

Moody's Investors Service

Best Practices Guidance for the Credit Rating Process¹

Procedure Owner: Credit Policy Group

This document describes the general steps in the process leading up to, and following, the assignment of a Credit Rating.

Moody's Investors Service ("MIS") assigns Credit Ratings through a process that involves a number of steps. These steps include:

- credit analysis of the issuer or security to be rated,
- rating committee deliberation and voting,
- dissemination of the rating, and
- monitoring of the rating.

This document outlines these steps in a general manner. Particular practices and process will, by necessity, vary by group, region and/or sector.

Each Analyst is responsible for complying with [Moody's Investors Service Code of Professional Conduct \("MIS Code"\)](#), [Moody's Corporation's Code of Business Conduct \("MCO Code"\)](#), all other Moody's internal policies and procedures, and the laws, regulations and rules applicable in the jurisdictions in which the Analyst operates.

Should you find anything in this document or in an attached annexes that appears to conflict with the MIS Code or the MCO Code, Moody's Corporation Securities Trading Policy or other Moody's Compliance policies or procedures, please follow the guidance offered by those documents and immediately contact the Compliance Department.

¹ This document applies to Credit Ratings, as that term is defined on page 3, and, in general, to other types of ratings, including but not limited to: equity fund ratings, market risk ratings, investment manager quality ratings, servicer quality ratings, hedge fund operations quality ratings, real estate portfolio cash flow volatility ratings, trustee quality ratings, Lloyd's syndicate performance and volatility ratings, speculative grade liquidity ratings, and loss given default assessments.

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Defined Terms

An **Analyst** is an Employee whose primary function is participation in the Credit Rating analysis process.

A **Credit Officer** ("CO") includes any Employee with any of the following titles: Chief Risk Officer, Chief Credit Officer ("CCO"), & Group Credit Officer ("GCO").

A **Credit Rating** is MIS's current opinion regarding the relative future creditworthiness of a credit commitment, a debt or debt-like security or contract, or an issuer of such obligation, as determined by a rating committee and expressed using its established Aaa to C alpha-numeric rating scale, or other Credit Rating scales as identified from time to time by MIS.

Credit Rating Announcements are those written communications that publicly announce new MIS Credit Ratings, changes to existing MIS Credit Ratings, maintenance of existing MIS Credit Ratings, or the withdrawal of existing MIS Credit Ratings. These include (but are not limited to) press releases, Pre-Sale Reports, New Issue Reports ("NIRs"), and Updates. Issuer Comments, a publication type, is not a Credit Rating Announcement.

An **Employee** is any individual who works for Moody's Investors Service ("MIS") in any capacity.

The term **Issuer**, as used in these Guidelines, means any entity – such as a special purpose vehicle, a corporation, a sovereign country or a municipality – that issues debt, a credit commitment or debt-like obligations or securities.

A **Lead Rating Analyst** ("Lead Analyst") means an **Analyst** with primary responsibility for elaborating on a Credit Rating and/ or for communicating with the Issuer with respect to a particular Credit Rating or, generally, with respect to the Credit Rating of a financial instrument issued by that Issuer and, where relevant, for preparing recommendations to the rating committee in relation thereto²;

- a) In some cases there may be more than one Lead Analyst³ whose roles and responsibilities will be determined by the applicable Managing Director.
- b) The Lead Analyst must attend rating committees for the Issuers he or she rates whenever possible.

Managers are those Employees who have personnel management responsibilities.

The term **Security** means any stock, bond, debenture, option, equity security, convertible security, warrant, derivative security (**Derivative**), note or other investment security, except those Securities that are categorized as "exempt" under the [Moody's Corporation Securities Trading Policy](#). Examples of exempt Securities include, but are not limited to:

- a) holdings in widely diversified, open-end mutual funds and holdings in widely diversified, exchange-traded funds; and
- b) Securities held in a qualifying "blind trust" for the benefit of an Employee or his/her family members.

² In the event the Lead Analyst is unavailable, then the back-up Analyst may serve as Lead Analyst. The back-up Analyst has the same obligations as the Lead Analyst. All references to Lead Analyst in this document apply to the back-up Analyst if the back-up Analyst stands in for the Lead Analyst.

³ In cases where multiple lead analysts are assigned, each is independently responsible for the obligations of the Lead Analyst.

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Title Abbreviations are:

- a) Executive Vice President (“EVP”)
- b) Managing Director (“MD” or “MD”)
- a) Team Leader (“TL”)
- b) Senior Vice President (“SVP”)
- c) Senior Credit Officer (“SCO”)
- d) Vice President (“VP”)
- e) Assistant Vice President (“AVP”)
- f) Analyst⁴
- g) Associate Analyst (“AA”)

⁴ All other references to “Analyst” in this draft have the meaning under the Defined Terms section rather than the specific title in (j) above.

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Initiation of a Rating Relationship with MIS

There are two ways for a rating relationship to be initiated between MIS and an Issuer: i) the Issuer or its designated agent(s) initiates the relationship, which is generally known as an Issuer initiated rating, or ii) MIS initiates the relationship, which is generally known as an unsolicited rating.

Issuer Initiated Ratings

Such rating relationships are generally initiated when an Issuer or its designated agent(s) requests that MIS – either by contacting an Analyst, Manager or other Employee – begin a credit analysis of a specified or proposed Issuer or issue with the intention of assigning a Credit Rating. The Issuer generally fills out a rating application, in which the Issuer undertakes to provide MIS with pertinent financial reports and other information. The Issuer also undertakes to pay to MIS the relevant fees. (Please see the MIS Code Section 2, which describes MIS's principles on independence and avoidance of potential and existing conflicts of interest in the Issuer-pays model, as well as the section below entitled Before Interacting with an Issuer.)

