



WHEN LOCAL AAA ISN'T GLOBAL AAA:

The Hidden Gap in South East Asia
Bond Ratings



Important Note on the Fictitious Country Used in This Article

The Kingdom of Malvinas is a wholly fictitious Southeast Asian country created solely for illustrative and educational purposes. It is not intended to represent any specific country, regulator, issuer, credit rating agency, bond market or securities framework.

The purpose of using a fictitious country is to explain, in a neutral and general way, why locally issued bond ratings, such as mvAAA, mvAA or mvBBB+, should not be automatically interpreted as equivalent to international ratings issued by global rating agencies or internationally comparable rating frameworks.

This article uses the fictional Malvinas bond market to demonstrate an important principle: a local national-scale rating measures relative credit strength within a domestic market, while an international rating or master rating scale considers wider cross-border investor risks, including sovereign risk, foreign-exchange risk, transferability, legal enforceability, ESG credibility, project-finance risk and recovery analysis.

Accordingly, the article supports the use of an International Investor Risk Overlay as a transparency tool to help investors better understand what a local rating means, what it does not mean, where international risks may sit, and how those risks may affect global investor perception.

Why Local Bond Ratings Need an International Investor Risk Overlay

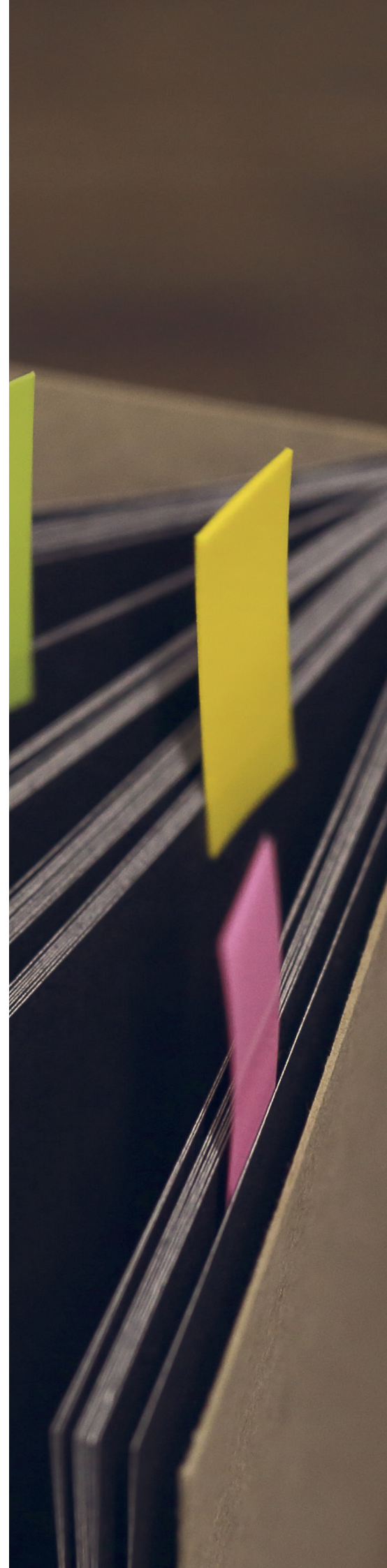
In the **Kingdom of Malvinas**, a fast-growing Southeast Asian economy, the bond market is entering a new and important stage of development. Banks, infrastructure operators, renewable energy developers, real estate groups, logistics companies, and state-linked enterprises are increasingly issuing bonds to raise long-term capital. This is a positive step. It helps reduce over-reliance on bank lending, introduces more disciplined funding structures, and gives investors a clearer way to participate in the country's economic growth.

However, as bond issuance grows, one issue becomes increasingly important: **what does a local bond rating actually mean?**

At first glance, ratings appear simple. A bond may be rated **mvAAA**, **mvAA**, **mvA**, **mvBBB+**, or **mvBBB** under Malvinas's domestic rating system. A domestic investor may look at **mvAAA** and assume it represents the strongest possible credit. A foreign investor may see **mvBBB+** and assume it is comparable to an international **BBB+** rating from S&P Global, Fitch, Moody's, or an internationally comparable framework such as the **Andersen Master Rating Scale**.

