



Guidelines

Guidelines on Recognition of an External Credit Assessment Institution

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Introduction

1. Under the Basel II capital framework (the Framework¹), the standardised approach to credit risk requires banks to use credit assessments provided by External Credit Assessment Institutions (ECAIs) recognised by national supervisors to determine the risk-weights on their rated credit exposures (including securitisation exposures). National supervisors are responsible for determining whether an ECAI meets the eligibility criteria set out in the Framework, so that banks incorporated in their jurisdictions can use the ECAI's risk assessment for the calculation of regulatory capital requirements. In brief, these criteria are: objectivity; independence; international access/transparency; disclosure; resources; and credibility. Supervisors are also required to map eligible ECAI assessments to the risk-weights set out in the Framework. The Framework notes that the recognition process should be made public to avoid unnecessary barriers to entry.
2. Recognition can occur in one of two ways:
 - (a) direct recognition, where a supervisor carries out its own assessment of the ECAI's compliance with eligibility criteria; and
 - (b) indirect recognition, where a supervisor recognises an ECAI without carrying out its own recognition process, relying instead on the (direct) recognition by another national supervisor.
3. APRA has developed a comprehensive approach to ECAI recognition that incorporates direct and indirect recognition. The following guidelines set out the detailed eligibility criteria for recognition and the application process. The final section provides an outline of APRA's mapping process.
4. APRA stresses that its recognition process is not a form of prudential regulation and does not constitute licensing of ECAIs.

Recognition process

5. As part of the indirect recognition of ECAIs, APRA is giving immediate and automatic recognition to an ECAI on the following basis:
 - (a) it is regulated by the US Securities and Exchange Commission as a 'nationally recognised statistical rating organisation' (NRSRO). *Prudential Standard APS 112 Standardised Approach to Credit Risk (APS 112)* sets out the appropriate mapping for an NRSRO whose ratings are intended to be used by one or more authorised deposit-taking institutions (ADIs) adopting the Framework's standardised approach to credit risk. Where an ADI intends to use the ratings produced by an Australian subsidiary/branch of a NRSRO, APRA will seek confirmation from senior management of the local operation that it adheres fully to the processes and methodologies used by the overseas parent/head office; or
 - (b) where an ADI has an exposure domiciled in a G-20 or EMEAP country², it will be able to use the credit assessment of an ECAI recognised by the national supervisor in that country (applying the mapping of the ECAI's ratings as determined by the national supervisor to the exposure in question). APRA will consider extending the list of countries eligible for automatic recognition on a case-by-case basis.
6. Any ECAI not qualifying for automatic (indirect) recognition by APRA will need to seek direct or indirect recognition according to the arrangements outlined in the remainder of this section.
7. Under direct recognition, APRA will carry out its own assessment of the ECAI's compliance with the eligibility criteria set out in Attachment 1; these, in turn, are based on those in the Framework.

¹ In December 2010 (revised June 2011), the Basel Committee on Banking Supervision released *Basel III: A global regulatory framework for more resilient banks and banking systems*, which updates the Framework in certain areas. These guidelines incorporate those updates.

² EMEAP refers to the Executives' Meeting of East Asia-Pacific Banks.

8. Under indirect recognition, while APRA will not carry out its own assessment of the ECAI's compliance with eligibility criteria, it will look to ensure that the national supervisor directly involved applies robust recognition criteria and processes in line with those applied by APRA. Where an ADI intends to use the ratings produced by an Australian subsidiary/branch of an overseas-based ECAI that does not adhere to the processes and methodologies that are set by the (directly recognised) overseas entity, the local entity will need to seek direct recognition.
9. ECAIs can be recognised by APRA at a group or subsidiary level. Where an ECAI can demonstrate that its subsidiary operations comply with practices and procedures at a group-wide level, it may be eligible for group recognition. (This would need to be for each market segment for which it is applying – see below.) Group-level recognition does not, however, extend to joint ventures or affiliates.
10. ECAIs can be recognised on a limited basis; for example, by type of claims rated. ECAIs generally categorise rated institutions into three broad classes or market segments: structured finance (including securitisation); public finance (including sovereign and municipalities); and commercial entities (corporates and financial institutions). APRA does not require that separate applications for recognition be made for each market segment unless processes and methodologies differ between them.
11. An application for ECAI recognition can only be initiated by APRA, generally on the basis of indications from an ADI that it intends to use an ECAI's ratings under the standardised approach to credit risk. Attachment 2 sets out the minimum information to be supplied by an ECAI applying for recognition.
12. APRA will seek to ensure that an ECAI that it has recognised directly continues to meet the eligibility criteria – and, in particular, that its methodologies and credit assessments remain appropriate over different periods of time and through changes in market conditions. The measures involved in APRA's approach to ongoing review are set out in Attachment 3.

