension liability in its assessment of financial leverage, as discussed more fully on page 5.

How are traditional measures of performance retained in the analysis?

Most traditional metrics used to evaluate credit in the sector will be retained in the revised criteria. The criterion does not represent a fundamental shift in how Fitch considers credit in the higher education sector. Consistent with our effort to show how the analytical pieces fit together, traditional metrics are used in a more focused manner to evaluate various aspects of revenue defensibility and operating risk profile. For example, measures of institutional quality and selectivity — acceptance, matriculation and retention rates, test score trends, tuition discounting — are considered when assessing demand and pricing characteristics of an institution's business model. Relative operating efficiency is assessed by a measure of cash flow margin.

Price Sensitivity

Expectation for Pricing Power[a] Overall Demand Assessment	Strong Growth >4%	Growth 2%–4%	Stable 0%–2%	Declining <0%
aaa	aaa	aa	aa	a
aa	aa	aa	aa	a
a	aa	a	a	bbb
bbb	a	a	bbb	bb
bb	bbb	bbb	bb	bb

[a]Metric to support assessment = five-year CAGR of net tuition and fees/enrolled FTE.
Source: Fitch Ratings.

The revised criteria introduce a new price sensitivity metric to help assess an institution's relative strength of demand and ability to increase fees. Fitch measures price sensitivity *(see table above)* in the context of the overall demand characteristic assessment, which acts as a constraint (or support) on pricing ability. The expected trend for net tuition and fees per enrolled FTE is the metric that informs our expectation for pricing power. A steady to positive metric value

indicates that demand matches or outpaces any increase in tuition. This is indicative of a less price-sensitive student base and is considered a stronger revenue defensibility characteristic.

Why enrollment is not a scaled rating factor?

Enrollment growth remains a key consideration of Fitch's analysis of demand as a component of revenue defensibility. Growth is not inherently positive nor is the absence of growth — or stability — inherently negative. Enrollment trends are most useful when evaluated in the context of other demand characteristics, including selectivity, quality, and retention rather than scaled as an independent factor. For example, relatively stable enrollment impacted by planned programmatic realignment may support a higher demand assessment than the enrollment trend alone would suggest. Strong enrollment growth can indicate strong demand, but growth at the expense of student quality and selectivity would not necessarily result in a stronger demand assessment. We also recognize that strategic realignment or changes in admission processes do not themselves reflect a weaker demand assessment.

As a starting point of demand analysis, enrollment trend expectations are evaluated using the five-year compound annual growth rate (CAGR) of enrolled full-time equivalent (FTE) students. Fitch will utilize both a historical and forward-looking assessment of enrollment to define demand expectations as well as review annual trends, particularly where they differ from the CAGR.

Why is the upper bound for revenue defensibility higher in higher education than for healthcare?

While the revenue master criteria serves as a guide, the relative strength of an entity's revenue-generating capacity varies widely across sectors. On average, some sectors such as healthcare or charter schools have generally weaker pricing characteristics. Such enterprises have little to no pricing power either because they face competitive constraints or are price takers, with prices determined by factors outside their control. Therefore, they are considered to have weaker business models and less capacity for revenue defensibility (with 'bbb' the highest likely assessment) under related sector specific criteria

Higher education has a much wider mix of enterprises. The strongest higher education institutions benefit from very strong demand for their services, limited competition, and ample pricing power. Thus, this segment of the higher education sector is considered to have capacity for strong revenue defensibility (up to an 'aaa' assessment). At the other end of the revenue defensibility range, weaker institutions in the sector are often smaller not-for-profit entities with lower quality demand and weaker pricing characteristics.

Why is leverage profile a key focus in the proposed criteria?

The focus on financial leverage in Fitch's scenario analysis *(see Scenario Analysis/FAST section, page 7)* and its role in the rating positioning table provide valuable transparency and guidance to the analytical outcome. An institution's leverage is assessed in the context of its overall risk profile — defined through revenue defensibility and operating risk assessments — to help evaluate the institution's capacity to meet its existing obligations and fund future requirements. Fitch has always considered financial leverage in its analysis of credit in the revenue supported sectors; the proposed approach enhances transparency and will drive consistency in ratings. Moreover, this approach supports enhanced comparability across revenue supported sectors in the Fitch-rated portfolio. The criteria also consider the traditional financial ratios such as maximum annual debt

service (MADS) coverage and days cash on hand when evaluating the liquidity profile of the institution and determining a rating within a category.

