

General Criteria:

Methodology For Linking Long-Term And Short-Term Ratings

April 7, 2017

(Editor's Note: On Sept. 15, 2022, we republished this criteria article to make nonmaterial changes. See the "Revisions And Updates" section for details.)

SCOPE AND OVERVIEW

1. When assigning a short-term rating, S&P Global Ratings typically derives it from a long-term rating, with either the standard mapping or alternative mapping, as shown in table 1, which "S&P Global Ratings Definitions" establishes. This criteria article presents our global methodology for choosing between the two mappings on individual cases.
2. This paragraph has been deleted.
3. This methodology applies to all new and outstanding short-term issuer and issue credit ratings on certain structured finance asset classes, and to all sectors within S&P Global Ratings' corporate and governments issuers, such as:
 - Corporates (including those with characteristics of finance companies, such as equipment leasing companies and captive finance companies),
 - Project finance transactions,
 - Financial institutions,
 - Insurers (including mortgage insurers),
 - Sovereigns and monetary authorities,
 - Multilateral lending institutions,
 - International public finance issuers, and
 - U.S. public finance issuers.
4. Our standard mapping applies to all sectors in scope. In certain cases detailed below, we may apply an alternative mapping. These criteria may not apply to issuers or an issue that benefit from external enhancement such as liquidity facilities.

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Table 1

Standard And Alternative Mappings Of Short-Term Ratings To Long-Term Ratings

Long-term rating	Short-term rating	
	Standard mapping	Alternative mapping
AAA, AA+, AA, AA-	A-1+	N/A
A+	A-1	A-1+
A	A-1	N/A
A-	A-2	A-1
BBB+, BBB	A-2	N/A
BBB-	A-3	N/A
BB+	B	A-3
BB, BB-, B+, B, B-	B	N/A
CCC+, CCC, CCC-, CC, C	C	N/A
SD, D	SD, D	N/A

N/A--Not applicable, as there is no alternative mapping and the standard mapping in the middle column applies. SD--Selective default.
D--Default.

METHODOLOGY

Standard mapping

5. We apply a standard mapping of long-term to short-term ratings for all sectors in scope.

Alternative mapping

6. We apply an alternative mapping for issuers in certain sectors (corporates, insurance, and U.S. public finance) with liquidity that we assess as either exceptional or as a key strength, for which we determine that some aspects of an issuer's liquidity are not fully reflected in its long-term rating.

Sector-specific approaches

7. For corporates and insurers, including financial services companies, in addition to the standard mapping, the alternative mapping applies to an issuer whose liquidity we assess as exceptional. We describe our liquidity descriptors in the following articles:
 - For corporate issuers: "Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers," Dec. 16, 2014; and
 - For insurers: "Insurers Rating Methodology," July 1, 2019.
8. For sovereigns, the analysis of the liquidity profile is part of a long-term rating determination. Moreover, there is no alternative mapping as we do not analyze a sovereign's liquidity in isolation but in combination with other factors. Specifically, we analyze the country's balance of payments

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and the cost of external financing, the sovereign's own domestic funding profile, and the potential benefits deriving from the status of its currency in international transactions and monetary flexibility (see "Sovereign Rating Methodology," published on Dec. 18, 2017). Since liquidity aspects are already factored into the long-term sovereign rating, only the standard mapping applies.

9. Similarly, for a monetary authority, we apply the standard mapping with no alternative, since the rating on a monetary authority is related to the relevant sovereign rating.
10. For financial institutions including multilateral lending institutions, the standard mapping applies with no alternative mapping. Compared with issuers in other sectors, we see banks as highly confidence sensitive, being heavily reliant on short-term funding and the trust of customers and counterparties. We analyze a financial institution's liquidity in combination with other key factors, including other elements of our bank-specific analysis and our banking industry country risk assessment, and not in isolation. Therefore, we believe that the short-term rating on a financial institution is most effectively derived from the long-term rating, which provides an integrated view of the issuer's liquidity position in conjunction with other key analytical factors.
11. This paragraph has been deleted.
12. For all international public finance issuers, the standard mapping applies since we fully factor liquidity into the long-term ratings.
13. For U.S. public finance issuers, in addition to the standard mapping, the alternative mapping applies when we recognize liquidity as a key strength for the rated issuer or issue, but do not fully reflect some aspects of that in the long-term rating. This is generally the case when liquidity is outstanding on an absolute basis, relative to the long-term rating, or relative to other credit factors. Such obligors generally possess all of the following characteristics:
 - A combination of available reserves relative to total debt and short-term or puttable debt that we consider unusually strong for the rating, and that we believe will remain at or near current levels, typically over two to three years;
 - A portfolio of financial assets that we believe is at least sufficient in a stress scenario to provide for all working-capital needs, debt maturities, and other known uses of funds over the next 12 months. Where market risk is present in the portfolio of financial assets, we may apply haircuts to market-sensitive instruments to simulate a stress scenario;
 - The ability to repay short-term debt with available reserves (assuming no market access to roll over the debt) without having a negative impact on the long-term rating; and
 - Strong management, including a sophisticated treasury function, with a demonstrated ability to reliably deliver liquidity on a timely basis even under adverse market conditions.
14. The definition of available reserves may vary slightly from sector to sector within U.S. public finance. For the purposes of these criteria, in calculating available reserves, we generally include cash and investments that are unencumbered by restrictions. In contrast, liquidity typically focuses on the ability to access reserves in a timely manner. We generally exclude from available reserves:
 - Lines of credit and similar contingent sources of liquidity;
 - Trustee-held funds;
 - Restricted sources of liquidity;
 - Funds with donor restrictions;
 - Dedicated trusts such as for pensions, self-insurance, and workers compensation; and