MIS Code provision 2.12 prohibits Analysts who are directly involved in the Credit Rating process from initiating or participating in discussions regarding fees or payments with any entity they rate. Additionally, the Securities and Exchange Commission⁵'s ("SEC") Rules for Nationally Recognized Statistical Organizations⁶ ("SEC Rules for NRSROs") expand the scope of the prohibition to all MIS employees who are involved in determining Credit Ratings or in developing or approving methodologies, including qualitative and quantitative models.

Discussions regarding fees generally are handled by separate MIS personnel in the Issuer Relations Group who are not involved in the Credit Rating process. For further guidance, please see [Moody's Corporation Guidelines on Fee Discussions](#).

Unsolicited Ratings

An unsolicited rating is a Credit Rating that is: (i) initiated by MIS and not requested by the Issuer; and (ii) the first Credit Rating for that Issuer. If MIS publishes an unsolicited Credit Rating, MIS will designate it as such in the initial Credit Rating Announcement.

As a publisher of opinions about credit, MIS reserves the right at any time to issue unsolicited Credit Ratings. In accordance with MIS's policy on [Designating Unsolicited Credit Ratings](#), when a Credit Rating is an unsolicited Credit Rating, MIS will not seek or accept remuneration for its analytical services from the Issuer for at least one year after the publication of such rating.

Conflict Check Before Beginning the Analytical Process

As soon as an Analyst or Analysts are assigned to a particular Issuer or obligation ("Lead Analyst" or "Lead Analyst(s)") but before performing any analytical work, the Lead Analyst and any others assigned to work with the Lead Analyst (e.g., AA or SA) should evaluate their Securities holdings (and those of any Family Member, as that term is defined in the [Moody's Corporation Securities Trading Policy](#)), as well as personal and business relationships to check for any actual, potential or perceived conflict of interests.

MIS Code provision 2.13 describes the circumstances in which an Employee is deemed to have a conflict of interest that prohibits him/her from participating in or otherwise influencing the determination of the Credit Rating of a particular Issuer. It states that no Employee will participate in or otherwise influence the determination of the Credit Rating of any particular entity or obligation if the Employee:

⁵ All MIS Employees, regardless of the country in which they are located, are subject to the rules published by the SEC.

⁶ MIS is a Nationally Recognized Statistical Rating Organization.

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- owns Securities or Derivatives of the rated entity or such are owned by a Family Member of the Employee;
- owns Securities or Derivatives of any entity related to a rated entity, the ownership of which may cause or may be perceived as causing a conflict of interest;
- has had a recent employment or other significant business relationship with the rated entity that may cause or may be perceived as causing a conflict of interest.
- has an immediate relation (i.e., a spouse, partner, parent, child, or sibling) who currently works for the rated entity; or
- has, or had, any other relationship with the rated entity or any related entity thereof that may cause or may be perceived as causing a conflict of interest.

Special note to the International and U.S. Public Finance groups: Conflicted individuals also generally include any Employee who is a major taxpayer (one of the 10 largest) within a municipal jurisdiction, or has any input into the management or decisions of the municipality by holding an elected office, participating in advisory boards, or other relationships. For colleges, universities and private K-12 schools, conflicted relationships include the Employee's own secondary school, and undergraduate or equivalent institution (excluding multi-campus statewide public university systems), or an institution at which the Employee's child is currently enrolled or a current applicant.

Additionally, all Employees are required to be in compliance with [Moody's Corporation's Securities Trading Policy](#), which addresses certain prohibitions on the trading and ownership of securities by MIS Employees and their Family Members, as the term is defined in the policy. This policy is intended to assist MIS's and Moody's Corporation's personnel in complying with applicable securities laws and in avoiding conflicts of interest. .

MIS Employees should raise any questions or concerns regarding actual or potential conflicts with their Managers and/or a member of the Compliance Department. Moreover, any Manager who learns of an actual or potential conflict of interest that cannot be eliminated or effectively mitigated must report that information to a member of the Compliance Department.

If a Lead Analyst believes that he or she has an actual or potential conflict of interest with respect to an Issuer he or she has been assigned to, the Analyst must notify his or her Manager and/or a member of the Compliance Department before undertaking any analysis of the Issuer in question, and, if the conflict relates to Securities ownership, before liquidating a Security which causes an actual or potential conflict of interest.

Interactions with Issuers

Information Gathering

The Lead Analyst begins the credit analysis by assembling relevant information regarding the Issuer or obligation. This includes identifying the appropriate methodologies, searching for and reviewing relevant internal as well as external research, analyzing comparable existing transactions, researching and analyzing the key transaction parties, and analyzing historic performance for the given asset and similar asset classes. The Issuer also typically provides MIS with pertinent financial reports and other information, some of which may be confidential information, as part of the initial Credit Rating process and on an ongoing basis to help MIS monitor the Credit Rating.

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Issuer Participation

MIS believes Issuers value interaction with us because it provides them with the opportunity to present their perspectives on themselves and their industry and allows MIS to ask them questions and communicate our credit views. Lead Analysts are encouraged to have frank discussions with Issuers about MIS's perceptions of their credit strengths and weaknesses and should be able to explain how these strengths and weaknesses relate to the Credit Ratings that we assign.