That assumption can be wrong.

A localised bond rating is not automatically equivalent to an international rating. A domestic **mvAAA** does not necessarily mean global **AAA**. A domestic **mvBBB+** does not necessarily mean international **BBB+**. This is not a weakness of the local rating system. It is a necessary distinction between two different types of rating analysis.



A national-scale rating may rank relative credit risk within a country, but it should not be presented as automatically equivalent to an international global-scale rating. Ratings are independent opinions, not guarantees, and issue ratings may differ from issuer ratings depending on security, guarantees, seniority, structural subordination, loss severity and recovery prospects.

1. The Local Rating Scale in Malvinas

In the Kingdom of Malvinas, domestic ratings may use the prefix “mv” to show that the rating is a Malvinas national-scale rating.

Local Malvinas Rating	Domestic Meaning
mvAAA	Highest relative credit strength within Malvinas
mvAA / mvAA+ / mvAA-	Very strong domestic credit profile
mvA / mvA+ / mvA-	Strong domestic credit profile
mvBBB+ / mvBBB / mvBBB-	Adequate domestic repayment capacity
mvBB+ and below	Higher-risk or speculative domestic credit profile
mvD	Default or non-payment

The key phrase is “**within Malvinas.**”

A local rating answers one main question:

How strong is this issuer or bond compared with other issuers and bonds inside Malvinas?

An international rating answers a different question:

How strong is this issuer or bond compared with issuers and bonds globally?

That difference matters enormously. A bond may be one of the strongest credit risks in Malvinas, but still carry risks that international investors cannot ignore, including sovereign constraints, currency mismatch, transfer restrictions, legal enforceability, offtaker reliability, construction risk, ESG credibility, and recovery uncertainty.

2. Why a Local AAA May Not Be a Global AAA

A local **mvAAA** rating means the issuer or bond sits at the top of the domestic credit-risk scale. It may have strong cash flow, good repayment history, good security, strong local banking relationships, regulatory support, and a favourable market position.

But an international **AAA** rating means something much stricter. It implies extremely strong capacity to meet financial commitments, the lowest expected default risk within the relevant scale, and the highest level of investor confidence. Even then, the **Andersen Master Rating Scale** notes that AAA is not risk-free, and an instrument may still be notched lower if it is subordinated, unsecured, or exposed to weak recovery prospects.

This is where misunderstanding can occur.



A local **mvAAA** bond may be excellent relative to the Malvinas market. But international investors will still ask:

- Is Malvinas's sovereign risk limiting the bond's international rating ceiling?
- Are revenues earned in local currency while debt is payable in US dollars?
- Can interest and principal be remitted offshore without delay?
- Are trustee rights enforceable in practice?
- Can bondholders step in if the project fails?
- Is recovery realistic in a default scenario?
- Are ESG or green bond claims supported by credible documentation?
- Is there a proven operating track record?

A domestic rating may focus heavily on relative local credit strength. An international rating must look at whether the bond can survive wider global investor risk tests.

3. The Rating Gap: A Simple Visual

Illustrative Rating Translation - Not Automatic

Local Malvinas Rating	Possible International Reference View
mvAAA	A / BBB+ / BBB depending on country, FX, legal and recovery risk
mvAA	BBB+ / BBB / BBB-
mvA	BBB- / BB+
mvBBB+	BB+ / BB
mvBBB	BB / BB-

(This is not a mechanical conversion table. It is a conceptual illustration)

The point is not that every local rating must be downgraded internationally. The point is that **local ratings and international ratings are not automatically interchangeable**. The international view depends on the risk overlay, the transaction structure, the security package, the repayment currency, the legal framework, the sovereign environment, and recovery prospects.

4. Why This Matters for Malvinas's Bond Market

Malvinas's bond market is developing quickly. Domestic institutional investors are becoming more active. Banks are using bonds for liquidity and capital management. Infrastructure companies are exploring project bonds. Renewable energy developers are looking at green bonds. Private-sector issuers are beginning to see bonds as an alternative to traditional bank debt.