Mapping

13. The Framework requires national supervisors to assign an eligible ECAI's assessments to the risk-weights under the standardised approach to credit risk. This mapping process should be objective and result in a risk-weight assignment that is consistent with the level of credit risk.
14. The Framework proposes a method for mapping in which supervisors evaluate the cumulative default rate (CDR) associated with all issues assigned the same credit rating. APRA has based its mapping on this method and the CDRs set out in the Framework. These provide an appropriate measure of predictive power of credit assessments. While this means the mapping process is based on quantitative data, it also takes account of qualitative factors that influence comparability of CDRs across ECAIs.
15. While securitisation fits broadly within the mapping criteria set out in the Framework, adjustments need to be made. Specifically, CDRs may not be available or be the most appropriate reference for benchmarking securitisation credit assessments. As with the mapping of credit assessments, mapping of securitisation assessments should largely be based on quantitative data. APRA will consider data relating to default/impairment rates for different credit assessments, and will work with an ECAI applicant in order to fully understand its approach.
16. Where relevant, APRA will publish its mappings in APS 112. Attachment 4 provides a more detailed outline of APRA's mapping process.

Attachment 1 – Recognition criteria

1. The key purpose of the recognition criteria is to identify ECAs that produce credit assessments of sufficiently high quality, consistency and robustness to be used by ADIs for regulatory capital purposes. The following criteria are based on the eligibility criteria in the Framework. APRA's interpretation of these draws on the Framework's descriptions, as well as the detailed criteria established by other national supervisory bodies.
 - (b) it has processes to assess factors driving creditworthiness and to ensure that these factors are incorporated into its credit assessment methodology; and
 - (c) it has procedures which ensure that its credit assessment methodology is applied consistently in the determination of all credit assessments.

Objectivity

2. An ECAI should have a rigorous and systematic credit assessment methodology that is subject to some form of internal validation. Assessments should be subject to ongoing review and be responsive to changes in financial condition. An assessment methodology for each market segment (including rigorous back-testing³) should have been established for at least one year, and preferably for three years, prior to recognition.
3. An ECAI should demonstrate that its methodology incorporates factors known to be relevant in determining an entity's creditworthiness. This should be supported by statistical evidence that the methodology has produced accurate credit assessments in the past.
4. An ECAI should implement and follow procedures which ensure that its credit assessment methodology is applied consistently in the determination of all credit assessments for a particular market segment.
5. An ECAI should be able to demonstrate
 - (a) it has quantitative evidence of the discriminatory power of its credit assessment methodology. This should include evidence from statistical techniques such as default studies and transition matrices which demonstrate the strength and predictive power of its credit assessment methodology;
6. Quantitative evidence of consistency and predictive power will be considered an indicator of the objectivity of an ECAI's credit assessment methodology. A proven track record is a good indication that the methodological processes are sufficiently objective for the purposes of determining risk-weights under *Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk (APS 112)* and *Prudential Standard APS 120 Securitisation (APS 120)*.
7. Where there is insufficient quantitative evidence to support the objectivity of an ECAI's credit assessments, APRA will undertake further review of the credit assessment methodology process in order to be satisfied that it is sufficiently objective.
8. APRA will verify that an ECAI validates its methodologies based on historical experience. The ECAI should demonstrate that the methods it uses in its quantitative assessment confirm the discriminatory power and consistency of its credit assessments over time and across market segments. The ECAI should also demonstrate that procedures are in place to ensure that systematic ratings errors highlighted by back-testing are incorporated into credit assessment methodologies and corrected.

³ Back-testing will be taken to mean an analysis of the past performance of credit assessments.