While MIS invites Issuers to participate in the rating process for all published Credit Ratings, ultimately, each Issuer determines the degree to which it is willing to share information beyond what is publicly available. In a small number of cases, Issuers choose not to participate in the rating process, and therefore, the information used to develop the Credit Rating generally is limited to publicly available information. MIS recognizes that market participants have shown an interest in knowing which ratings lack the Issuer's participation. Therefore, pursuant to MIS's policy on [Designating Issuers That Do Not Participate in the Rating Process](#), MIS identifies those Issuers that have not participated in the rating process for the past 12 months and have declined MIS's offer to participate in the rating process going forward. MIS discloses which Issuers are non-participating on the [Credit Policy](#) site on moodys.com.

Initial Discussions with Issuers

Before the Lead Analyst presents his or her recommendation to the rating committee, the Lead Analyst and/or Manager may have discussions with the Issuer (and advisers, if applicable) to facilitate an understanding of and discussion about the credit issues being considered. The Lead Analyst and/or Manager should inform the Issuer that any views discussed at this stage are solely the views of the Lead Analyst and are not MIS's Credit Rating opinion. Only a rating committee can provide a MIS Credit Rating. As described in MIS Code provision 1.16, the Lead Analyst as well as any MIS Employee must not — either implicitly or explicitly — give any assurance or guarantee of achieving a particular Credit Rating prior to conclusion of a rating committee.

Prohibitions on Consulting or Advising Issuers

MIS Employees are prohibited from making proposals or recommendations to any Issuer or its representatives about the corporate or legal structure, assets, liabilities, or activities of the Issuer or regarding the design of securities for which MIS assigns Credit Ratings.

Notwithstanding this prohibition, as discussed above, in assessing the credit risk of a structured finance transaction, Analysts may properly hold a series of discussions with an Issuer or its agents to: (i) understand and help incorporate into their analysis the particular facts and features of the structured finance transaction, and any modification, as proposed by the Issuer or its agents, and (ii) explain to the Issuer or its agents the Credit Rating implications of MIS's methodologies as applied to the Issuer's proposed facts and features.

Ban on Gifts from Issuers

All Analysts and all other MIS Employees who attend rating committees (such as those with the rank of MD and above and COs) are prohibited from accepting any gifts or entertainment, regardless of their value, from any obligor rated by MIS, or from any Issuer, underwriter or sponsor of any securities that MIS rates. MIS Employees may accept minor incidentals to a meeting provided that (i) they are provided in the context of a business interaction and (ii) the combined value of such incidentals do not exceed US \$25 (or the local equivalent) per MIS attendee per business meeting.

For further guidance, see MIS policy on [Prohibition on Acceptance of Gifts](#).

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Treatment of Confidential Information

MIS and its Employees maintain the confidentiality of confidential information to i) encourage good faith disclosures by Issuers, their agents (if any) and other significant parties to the transaction, (if any) and ii) to fulfill our legal⁷ and regulatory obligations.

As a result, when speaking with investors, subscribers, the press, or other third parties, MIS Employees may not disclose confidential information. Confidential information may be included in our publications, including Credit Rating Announcements and research, if the Issuer has given its prior consent to such disclosure. In the absence of such consent, confidential information may only be used in the Credit Rating process. As discussed below, where feasible and appropriate, the Lead Analyst should provide the Issuer with a copy of the draft Credit Rating Announcement or research to enable the Issuer to identify confidential information that may be inadvertently included in the publication and/or to correct any factual errors. (Please see discussion below regarding Dissemination of a Credit Rating.)

Within MIS, Employees will use confidential information only for purposes related to MIS's Credit Rating services and will not share confidential information except on a "need-to-know" basis. Additionally, Employees will not share confidential information entrusted to MIS with employees of any affiliated entities except to the extent such employees are acting as agents of MIS with respect to the ratings process, and are bound by appropriate confidentiality obligations.

MIS Employees also are prohibited from disclosing certain non-public information gained in the course of their employment or dealings with MIS, including information regarding future rating actions and rating committees.

- **Future Rating Actions.** When speaking with investors, subscribers, the press, or other third parties, MIS Employees may not give any guidance of possible future rating actions on any issue or Issuer, unless that information has been publicly announced in an MIS Credit Rating Announcement. This restriction applies equally to prospects for rating actions as well as the absence of rating actions. In addition, MIS Employees may not give, either implicitly or explicitly, orally or in writing, any assurance in advance concerning, or any prior guarantee of, any rating action.
- **Rating Committees.** Rating committee deliberations also must be kept confidential. While ratings are determined by majority vote of a committee, MIS Employees may not disclose to third parties (including Issuers) information regarding the rating committee process, including the vote breakdown or the fact that an Analyst might have disagreed with the decision ultimately reached by the committee. In addition, MIS Employees must not disclose the names or titles of members of a rating committee. (See discussion below regarding Rating Committees.)

For additional information on treatment of confidential information, Employees may refer to [MIS Code section 3B on Confidential Information](#) and the [MCO Code section on Confidentiality](#).

⁷ Please see the MCO Code Section entitled "Insider Trading/Market Abuse."

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The Credit Analysis Process

Quality of Information

MIS only assigns a Credit Rating where it believes it has sufficient information and analytical expertise to do so. As stated in MIS Code provision 1.7, MIS uses reasonable measures so that the information it uses in assigning a Credit Rating is of sufficient quality to support a credible Credit Rating. Thus, the Rating Committee must assess whether or not there is sufficient information to assign a Credit Rating.

MIS believes Issuers operate in good faith and provide reliable information to the securities markets and to MIS; MIS relies on Issuers and their agents to do so. If, however, the Lead Analyst or the rating committee believes it has inadequate or unreliable information to provide an informed Credit Rating to the market, MIS will either refrain from assigning a Credit Rating or withdraw an outstanding Credit Rating. (See the section below on Maintaining or Withdrawing Ratings.)

