GCR GLOBAL CREDIT RATING CO.
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Rating Methodology

Structured Finance

Global Project Finance Rating Criteria

Updated November 2018

Related Methodology

This Criteria should be read in conjunction with Global Credit Rating Co.'s ("GCR") *Global Master Structured Finance Rating Criteria*, updated and published in September 2018, and available on www.globalratings.net.

Introduction

GCR's Global Project Finance Rating Criteria (the "*Criteria*") applies to the long-term financing of assets that are for a single-purpose, and are structured so that they are non-recourse to the project owner or any other party. Typically, Project Finance assets may include: power generation and distribution, water and fuel pipelines, transportation projects and various other infrastructure. Project Finance assets are assets that can produce relatively stable and predictable cash flows.

This Criteria provides an overview of how Project Finance transactions are analysed. The Criteria applies globally, although each individual country and specific transaction may give cause to additional observations or deviations, which will be disclosed in the transaction specific reports. GCR may publish separate criteria to address renewable energy projects, such as wind and solar power, to be read in conjunction with this Criteria.

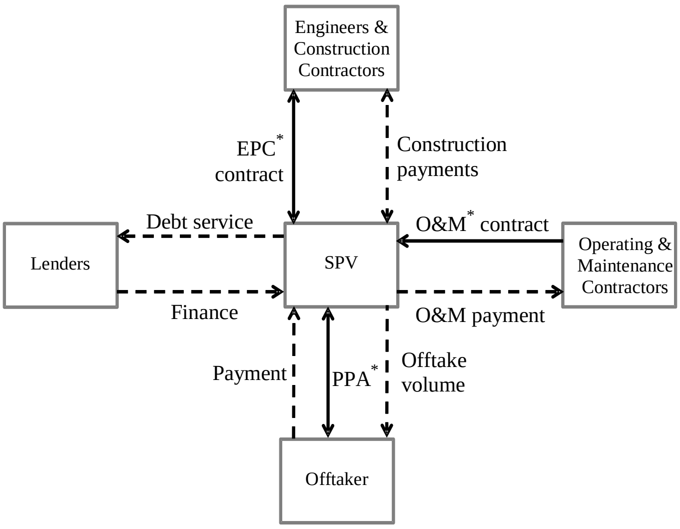
Whilst Project Finance transactions may be analysed by a structured finance team, Project Finance ratings will not carry the (sf) modifier.

This Criteria is an update to the version published in September 2017. There are no significant amendments to the Criteria. The update of this Criteria will not have an impact on any existing transactions that have been rated under it. Going forward, all new transactions will be rated using this Criteria.

GLOBAL CREDIT RATING CO.

Overview of Project Finance

Project Finance is the long-term financing of assets for a single purpose, which is structured so that it is non-recourse to the project owner or any other party. Project Finance structures rely on various contracts to be in place to manage risk during construction and operating periods. The diagram below depicts a typical Project Finance structure.



*Acronyms are defined below

Assets are typically held in a Special Purpose Vehicle ("SPV"). A Power Purchase Agreement ("PPA") for example, or other form of Revenue contract, allows the SPV to sell the output of the assets to an off-taker or revenue counterparty. If there is a construction period, the engineering, procurement and construction ("EPC") contract will set out the terms of construction, normally at a fixed price. The operating and maintenance ("O&M") contract sets out the terms of the operating and maintenance contractors during the operating period. The contracts mentioned typically transfer risk from the SPV to the transaction counterparties. GCR expects to receive copies of all contracts, as well as structural legal documents. The contracts and legal documents should cover risks associated with the transaction, such as construction risk, operating risk, price and inflation risk, catastrophic risk, as well as credit risk of the counterparties. These risks will be discussed in further detail throughout the Criteria.