9. An ECAI should have policies and procedures to ensure that its credit assessments remain appropriate over time and in different market conditions. The ECAI should be able to demonstrate that its processes:
 - (a) reliably detect changes in a rated entity that are large enough to potentially change its assignment to a credit risk rating category; and
 - (b) ensure that a credit assessment is revised when the change in an entity's operating conditions is large enough to warrant a revision.
10. An ECAI should demonstrate that it reviews each credit assessment at least annually.
11. An ECAI should be able to demonstrate that at least one year of back-testing of its credit assessments has been undertaken. Back-testing should be undertaken for each market segment for which the ECAI is seeking recognition.
 - (d) an independent internal audit function or similar unit; and
 - (e) adequate written internal procedures, corporate governance rules, fee policies and, where relevant, an internal code of conduct.
14. An ECAI should demonstrate that it has adopted, monitored and successfully applied internal procedures to ensure that all credit assessments are determined consistently and objectively, particularly where conflicts of interest may arise.
15. An ECAI should also demonstrate that it has mechanisms in place to identify actual and potential conflicts of interest and take reasonable measures to prevent, manage and eliminate such conflicts.

International access/Transparency

Independence

12. An ECAI should be independent and not be subject to political or economic pressures that may influence a credit assessment. The assessment process should be as free as possible from any constraints that could arise in situations where the composition of the board of directors or the shareholder structure of the entity seeking a credit assessment may be seen as creating a conflict of interest.
13. An ECAI should demonstrate that it has:
 - (a) adequate safeguards to ensure its independence from ownership and to prevent external pressure or constraints from influencing the objectivity of a credit assessment;
 - (b) an organisational structure that separates its credit assessment business from any other business (e.g. consultancy services);
 - (c) adequate safeguards to ensure independence from key customers and issuers;
16. An ECAI's credit assessment should be available to both Australian wholesale clients⁴ and foreign entities with a legitimate interest and at equivalent terms. In general, the procedures, methodologies and assumptions for arriving at assessments used by the ECAI should also be available to Australian wholesale clients and foreign entities. The individual assessments, the key elements underlining the assessments and whether the issuer participated in the assessment process should be available to Australian wholesale clients and foreign entities on a non-selective basis, unless they are private assessments.
17. An entity will be considered as having a legitimate interest in a credit assessment where it intends to use the credit assessments of a particular ECAI for determining its regulatory capital requirement. There should be no undue price discrimination restricting access to credit assessments.
18. An ECAI that does not charge subscribers for access to its credit assessments should ensure that the complete range of credit assessments is available and the list is updated whenever a new credit assessment is issued or an existing credit assessment is revised.

⁴ In these guidelines, 'wholesale clients' has the meaning given by section 761A of the *Corporations Act 2001*.

19. An ECAI that only permits paying subscribers to access its credit assessments should ensure that the complete range of credit assessments are available to all subscribing entities and that the list is updated whenever a new credit assessment is issued or an existing credit assessment is revised.
20. Where an ADI wishes to rely on an ECAI credit assessment for the purposes of calculating regulatory capital for credit risk under APS 120 in respect of a securitisation exposure, the credit assessment must be available to wholesale clients on a non-selective basis and free of charge.

Disclosure

21. An ECAI should disclose the following information:
 - (a) its code of conduct; and the general nature of its compensation arrangements with assessed entities;
 - (b) its credit assessment methodologies, including the definition of default, time horizon and the meaning of each rating; and
 - (c) the actual default rates experienced in each category and the transitions of assessments e.g. the likelihood of AA ratings becoming A over time.
22. An ECAI applying for recognition of its credit assessments for the purposes of APS 120 should ensure that its credit assessments for structured finance are available to wholesale clients on a non-selective basis and free of charge.

Resources

23. An ECAI should have sufficient resources to carry out high quality credit assessments. These resources should allow for substantial ongoing contact with senior and operational levels with a rated entity. APRA expects that a credit assessment would be based on a combination of qualitative and quantitative approaches.
24. An ECAI's staff should have sufficient skills and experience to conduct credit assessments. There should also be sufficient resources to carry out consistent credit assessments and have frequent contact with rated companies.

Credibility

25. The reliance on an ECAI's credit assessments by independent parties can provide evidence of the credibility of assessments of the ECAI. The credibility of an ECAI is also underpinned by the existence of internal procedures to prevent the misuse of confidential information.
26. In considering an ECAI's credibility, APRA will have regard to:
 - (a) the market profile of the ECAI, including its market share;
 - (b) the adequacy of financial resources of the ECAI; and
 - (c) whether there is any pricing on the basis of the rating.
27. Evidence of the degree of market acceptance of the credit assessments in the Australian market will provide APRA with a degree of confidence as to the appropriateness of an ECAI's credit assessments.