Analysts should keep in mind, as we make clear in our rating publications, that MIS is not obligated to perform, and does not perform, audits or due diligence with respect to verifying the accuracy of information received or obtained in connection with the Credit Rating process; accountants, underwriters, Issuers and others serve these functions in the market.

The Analysis

Once relevant information has been gathered, the Lead Analyst will assess an Issuer's or an obligation's creditworthiness. Analysts involved in the preparation or review of any Credit Rating action must consistently apply MIS's rating methodology or methodologies, as stated in MIS Code provision 1.3. This analytical process typically includes consideration of both quantitative and qualitative factors; it also may include the use of quantitative models to assist analysis and enhance consistency in decision-making.

An Employee who identifies a possible error in a model should immediately contact his or her Manager in the relevant rating group, a GCO or CCO in Credit Policy, and follow the instructions as set out in the [Analytic Error Identification Protocol and Action Plan Memorandum Template](#). Further, if a quantitative model was a substantial component in the process of determining the Credit Rating of a security or money market instrument issued by an asset pool or as part of any asset-backed or mortgaged-backed securities transaction, a record of the rationale for any material difference between Credit Rating implied by the model and the final Credit Rating issued must be made and retained.

The Rating Committee

The rating committee ("committee") is a critical mechanism for promoting the quality, consistency and integrity of our Credit Rating process. MIS's Credit Ratings are determined by rating committees, pursuant to a majority vote of the committee's voting members, and not by any individual Analyst. Each rating committee member is expected to apply his or her own independent judgment in the decision-making process. Ultimately, Credit Ratings are subjective opinions that reflect the majority view of the rating committee's voting members.

As stated earlier, rating committee composition (including the names and titles of the participants), deliberations and specific voting results must be kept confidential from all parties except those internal parties at MIS who have a need-to-know that information. The attribution of committee votes to particular committee members must not be reflected in the rating committee memo, rating committee addendum, or other documentation relating to a Credit Rating.

Rating committees should be conducted in a manner that is consistent with internally and externally communicated rating policies and practices and analytic methodologies. In instances where Analysts disagree with particular analytical methodologies, they should convey such concern to a MD, relevant standing committee, or a member of the Credit Policy Group.

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Where Analysts have concerns about the rating committee or the conduct of its participants, they should convey such concern to their MD and a member of the Compliance Department. Additionally, Moody's Open Door Policy facilitates the communication of such to any member of senior management. In accordance with Moody's Open Door Policy, retaliation or retribution against those who voice their concerns is prohibited. Analysts may always contact the Compliance Department, Human Resources or the Legal Department with questions or concerns. Please refer to [MCO Code](#) for more information on Moody's Open Door Policy.

Documentation

Pursuant to MIS's [Record Retention Policy for Non-Public Records Used in the Credit Rating and Research Process](#) ("Record Retention Policy")⁸, for each rating committee, the Lead Analyst must prepare a rating committee package, which should include a rating committee memo and any other information to be considered by the committee. The rating committee memo documents the Lead Analyst's rating recommendation and rationale supporting that recommendation. Generally, the rating committee memo includes the Lead Analyst's written credit analysis of the Issuer or obligation being considered, taking into account the applicable rating methodologies and the specifics of the Issuer or obligation being considered. Each rating team may have different requirements for the form and content of its rating committee package.

To the extent practical, the Lead Analyst should distribute the rating committee package to the members of the rating committee at least one day prior to the scheduled date of the rating committee.

Additionally, as part of the rating committee package or Addendum, the following information should be included:

- A verification that the Chair has asked whether any of the rating committee attendees are conflicted;
- The date of the rating committee and, if different, the date the rating committee concluded with a final vote;
- A description of the obligation being rated;
- The type of rating action under consideration;
- Rating recommendation and rationale;
- The names of all attendees and the names of all voting attendees; the identity of the Lead Analyst, Chair, back-up Analyst, and any others with specific roles;
- The rating outcome (i.e., the vote tally, final rating assigned) without voting attribution;
- Supporting materials and analysis (which, if applicable, may include portions of the Issuer's presentation and/or offering materials);
- Financial analysis, and if applicable, peer group comparisons, other ratings (e.g., market implied, competitors) and stock prices;
- Models (see Use of Quantitative Information and Models in the Credit Rating Process);
- When the rating outcome differs from the rating recommendation in the rating committee memo, or the rationale for the final rating outcome differs from the proposed rationale in the rating committee memo, a documented explanation of the key differences; and
- A draft or final Credit Rating Announcement;

⁸ The Record Retention Policy is the global policy for fulfilling our legal and regulatory requirements for record retention in an efficient way. The policy covers hard copy and electronic records used to form the basis of MIS's credit opinions, including public ratings, private ratings, RAS, credit estimates, and credit research. The Record Retention Policy also covers all communications related to initiating, determining, maintaining, changing or withdrawing ratings that are not otherwise specifically covered in the Policy.

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During the course of the rating committee discussion, the Lead Analyst may revise his or her original recommendation. Both the original and, if applicable, the revised recommendation should be documented as part of the rating committee package or Addendum.

Rating Committee materials should be retained as part of the credit file for the transaction in accordance with MIS's [Record Retention Policy](#) and in compliance with MIS's [Record Retention Process and Procedures for Records Used in the Credit Ratings and Research Process](#) ("Record Retention Procedures").

Records must be retained in a manner in which they can readily be located and retrieved, generally within 48 hours.