Analytical Approach

There are many aspects that make up GCR's analysis of a Project Finance transaction. These are reviewed in detail as part of the analysis used to determine the ratings. GCR applies a scorecard approach, which may be weighted towards certain factors and notched up or down for certain structural deficiencies/ enhancements or mitigated/unmitigated risks. Whilst the scorecard acts as a guideline for indicative rating categories, there are also a number of sub-factors that incorporate both quantitative and qualitative analysis. As such, the scorecard should be used as a guideline, as the final rating may be notched up or down, or cross into another rating category. The factors that are considered in the scorecard are discussed within this Criteria.

The scorecard assumes a fully amortising transaction during the operating period. Where the transaction is non-amortising or partially amortising, additional factors will be taken into consideration in the analysis, as detailed later in this Criteria.

Details of the scorecard can be found in *Appendix A* of this Criteria. Factors that may lead to notching are additional inputs to the analysis and are not covered by the scorecard.

Construction Period

The construction period is often deemed the riskiest part of the project. As such, GCR may notch the rating downwards if the risks during the construction period are deemed to be greater than during the operating period.

To analyse the construction period and the risks inherent thereto, GCR will assess the following to determine if notching is appropriate:

i. Complexity of Construction;
ii. Assessment of Quality of EPC Contractor and EPC contractual arrangements; and
iii. Construction Period Liquidity/Funding Adequacy.

It should be noted that other factors may also be taken into consideration.

i. Complexity of Construction

Construction risk varies for different project types. Typically, the more complex the technology, the higher the construction risk. Also, certain geographical locations or terrains may have an impact on construction risk. The design and scale of a project may also have an impact. A nuclear project for example, has more complex construction risk than a renewable energy project, where construction risk is negated once equipment has been delivered and installed.

Construction risk is not covered by the scorecard analysis, but is used as a base to determine notching if a construction period is applicable.

ii. Assessment of Quality of EPC Contractor and EPC Contractual Arrangements

In evaluating construction risk, GCR will evaluate the contractor's experience, reputation and track record. GCR will also assess whether the construction contractor has sufficient experience with respect to the size and type of project to be constructed. Where a contractor is not rated, GCR will use an internal credit assessment process to evaluate the credit quality of the construction contractor.

In respect of an EPC contractual arrangement, GCR will evaluate the arrangement to ascertain if it is a fully wrapped fixed price, turnkey type arrangement, and whether it is date certain. The contractual arrangement should clearly transfer the risk of construction to the third party contractor. To the extent that the SPV is left with any exposure to construction risk, GCR will evaluate the severity of the risk retained.

iii. Construction Period Liquidity/Funding Adequacy

GCR will assess if the project has sufficient ability to service its debt obligations until the construction is completed and payment commences under the offtake agreements. GCR will look for liquidity facilities or reserves to be in place to cover a *six* month delay in construction as a minimum; although this may be increased depending upon the complexity of the project and jurisdiction.

Liquidity may be provided by a number of different means. Typically, it is provided by liquidated damages to be paid by the EPC contractor, cash funded reserves, or Letters of Credit (LCs), amongst others.

If the EPC contractor is unrated or has a low rating, then other sources of external liquidity may be required, in addition to liquidated damages.

Guarantees

If government guarantees or insurance policies are in place, that negate some elements of construction risk, GCR will factor these into its analysis. Likewise, if guarantees are in place from other counterparties that negate elements of construction risk, GCR will review the adequacy of the guarantees and the counterparties, and factor this into its analysis.

Operating Period

During the operating period, operating and maintenance costs are typically low, with high replaceability of the contractor. This results in lower risks during the operating period. Nevertheless, the following operating period risks are assessed by GCR in its analysis:

i. Operating and Maintenance Risks and Costs;
ii. Revenue/Offtake Agreements;
iii. Availability; and
iv. Competitiveness.

i. Operating and Maintenance Risks and Costs

In order for cash flows to be sustained with a high degree of certainty, operational performance needs to be maintained at specified levels and ongoing maintenance is necessary. Where such output levels cannot be attained or maintenance is not adequate, this will serve to increase the cost of the project. Therefore, GCR will look to assess the experience and track record of such a contractor.