This is positive for the Kingdom. Credit and bond ratings can help reduce information gaps, support disciplined pricing, improve issuer transparency, strengthen market governance, and broaden participation from both domestic and cross-border investors. Ratings help reduce information gaps, support more disciplined funding discussions, broaden the investor base, support regional credibility, and strengthen market discipline.

However, market credibility depends on clarity.

If local ratings are marketed too aggressively as international equivalents, investors may be misled. A local **mvBBB+** should not be promoted as automatically equivalent to an international **BBB+**. A local **mvAAA** should not be treated as a global safe asset. A local rating can be strong and useful, but it must be explained properly.



For Malvinas, the market should avoid “rating inflation by misunderstanding.” The goal is not to weaken local ratings. The **goal is to make them more credible.**

5. Local Rating vs International Rating

Question	Local National-Scale Rating	International Rating / Master Rating Scale
Main purpose	Measures relative risk inside Malvinas	Measures risk against a wider international universe
Example symbol	mvAAA, mvAA, mvBBB+	AAA, AA, A, BBB, BB
Investor audience	Domestic investors, local banks, local institutions	Foreign investors, DFIs, regional funds, pension funds, insurers
Country risk	Often embedded locally but not always fully differentiated	Explicitly considered as a key constraint
FX and transfer risk	May be less central for local-currency investors	Critical for offshore investors
Legal enforceability	Viewed through local market practice	Tested against international creditor expectations
Recovery analysis	May be less developed in emerging markets	Central to issue-level rating and pricing
Green bond credibility	May focus on domestic compliance	Requires stronger documentation, reporting and verification
Comparability	Comparable within Malvinas	Comparable across markets

The Andersen Master Rating Scale provides an internationally comparable long-term credit and bond rating framework, with categories from AAA to D and supporting descriptions for credit quality, default probability, recovery implications and instrument-level notching. It also separates issuer ratings from issue ratings and recognises that default risk and recovery risk are not the same.

6. The International Investor Risk Overlay

The most useful bridge between a local Malvinas rating and an international investor view is the **International Investor Risk Overlay**.

This overlay does not replace the local rating. It does not force all credit rating agencies to use the same methodology. It does not interfere with CRA independence. Instead, it provides a structured explanation of how international investors may view the bond, especially where certain risks may not be fully captured by a domestic relative-risk rating.

The International Investor Risk Overlay acts as an additional cross-border investor perspective designed to improve transparency around risks that may not be fully captured by a domestic relative-risk rating. They also identify the key areas to be disclosed, including sovereign ceiling, FX risk, transfer risk, PPA risk, construction risk, operating risk, legal risk, ESG / green bond risk and recovery analysis.

For Malvinas, the **overlay should become a core part** of any bond rating report aimed at **foreign investors**.

7. Deeper Explanation of the Investor Risk Overlay

7.1. Sovereign Ceiling Risk

The sovereign ceiling asks whether the bond can realistically be rated above, equal to, or below the country-risk environment. Even if the issuer is strong, it still operates within Malvinas's legal, economic, monetary, regulatory and political system.

International investors will ask:

- Can the issuer perform if the country faces macroeconomic stress?
- Is the sovereign environment stable enough for long-term debt?
- Could regulatory change affect repayment capacity?
- Does the country's external debt, currency position or reserves create pressure?
- Is the project dependent on state support or government-linked contracts?

A strong domestic issuer may still be constrained internationally if the sovereign environment is viewed as higher risk.

7.2. FX Risk

FX risk is one of the most important issues in emerging SEA bond markets. If a project earns revenue in local currency but debt service is in US dollars, Vietnam dong, Singapore dollars or another foreign currency, the issuer may face a mismatch.

International investors will ask:

- What currency is revenue earned in?
- What currency is debt payable in?
- Are operating costs and debt obligations matched?
- Are reserve accounts held in the same currency?
- Are hedging tools available, affordable and enforceable?
- What happens if the local currency depreciates sharply?