The Use of Quantitative Information and Models in the Credit Rating Process

This analytical process typically includes consideration of both quantitative and qualitative factors. It also may include the use of quantitative models to assist analysis and enhance consistency in decision-making. Assigned Analysts should follow the guidelines outlined in this section when using or presenting quantitative information. This establishes a minimum level of quality assurance for preparing and using quantitative information and models.

1. Quantitative models should adhere to the [Verification Guidelines](#), which describe which models need to be verified before use in rating committee and how verifications are to be conducted.⁹ For models requiring verification, the assigned Analyst should ensure that the version used for rating committee is current and has been approved for use by the Model Verification team.^{10,11} If there are outstanding unresolved error protocols in progress, the assigned Analyst should discuss with the CO and TL if and how the model can be used.¹²
2. Rating committee memos, including tables, model outputs and graphs, should include appropriate labels/references to identify the sources for quantitative information. This is particularly important for non-public quantitative information obtained from Issuers, quantitative information purchased from third party data providers and other situations where the source of the quantitative data would not otherwise be clearly evident to the rating committee members.
3. The assigned Analyst (and any person or persons associated with the initial information acquisition, data aggregation, or modeling, to the extent possible) have the following responsibilities:
 - Review data for reasonableness and completeness;¹³
 - Confirm that data was properly inputted into model(s); and
 - Review initial results from the model for the reasonableness of the outcome given the input data.
4. Where feasible, the completed model(s) with results should be filed as part of the rating record in the applicable record retention system for a given asset class (e.g., EDMS, MDM).
5. Any concerns with the functionality or results generated from a given model should be reported immediately to the appropriate TL or Manager. If the concerns might affect other ratings, the appropriate CO should also be informed.

⁹ The Verification Team can be contacted by sending email to Moody's – Ratings Model Management.

¹⁰ The QTools intranet website will have the most recent approved version and models will be marked to indicate verification status. Models requiring verification should be presented to the Verification Team for posting.

¹¹ All models covered by the Verification Guidelines, whether currently verified or not, should be provided to the Verification Team for central storage and versioning, in accordance with the Verification Guidelines.

¹² The most current approved models will typically be stored on the QTools intranet site. If there are outstanding error protocols or other reasons not to use the models, then the models will be appropriately notated on the QTools site. Also, the error protocol has provisions for informing TLs of the model status.

¹³ Reasonable standards need to be established for each type of analysis. For example, the riskiness of some transactions depends on the collective performance of thousands of loans. The review should ascertain, to the extent possible, whether the data is complete enough not to affect the ratings.

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6. In the event any Employee discovers a possible error in the information used in connection with any existing MIS rating, including errors in the coding or input of models or scorecards, the Employee should immediately contact a Manager in the relevant rating group or a CO in the Credit Policy Group, and follow the steps in the document [Analytic Error Identification Protocol and Action Plan Memorandum Template](#).

Use of Macro-Economic Projections in Credit Rating Process

Moody's Macroeconomic Board provides a consistent set of macroeconomic forecasts for use in the rating process; facilitating analyst access to these forecasts; and encouraging the development of macroeconomic sensitivity analysis within each sector. The Board meets quarterly to update its base case view on macroeconomic growth and other indicators for the global economy and then sources and makes available forecasts on key macro-economic variables used in the rating committee process consistent with that view.

Rating groups are to incorporate the base case view in their sector/industry outlooks and the forecasts on other variables in their models and methodology scores in a manner consistent with their published methodologies.

Convening a Rating Committee

The Lead Analyst has the responsibility (either independently or in consultation with his or her Manager) to initiate a rating committee when appropriate. The Lead Analyst, in conjunction with the Chair, must organize a committee comprising appropriate participants and endeavor to see that all relevant issues related to the creditworthiness of the Issuer or obligation are presented and discussed in an efficient and timely fashion.

In addition to the Lead Analyst, a rating committee may be convened by any other Analyst whenever that Analyst believes a rating committee is needed¹⁴. A rating committee **must** be convened for an Issuer if requested by the Lead Analyst, back-up Analyst, enhanced¹⁵ SCO, enhanced SVP, TL, MD, Line of Business Head ("LOB Head") or his/her delegates¹⁶, CCO, and in the Fundamental Group¹⁷ ("Fundamental"), any CO. Additionally in the Fundamental rating groups, in cases where probability of default ratings ("PDRs") of "D" or "LD" (defined respectively as "default" and "limited default") are anticipated, the Manager of the Credit Policy research team may also require the Lead Analyst to convene a rating committee.

Senior rating committees ("SRC") should be convened when the rating outcome might set a precedent in some way, affect an Issuer that commands a particularly high degree of investor interest, or affect a large number or volume of credits. See [Guidance on the Use of Senior Rating Committees](#). Additionally, for these types of committees as well as any that include significant senior management participation and/or multiple attendees from outside the line of business, the Lead Analyst should consult [Advance Preparation for Certain Rating Committees](#).

A rating committee is convened:

- To assign a new class of debt for a rated Issuer;
- To consider the rating implications of changed circumstances, including a major transaction, significant event or material change in creditworthiness that may affect the ratings positively or negatively;
- To place a rating on or take a rating off the Watchlist. MIS uses the Watchlist to indicate that a rating is under review for a possible change in the short-term. A rating can be placed on review for possible

¹⁴ Analysts in the U.S. PFG rating group must refer to Annex I E for guidance on convening Supplemental Committees.

¹⁵ The term "enhanced" connotes the designation of those individuals who have been authorized by the MD of the group to chair rating committees.

