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## S&P Publishes Advance Notice Of Proposed Criteria Change On Equity Content In Corporate Hybrid Capital Instruments

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NEW YORK (Standard & Poor's) Nov. 2, 2012--Standard & Poor's Ratings Services said today that it is reviewing the assumptions and methodologies it uses to determine the equity content of certain corporate hybrid capital instruments, i.e., the degree to which these instruments are included in our measures of capital for issuers, especially those classified as having "high" equity content (see "General Criteria: Advance Notice Of Proposed Criteria Change: Assigning "High" Equity Content To Corporate Hybrid Capital Instruments"). The criteria that we are reviewing are the references to high equity content in:

- "Hybrid Capital Handbook: September 2008 Edition," published on Sept. 15, 2008, on RatingsDirect on the Global Credit Portal,
- "Criteria Clarification On Hybrid Capital Step-Ups, Call Options, And Replacement Provisions," published on Oct. 22, 2012, and
- "Unregulated Issuers' Hybrid Instruments: Rating Methodology And Assessment Of Equity Content," published on March 17, 2011.

The review will apply to hybrid capital instruments issued globally by corporate entities and by North American insurance holding companies, except for leveraged buyout companies (LBOs). The review will not affect the criteria for assessing equity content for hybrid capital instruments issued by banks or by insurance companies that are subject to prudential regulation.

This review could lead to a revision of equity content for some existing instruments from "high" to either "intermediate" or "minimal" equity content. The effect that any potential revisions could have on issuer credit ratings (ICRs), if any, will depend on the final criteria we adopt. The final criteria will take account of market feedback as appropriate.

We are not reviewing our criteria for assigning issue ratings to hybrid capital instruments. We do not expect the potential change in equity content criteria to lead to any changes in the notching of issue ratings relative to long-term ICRs. An issue rating may, however, change in line with the long-term ICR on an issuer, in accordance with our existing criteria for assigning issue ratings.

We expect to publish a Request for Comment outlining our proposed criteria change in November 2012, seeking market feedback. Subsequently, we will publish our final criteria.

#### RELATED CRITERIA AND RESEARCH

- Criteria Clarification On Hybrid Capital Step-Ups, Call Options, And Replacement Provisions, Oct. 22, 2012
- Standard & Poor's Ratings Definitions, June 22, 2012
- Unregulated Issuers' Hybrid Instruments: Rating Methodology And Assessment Of Equity Content, March 17, 2011
- Principles Of Credit Ratings, Feb. 16, 2011
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008
- General: 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

The report is available to subscribers of RatingsDirect on the Global Credit Portal at [www.globalcreditportal.com](http://www.globalcreditportal.com). If you are not a RatingsDirect subscriber, you may purchase a copy of the report by calling (1) 212-438-7280 or sending an e-mail to [research\\_request@standardandpoors.com](mailto:research_request@standardandpoors.com). Ratings information can also be found on Standard & Poor's public Web site by using the Ratings search box located in the left column at [www.standardandpoors.com](http://www.standardandpoors.com).

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