GCR will look to the O&M contract to see if it contains a clause for operating damages should a contractor underperform. Contracts should also contain clauses that allow an O&M contractor to be seamlessly replaced in such a circumstance.

A sponsor typically has equity in a project and as such, the degree to which a sponsor is invested in a project is often indicative of a higher commitment to a successful project. GCR will also review the sponsor's equity investment, as well as its support track record and credit worthiness.

O&M costs are expected to be a reasonable portion of the cost structure and be stable over the life of the project.

ii. Revenue/Offtake Agreements

The certainty and sustainability of cash flows throughout the life of the transaction is a key factor in the rating analysis of the transaction. Therefore, GCR will assess the revenue/offtake agreements in place. GCR will evaluate the credit strength of the offtaker, as well as its ability to honour the revenue contract. In cases where there are multiple offtakers, a diverse pool of ratings may provide further comfort. Where there is a single offtaker, and the offtaker is a highly rated single entity, a government or state-owned entity, and the project is integral to the offtaker's grid, more credit may be given. There may also be instances where a project may be rated higher than the rating of the offtaker as many other factors, not solely the offtaker's rating, are taken into consideration in the analysis.

If revenues and operating costs are mismatched, this could translate into increased risk for a transaction. Fixed pricing and a longer term revenue contract can help mitigate risk.

Merchant risk projects, i.e. projects that sell output at market price, are deemed to be higher risk and, as such, will not be covered under GCR's scorecard analysis. Merchant price projects will be assessed on a case by case basis and will typically require independent market studies to be carried out.

Fixed price contracts typically reduce risk in a project, albeit, this can create further risk as underlying costs (e.g. fuel prices) can fluctuate. To mitigate this, contracts may include a fixed price component, as well as a variable element that would typically be priced based on the market price of a particular commodity or input.

iii. Availability

Availability refers to the amount of a particular product or service (such as megawatts of electricity or kilolitres of water) that is offered or required by the offtaker. Availability clauses are typically structured such that the service provider is required to make a particular amount of a product available to the offtaker, while the offtaker commits to purchasing a certain quantum of product.

Thus, in an offtake agreement, the usage fee (usually calculated based on the fixed fee component) is required to be paid to the service provider on availability of the service being provided and not on actual dispatch.

The contract should be assessed for contract 'outs' as these can increase risk. For example, a contract that imposes high availability parameters on a project can add further risk to a transaction if the agreed level of service provision is set too close to the attainable range. This increases the likelihood of a breach of availability and thus results in penalty payments to the offtaker or a reduction in the revenue received. Availability should be set within reasonable limits of the project, and will be assessed within the analysis.

As such, GCR will assess if the technology is tested and has a proven track record. GCR will look to evidence of warranty periods and the duration of long-term service arrangements to assist in providing required availability.

iv. Competitiveness

GCR will assess the competitiveness of the project relative to other projects/plants in the market. This assessment looks to the cost of production/generation and also the cost competitiveness of the contract in current market conditions. For example, GCR will assess how competitive the project would be if, in the case of a power plant, the offtake contract were to be terminated and the power needed to be sold into the market. Therefore, if the revenue contract pays substantially above market price, this can increase risk as it would make replacement less likely. Regulatory issues are also considered in the analysis, as a change in law or the regulatory environment may have a substantial impact on existing revenue contracts for power or other forms of production.