Why is Fitch including pension liability in its leverage assessment?

Across the tax-supported and revenue sectors, Fitch treats an issuer's unfunded defined benefit (DB) pension liability or net pension liability (NPL) like debt when calculating financial leverage. The NPL is an accrued claim on future revenues not connected to then current operations and, like debt service, cannot be cut to respond to changes and challenges in current operations. Fitch treats lease obligations as debt-like for similar reasons. The NPL is only a portion of the pension liability. The portion of liability funded by assets in the DB plan is not added to an issuer's liabilities. Defined contribution pensions do not give rise to a long-term obligation and, thus, are excluded from Fitch's leverage assessment.

Unlike traditional debt service and lease payments, contributions to fund pension obligations can be deferred and the liability allowed to accrete over time. Failure to make a current contribution does not result in a default. This is why we treat the unfunded balance when considering liability levels, rather than considering it a liquidity issue in the criteria. Zero coupon and accreting debt obligations affect liability levels in a similar way. For more information, see "Pensions in Public Higher Education: Not Expected to Drive Rating Change" (dated November 2018, available on Fitch's website at www.fitchratings.com).

Whose pension liability is it?

Many institutions have individual DB plans that are clearly direct obligations of the individual institutions. When a public institution participates in a common plan with multiple employers, the question can be more complex. The plan itself is the pension "obligor," insofar as it pays benefits to retirees, but it has no method for funding shortfalls from its own resources. It must look to other parties to close an NPL.

For public common multiemployer plans, Fitch assigns the liability where state law assigns the primary funding responsibility. This typically occurs at the direct employer level rather than the state that sponsors the plan. This is consistent with Fitch's expectation that, when confronted with pension funding challenges in a multiemployer plan, a sponsoring state will raise contributions on participating employers. Less often, a state carries clear legal and funding responsibility for some or all of the pension liability for other participating entities, in which case Fitch assigns the liability to the state. Either way, Fitch's approach generally aligns with GASB's allocation of multiemployer plan liabilities. For more information, see "Leverage, Ratings and the Relevance of Unfunded Pension Liability" (dated September 2018).

How is the pension liability measured?

For public DB plans, Fitch recalculates the reported pension liability using a standard 6% discount rate, based on the interest rate sensitivity analysis required under GASB accounting standards. Reported discount rates vary significantly across plans, reflecting differences in their individual investment return assumptions. Fitch's 6% standard discount rate assumption improves comparability and better reflects Fitch's view of the magnitude of the burden posed by pension commitments. Fitch does not recalculate liabilities of plans that use a lower rate.

Are FASB and GASB reported plans treated differently?

FASB and GASB plan liabilities are treated on a comparable basis. Current federal regulations encourage FASB plans to manage to an 80% funded ratio and require a lower discount rate than the Fitch standard for public DB plans, resulting in larger benefit obligation. This necessitates some adjustments when assessing pension risks in FASB plans to create broad comparability. A GASB plan that is 100% funded applying a 6% discount rate is roughly equivalent to a FASB plan that is 80% funded using the lower FASB discount rate. Therefore, Fitch uses the gap to an 80% funded status in FASB plans when considering aggregate liabilities for not-for-profit entities.

Why does Fitch give universities credit in the financial assessment for funds held in legally separate foundations that they may not control?

In an effort to present a comprehensive view of the full resources available to support the mission and operating mandate of an institution, as well as to provide a more consistent match of long-term assets against long-term liabilities, Fitch will incorporate a broader definition of available funds including those available funds held by closely aligned foundations and endowments established in support of broad university operations.

Special purpose foundations as a rule will not be incorporated; however, this will be determined on a case-by-case basis in an effort to best reflect the total asset base present in support of the operating entity. As an example, Fitch would likely not incorporate specific athletic or research foundations, as these are not generally used to support the broader operating entity.

Why are there two rating positioning tables?