Attachment 2 – Application requirements

1. An ECAI applying to APRA for recognition as an eligible ECAI on a direct basis – that is, where APRA will carry out its own detailed assessment of the ECAI’s compliance with eligibility criteria – is to provide the information set out below in its written application. In the case of an ECAI applying for recognition as an eligible ECAI on an indirect basis - that is, where APRA recognises an ECAI without carrying out its own detailed assessment of the ECAI’s compliance with eligibility criteria - APRA will determine on a case-by-case basis what information the ECAI is to provide in its written application; such an ECAI will need to provide evidence of recognition on a direct basis in a suitable jurisdiction.
 - (d) financial information demonstrating the financial soundness of the applicant, including its financial statements from the past three years and forecasts for the next three years where applicable. Alternatively a subsidiary may provide a letter of support from its parent entity.
4. An applicant should also provide APRA with a statement of compliance with the International Organisation of Securities Commissions’ *Code of Conduct Fundamentals for Credit Rating Agencies* or similar market-accepted standards.

Objectivity

General information

2. An applicant should provide APRA with general information that will provide an overview of its business. This should include:
 - (a) the market segments for which the applicant is seeking recognition;
 - (b) the level of recognition the applicant is seeking (group or subsidiary level);
 - (c) the type of credit assessments provided;
 - (d) the countries where the applicant is active; and
 - (e) an overview of the legal structure of the applicant and the group to which it belongs, including ownership, major subsidiaries, ancillary or other services provided etc. The information on ownership should include a list of major shareholders.
3. An applicant should also provide APRA with details of its Australian operations including:
 - (a) the legal structure of the ECAI;
 - (b) the expertise of staff and the total number of full-time employees;
 - (c) the total number and percentage of revenues from major customers and/or subscribers; and
5. To demonstrate its compliance with the objectivity criteria set out in Attachment 1, an applicant should provide:
 - (a) a description of the core ratings process for each market segment. The applicant should clearly indicate where criteria differ from one market segment to another;
 - (b) a high-level description of the credit assessment methodology and processes and how the methodology is determined, implemented and changed. This description should include an overview of the processes in place to ensure the consistent application of the assessment methodologies across all credit assessments, in particular, the role of ratings committees and guidelines governing them and the extent of input from rated entities;
 - (c) for each of the market segments within which a core methodology is applied consistently, a high-level description of quantitative inputs including key variables, data sources, assumptions and quantitative techniques used;
 - (d) for each of the market segments within which a core methodology is applied consistently, a high-level description of qualitative inputs, including the scope of qualitative judgement regarding the strategy and business plans of the rated entities;

- (e) a summary by geographical area of the major differences in the core methodologies;
 - (f) a description of the methodology used to verify the accuracy, consistency and discriminatory power of the ratings systems, with details on the results and conclusions generated by such analysis;
 - (g) a description of the internal compliance mechanism to ensure the consistent application of ratings methodologies;
 - (h) an overview of the ratings reviews process, including information such as main characteristics, scope, frequency, teams involved, main phases of the monitoring process, data updates, information from rated entities taken into account, automatic warning systems and mechanisms that allow systematic errors in credit assessments to feed back into potential changes in ratings methods;
 - (i) evidence that a back-testing system is in place and has been up and running for at least one year; and
 - (j) an outline of the extent of contacts with the senior management of the rated entities.
- (d) an overview of the remuneration policy, demonstrating that remuneration of the staff involved in credit assessment does not affect the production of independent and objective credit assessments;
 - (e) details of the applicant's fee policy; and
 - (f) confirmation that the staff involved in the credit assessment process are not engaged in any business relationships with rated entities which could hinder the issuance of independent and high quality credit assessments.

Transparency and disclosure

7. To demonstrate compliance with the transparency and disclosure criteria set out in Attachment 1, an applicant should provide:
 - (a) a summary of its disclosure policy and provide evidence that the principles of the methodology employed for the determination of its credit assessments are available to all interested parties;
 - (b) a summary of the ways used to make methodologies publicly available and of the terms of access to the credit assessments by all potential users;
 - (c) a description of the transparency policy with regard to the types of credit assessment; and
 - (d) a high-level description of the disclosure procedures in place.