A project may look stable domestically, but FX mismatch can quickly weaken its international credit profile.

7.3. Transfer and Convertibility Risk

Transfer risk asks whether money can be moved offshore to foreign investors. Convertibility risk asks whether local currency can be converted into the currency required for payment.

Investors will ask:

- Can interest and principal be remitted offshore without restriction?
- Are there capital controls?
- Could regulators delay conversion or transfer?
- Are offshore reserve accounts allowed?
- Is there a tested payment waterfall?

This matters because a bond can have enough local cash flow but still fail to pay foreign investors on time if transfer or convertibility is restricted.



7.4. Offtaker / PPA Risk

For infrastructure, energy and power bonds, repayment may depend on a single offtaker or purchaser. A solar project, for example, may rely on a long-term power purchase agreement.

Investors will ask:

- Who is the offtaker?
- What is the offtaker's credit strength?
- Does the offtaker have a strong payment history?
- Are tariffs fixed, adjustable or exposed to political pressure?
- Are termination payments clearly defined?
- Can disputes delay payment?

A project with strong engineering and construction may still be weak if the offtaker is financially stressed or politically exposed.

7.5. Construction and Completion Risk

Construction risk is especially important for project bonds. A project may be rated highly on local expectations, but international investors will look closely at whether the asset is actually complete, tested and revenue-generating.

Investors will ask:

- Has construction been completed?
- Has the project reached commercial operation date?
- Are permits complete?
- Is grid connection confirmed?
- Are EPC warranties enforceable?
- Are there cost overruns or delay penalties?
- Has technical completion been certified?

Pre-completion projects usually carry higher international risk than operating assets with a proven track record.

7.6. Operating Risk

Once the asset is built, operating risk becomes central. A toll road must carry traffic. A solar plant must generate power. A logistics facility must maintain occupancy. A port must handle volume.

Investors will ask:

- Is there a reliable O&M provider?
- Are performance assumptions realistic?
- Is insurance adequate?
- Are maintenance reserves funded?
- Are monitoring systems in place?
- Is there historical operating data?
- What happens if availability or output falls?

Operating risk determines whether projected cash flows are credible.



7.7. Legal and Enforcement Risk

Legal risk is one of the biggest gaps between local and international ratings. Domestic investors may be comfortable with local practice. International investors need stronger certainty.

They will ask:

- Are security documents enforceable?
- Are trustee rights clear?
- Can bondholders appoint a receiver or step in?
- Are account controls properly structured?
- Is creditor ranking clear?
- Can enforcement be delayed by courts or regulatory approvals?
- Are insolvency rules predictable?

A bond may have strong collateral on paper, but weak legal enforceability can reduce international recovery expectations.

7.8. ESG and Green Bond Risk

For green, social and sustainability bonds, international investors expect more than marketing language.

They will ask:

- Is there a credible environmental impact assessment?
- Is there an environmental and social management plan?
- Is the use of proceeds clearly defined?
- Is there external review or second-party opinion?
- Are reporting commitments ongoing?
- Is the project aligned with recognised green bond principles?

Weak ESG documentation can reduce investor confidence, even if the project itself appears positive.

7.9. Recovery Analysis

Recovery analysis asks what bondholders may recover if the issuer defaults. This is separate from default probability. A bond with moderate default risk may still be attractive if recovery is high. A bond with low default risk may still be concerning if recovery is uncertain.

Investors will ask:

- What collateral supports the bond?
- Is the debt senior secured, unsecured or subordinated?
- Are there guarantees?
- Are reserve accounts available?
- Can assets be sold?
- Are enforcement timelines realistic?
- What is the estimated recovery value under stress?

Default risk and recovery risk are separate; recovery depends on collateral, seniority, guarantees, jurisdiction, restructuring terms, covenant protections and enforcement rights.