¹⁶ The list of current delegates can be found on the Credit Policy intranet website in a document titled "Delegation of Approval Authority for Analytical Process". See <http://analysthandbook/MISGlobal/PoliciesAndProcedures/Delegated%20Authorities%20for%20Analytical%20Approvals.pdf>

¹⁷ MIS's Fundamental Rating groups are: (1) corporate finance ("CFG"); (2) financial institutions ("FIG"); and (3) public, project and infrastructure finance ("PPIF").

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upgrade, on review for possible downgrade, or with direction uncertain. A credit is removed from the Watchlist when the rating is confirmed, and may or may not remain on the Watchlist after the rating has been upgraded or downgraded;

- To decide on an outlook change;
- To confirm or affirm a Credit Rating. A confirmation occurs when a rating is removed from the Watchlist without a change in rating. An affirmation is used to indicate that the current rating remains in force. For further details, please see [Moody's Rating Symbols & Definitions](#);
- To review an amendment of an existing transaction;
- As set out in Annex I F, instances specific to convening a structured finance rating committee;
- As part of the routine process for monitoring the credit rating of an Issuer; or
- To determine whether there is sufficient information to assign a Credit Rating or maintain a rating.

Special note to all Analysts: The Lead Analyst should provide advance notice to the applicable TL/MD and CO of rating committees involving high profile ratings (significant impact), potential multi-notch rating changes, cross-overs¹⁸ and Franchise Credits¹⁹.

The Rating Committee Chair

The Role of the Chair

The role of the Chair is to be the moderator of the rating committee. In assuming the role of the moderator, the Chair encourages broad-based participation from all rating committee members, regardless of seniority, and the expression of dissenting views. The Chair should encourage the appropriate discussion of issues known to be relevant to the creditworthiness of the Issuer. In cases where there is little or no dissent from the Lead Analyst's rating recommendation, it may be appropriate for the Chair or another participant to take the contrary position so that both sides of an issue are fully discussed.

The Chair has the authority to call for a recess and reconvene a rating committee if he or she believes that the rating conclusion requires broader participation, or that additional information is required before the rating committee reaches a conclusion.

Eligibility for Serving as Chair

Managers with the rank of Managing Director or above are authorized to serve as Rating Committee Chair.

In addition to rating group-specific requirements for approval of such nominations as outlined in the *Best Practices Guidance for the Credit Rating Process*²⁰, approval of a nomination for an analyst below Managing Director requires approval from a manager within the same line of business who has been delegated authority for analytical approvals.²¹

Employees of individual rating groups should refer to Annex I, Sections A-G for further details.

¹⁸ A cross-over credit refers to Issuers in Fundamental whose reference rating may cross-over up to investment grade or down to speculative grade as a result of the likely rating committee outcome.

¹⁹ Fundamental Lead Analysts should please see Annex I A for further details on Franchise Credits.

²⁰ See page 13; The Rating Committee Chair, Eligibility for Serving as Chair

²¹ See <http://analysthandbook/MISGlobal/PoliciesAndProcedures/Delegated%20Authorities%20for%20Analytical%20Approvals.pdf>

Best Practices Guidance for the Credit Rating Process

Rating Committee Composition

Determining Composition

The rating committee's composition should vary based on the nature and complexity of the Credit Rating being assigned, but typically includes the following: the Chair, who acts as the moderator of the committee and the Lead Analyst, who presents his or her recommendation and the analysis supporting it. The Lead Analyst and the Chair should also consider other relevant participants throughout MIS. This could include:

- the back-up Analyst;
- one or more Analysts from the same rating team as the Lead Analyst;
- senior-level personnel (including COs);
- specialists and/or support Analysts, as deemed appropriate^{22, 23}; or
- attendance by Analysts from other ratings teams and groups is highly encouraged to provide as wide a range of opinion as possible,²⁴ such as:
 - Analysts of rated programs or subsidiaries in other lines of business or regions;
 - economists or Analysts from the International Public Finance Group; or
 - Analysts of similarly rated Issuers (i.e. Aaa).

Depending on the type of credit being rated, factors considered in determining the make-up of a rating committee include, but are not limited to:

- The complexity of the credit;
- The rating type and rating level;
- A rating conclusion that may have significant implications in the credit markets;
- Training for junior staff;
- The rating of a previously un-rated Issuer or new type of debt instrument;
- The presence of sovereign risk;
- The relevance of specialist expertise;
- The need to assess the impact of transactions from different lines of business on the credit;
- Whether the rating qualifies for a supplemental committee (see US PFG Annex I E); and
- The presence of related credit issues at another level of government.

In addition to the above, considerations specific to a line of business may apply.

Organizing the Rating Committee

Rating committee invitations should be sent by the Lead Analyst to those Employees with the knowledge and experience to participate in the rating committee, as well as more junior analysts for training purposes. There should be no inclusion or exclusion of individuals based upon their known opinions. When convening a rating committee, consideration should be given to constituting the committee with an odd number of voting members, in order to minimize the likelihood of a 'tie' vote.

²² Analysts in U.S. PFG, Infrastructure, & FIG rating groups must refer to Annex I E, I C, & I B respectively, for guidelines specific to rating committee composition.

²³ Analysts in the Global Sovereign Risk Group must refer to Annex I G for guidelines on rating committee composition.

²⁴ Nothing herein shall limit the number of rating committee members who serve on a rating committee.

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In general, participants in a rating committee for a particular Issuer should remain in that committee until a rating outcome is determined. Furthermore, rating committee members should participate in follow-up rating committees for the same Issuer if practicable.

