

# How Quality And Timeliness Of Information Are Incorporated Into U.S. Public Finance's Rating Process

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*(Editor's Note: The article has been re-published to include current contacts and provide additional transparency on information sufficiency standards.)*

S&P Global Ratings monitors and updates public credit ratings on an ongoing basis. We require sufficient information in both quality (received from a reliable source on a timely basis) and quantity to maintain our ratings (see our information quality policy on [www.standardandpoors.com](http://www.standardandpoors.com), under Regulatory-Form NRSRO). Here we answer frequently asked questions on our approach to information sufficiency in U.S. public finance (USPF) as part of the ratings process.

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## Questions About Our Approach

### How does S&P Global Ratings obtain the information utilized during the rating process?

S&P Global Ratings relies on issuers and their agents and advisors for the accuracy and completeness of the information submitted in connection with ratings and the surveillance of credit ratings including, without limitation, information on material changes to information previously provided by issuers, their agents or advisors.

In USPF, to maintain outstanding ratings, we typically request information from these parties in conjunction with the release of the issuer's or obligor's annual financial or audit report in alignment with our information quality standards. If our initial request for the information we deem necessary to maintain the rating goes unanswered, our general practice is to send an immediate follow-up request. We typically expect to receive such information within three months of the initial request, but this timeline could be shorter or longer if specific circumstances warrant. In all cases, however, we evaluate whether we possess information of sufficient quantity, received on a timely basis and that we consider reliable.

### How do S&P Global Ratings' information sufficiency standards relate to material changes to information previously provided?

In USPF, we expect issuers and their agents and advisors to provide us with notice of material

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changes to financial and operational information as soon as such information is available. For example, we expect to receive notice of new or updated disclosure from management related to financial and operational performance, whether or not disclosure of such information would be required under SEC Rule 15c2-12.

### What are S&P Global Ratings' information sufficiency standards in the context of a rated entity's issuance of additional debt (publicly or privately placed)?

In USPF, we expect to receive all information related to the issuance of additional debt in advance of its issuance or placement, including but not limited to, information about direct bank loans and debt and debt-like instruments issued to, or entered into with, financial institutions, insurance companies and/or other entities, whether or not disclosure of such information would be required under SEC Rule 15c2-12. This expectation applies even if issuers are not requesting a S&P Global Ratings' rating. By way of example, to properly analyze the impact of additional debt on our outstanding ratings, we expect to receive information regarding:

- The purpose and strategy behind the issuance of additional debt;
- The amount of additional debt and its impact on the issuer's overall debt profile;
- The terms (long-term, short-term, fixed-rate, variable-rate) of additional debt;
- Potential calls on liquidity as a result of termination, default, and acceleration events; and
- The security terms and covenants of additional debt.

### If information is not received on a timely basis, can the rating be affected?

S&P Global Ratings may raise, lower, suspend, place on CreditWatch, or withdraw a credit rating, and assign or revise an outlook, at any time, in S&P Global Ratings' sole discretion. In reviewing a credit, we will consider, among other things, whether we have received sufficient information on a timely basis to maintain the rating. If the timeliness or reliability of the information we possess is deteriorating, we would generally communicate this to the market. One avenue we could use and have used in the past to communicate this is through a CreditWatch.

**CreditWatch.** S&P Global Ratings uses CreditWatch and ratings outlooks to indicate its view regarding the degree of likelihood of a rating change and, in most cases, the probable direction of that change (see "S&P Global Ratings Definitions," published Nov. 10, 2021). As mentioned above, in USPF we generally expect that we will receive information we have requested within three months of the initial request. In cases where we do not receive such information within that timeframe, we could place the rating on CreditWatch to indicate that we believe additional information is necessary to evaluate the current rating.

**Suspension or withdrawal.** If S&P Global Ratings determines in its sole discretion that it lacks sufficient information of satisfactory quality, the rating will either be suspended or withdrawn. A rating could be suspended if there is a lack of information of satisfactory quality to make a rating determination but the obligor has notified the analyst when the information will be available or we cannot assess the nature of the information currently available or its impact on the rating but expect to be able to do so soon. A rating could be withdrawn if there is a lack of sufficient information of satisfactory quality and aforementioned conditions relevant to suspension are not

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present. If S&P Global Ratings believes that the rating to be suspended or withdrawn is or may be misleading, it may adjust the rating prior to suspending or withdrawing the rating. In such cases, the rating(s) will be changed as much as is deemed appropriate based on available information prior to the rating suspension or withdrawal. The accompanying analytical report will explain the reasoning behind any rating change.

### **Can a suspended rating be reinstated?**

Yes. If S&P Global Ratings receives information that it considers to be both of both sufficient and satisfactory quality to form a credit opinion after a rating has been suspended, it is possible that we may reinstate the rating.

### **How is timely information from an obligor viewed from a credit perspective?**

Our receipt of information on a timely basis from issuers and obligors and their agents and advisors is essential to the maintenance of our ratings. For USPF issuers and obligors, we view proactive disclosure and dissemination of information as a positive management characteristic. Conversely, we view the lack of timely disclosure and information flow negatively.

## **Related Research**

- Credit FAQ: Bank Loans And Bond Ratings: What To Disclose? June 17, 2013

This report does not constitute a rating action.

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