Fitch believes that the differences in the revenue and operating risk profile of public institutions compared to private not-for-profit institutions support the need to distinguish between public and private institutions. These differences are incorporated within the scalable attributes as key rating drivers. More broadly, the role of public institutions as quasi-governmental entities acting in support of a state's mission is evident in their relatively diminished vulnerability to default with no reported defaults of record. Moreover, there has been consolidation within some systems to address institutional vulnerability, and this has not resulted in defaults. As such, the range of tolerance for liquidity and leverage for public institutions differs from that of their private not-for-profit counterparts, as demonstrated in the two rating positioning tables (see Financial Profile section of the exposure draft, page 18).

In higher education, a public institution with a stronger business model can inherently withstand greater leverage than an enrollment-driven private counterpart serving a limited market. Fitch has always believed public institutions could support higher financial leverage at every rating level compared to private not-for-profit peers. This is demonstrated in Fitch’s historical median data.

In Fitch’s rating portfolio, the median level of available funds to debt at the 'AA' rating level is 94.2% for public universities, while the same ratio for a 'AA' rated private institution is much higher at 202.5%.

Does the suggested analytical outcome table determine the final rating?

While the suggested analytical outcome table provides basic category-specific guidance for the rating decision, the final rating will continue to be the product of experienced analysts synthesizing all of the relevant credit considerations. The criteria articulate the relevant credit

considerations in the higher education sector and how these are assessed both qualitatively and quantitatively. The criteria do not in any way create an inflexible formula-driven scoring model.

In addition, there is a significant qualitative element to each key rating factor assessment, none of which is weighted, and analytical judgment informs how the factor assessments together support the rating outcome. However, the suggested analytical outcome tables relate key revenue and operating strengths and risks to an institution's overall financial profile to form a starting point for the suggested rating.

What new information will be used in the rating process?

As part of its assessment of an institution's relative financial resiliency through an economic/market cycle, Fitch will request specific asset allocation information for use in its scenario analysis. Fitch will continue to utilize the data reflected in audited financial statements, budgets and projections (including capital and debt plans), and operating data including enrollment and other student profile information.

Is Fitch now using a scorecard to rate credits?

Rating decisions will continue to be the product of experienced analysts synthesizing all of the relevant credit considerations. The criteria articulate the relevant credit considerations in the higher education sector and how these are assessed both qualitatively and quantitatively.

The criteria do not in any way create an inflexible formula-driven scoring model. Fitch's view is that the static set of data buckets and weights presented in a scoring tool do not ultimately provide a consistent and transparent basis for ratings, as periodic adjustments would inevitably need to be made to achieve the most accurate outcome. There is a significant qualitative element to each key rating driver assessment, and analytical judgment informs how the driver assessments together support the rating outcome. However, the criteria link the judgments reached on key revenue and operating strengths and risks to an institution's overall leverage and liquidity to help determine a rating. The basic guidance for this resides in the rating positioning table.

Why is Fitch not giving specific weights to different key rating factors?

Fitch believes specific, universal weightings would imply a mathematical scoring approach, which is fundamentally at odds with how Fitch's rating opinions are determined. The key rating drivers are interactive, and the relative importance of each to the final rating will be based on an experienced analytical assessment considering the specifics of the credit. The combination of our judgments on revenue defensibility and operating risk affects placement in the suggested analytical outcome table when considering an institution's financial profile. Fitch's communication of the rating will indicate which factors were most important to the rating conclusion.

Scenario Analysis/FAST

Is the base case a budget or projection?

The base case reflects Fitch's baseline cash flow expectations in a stable economic/market environment and is informed by historical performance, budgeted or forecast performance, and by analytical judgment of relevant data. The base case serves as the starting point in Fitch's forward-looking framework used to assess an entity's financial flexibility through an economic cycle.

What does the rating case mean, and how is it used?

The rating case represents a stress scenario through which the rating is expected to remain stable. FAST is used to generate a moderate, uniformly derived (but institution-specific) investment portfolio stress as a means to evaluate an entity's relative financial resiliency through an economic/market cycle. Separately, Fitch may also apply an institution-specific revenue stress based on expectations of potential volatility. Together with the base case, this creates a forward-looking view of the financial profile, which is then aligned to the assessment of key rating factors to inform the rating.

What constraints will confidentiality concerns have on publishing forward looking scenarios?