Financial structure

In addition to the scorecard analysis, GCR will consider the following measures of financial strength of the SPV and the loan covenants (as well as other related factors) as potential risk mitigants in the analysis:

i. Debt Structure;
ii. Reserves;
iii. Insurance; and
iv. Counterparties.

i. Debt Structure

The Debt Service Coverage Ratio ("DSCR") is the key financial measure for a Project Finance transaction and is the cash flow available for debt service. DSCR is expected to be relatively consistent and is driven by the stability and certainty of cash flows. Subordinated debt and any other fixed charges are covered in the DSCR calculation. DSCR is the most appropriate measure for fully amortising structures. For partially or non-amortising structures, GCR will review other key financial metrics. For fixed payment transactions, GCR will assess if any inflation protection is in place, and where necessary, stress the cash flows with an inflation assumption. It is assumed that a transaction can withstand inflation of up to 10% annually through its life, with a DSCR of *1.0x* or higher. For Power generation projects, GCR expects a DSCR of between *1.2x - 1.6x* to achieve the lower end of an 'A' rating band. It is atypical for Project Finance transactions to achieve ratings above the 'A' rating band. However, with all other factors being of supreme quality, having a high DSCR may potentially enable a transaction to achieve a higher rating.

DSCR triggers may be implemented on a transaction to trap cash flows and prevent equity distributions in the event that the triggers are breached. GCR will view any such DSCR triggers as favourable to a transaction, as they should stop the deterioration of DSCRs. The rating categories corresponding to DSCR bands can be found in *Appendix B*.

The term of the debt is also key. The debt should mature prior to the contract term end date. If the term of the debt exceeds the term of the contract then market value risk and potentially interest rate risk is assumed at maturity. Most Project Finance transactions are fully amortising and exceptions for those that are non-amortising or partially amortising are notched within the rating analysis.

Refinancing risk is another structural risk. If a transaction is refinanced, the different interest rate that could be incurred may have an impact on the DSCR. If the DSCR is at the higher end of the rating category, the impact may be limited but the reverse may also be true where even a slight decrease in the DSCR could trigger a rating downgrade.

ii. Reserves

For Project Finance transactions a minimum of a *six months'* debt service reserve is standard. GCR will assess the amount of the debt service reserve dependent upon the underlying project type. Projects that exhibit volatility in production may be subject to higher debt service reserve requirements. Projects that have less than a *six month* debt service reserve are likely to be rated lower than those with a minimum of *six months*.

In addition to a debt service reserve, GCR will also look to a maintenance reserve, if maintenance costs are considered substantial for a project. Where there is a need for regular maintenance, such as for wind projects, a debt service reserve is necessary as a standard.

GCR will review any other reserves or forms of liquidity available to a transaction within its analysis. Such reserves should be cash funded or provided by means of a LC by an appropriately rated counterparty.

iii. Insurance

GCR will assess the insurance coverage provided. The insurance policy should cover, amongst others, the replacement cost of a project, *force majeure*, and potential business interruption. Noteholders should be an insured party and have the ability to elect whether notes are to be paid out, or the project be replaced or rebuilt if necessary. Any changes to the insurance policy should have the consent of the noteholders. GCR expects insurance to be provided by a recognised insurance company with a sufficient credit rating. Annual insurance certificates should be supplied by the SPV, detailing continued coverage and compliance with terms. Insurance renewal risk is deemed to be a low risk factor as insurance premiums make up a small proportion of the project costs.

iv. Counterparties

Any financing counterparty to the transaction such as the account bank, LC provider, or swap counterparty should be rated.

Typically for Project Finance, the financing counterparties will be rated higher than the debt rating. GCR has minimum counterparty rating guidelines, which are published within its Global Structured Finance Criteria, updated in September 2018, and available at www.globalratings.net.

On-Site Review

GCR will typically meet with the management team of a project to discuss its business strategies, policies, competitive performance and projections. GCR will also discuss advances and changes in technologies to assess that the project will be well run, as well as to review and establish the managerial track record.

GCR also expects to receive audited financial statements prepared by a recognised firm of auditors. Delays in receiving audited financial statements or qualifications in the statements may be considered an indication of a potential breakdown in a project's internal controls.

Legal Considerations

Whereas in a securitisation, bankruptcy remoteness of the SPV is commonplace, this is not the case for many Project Finance transactions. Project Finance SPVs are often not bankruptcy remote from the parent. Whilst Project Finance SPVs may engage in a broader range of activities, these should still be reasonably limited. GCR expects to see separate covenants in respect of the SPV, and would expect the SPV to have an independent director in place.