8. Investor Risk Overlay Matrix

Overlay Area	Domestic Rating View	International Investor Question	Possible Rating Impact
Sovereign ceiling	Strong issuer locally	Can the issuer rise above country constraints?	May cap international rating
FX risk	Local cash flow appears stable	Is debt payable in foreign currency?	May increase stress risk
Transfer risk	Cash is available locally	Can cash be remitted offshore?	May reduce foreign investor confidence
PPA / offtaker risk	Contract exists	Is the buyer creditworthy and reliable?	May affect cash-flow certainty
Construction risk	Project is progressing	Is COD achieved and certified?	May create pre-completion discount
Operating risk	Asset has projected cash flow	Is there proven operating history?	May affect rating stability
Legal risk	Security exists on paper	Can creditors enforce quickly?	May reduce recovery assumptions
ESG risk	Green label is used	Is documentation credible and reportable?	May affect green investor eligibility
Recovery analysis	Collateral is available	What is recoverable after default?	May affect issue-level notching

9. Practical Example: The Malvinas Solar Bond

Assume a Malvinas solar project issues a 7-year green bond.

The local CRA assigns: **mvAA / Stable**

Domestically, this rating may be justified. The project has a long-term offtake agreement, strong domestic sponsors, good engineering progress, and expected stable cash flows.

However, the international investor view may be more cautious.

Illustrative Risk Overlay

Risk Factor	Status	International Interpretation
Construction	95% complete	Still exposed until full COD and technical completion
Revenue	Local currency	FX mismatch if debt is in foreign currency
Offtaker	State-linked utility	Requires payment history and tariff certainty
Security	Land and project assets	Recovery depends on enforceability
ESG	Green bond label	Needs EIA, ESMP, external review and ongoing reporting
Recovery	Asset-backed	Recovery uncertain without tested enforcement process

Illustrative Rating Outcome

Domestic Local Rating: **mvAA / Stable**

International Reference View: **BBB / BB+** range, depending on final documentation

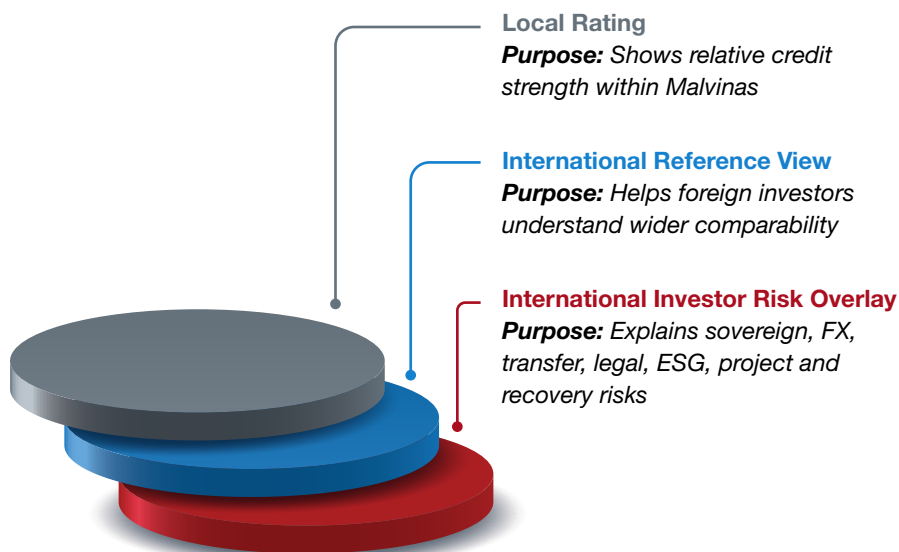
Reason for gap:

Sovereign + FX + transfer + construction + legal enforcement + recovery uncertainty

This does not mean the local rating is wrong. It means the international investor view is asking a different and stricter set of questions.

10. What Malvinas's Market Should Do Next

For Malvinas to build a credible bond market, rating reports should clearly disclose three layers:



This approach protects issuers, investors, regulators and rating agencies.

- For **issuers**, it improves credibility.
- For **investors**, it improves risk understanding.
- For **regulators**, it strengthens market discipline.
- For the Kingdom, it supports the development of a more transparent and investable capital market.

What We Say ...