Independence

6. To demonstrate its compliance with the criteria for independence set out in Attachment 1, an applicant should provide:
 - (a) a description of the procedures aimed at ensuring fair and objective credit assessments, including mechanisms to identify, prevent, manage and eliminate actual or potential conflicts of interest;
 - (b) a detailed description of the safeguards in place when shareholders, subsidiaries, or other entities belonging to the group are rated;
 - (c) an overview of the internal audit function, including reporting lines and/or that there are means to ensure that internal procedures are implemented effectively;

Credibility

8. To demonstrate the credibility of its ratings, an applicant should provide evidence demonstrating market reliance on its credit assessments. This could take the form of market share, number of issuers, how long the applicant has been active in the particular market segment, the revenues generated by the ratings activities and any other evidence.

Mapping

9. To facilitate the mapping of a successful applicant's ratings categories, the applicant should provide:
 - (a) its definition of default;
 - (b) the CDR over a three-year period for each credit assessment category and at least the two most recent CDRs. This should continue to be provided annually if the applicant is recognised as an eligible ECAI;
 - (c) the ten-year average of the three-year CDR;
 - (d) if a target probability of default is used, the target probability of default for each ratings category;
 - (e) a description of the methodology to calculate the CDRs:
 - (i) selection of pool (static versus dynamic/adjusted);
 - (ii) definition of default; and
 - (iii) aggregation of defaults (weighting mechanism);
 - (f) the statistical significance of default rates;
 - (g) dynamic characteristics of the ratings methodology (point in time or through the cycle);
 - (h) the meaning of the ratings categories;
 - (i) the range of credit assessments that the applicant assigns;
 - (j) the time horizon of the credit assessment;
 - (k) transition matrices; and
 - (l) geographic coverage.

Attachment 3 – APRA’s ongoing review

1. APRA’s approach to the ongoing review of its direct recognition of an ECAI involves the following measures.
 - (a) APRA will verify that ECAs have procedures to ensure that their credit assessments remain appropriate over different time periods and market conditions, including that: their ratings are reviewed at least annually, and revised in response to changes in financial conditions; and their ratings are subject to back-testing on an annual basis.
 - (b) APRA will require ECAs to inform it promptly of any material changes in the methodology they use for assigning ratings, including changes that alter a significant number of ratings or potentially prompt the need for a change in mapping, as well as any significant changes in other recognition criteria (e.g. change of ownership or internal structure and major deterioration in financial positions).
 - (c) APRA will review the continuing reliability of an ECAI if it comes to APRA’s attention that there is a marked deterioration in the performance and/or market acceptance of the ECAI.
 - (d) APRA will withdraw the recognition of any eligible ECAI that ceases to comply with the recognition criteria, having regard to the impact of such a decision on supervised institutions and the relevant considerations and decisions of other regulatory authorities that have also recognised the ECAI concerned for the purposes of their capital adequacy regimes. Before a decision of de-recognition is made, APRA will first notify the ECAI concerned in writing of its intention to withdraw the recognition as well as the eligibility criteria in respect of which APRA is considering non-compliance by the ECAI. The ECAI concerned will be able to make written representations to APRA within a reasonable period of time after being notified. Where representations are made by the ECAI, APRA will take them into account in deciding whether to derecognise the ECAI.
 - (e) Further to these measures, APRA may require an ECAI to provide, on an annual basis, its default rates for each rating category, allowing APRA to monitor the mapping of ratings to ratings categories.

Note: Under indirect recognition, the responsibility for checking the ongoing eligibility of an ECAI rests with the relevant national supervisor. However, an ADI using the credit assessments of an ECAI that is indirectly recognised by APRA will be responsible for confirming the ECAI’s ongoing status as a directly recognised entity.