From time to time commercial disputes may arise in respect of the SPV and contractors, or the revenue counterparty. GCR expects a sufficient dispute resolution clause to be in place that provides a transparent and timely guideline that limits legal recourse and enables continued operation or construction until such dispute has been resolved.

GCR will analyse the security structure presented. Noteholders should have a first-ranking, perfected, senior security interest or other form of security such as a mortgage over the assets of the SPV. Upon a default of the SPV, the noteholders should be able to control the assets of the SPV and take over any contractual rights and/or obligations of the SPV, including control of contracted cash flows.

GCR expects to receive full transaction legal documentation, as well as legal opinions addressing amongst others: the creation and legal existence of the SPV, validity and enforceability of security, and the power and authority for the SPV to enter into certain projects.

GCR will typically use external counsel to review legal opinions.

Non or Partially Amortising transactions

Project Finance transactions are typically fully amortising and the scorecard in *Appendix A* addresses such structures. Where a structure is non-amortising or only partially amortising, the DSCR may not always be the most appropriate financial metric. Where debt is non-amortising, the majority of debt reduction typically arises from excess cash flows. This results in the DSCR not accurately reflecting the ability of the project to cover its debt. On this basis, where it is deemed the DSCR may not be an accurate measure, GCR will review the cash flow coverage. However, ratio ranges for a rating category may be significantly higher i.e. between *1.2x* for 'B' up to *6.5x* for an 'A' band rating. The DSCR bands and their relevant corresponding rating categories can be found in *Appendix B.*

In addition to reviewing cash flow coverage, GCR will assess the Total Debt to Total Capitalisation on a project company's balance sheet. To achieve an 'A' rating, GCR will look for a minimum 20% Total Debt to Total Capitalisation ratio up to 60% for a 'BB' or lower rating category. The ratios and their corresponding rating categories can be found in *Appendix B.*

A qualitative assessment may be made in respect of future cash flows in respect of refinancing risk.

Performance Monitoring

Ongoing monitoring of performance of transactions and the underlying assets is key to the rating process and maintaining ratings. GCR expects sufficient performance information to be provided on a monthly/ quarterly basis. GCR also expects to be notified of any changes to the transaction that may impact the current rating and its analysis.

Upon each reporting period, GCR will review the performance information provided, to ensure it is reflective of the metrics derived from the initial rating analysis. In addition, surveillance rating panels are held annually at a minimum, or sooner as events warrant. Negative or improved performance of the underlying portfolio may trigger a potential rating action. For public transactions, GCR will publish a performance report on an annual basis at a minimum, or sooner as events warrant.

Disclaimer

Note that GCR is not a legal, tax or financial adviser and will only provide a credit opinion of the rated securities. For example, a rating does not cover a potential change in the applicable laws nor can it be regarded as an audit. Moreover, GCR is not a party to the transaction documents nor does it provide legal, tax or structuring advice.

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Appendix A: Scorecard

The following scorecard should act as a guideline to the rating analysis. Additional factors may be taken into consideration in the analysis, and both a quantitative and qualitative assessment may be made in addition to the scorecard below. These assumptions will be discussed during the rating panel process.