The Kingdom of Malvinas's bond market has strong potential. Local ratings such as **mvAAA**, **mvAA** and **mvBBB+** can play an important role in improving transparency, pricing discipline and investor confidence.

But local ratings must be properly understood.

A local **mvAAA** is not automatically an international **AAA**.

A local **mvBBB+** is not automatically an international **BBB+**.

A domestic investment-grade-style rating does not automatically mean global investment-grade equivalence.

The difference lies in the international investor risk overlay: sovereign risk, FX risk, transferability, legal enforceability, project execution, offtaker reliability, ESG credibility and recovery analysis.

For emerging SEA bond markets, the winning formula is not simply to issue more ratings. It is to issue ratings that are clearly explained, properly qualified, methodologically disciplined and internationally understandable.

That is how Malvinas can move from a local bond market to a truly investable capital market.



Andersen Master Rating Scale

The **Andersen Master Rating Scale** is a positive step toward clearer market communication. It provides an internationally comparable long-term credit and bond rating framework, with rating categories from AAA to D and supporting descriptions for credit quality, default probability, recovery implications and instrument-level notching considerations.

One strong feature of the Andersen Master Rating Scale is that it separates several issues that are often confused in emerging markets.

1. It recognises that issuer ratings and issue ratings may differ. A company may have one credit profile, but a specific bond may be stronger or weaker depending on security, guarantee support, contractual priority, structural subordination, loss severity and recovery prospects.
2. It also makes clear that ratings are opinions, not guarantees, and that no rating should be described as risk-free. Even the highest rating category does not eliminate market risk, liquidity risk, legal risk, regulatory risk, event risk or operational risk.
3. The scale also identifies BBB- as the common investment-grade floor, with BB+ and below generally treated as speculative grade or high yield.

This type of rating scale is valuable for South East Asia because it helps investors see rating migration, investor eligibility and risk escalation more clearly. It also helps issuers understand what separates investment-grade strength from speculative-grade vulnerability.



Andersen Cambodia Master Rating Scale

DETAILED MASTER RATING SCALE

Color coding is intended to make rating migration, investor eligibility and risk escalation visible at a glance. The international comparator is indicative and should not override local rating definitions, national-scale identifiers or transaction-specific methodology.

ANDERSEN RATING	RATING GRADE	CREDIT QUALITY DEFINITION	DEFAULT PROBABILITY / RISK SIGNAL	RECOVERY / INVESTOR IMPLICATION	INSTRUMENT-LEVEL NOTCHING CONSIDERATIONS
AAA	Highest Investment Grade	Highest credit quality. The issuer has extremely strong capacity to meet financial commitments.	Lowest expected default risk within the rating scale.	Premium credit quality; typically associated with the tightest credit spreads and strongest investor confidence, but not risk-free.	Instrument rating may be notched lower if structurally subordinated, unsecured, or exposed to weak recovery prospects.
AA+	Very High Investment Grade	Very strong capacity to meet financial commitments; differs only slightly from the highest-rated obligations.	Very low expected default risk.	Very strong investor acceptance; close to top-tier credit quality.	Notching may apply for subordination, weak covenants, or lower-ranking debt.
AA	Very High Investment Grade	Very strong capacity to meet financial commitments.	Very low default risk, though marginally higher than AAA / AA+.	High institutional-quality credit; strong access to capital markets.	Senior secured obligations may align with issuer rating; subordinated or hybrid instruments may be notched lower.
AA-	Very High Investment Grade	Very strong capacity, but marginally weaker than higher AA notches.	Very low default risk, with some sensitivity to adverse conditions.	Strong institutional-grade quality; typically, suitable for conservative portfolios.	Recovery expectations and ranking in the capital structure remain relevant.
A+	Strong Investment Grade	Strong capacity to meet financial commitments, but somewhat more exposed to adverse economic, business or financial conditions than AA category.	Low default risk.	Strong investment-grade profile; generally attractive to institutional investors.	Instrument rating may differ where security, guarantee support, or structural subordination materially changes expected loss.
A	Strong Investment Grade	Strong capacity to meet financial commitments, although adverse conditions may weaken capacity more than for AA-rated obligors.	Low default risk, but with greater sensitivity to cyclical or operating stress.	High-quality investment grade.	Notching may reflect collateral quality, guarantee coverage, contractual priority, or loss severity.
A-	Strong / Upper-Medium Investment Grade	Strong current capacity, but closer to the lower investment-grade categories than higher A notches.	Low to moderate-low default risk.	Still solid investment grade, but investors may require more spread than for A / A+.	Subordinated, unsecured, or weakly covenanted instruments may be notched below the issuer rating.
BBB+	Medium Investment Grade	Adequate capacity to meet financial commitments; adverse economic or business conditions may weaken capacity.	Moderate-low default risk relative to higher investment-grade categories.	Upper end of the BBB category; generally, investment-grade eligible.	Security package, guarantee support, project structure, or seniority may materially influence issue rating.