Fitch will work with institutions to address any issues of confidentiality; it remains our policy to never disclose confidential information in our published research. In addition, our forward-looking approach will continue to be based on a combination of institution-sourced historical data, analytical interpretation of that data, and analytical expectations related to any other internal or external factors. In any event, base case expectations will always reflect Fitch's assessment of likely revenue, cost, capital expenditure and financing activity that can be reasonably anticipated.

Why would the FAST model indicate different returns than an institution's own investment manager(s)?

FAST is designed to estimate investment returns, subject to the assumptions embedded in the framework, through a cyclical downturn and recovery by using institution-specific asset allocation data together with the historical performance of broad asset classes. It is not intended to be used as a forecast of market returns, but rather as a sensitivity analysis to gauge approximate differences on a relative basis between institutions as part of Fitch's ratings analysis. FAST performs this analysis by simulating plausible investment returns a portfolio might experience through a moderate market cycle. The purpose of this analysis is to determine rating stability through what are realistically foreseeable shifts in market conditions. Ratings should account for these shifts within reasonable ranges and the scenario is used to make the level of tolerance for change readily apparent (for additional information on FAST, see "Introducing the FAST U.S. Higher Education – Fitch Analytical Stress Test (FAST) Model ," dated November 2018).

Implementation

What is the expected timeline for the exposure draft and final publication of the new criteria?

The comment period for this exposure draft closes on Jan. 31, 2019. Fitch invites feedback from market participants on the proposed criteria. Comments should be sent to criteria.feedback@fitchratings.com.

Fitch expects that final criteria will be approved and published on or about April 1, 2019. Once approved and published, the criteria will be applied immediately to all new issue and surveillance rating actions.

What criteria will be used during the exposure draft period?

All new-to-Fitch obligor ratings during the comment period will be assigned using the "Exposure Draft: U.S. Public Finance College and University Rating Criteria" (dated November 2018). New issue and surveillance ratings for issuers and obligors already covered by Fitch will be evaluated using the existing "U.S. Public Finance College and University Rating Criteria" (dated April 2017).

Other

What is an IDR, and how is it different than a bond rating?

An IDR reflects the relative creditworthiness of the issuing entity and its ability to meet its financial commitments. Within the higher education sector, ratings on specific bond securities with narrower or limited revenue pledges (e.g. housing or parking revenue bonds) may be lower than the parent IDR. Fitch does not expect to rate specific bonds above the IDR based on the revised criteria. The use of IDRs aligns the ratings with those assigned by other ratings groups at Fitch, making it easier for users of Fitch's ratings to compare colleges and universities with other obligors both within and outside of U.S. public finance.

Will Fitch still publish RACs and new issue and full rating reports?

Fitch will continue to publish RACs and new issue and full rating reports but enhance them as part of the criteria revision. RACs and new issue/full rating reports will include an IDR as well as rating category assessments for each of the key rating factors. In addition, new issue and full rating reports will include additional analytical information on the key rating factors as shown in the Appendix table on page 10, with the issuer-specific analysis highlighted. Scenario analysis will also be incorporated into the rating communication. Other enhancements may be made as part of Fitch's ongoing efforts to make its communication as value-added as possible.

Will Fitch still be publishing medians reports?

Fitch will continue to publish median reports but include new ratios that are outlined in the revised criteria to assess key rating drivers, along with ratios included in prior median reports. The use of key rating drivers and attribute assessment creates a consistent framework to compare an institution to its peers.