In instances where members of a rating committee are in different regions and time zones, effort should be made to schedule the committee for the convenience of all participants.

Voting

Eligibility

The Chair must establish voting eligibility at the outset of the committee. If the Chair is making any voting eligibility exceptions, the Chair should do so before the committee begins²⁵. The rating committee participants eligible to vote^{26, 27, 28} include COs, EVPs, LOB Head and his/her delegates, MDs, SVPs, SCOs, VPs, AVPs, Senior Analysts, and Analysts. Associate Analysts may only vote with LOB Head or his/her delegates approval. For the more junior members of MIS's analytical teams or additional associates invited to the rating committee by the MD, the Chair or the Lead Analyst, as part of their learning process, these members should be encouraged to express their opinions and argue their points in the rating committee, even though their votes will not be counted in the final determination. In rare circumstances, the Chair may decide at the outset of the committee that an analytical support staff's vote will be counted.

In general, it is recommended that rating committees not be concluded during time periods when it is difficult to contact Issuers — e.g., the start of a long holiday or after 3pm on a Friday. In instances when the rating committee would conclude during a time period when it is difficult to contact the Issuer — e.g., at night, or at the start of the weekend — the Chair of the rating committee should withhold his/her vote until the following business day and conclude the rating committee at that time, to allow for more timely communication with the Issuer.

Procedures

The rating committee should conclude in a decision by a majority vote, meaning more than 50% of votes must support a single rating outcome. In cases where important issues with broad implications are being decided, it is more important to strive for consensus²⁹. Although consensus is desirable, it may not always be possible and it is the responsibility of the Lead Analyst and the Chair to search for compromise positions that will have the support of a majority or all of the committee members. The rating committee Chair may express opinions and debate issues, but may not use his or her position and authority to pressure members into voting in a particular way. In the event that no single outcome has the support of the majority, the Lead Analyst or the Chair should attempt to reach a compromise position that will have the support of the majority. If this is not possible, the Lead Analyst or the Chair should reconvene the rating committee and bring in a Manager with the rank of at least MD or a CO who has voting authorization to serve on the rating committee for that class of credits

At the conclusion of a rating committee, each voting member will be asked for her/his vote. All rating committee participants eligible to vote are expected to vote and each voting member is entitled to one vote, with all votes carrying equal weight. Voting should begin with the Lead Analyst (the lead and the back-up). Votes are then solicited from all other rating committee participants, generally in rank order from junior to senior, with the Chair voting last. Generally, rather than simply voting a specific rating level, rating committee participants should endeavor to provide a brief rationale for their conclusion to foster independent thinking. It is the Chair's responsibility to make sure that the vote is tallied and announced to the rating committee members

²⁵ Examples of exceptions may include experience in the industry, sector or asset class, research conducted for the rating at issue, and tenure at Moody's.

²⁶ Analysts in U.S. PFG must refer to Annex I E for specific guidance regarding rating committee voting eligibility and rating committee accreditation.

²⁷ Please see Annex I D for Best Practices Specific to Voting by Specialists in Fundamental Rating Committees.

²⁸ Analysts in the Global Sovereign Risk Group must refer to Annex I G for voting eligibility.

²⁹ In these cases, the Chair is responsible for striving for consensus among the committee participants.

Best Practices Guidance for the Credit Rating Process

and that the outcome is recorded in the rating committee memo or Addendum. A rating committee may not be reconvened after a final vote, unless an "appeal" is initiated. Please see section on "appeals" below.

Except as otherwise stated herein, the Credit Rating decision may only be communicated to MIS Employees outside of the rating committee that have a "need to know".

Conducting E-mail Rating Committees

In Fundamental, rating committees should generally not be conducted via e-mail and e-mail rating committees require approval by the relevant LOB Head, his/her delegates, or CO.³⁰

In Structured Finance, rating committees may be conducted by e-mail only to resolve issues that remain outstanding from a previous live committee, provided that the Manager with the rank of TL or above or the Chair of the original rating committee approves such resolution by e-mail at the outset of the e-mail rating committee and the members otherwise follow the guidelines in the following paragraph. Analysts in the Structured Finance Group should please see Annex I F for details regarding conducting e-mail rating committees that must be read in conjunction with these Guidelines.

In general, the committee process is similar for e-mail committees as it is for in-person committees. In the circumstances in which it is appropriate to conduct an e-mail rating committee, the following guidelines apply:

- The Chair needs to confirm, via e-mail or telephone, that no member of the committee has a conflict before he or she, or the Lead Analyst, may begin sending around any substantive information about the subject of the committee;
- All e-mail communications should be sent from and to all members; Analysts in the Structured Finance Group should see Annex I F for exceptions;
- All members of the e-mail rating committee should respond to the Lead Analyst's rating recommendation with either their approval of the recommendation or manner of resolution, comments or questions, or disagreement;
- As with in-person rating committees, after the Lead Analyst has made his recommendation and the back-up Analyst has voted, the senior members of the rating committee should wait for more junior members to respond first, with the Chair voting last;
- As with in-person rating committees, the committee's decision must receive the approval of at least a majority of e-mail rating committee members;
- Where new or greater-than-expected discussion arises, the Chair is responsible for determining that an in-person rating committee should be convened rather than continuing via e-mail. Additionally, any Analyst may request an in-person rating committee of the Chair if he or she feels it necessary or appropriate;
- The Chair is responsible for making sure that all members of the rating committee have responded to the rating recommendation; and
- The Lead Analyst is responsible for documenting a summary of the e-mail responses exchanged in the Addendum or other document in which the committee's decisions are recorded. In assembling e-mail responses, the Lead Analyst should take care not to include voting attribution – the Lead Analyst should summarize the vote tally from the e-mail responses rather than attach the e-mail responses to the Addendum or other document.

