



The Rating Process – Corporate and Structured Finance

CORPORATE RATING PROCESS

The following outlines the steps generally taken during the Corporate rating process:

(1) Initial Contact

In most cases, the organization is contacted by the issuer directly or by its investment banker or dealer and requested to conduct a corporate rating.

(2) Letter of Engagement

In order to formalize the rating assignment, the terms of the engagement are confirmed.

(3) Information on the Issuer

Relevant information about the issuer is obtained, and may be received from a variety of sources including third parties, for the purposes of conducting the rating analysis.

(4) Meeting with Management

An extensive meeting or series of meetings is generally conducted with management regarding all relevant aspects of the issuer's business. In addition to learning more about the issuer and its financing plans, the areas outlined in the rating methodologies are considered to be the key areas of importance to address when speaking with senior management. If applicable to the business, a facility tour may be included during these meetings.

(5) Draft Rating Report

Following analysis of the information obtained, typically a draft rating report is prepared.

(6) Rating Committee

The analysis, draft rating report, if prepared, and proposed rating are submitted to the Rating Committee, who will determine the rating. For further information regarding Rating Committee, please refer to the "Rating Committee – Corporate and Structured Finance" policy.

(7) Review by the Issuer

Once Rating Committee approval is received the issuer is generally provided with a copy of the draft rating report, if prepared, and related press release to review to ensure that the factual information is correct and that these materials do not contain any confidential information. In the event that an issuer disagrees with the rating and requests reconsideration, any re-evaluation of a rating would occur in accordance with the "Rating Appeal" policy.

(8) Publishing

Except for private ratings, internal assessments and for certain private placement transactions, the final rating report, if prepared, is externally published, accompanied by the press release.



(9) Surveillance

Ongoing surveillance of all its ratings (including public and certain private ratings and internal assessments) is performed. Generally a rating is fully reviewed and a meeting conducted with senior management of the issuer on an annual basis. Unless the rating is based on public information, the co-operation of the issuer is expected in advising of any significant developments, providing continuing financial information as released, and responding to questions that arise.

STRUCTURED FINANCE RATING PROCESS

While there can be minor differences in the rating process across different jurisdictions and product lines, outlined below are general principles and the steps generally taken during the Structured Finance rating process.

(1) Initial Contact

An initial meeting with the sponsor, usually the financial institution which will be structuring transactions for third party clients or selling assets directly into the special purpose vehicle (SPV), will be held to discuss the structure of the SPV.

(2) Letter of Engagement

In order to formalize the rating assignment, the terms of the engagement are confirmed.

(3) Information on the Sponsor

The organization evaluates the sponsor's financial and operational capabilities, proposed transaction terms and pool of assets to be securitized, and may consider information from third party sources. Subsequent to the receipt of the information from the sponsor, an operational review may be conducted.

(4) Structural and Legal Review

The sponsor will provide constituting documents to allow review to ensure that the legal structure is consistent with the described purpose of the SPV.

(5) Draft Rating Report

A pre-sale or rating report is typically drafted by the lead analyst that focuses on rating rationale and the structural features of the transaction, the roles performed by various parties as well as the structural risk mitigants or flexibilities that exist within the transaction.

(6) Rating Committee

The analysis, draft rating report, if prepared, and proposed rating are submitted to the Rating Committee, who will determine the rating. For further information regarding Rating Committee, please refer to "Rating Committee – Corporate and Structured Finance" policy.



(7) Review by the Sponsor

Once Rating Committee approval is received, the sponsor is provided with a copy of the press release and draft rating report, if prepared, to review to ensure that the factual information is correct and that these materials do not contain any confidential information. In the event that a sponsor disagrees with the rating and requests reconsideration, any re-evaluation of a rating would occur in accordance with the “Rating Appeal” policy.

(8) Publishing

Except for private ratings, internal assessments and for certain private placement transactions, the press release and final rating report, if prepared, is externally published.

(9) Surveillance

Each sponsor of a SPV structure is generally required to provide periodic performance reports, which provides an overview of the performance of the pool of receivables and the transaction and, if relevant, prompt notification of any covenant trigger and a proposed course of action to remedy the situation.