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- Bond funds, such as debt service reserves.
15. For some structured finance issues, the standard mapping applies (except where S&P Global Ratings has published jurisdiction- or asset-specific criteria that discuss the mapping of long-term and short-term ratings or stress scenarios). We derive the short-term rating solely from the issue's ability to withstand a rating-specific stress scenario without defaulting, but in a way that is consistent with our standard mapping of long-term to short-term ratings as shown in table 1. No alternative mappings apply. Issues to which we assign short-term ratings have sufficient cash flows, credit, or liquidity enhancement to meet short-term debt maturities under such rating-specific stress scenarios.
 16. For project finance issues, although we typically do not assign short-term ratings, the standard mapping applies.
 17. We generally assign short-term ratings to obligations that we consider short term in the relevant market. We would typically assign a short-term rating to an obligation with an original maturity of no more than 365 days, and we would assign a long-term rating to an obligation with an original maturity of greater than 365 days. However, the ratings we assign to certain instruments may diverge from these guidelines based on market practices.
 18. For a government-related entity (GRE), we determine the mapping of the long-term rating to the short-term rating based on the likelihood of extraordinary support and the sector where the GRE operates. Specifically:
 - For a GRE whose long-term rating we equalize with that on the sovereign or an LRG because of our view that it benefits from an almost certain likelihood of extraordinary government support, we align the short-term rating with the short-term rating on the related government.
 - For all other GREs, we map the long-term ratings (which would incorporate potential extraordinary support if applicable) to the short-term ratings according to our guidelines for each specific sector. For a corporate and insurance GRE, in addition to the standard mapping, the alternative mappings apply. For a financial institution GRE, the standard mapping applies with no alternative mapping. For noncorporate, nonfinancial, international public finance, and sovereign GREs (for example, housing providers, mass transit- and health care-related entities, and universities), the standard mapping applies with no alternative mapping.
 19. In assigning short-term ratings to a member of a group (see "Group Rating Methodology," published July 1, 2019), we determine the mapping of the long-term rating to the short-term rating based on the member's group status, sector-specific guidelines, and, where applicable, the group's or group member's liquidity assessment as follows:
 - For a group member we assess as core or highly strategic to its group, we use our sector-specific guidelines for the group and, if applicable, the group's liquidity assessment.
 - For a group member we rate investment grade and assess as strategically important to its group, we apply the standard mapping, unless the group member's liquidity descriptor, based on its stand-alone credit profile, is exceptional (or otherwise recognized as a strength). In this case, we apply the alternative mapping, if applicable for the entity's sector.
 - For a group member we rate speculative grade and assess as strategically important to its group, we apply the standard mapping, unless either the group's or the group member's liquidity descriptor is exceptional (or otherwise recognized as a strength). In this case, we apply the alternative mapping, if applicable for either the group's or group member's sector respectively.
 - For a group member we assess as moderately strategic or nonstrategic to its group, we apply

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the mapping applicable to the group member.

20. Similar to our practice for long-term ratings, we generally cap the short-term rating on a group member at the level of the group's short-term rating. However, there are some exceptions, for instance when we assess a group member as insulated from the group, as described in "Group Rating Methodology."

Ratings above the sovereign

21. Long-term and short-term ratings on a nonsovereign can be higher than those on the sovereign if the nonsovereign meets the criteria for ratings above the sovereign (see "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions," published Nov. 19, 2013). For GREs, see the section "Rating a GRE above the rating on its government" in "Rating Government-Related Entities: Methodology And Assumptions," published March 25, 2015.

Credit substitution

22. For an issue, issuer, or short-term issuance program that benefits from a guarantee that meets the necessary conditions for credit substitution under our criteria, the short-term rating on the guarantor is generally applicable to the relevant obligations (see "Guarantee Criteria," published Oct. 21, 2016).
23. This paragraph has been deleted.

REVISIONS AND UPDATES

This article was originally published on April 7, 2017.

