



## Rating Actions and Commentaries

### **RATING ACTIONS**

In addition to the action of confirming ratings, releasing new ratings and making rating changes, the following rating actions are used by DBRS:

#### ***(a) Discontinued Ratings***

When an entity retires all, or virtually all, of its outstanding debt within a particular category and has no plans to reissue in the near future (e.g., commercial paper, long-term debt, or preferred shares), DBRS may discontinue its rating. Other circumstances where DBRS may also discontinue ratings include situations where the rated debt is no longer in the public market, where a defeasance structure removes the credit risk of the issuer as a consideration, where the debt comes to be held by a few large institutions that do not require ongoing DBRS ratings, or where DBRS elects to discontinue its public rating coverage of a particular entity or security.

In the specific case where an issuer's ratings have been downgraded to "D", DBRS may maintain or discontinue the rating. In rendering this decision DBRS will consider:

1. the value for investors of DBRS continuing to have ratings coverage of the issuer; and
2. the likelihood of the rated debt being upgraded as the default situation is remedied, which may include a debt restructuring action.

In cases where neither of these factors supports continuing coverage, the rating will generally be discontinued.

#### ***(b) Ratings "Under Review"***

In practice, DBRS maintains continuous surveillance of the entities that it rates and therefore all ratings are monitored on an ongoing basis. Accordingly, when a significant event occurs that directly impacts the credit quality of a particular entity or group of entities, DBRS will attempt to provide an immediate rating opinion. However, if there is uncertainty regarding the outcome of the event, and DBRS is unable to provide an objective, forward-looking opinion in a timely fashion, then the rating(s) of the issuer(s) will be placed "Under Review".

DBRS also places ratings "Under Review" in situations where there has been no major announcement or event for the issuer, but in the opinion of DBRS the current rating on the security may no longer be appropriate due to a change in the credit status of the issuing entity for other reasons, such as the ongoing results of the company and/or the outlook for the industry. In most such cases, where additional time is required for further analysis DBRS will place the rating "Under Review".



Furthermore, DBRS may also place a rating “Under Review” if DBRS has announced that one or more of its methodologies that apply to such a rating is being revised and the announcement indicates that the outcome of the ratings affected by the revision is uncertain.

A rating that is “Under Review” remains outstanding; however, this status acts as a warning signal indicating that the outstanding rating may no longer be appropriate.

Using “Under Review Positive” or “Under Review Negative” is a more significant action than changing a rating trend to positive or negative as rating changes are considered more likely with the former than the latter.

When a decision is made by DBRS to place a rating “Under Review”, DBRS will generally take the following actions:

1. Provide initial guidance as to the opinion of DBRS by noting whether the Under Review action has positive, negative or developing implications. These qualifications indicate the preliminary evaluation of DBRS of the impact on the credit quality of the security or issuer; however as situations and potential rating implications may vary, its final rating conclusion may depart from the preliminary assessment.
2. Remove the existing rating trend(s) of stable, positive or negative, replace the existing rating trend(s) with “--”, and indicate that the rating trend(s) will be reinstated when the rating(s) is removed from Under Review status.

In those cases where a rating is placed on Under Review status, DBRS views this as a temporary situation; therefore DBRS strives to complete the review and remove the rating from this status as soon as it is appropriate to do so.

In the event that a lengthy Under Review period is anticipated, DBRS may provide such guidance in a press release and may, if appropriate, provide guidance as to the anticipated rating that would emerge under a proposed scenario.

In the event that DBRS decides to discontinue a rating that is Under Review, DBRS endeavours to resolve the Under Review status prior to the discontinuation.

### ***(c) Ratings “Interest in Arrears”***

On occasion, there will be Structured Finance transactions or deals, such as commercial mortgage-backed securities (“CMBS”), where interest payments are in arrears but the cumulative or on-going shortfall is expected to be ultimately recoverable or paid. Where the interest shortfall is a question of timing in the shorter term, and not of ultimate payment, DBRS notes this with the 'Interest in Arrears' rating action for the class affected. An example where this may occur is where one or more of the loans within the CMBS deal have been subject to an appraisal reduction event, which is a structural feature within CMBS which prompts a servicer to advance a partial payment based on a lower valuation. This event may cause a particular class to have an interest shortfall, however the



interest is ultimately recoverable at the time the loan is resolved. In addition this event is not automatically associated with a default of the entire deal. Using this action allows DBRS to recognize that the interest shortfall does not impact the overall credit quality and to maintain an appropriate credit risk rating.

## **RATING COMMENTARY**

A rating commentary (in which the following headline may be applied, “DBRS comments on \_\_\_“), is a method by which DBRS may make its opinions known to the market without taking a rating action.

A rating commentary is used where there are macro issues that may have implications for several issuers or an entire industry, a rating commentary may be used to discuss the situation or when DBRS wishes to comment on an individual issuer, typically in reaction to a new release of information or announcement.