ANDERSEN RATING	RATING GRADE	CREDIT QUALITY DEFINITION	DEFAULT PROBABILITY / RISK SIGNAL	RECOVERY / INVESTOR IMPLICATION	INSTRUMENT-LEVEL NOTCHING CONSIDERATIONS
BBB	Medium Investment Grade	Adequate capacity to meet financial commitments, but more vulnerable to adverse conditions than A-rated obligors.	Moderate default risk relative to higher investment-grade categories.	Core lower investment grade; typically, acceptable for many institutional mandates.	Instrument-level notching should be assessed where recovery prospects differ from issuer-level credit quality.
BBB-	Lowest Investment Grade	Adequate capacity to meet financial commitments, but with clear vulnerability to adverse economic, business or financial changes.	Highest risk within investment grade; close to speculative-grade threshold.	Investment-grade floor; rating pressure or downgrade risk may materially affect investor eligibility and pricing.	Notching is critical where debt is subordinated, unsecured, structurally junior, or dependent on weak contractual protections.
BB+	Highest Speculative Grade	Less vulnerable in the near term than lower-rated speculative obligations, but faces meaningful uncertainty and exposure to adverse conditions.	Elevated default risk; below investment grade.	Crossover / high-yield territory; some investors may participate selectively.	Strong collateral, guarantees or senior secured status may support issue ratings; weak recovery may result in lower notches.
BB	Speculative Grade	Speculative credit quality with ongoing uncertainty and material exposure to adverse business, financial or economic conditions.	Elevated default risk.	High-yield category; investor appetite depends heavily on pricing, security and outlook.	Instrument rating should distinguish between senior secured, senior unsecured and subordinated obligations.
BB-	Speculative Grade	Speculative credit quality; adverse developments could lead to weaker payment capacity.	Elevated to high default risk.	Higher-risk high-yield credit; spreads may widen materially during stress.	Recovery analysis becomes increasingly important.
B+	Highly Speculative	More vulnerable to non-payment than BB-rated obligations, but currently has capacity to meet financial commitments.	High default risk, especially under adverse conditions.	High-yield / speculative; investors require meaningful compensation for credit risk.	Issue rating may vary substantially based on collateral, guarantees, covenant protection and seniority.
B	Highly Speculative	Vulnerable to adverse business, financial or economic conditions, though current capacity to meet obligations remains.	High default risk.	Significant credit risk; refinancing and liquidity access are important considerations.	Senior secured debt may receive better notching than unsecured or subordinated debt if recovery prospects are stronger.
B-	Highly Speculative	Highly vulnerable; adverse developments could materially impair capacity or willingness to meet commitments.	High to very high default risk.	Weak credit profile; investor confidence may depend on liquidity runway, sponsor support or asset coverage.	Loss severity and legal enforceability should be explicitly assessed.
CCC+	Substantial Risk	Currently vulnerable and dependent on favorable business, financial or economic conditions to meet commitments.	Very high default risk.	Distressed or near-distressed credit; investor focus shifts heavily to downside protection.	Recovery analysis should be central; ranking, collateral, guarantees and restructuring position are critical.