Changes introduced after original publication:

- Following our periodic review completed on April 6, 2018, we updated the contact information and deleted paragraph 23, which pertained to the initial publication of the criteria. We also combined two sentences in paragraph 6, removing commentary and thereby enhancing the clarity of the criteria. In addition, we updated the "Related Criteria And Research" section.
- On June 4, 2019, we republished this criteria article to make nonmaterial changes. We updated criteria references and the contact information.
- On July 5, 2019, we republished this criteria article to make a nonmaterial change. We removed the 'R' rating symbol from table 1 following its removal from "S&P Global Ratings Definitions," effective July 5, 2019, and we updated criteria references.
- On Sept. 23, 2019, we republished this criteria article to correct an error. We deleted paragraph 11 and revised the text in paragraph 12--changes we should have made when we published our revised "Methodology For Rating Local And Regional Governments Outside Of The U.S.," on July 15, 2019. Paragraph 11 has been superseded by the LRG criteria. Under the revised framework, we now reflect all liquidity strengths of a non-U.S. LRG in our long-term rating, which removes the need to use alternative mapping, which was described in paragraph 11, when determining the applicable short-term rating. With paragraph 11 superseded, we apply our standard mapping to all international public finance issuers, as now described in the revised paragraph 12. We also updated the contact list.
- On Aug. 7, 2020, we republished this criteria article to make nonmaterial changes. We updated

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the language in paragraphs 1, 4, 5, and 6 as well as table 1 to align them with the Aug. 7, 2020, expansion of "S&P Global Ratings Definitions," which now incorporates the description of the standard and alternative mappings. We deleted paragraph 2, the first sentence in paragraph 3, and the "Key Publication Dates" box, all of which pertained to the initial publication of the criteria. In paragraph 7, we deleted the phrase "mortgage insurers and" and the third bullet, which previously referred to bond insurers, because both mortgage insurers and bond insurers are now covered by "Insurers Rating Methodology," published July 1, 2019. In paragraph 13 and 14, we added some wording for clarity. Also, we updated article references and contact information.

- On June 2, 2021, we republished this criteria article to make nonmaterial changes to the contact information.
- On Dec. 14, 2021, we republished this criteria article to make nonmaterial changes to update criteria references.
- On Sept. 15, 2022, we republished this criteria article to make nonmaterial changes to update criteria references.

RELATED CRITERIA AND RESEARCH

Fully Superseded Criteria

- Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers, May 7, 2013
- Methodology For Mapping Short- And Long-Term Issuer Credit Ratings For Banks, May 4, 2010

Partly Superseded Criteria

In the following articles, we've superseded charts or text describing the correlation of our long-term ratings with our short-term ratings, mostly for the purpose of rating commercial paper. Otherwise the criteria remain effective.

- Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- Methodology And Assumptions For Analyzing The Liquidity Of Non-U.S. Local And Regional Governments And Related Entities And For Rating Their Commercial Paper Programs, Oct. 15, 2009
- Commercial Paper, VRDO, And Self-Liquidity, July 3, 2007
- Secondary Market Derivative Products, June 27, 2007
- Bank Liquidity Facilities, June 22, 2007
- Commercial Paper I: Banks, March 23, 2004

Related Criteria

- Financial Institutions Rating Methodology, Dec. 9, 2021

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- Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Group Rating Methodology, July 1, 2019
- Insurers Rating Methodology, July 1, 2019
- Methodology And Assumptions For Analyzing Bond Insurance Capital Adequacy, July 1, 2019
- Sovereign Rating Methodology, Dec. 18, 2017
- Methodology And Assumptions For Rating Jointly Supported Financial Obligations, May 23, 2016
- Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Issue Credit Rating Methodology For Nonbank Financial Institutions And Nonbank Financial Services Companies, Dec. 9, 2014
- Corporate Methodology, Nov. 19, 2013
- Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Principles Of Credit Ratings, Feb. 16, 2011

Related Articles

- S&P Global Ratings Definitions, published from time to time

This article is a Criteria article. Criteria are the published analytic framework for determining Credit Ratings. Criteria include fundamental factors, analytical principles, methodologies, and /or key assumptions that we use in the ratings process to produce our Credit Ratings. Criteria, like our Credit Ratings, are forward-looking in nature. Criteria are intended to help users of our Credit Ratings understand how S&P Global Ratings analysts generally approach the analysis of Issuers or Issues in a given sector. Criteria include those material methodological elements identified by S&P Global Ratings as being relevant to credit analysis. However, S&P Global Ratings recognizes that there are many unique factors / facts and circumstances that may potentially apply to the analysis of a given Issuer or Issue. Accordingly, S&P Global Ratings Criteria is not designed to provide an exhaustive list of all factors applied in our rating analyses. Analysts exercise analytic judgement in the application of Criteria through the Rating Committee process to arrive at rating determinations.

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