

# RatingsDirect®

---

## Ratings On 100 Tranches In 33 European SME CLO Transactions Placed On CreditWatch Negative Following Criteria Update

**Surveillance Credit Analyst:**

Emanuele Tamburrano, London (44) 20-7176-3825; emanuele\_tamburrano@standardandpoors.com

**Analytical Manager:**

Matthew Jones, London (44) 20-7176-3591; matthew\_jones@standardandpoors.com

### OVERVIEW

- On Jan. 10, 2013, we updated our methodology and assumptions for rating European SME CLO transactions.
- Today, the updated criteria became effective.
- Based on our analysis under the updated criteria, we have today placed or kept on CreditWatch negative our ratings on 100 tranches in 33 European SME CLO transactions.
- We intend to complete our resolution of today's CreditWatch placements over the next six months.

LONDON (Standard & Poor's) Jan. 17, 2013--Standard & Poor's Ratings Services today placed or kept on CreditWatch negative its credit ratings on 100 tranches in 33 European small and midsize enterprise (SME) collateralized loan obligation (CLO) transactions following an update to its criteria for rating European SME CLO transactions (see "European SME CLO Methodology And Assumptions," published on Jan. 10, 2013). The updated criteria became effective today.

For the complete list of public ratings affected by today's rating actions, see "List Of European SME CLO CreditWatch Placements At Jan. 17, 2013 Following European SME CLO Criteria Update." (Watch the related Credit Matters TV segment titled "S&P Introduces New European SME CLO Criteria," dated Jan. 17, 2013.)

Our updated European SME CLO criteria address the "credit quality of the securitized assets" and "payment structure and cash flow mechanics" principles described in "Principles Of Credit Ratings," published on Feb. 16, 2011.

These criteria apply to CLOs backed by granular and well-diversified pools of loans to European SMEs. They apply to both cash flow and synthetic structures, to the extent set out in the criteria.

In addition, the originator's internal SME scoring system is used as a building block in our rating analysis. Therefore, the criteria apply where such an internal tool exists and has ranking power we consider suitable for conducting the analysis described in the criteria. Based on the criteria, the originators may be required to provide additional data in order to determine the average portfolio assessment.

Due to the uncertainty surrounding availability and timing of data and based on our experience of outstanding transactions, we adopted a set of standard assumptions to assess the credit quality of securitized pools.

Consequently, we have placed or kept on CreditWatch negative our ratings on transactions where we believe there is at least a one-in-two chance that ratings on the transaction will be lowered, following the application of our updated criteria.

The CreditWatch placements affect approximately 33.6% (by number) of the European SME CLO tranches that we currently rate.

We intend to complete our resolution of today's CreditWatch placements over the next six months.

#### STANDARD & POOR'S 17G-7 DISCLOSURE REPORT

SEC Rule 17g-7 requires an NRSRO, for any report accompanying a credit rating relating to an asset-backed security as defined in the Rule, to include a description of the representations, warranties and enforcement mechanisms available to investors and a description of how they differ from the representations, warranties and enforcement mechanisms in issuances of similar securities. The Rule applies to in-scope securities initially rated (including preliminary ratings) on or after Sept. 26, 2011.

If applicable, the Standard & Poor's 17g-7 Disclosure Reports included in this credit rating report are available at <http://standardandpoorsdisclosure-17g7.com>.

#### RELATED CRITERIA AND RESEARCH

##### Related Criteria

- European SME CLO Methodology And Assumptions, Jan. 10, 2013

- Principles Of Credit Ratings, Feb. 16, 2011
- Update To Global Methodologies And Assumptions For Corporate Cash Flow And Synthetic CDOs, Sept. 17, 2009
- Standard & Poor's Rating Methodology for CLOs Backed by European Small- and Midsize-Enterprise Loans, Jan. 30, 2003

Related Research

- List Of European SME CLO CreditWatch Placements At Jan. 17, 2013 Following European SME CLO Criteria Update, Jan. 17, 2013
- European Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, March 14, 2012
- Global Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, Nov. 4, 2011

**Additional Contacts:**

Virginie Couchet, Madrid (34) 91-389-6959; virginie\_couchet@standardandpoors.com

Barbara Florian, Milan (39) 02-72111-265; barbara\_florian@standardandpoors.com

Structured Finance Europe; StructuredFinanceEurope@standardandpoors.com

Copyright © 2013 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).