Attachment 4 – APRA’s mapping process

1. APRA will assign an eligible ECAI’s credit assessments to the risk-weights available under APS 112 and, separately, APS 120. As part of the mapping process, APRA will review:
 - (a) the size and the scope of the pool of issuers the ECAI covers;
 - (b) the range and meaning of the credit assessments that it assigns;
 - (c) the statistical significance of the ECAI’s default rates; and
 - (d) the definition of default used by the ECAI.
2. In addition to the qualitative factors outlined above, APRA will also have regard to other relevant factors such as:
 - (a) the variable used to weight default events;
 - (b) geographical coverage; and
 - (c) dynamic properties and characteristics of the ratings system or methodology.
3. The use of three-year CDRs is considered to provide an appropriate measure of the predictive power of credit assessments in relation to creditworthiness.
4. APRA will evaluate the CDR associated with all issues assigned to the ratings category. This will involve the evaluation of two separate measures of CDRs associated with each ratings category in APS 112. In each case, the CDR will be measured over a three-year period.
5. Where significant amounts of quantitative data are available they will form the basis of the mapping process. However, the mapping process will also take into account qualitative factors that influence the comparability of ECAIs’ credit assessments’ CDRs with the benchmark CDRs.
6. Where significant amounts of quantitative data are not available, APRA will form its judgement based on both the quantitative information available and an assessment of the meaning of an ECAI’s ratings scale in comparison with the benchmark.

Comparing an ECAI’s long-run average three-year CDR to a long-run reference CDR

7. APRA will evaluate the ten-year average of the three-year CDR where this is available. Where an ECAI has less than ten years of default data, APRA may consider the ECAI’s projected ten-year average of the three-year CDR for each ratings category. In this case, an ECAI will be accountable for its estimate.
8. Each of the CDR measures will be compared to reference and benchmark values of CDRs.
9. For each step in an ECAI’s ratings scale, a ten-year average of the three-year CDR will be compared to a long-run reference three-year CDR that represents a sense of the long-run international default experience of risk assessments.
10. APRA has adopted the long-run reference three-year CDRs proposed in the Framework, as shown in Table 1.

Comparing an ECAI’s most recent three-year CDR to CDR benchmarks

11. APRA will also consider the most recent three-year CDR associated with each ratings category. For each step in an ECAI’s ratings scale, the two most recent three-year CDRs will be compared to benchmarks for CDRs.
12. Two benchmarks have been set to determine whether a CDR falls into an acceptable range for a ratings category to qualify for a particular risk-weight:
 - (a) a monitoring level benchmark; and
 - (b) a trigger level.
13. Where an ECAI exceeds the monitoring level benchmark, this implies that its current default experience for a particular ratings category is markedly higher than international default experience. Although such assessments are still eligible for the associated risk-weights, the ECAI would be expected to explain why its default experience appears to be significantly worse.

14. Where APRA determines the higher default experience is attributable to weaker standards in assessing credit risk, it will assign a less favourable ratings category to the ECAI's credit risk assessment.
15. Where an ECAI exceeds the trigger level, this implies that its default experience is considerably above the international historical default experience for a particular assessment grade. The ECAI's credit assessment methodology is either too weak or not applied appropriately.
16. If the observed three-year CDR exceeds the trigger level in two consecutive years, APRA will move the credit risk assessment into a less favourable ratings category. APRA may retain the original ratings category where the higher observed CDR is not attributable to weaker credit assessment standards.
17. APRA may review an increased ratings category where the ECAI is able to demonstrate that its three-year CDR falls and remains below the monitoring level for two years.
18. APRA will map an ECAI's credit assessments according to the three-year CDR benchmarks proposed in the Framework, as shown in Table 2.

Securitisation

19. While there will be similarities between mapping credit assessments for APS 112 and APS 120, there will also be important differences. Mapping of securitisation credit assessments must be mapped to twelve risk ratings as set out in APS 120.
20. In mapping securitisation credit assessments, APRA will consider data relating to the default/impairment rates associated with different credit assessments. APRA will work with an ECAI applicant in order to fully understand the definition of default for the purposes of data analysis.
21. APRA will consider loss/recovery rate data in relation to different ECAIs' ratings.

Short-term credit assessments

22. The mapping of short-term credit assessments will be based on the mapping of long-term credit assessments as outlined above and will take into consideration any internal mapping undertaken by an ECAI.

Table 1

Standard & Poor's Assessment	AAA-AA	A	BBB	BB	B
Moody's	(Aaa-Aa)	(A)	(Baa)	(Ba)	(B)
20 year average of three-year CDR	0.10%	0.25%	1.00%	7.5%	20.00%

Table 2

Standard & Poor's Assessment	AAA-AA	A	BBB	BB	B
Moody's	(Aaa-Aa)	(A)	(Baa)	(Ba)	(B)
Monitoring level	0.8%	1.0%	2.4%	11.0%	28.6%
Trigger level	1.2%	1.3%	3.0%	12.4%	35.0%



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