

The Association of Corporate Treasurers

**Comments in response to:
Request for Comment: Should S&P Explicitly Recognize Credit
Stability As An Important Rating Factor?
Issued by the Standard & Poor's, July 2008**

1 August 2008

The Association of Corporate Treasurers (ACT)

The ACT is a professional body for those working in corporate treasury, risk and corporate finance. Further information is provided at the back of these comments and on our website www.treasurers.org.

Contact details are also at the back of these comments.

We canvas the opinion of our members through seminars and conferences, our monthly e-newsletter to members and others, *The Treasurer* magazine, topic-specific working groups and our Policy and Technical Committee.

General

The ACT welcomes the opportunity to comment on this matter.

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Specific Question For Which A Response Is Requested

Do you support the proposal to explicitly recognize credit stability as an important factor in our ratings? Why or why not?

The ACT supports your proposal to incorporate credit stability into your rating opinions.

During the turmoil in the credit markets over the past year some participants have been surprised at the volatility and extent of downgrades in some structured securities. You already publish transition studies on rating downgrades over time and presumably the risk of default that your ratings already assess is linked to the risk of downgrades. However the explicit boundaries for credit deterioration over time that you are now proposing and the consequent cap on credit rating levels would appear to be a good way of capturing the volatility of ratings under stress scenarios. Presumably your credit analysis reports would mention when a ratings cap has been applied.

In making policy responses the ACT replies from the point of view of non financial services corporates and we note that for issuers in this category there will be little effect on ratings. You further explain that it could affect issuers who have ratings based triggers in their obligations that accelerate the maturity of debt or that impose other onerous consequences under specified conditions. We fully accept this consequence since such terms do increase the chances of a cliff edge decline in credit worthiness.

Your table of the maximum projected deteriorations in ratings under moderate stress conditions would appear to show that the capping of a rating will occur only for issues subject to relatively extreme levels of volatility. For investors in structured securities or non-investment grade generally there may be some merit in classifying the degree of projected volatility more specifically with a separate ratings volatility scale.

The Association of Corporate Treasurers

The ACT is the international body for finance professionals working in treasury, risk and corporate finance. Through the ACT we come together as practitioners, technical experts and educators in a range of disciplines that underpin the financial security and prosperity of an organisation.

The ACT defines and promotes best practice in treasury and makes representations to government, regulators and standard setters.

We are also the world's leading examining body for treasury, providing benchmark qualifications and continuing development through training, conferences, publications, including *The Treasurer* magazine and the annual *Treasurer's Handbook*, and online.

Our 3,600 members work widely in companies of all sizes through industry, commerce professional service firms.

Further information is available on our website (below).

Our policy with regards to policy and technical matters is available at <http://www.treasurers.org/technical/resources/manifestoMay2007.pdf>.

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