Operating Period Assumptions	**A High Quality**	**BBB Average**	**BB or < Weak**
Operating & Maintenance (O&M) costs, proven technology and track record	• High replaceability of operators • Technology proven • On-going O&M costs expected to be modest • Operator has a strong track record • O&M contract contains significant operating damages • Sponsor track record of on-going financial support for project	• Average replaceability • Technology proven, operating issues have occurred / average operating history • O&M essentially to maintain project efficiently • Recognised operator • Long-term O&M contract with limited or no operating damages • Sponsor has good track record, financial support and oversight	• Low replaceability • Technology considered proven, with untested elements or limited history • Need for active O&M • Operator experience limited to this technology type • Contract lengths may not exceed project life • No operating damages • Sponsor with little or no track record
Revenue/PPA/Offtake Agreements	• Very high predictable / stable cash flows • 1 or more highly rated offtakers • No fuel / resource supply risk • Extremely limited contract outs	• Highly predictable / stable cash flows from a minimum of 1 credit worthy counterparty for the full term of the project • Low fuel / resource supply risk • Limited contract outs • Attainable availability demands	• <50% cash flows contracted • Cash flows considered less stable • High risk of fuel / resource supply risk • Contract constrained by availability tests and other outs
Competitiveness of Contracts	• Strong competitiveness • Strong economic rationale for projects and predictable profitability • Terms of contract competitive • Little impact on revenue following termination of the contract	• Reasonably cost competitive • Some degree of barrier to entry • Terms of contact at or near market price • Modest revenue erosion on termination of the contract	• Weak or no competitive advantage • Terms of contract 20%-50% above market price • Failure to replace contract may result in a lack of revenue and potential default within 2 years
Competitiveness of Assets	• Competitive assets located in 1 or more countries / regions • High obstacles to entry	• Consistently competitive in 1 or more countries / regions • Regulatory / legislative protection for limited time • Mid-range obstacles	• Legislative or regulatory obstacles • Low obstacles to entry • New entrants a severe threat to business

		to entry	

Appendix B: DSCR Ratios

The following DSCR ratios are considered in GCR’s analysis for amortising transactions:

A	BBB	BB or <
>1.6x	**1.2x to 1.6x**	**<1.3x**

The following DSCR ratios are considered in GCR’s analysis for non-amortising transactions:

A	BBB	BB or <
6.5x or >	**4.0x to 6.5x**	**1.2x to 4.0x**

For non-amortising transactions, GCR will also consider the following Total Debtor to Total Capitalisation ratios in its analysis:

A	BBB	BB or <
20% - 40%	**40% - 60%**	**60% or >**

GLOSSARY OF TERMS/ACRONYMS USED IN THIS DOCUMENT AS PER GCR'S STRUCTURED FINANCE GLOSSARY

Account Bank	A bank where the transaction account is held.
Advance	A lending term, to transfer funds from the creditor to the debtor.
Agreement	A negotiated and usually legally enforceable understanding between two or more legally competent parties.
Asset	An item with economic value that an entity owns or controls.
Bankruptcy	Court proceedings at which an individual or a company is declared unable to pay its creditors. The liability of a bankrupt company typically exceeds its assets.
Bankruptcy Remote	A feature, through real security and guarantees that reduces the enforceability of a creditor against a Special Purpose Vehicle. Typically a Security Special Purpose Vehicle should be bankruptcy remote.
Capital	The sum of money that is used to generate proceeds.
Cash Flow	A financial term for monetary changes in operations, investing and financing activities.
Covenant	A provision that is indicative of performance. Covenants are either positive or negative. Positive covenants are activities that the borrower commits to, typically in its normal course of business. Negative covenants are certain limits and restrictions on the borrowers' activities.
Credit	A contractual agreement in which a borrower receives something of value now, and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company
Credit Rating	An opinion regarding the creditworthiness of an entity, a security or financial instrument, or an issuer of securities or financial instruments, using an established and defined ranking system of rating categories.
Credit Risk	The probability or likelihood that a borrower or issuer will not meet its debt obligations. Credit Risk can further be separated between current credit risk (immediate) and potential credit risk (deferred).
Debt	An obligation to repay a sum of money.
Default	A default occurs when: 1.) The Borrower is unable to repay its debt obligations in full; 2.) A credit-loss event such as charge-off, specific provision or distressed restructuring involving the forgiveness or postponement of obligations; 3.) The borrower is past due more than 90 days on any debt obligations as defined in the transaction documents; 4.) The obligor has filed for bankruptcy or similar protection from creditors.
Downgrade	The assignment of a lower credit rating to a corporate, sovereign of debt instrument by a credit rating agency. Opposite of upgrade.
Environment	The surroundings or conditions in which an entity operates (Economic, Financial, Natural).
Exposure	Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For a company, its exposure may relate to a particular product class or customer grouping. Exposure may also arise from an overreliance on one source of funding.
Force Majeure	An event that is beyond the control of contracting parties, whereby they cannot be held responsible for the fulfilment of the contract.
Guarantee	An undertaking for performance of another's obligations in event of default.
Insurance	Provides protection against a possible eventuality.
International Scale Rating LC	International local currency (International LC) ratings measure the likelihood of repayment in the currency of the jurisdiction in which the issuer is domiciled. Therefore, the rating does not take into account the possibility that it will not be able to convert local currency into foreign currency or make transfers between sovereign jurisdictions.
Legal Opinion	An opinion regarding the validity and enforceable of a transaction's legal documents.
Liquidity	The ability to repay short-term obligations or short-term availability of liquid assets to a market or entity.
Loan	A sum of money borrowed by a debtor that is expected to be paid back with interest to the creditor. A debt instrument where immovable property is the collateral for the loan. A mortgage gives the lender a right to take possession of the property if the borrower fails to repay the loan. Registration is a prerequisite for the existence of any mortgage loan. A mortgage can be registered over either a corporeal or incorporeal property, even if it does not belong to the mortgagee. Also called a Mortgage bond.
Long-Term Rating	A long term rating reflects an issuer's ability to meet its financial obligations over the following three to five year period, including interest payments and debt redemptions. This encompasses an evaluation of the organisation's current financial position, as well as how the position may change in the future with regard to meeting longer term financial obligations.
Market	An assessment of the property value, with the value being compared to similar properties in the area.
Notching	A movement in ratings.
Noteholder	Investor of capital market securities.
Obligation	The title given to the legal relationship that exists between parties to an agreement when they acquire personal rights against each other for entitlement to perform.
Pricing	A process of determining the price of a debt security.
Provision	An amount set aside for expected losses to be incurred by a creditor.
Ranking	A priority applied to obligations in order of seniority.
Rated Securities	Debt securities that have been accorded a credit rating.
Recourse	A source of help in a difficult situation.
Refinance	The issue of new debt to replace maturing debt. New debt may be provided by existing or new lenders, with a new set of terms in place.
Reserves	A portion of funds allocated for an eventuality.
Securities	Various instruments used in the capital market to raise funds.
Securitisation	Is a process of repackaging portfolios of cash-flow producing financial instruments into securities for sale to third parties.
Security	An asset deposited or pledged as a guarantee of the fulfilment of an undertaking or the repayment of a loan, to be forfeited in case of default.

Senior	A security that has a higher repayment priority than junior securities.
Short-Term Rating	A short term rating is an opinion of an issuer's ability to meet all financial obligations over the upcoming 12 month period, including interest payments and debt redemptions.
Special Purpose Vehicle	An entity that is created to fulfil specific objectives. Normally insolvency remote and created to isolate financial risk.
Structured Finance	A method of raising funds in the capital markets. A Structured Finance transaction is established to accomplish certain funding objectives whist reducing risk.
Subordinated Debt	Debt that in the event of default is repaid only after senior obligations have been repaid. It is higher risk than senior debt.
Surveillance	Process of monitoring a transaction according to triggers, covenants and key performance indicators.
Swap	An agreement between two parties for the exchange of a series of future cash flows. The exchange of one security for another. Normally an investment bank, which provides a swap.
Transaction	A transaction that enables an Issuer to issue debt securities in the capital markets. A debt issuance programme that allows an Issuer the continued and flexible issuance of several types of securities in accordance with the programme terms and conditions.
Weighted	The weight that a single obligation has in relation to the aggregated pool of obligations. For example, a single mortgage principal balance divided by the aggregated mortgage pool principal balance.

For a detailed glossary of terms, please click here.