

04 Mar 2020 | No Action Assigned

Fitch Places IDRs and Debt Ratings of Standard Chartered Entities Under Criteria Observation

Fitch Ratings-Hong Kong/Singapore/Shanghai/Taipei/Seoul/London-04 March 2020:

Fitch Ratings has placed a number of ratings of Standard Chartered PLC and its subsidiaries Under Criteria Observation (UCO). This follows the publication of updated bank rating criteria on 28 February, which changed the way Fitch rates operating company subsidiaries of banking groups headed by bank holding companies. It also changed the way Fitch notches senior and junior ratings from the Issuer Default Rating (IDR) or Viability Rating anchors.

The updated criteria better reflect continuing developments in bank resolution, including bank resolution plans and the build-up of bail-in debt buffers that protect more senior creditors and the implication for default risk and recovery prospects for different senior and junior liability classes as well as bank and non-bank financial institution operating companies relative to bank holding companies. Fitch has also reduced the base case notching for non-performance on additional Tier 1 (AT1) instruments, narrowing the gap between Tier 2 and AT1 instruments where we have reappraised the baseline treatment of non-performance risk.

Ratings designated as being UCO are reviewed and resolved as soon as practical and in any case within six months.

Standard Chartered Bank

---subordinated; Long Term Rating; Under Criteria Observation; A-

---subordinated; Long Term Rating; Under Criteria Observation; BBB

Standard Chartered Bank (China) Limited; Long Term Issuer Default Rating; Under Criteria Observation; A;
RO:Sta

Standard Chartered Bank (Taiwan) Limited; Long Term Issuer Default Rating; Under Criteria Observation; A;
RO:Sta

Standard Chartered Bank AG; Long Term Issuer Default Rating; Under Criteria Observation; A; RO:Sta
; Derivative Counterparty Rating; Under Criteria Observation; A(dcr)

Standard Chartered Bank (Singapore) Limited; Long Term Issuer Default Rating; Under Criteria Observation; A;
RO:Sta

Standard Chartered PLC

---subordinated; Long Term Rating; Under Criteria Observation; A-

---subordinated; Long Term Rating; Under Criteria Observation; BB+

---preferred; Long Term Rating; Under Criteria Observation; BB+

Standard Chartered Bank Korea Limited; Long Term Issuer Default Rating; Under Criteria Observation; A;

RO:Sta

Key Rating Drivers

The UCO placements reflect the possibility of the relevant ratings being upgraded or downgraded as a result of the updated criteria; see Rating Sensitivities below for more details.

Fitch has placed the Long-Term IDRs of the following issuers on UCO: -Standard Chartered Bank Korea Limited-Standard Chartered Bank (Singapore) Limited-Standard Chartered Bank (China) Limited-Standard Chartered Bank (Taiwan) Limited-Standard Chartered Bank AG

The IDRs are underpinned or driven by expectations of institutional support from Standard Chartered PLC or Standard Chartered Bank.

Standard Chartered Bank AG's Derivative Counterparty Rating is equalised with its Long-Term IDR and is therefore also placed UCO.

Fitch has placed the subordinated (Tier 2) debt of the following issuers on UCO:-Standard Chartered PLC-Standard Chartered Bank.

The below-average recovery expectations of the banks' subordinated debt is accounted for by notching down once from the banks' Viability Ratings on top of notching for non-performance risk, if any.

We have placed the ratings of Tier 1 debt with fully flexible coupons of the following issuers on UCO: -Standard Chartered PLC-Standard Chartered Bank.

Hybrid debt with fully flexible coupons (AT1 debt) and preference shares are notched down five times from the banks' Viability Ratings; two notches for loss severity and three for incremental non-performance risk. Ratings could be upgraded to be notched down four times under the new criteria to reflect a reduction in incremental non-performance risk notching unless conditions under the new criteria for wider notching prevail.

RATING SENSITIVITIES

The Long-Term IDRs on UCO could be upgraded under the new criteria if we conclude that external senior creditors will benefit from resolution funds ultimately raised by Standard Chartered PLC and designed to protect operating company creditors in a group failure scenario.

Subordinated debt on UCO could be downgraded to reflect the switch to baseline notching of two notches for loss severity from the anchor rating (from one notch under previous criteria) unless conditions under the new criteria for one notch prevail.

Hybrid Tier 1 debt on UCO could be upgraded to be notched four times under the new criteria to reflect a reduction in incremental non-performance risk notching unless conditions under the new criteria for wider notching prevail.

The rating sensitivities listed in each issuer's latest rating action commentary continue to apply.

Public Ratings with Credit Linkage to other ratings

The IDRs of Standard Chartered Bank Korea Limited, Standard Chartered Bank (Singapore) Limited, Standard Chartered Bank (China) Limited, Standard Chartered Bank (Taiwan) Limited and Standard Chartered Bank AG are underpinned or driven by expectations of institutional support from Standard Chartered Bank and ultimately, Standard Chartered PLC.

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Additional information is available on www.fitchratings.com

Applicable Criteria

[Bank Rating Criteria \(pub. 28 Feb 2020\)](#)

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