ANDERSEN RATING	RATING GRADE	CREDIT QUALITY DEFINITION	DEFAULT PROBABILITY / RISK SIGNAL	RECOVERY / INVESTOR IMPLICATION	INSTRUMENT-LEVEL NOTCHING CONSIDERATIONS
CCC	Substantial Risk	Currently vulnerable to non-payment; capacity to meet commitments is highly dependent on favorable conditions.	Very high default risk; default could occur if conditions deteriorate.	Highly speculative; pricing may reflect distressed-risk expectations.	Issue-level rating should not assume the same risk as issuer rating if security or structural priority differs.
CCC-	Substantial / Near-Distressed Risk	Extremely vulnerable; default may be likely without favorable developments, external support, refinancing or restructuring.	Extremely high default risk.	Deeply speculative; investor analysis should focus on survival, liquidity and recovery value.	Material distinction should be made between secured, unsecured, subordinated and guaranteed instruments.
CC	Very High Risk / Near Default	Highly vulnerable to non-payment; default appears probable or very near, but may not yet have occurred.	Default risk is extremely high.	Distressed credit; investor focus is primarily on restructuring outcome and recoverable value.	Issue rating may vary sharply depending on collateral, legal priority and enforceability.
C	Near Default / Default-Like	Near default or default-like credit condition; very limited prospects for avoiding non-payment or impairment without extraordinary support or restructuring.	Default or impairment risk is imminent or extremely high.	Extremely high risk; recovery expectations should be analyzed separately, not assumed.	Subordination should be treated through notching and recovery analysis, not embedded in the general rating definition.
D	Default	Default has occurred on one or more financial commitments, or payment is not being made as required.	Default has occurred.	Recovery is uncertain and depends on collateral, seniority, guarantees, restructuring terms, jurisdiction and enforcement.	Issue-level recovery may differ materially across instruments of the same issuer.

Key Classification Notes

CLASSIFICATION	ANDERSEN RATING	PRACTICAL MEANING
Highest Investment Grade	AAA	Strongest credit quality; lowest relative expected default risk.
Very High Investment Grade	AA+, AA, AA-	Very strong capacity to pay; only modestly weaker than AAA.
Strong Investment Grade	A+, A, A-	Strong capacity, but more exposed to adverse conditions than AA.
Lower / Medium Investment Grade	BBB+, BBB, BBB-	Adequate capacity; more vulnerable to economic or business stress. BBB- is the common investment-grade floor.
Speculative Grade / High Yield	BB+, BB, BB-	Below investment grade; elevated credit risk and greater spread sensitivity.
Highly Speculative	B+, B, B-	Vulnerable credit profile; refinancing, liquidity and sponsor support become important.
Substantial Risk / Distressed	CCC+, CCC, CCC-	Very high default risk; recovery analysis becomes central.
Near Default	CC / C	Default appears probable, imminent, or default-like.
Default	D	Payment default has occurred or payment is not being made as required.

Important Rating Notes and Limitations

Ratings are opinions, not guarantees.

Ratings are independent opinions of relative creditworthiness and expected capacity to meet financial commitments. They are not recommendations to buy, sell or hold any security.

Investment-grade threshold.

Rating of BBB- above are generally considered investment grade. Rating of BB+ and below are generally considered speculative grade or high yield.

Default risk and recovery risk are separate.

A high probability of default does not automatically determine recovery. Recovery depends on collateral, seniority, guarantees, jurisdiction, restructuring terms, covenant protections and enforcement rights.

Issuer rating and issue rating may differ.

An issuer credit rating reflects the overall creditworthiness of the obligor. An issue or bond rating may be notched higher or lower based on security, guarantee support, contractual priority, structural subordination, loss severity and recovery prospects.

No rating should be described as risk-free.

Even the highest rating category does not eliminate market risk, liquidity risk, regulatory risk, legal risk, event risk or operational risk.

Local and national rating scales require caution.

A domestic or national-scale rating may rank relative credit risk within a country and should not be presented as automatically equivalent to an international global-scale rating.

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