Appendix: Key Rating Drivers

Key Rating Drivers — U.S. Public Finance Colleges and Universities

	aaa	aa	a	bbb	bb
Revenue Defensibility					
Demand Characteristics	Most competitive demand indicators. Exceptionally strong underlying market characteristics. Privates: National/ international draw. Publics: First tier status, national or international draw.	Very competitive demand indicators. Very strong underlying market characteristics. Privates: Multi-regional/ international draw. Publics: First tier or second tier status or leading position in the market.	Competitive demand indicators. Strong underlying market characteristics. Privates: Multi-regional draw. Publics: Strong position in market; draw from regional or multiple markets	Moderate demand indicators. Solid underlying market characteristics. Privates: Regional institution drawing from multiple markets. Publics: Solid position in market; draw primarily from in-state base.	Uncompetitive demand indicators. Unfavorable underlying market characteristics. Privates: Limited market reach, small market area, or narrow student base. Publics: Weaker position for in-state demand.
Revenue Source Characteristics	Increases in student charges in any given year have demonstrably no impact on enrollment. Institution has independent ability to set tuition rates. Periodic draws from endowment funds are at levels far below expected annual long term investment returns, or revenues before endowment support provide robust debt service coverage. Other revenue sources, such as state operating appropriations, gifts, separate business lines, or other support, expected to significantly insulate against volatility going forward.	Increases in student charges in any given year not expected to impact enrollment. Institution has independent ability to set tuition rates. Periodic draws from endowment funds are at levels comfortably below expected annual long term investment returns, or revenues before endowment support provide ample debt service coverage. Other revenue sources, such as state operating appropriations, gifts, separate business lines, or other support, expected to somewhat insulate against revenue volatility going forward.	Increases in student charges in any given year expected to impact enrollment marginally. Institution has independent ability to set tuition rates. Periodic draws from endowment funds are at levels generally below expected annual long term investment returns, or revenues before endowment support provide sufficient debt service coverage. Other revenue sources such as state operating appropriations, gifts, separate business lines, or other support expected to help stabilize, but may not fully counter, revenue volatility going forward.	Changes in net student price expected to impact enrollment but will provide additional net revenue. Limited restrictions (legal, statutory, or other) on independent ability to set tuition rates and student fees. Periodic draws from endowment funds approximate expected annual long term investment returns and supplement debt service. Other revenue sources such as state operating appropriations, gifts, separate business lines, or other support, expected to be accretive to revenue going forward.	Enrollment is highly sensitive to increases in net student price/tuition. No independent ability to set tuition rates. Periodic draws from endowments are at levels significantly above expected long term investment returns and are necessary to achieve operating balance. Absence of other revenue resources, such as gifts, separate business lines, or extraordinary support. Other revenue resources or business lines are dilutive to cash flow.
Operating Risk					
Operating Cost Flexibility	Expectation for exceptionally strong cost management demonstrated by very robust cash flow margins.	Expectation for very strong cost management demonstrated by strong cash flow margins.	Expectation for sufficient cost management demonstrated by adequate cash flow margins	Expectation for limited cost management demonstrated by thin cash flow margins.	Expectation for highly limited ability to manage costs demonstrated by insufficient or volatile cash flow margins.
Capital Expenditure Requirements	Substantial flexibility in timing for major capital costs; limited near term capex expected. Expectations for consistent and remarkably strong fundraising for capital needs or robust capital grants from governmental entities. Limited lifecycle investment needs assessed through deferred maintenance levels and low average age of plant in the context of stated capital needs and funding sources.	Flexibility in timing for major capital costs; limited near term capex expected. Expectations for consistent and very strong fundraising for capital needs or reliable capital grants from governmental entities. Moderate lifecycle investment needs assessed through deferred maintenance levels and average age of plant in the context of stated capital needs and funding sources.	Some flexibility in timing for major capital costs; moderate near term capex expected. Expectations for consistent and strong fundraising for capital needs or reliable capital grants from governmental entities. Elevated lifecycle investment needs assessed through deferred maintenance levels and average age of plant in the context of stated capital needs and funding sources.	Material capex in the near term; reasonable but limited flexibility on timing for major capital costs. Expectations for consistent but limited fundraising for capital needs. High lifecycle investment needs assessed through deferred maintenance levels and average age of plant in the context of stated capital needs and funding sources.	Material capex expected in near term with little flexibility on timing for major capital costs Expectations for inconsistent and limited fundraising for capital needs. Very high lifecycle investment needs assessed through deferred maintenance levels and average age of plant in the context of stated capital needs and funding sources.
Financial Profile					
Leverage Profile	Not applicable; refer to the Rating Positioning table on page 18 of exposure draft.	—	—	—	—
Liquidity Profile: Asymmetric Risk Consideration	Liquidity profile assessments are materially informed by the ratios of available funds to operating expenses and debt service coverage.	—	—	—	—

Note: Asymmetric risk considerations for revenue defensibility include volatility indicative of a weaker or eroding demand expectation. Asymmetric risk considerations for operating risk include structural imbalance between expense/revenue growth rates.
Source: Fitch Ratings.

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