³⁰ Further guidance on e-mail rating committees for U.S. PFG is located in Annex I E.

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Appealing a Rating Committee Determination

External Appeals

There may be instances in which the Issuer has new or additional information that was not available to or considered by the rating committee in reaching its not yet published Credit Rating decision. Issuers may request that MIS reconsider its Credit Rating decision based on this new or additional information, a process that is commonly referred to as an "external appeal".

If an Issuer communicates to MIS its desire to "appeal"³¹ a Credit Rating decision before it is published and indicates that the basis of the "appeal" is material information that was not previously available or considered by MIS, then MIS, where not precluded by other circumstances, will delay publishing the Credit Rating while it assesses the relevance and significance of the new information that has been received from the Issuer or its agent(s). If the Lead Analyst and the Chair believe that the new information may reasonably lead the rating committee to reconsider the rating conclusion, the rating committee will be reconvened as quickly as possible to consider the impact of the information on the Credit Rating.

Issuers may not "appeal" a Credit Rating simply because they do not agree with it nor is it intended to enable an Issuer who is dissatisfied with the current Credit Rating decision to delay publication of the Credit Rating. Rather, as noted above, it is available only where the Issuer can provide MIS with information not previously available or considered that MIS believes is relevant to its credit assessment. As a general rule, the Issuer should provide MIS with documentation surrounding the new information promptly; that is to say, within several hours of the time the Issuer informed MIS of the new information. The Issuer may be given additional time to produce the necessary documents, if the reason for delay is determined by the Lead Analyst, in conjunction with the MD, CO, LOB Head or his/her delegates, to be valid and unavoidable.

Internal Appeals

External appeals from Issuers should be distinguished from "internal appeals" in which a member of the rating committee or other MIS analytic staff members, such as a MD, CO, or LOB Head or his/her delegates, can request a reconsideration of the rating committee decision.

Before the rating outcome is communicated to the Issuer, a member of the rating committee or other MIS analytic staff members (such as a MD, CO, LOB Head or his/her delegates) can formally lodge an "internal appeal" of the committee's decision with the Chair of the committee or with any CO. In such circumstances, the Chair or CO is obligated to confer with any of the following to determine whether or not to accept the "internal appeal:" the LOB Head or his/her delegates, , CCO of the group, or any member of the Credit Policy Committee. If an "internal appeal" is granted, the senior person whose input and guidance was sought by the Chair or CO will, determine the rating committee composition.

One potential reason for such a request may be if relevant information was available to MIS, but the committee did not consider it. Other examples include, but are not limited to, inappropriate composition of initial rating committee, insufficient breadth of skills represented at the committee, or a lack of well articulated rating rationales among committee members.

If a request for "internal appeal," is thought to have involved a potential breach of law, regulation, policy, procedure or best practice, a party involved in the appeal process must contact a member of the Compliance Department.

³¹ "Appeals" by the Issuer or its agents are generally more prevalent only for rating actions regarding existing transactions. By their nature, new transactions are continuously subject to change until they close and thus new information provided by the issuer or its agent in the form of pool changes and structural modifications is an expected part of the rating process. Internal appeals are relevant for both new and existing transactions.

Best Practices Guidance for the Credit Rating Process

Final Decision Following an Appeal

If a rating committee is convened to consider an external or internal "appeal", to the extent practicable, all the participants of the initial committee should participate in the appeals rating committee. Rating "appeals" should be concluded and the results communicated to the Issuer as quickly as feasible.

Disseminating the Credit Rating

Informing the Issuer of the Credit Rating

As soon as practicable after a rating committee reaches a decision regarding a Credit Rating action³² and where feasible³³, Analysts may communicate the Credit Rating decision only to the Issuer and / or its designated agents, and not to any other external party³⁴. Timing may vary, depending on the specific circumstances. The timing of the rating release should also be considered in light of the orderly functioning of the capital markets and broad access to the disseminated information. As stated in MIS Code 3.9, where feasible and appropriate, the Lead Analyst will typically contact the Issuer or its designated agent to inform them of the critical information and principal considerations upon which the Credit Rating is based.

Earlier on in the relationship, the Lead Analyst should notify the Issuer that he or she will make reasonable attempts to provide the Issuer or its designated agent(s) with draft Credit Rating Announcements for its review prior to publication so that the Issuer can review them for factual errors and to ensure that no confidential information is disclosed. Although Credit Rating Announcements may be provided to Issuers for such review, MIS retains ultimate editorial control over the form and content of all of its publications. As a result, Analysts may not accept changes from the Issuer that would alter the meaning or tone of the MIS opinion or the Credit Rating Announcement, except where such changes are necessary to correct factual errors or prevent the disclosure of confidential information.

The Lead Analyst should inform the Issuer that the Issuer will only have a very limited amount of time for such review and the Lead Analyst should ask the Issuer in advance of a rating committee to identify a contact or contacts who can promptly review the Credit Rating Announcement.

The Lead Analyst should also notify the Issuer that the Credit Rating Announcement may be published even if the Lead Analyst does not promptly hear back from the Issuer or where the Lead Analyst, after making a reasonable attempt, is unable to reach the Issuer or its agent(s). As stated in MIS Code 3.9, where in particular circumstances MIS has not informed the Issuer prior to issuing or revising a Credit Rating, MIS will inform the Issuer as soon as practicable thereafter and, generally, will explain the reason for the delay.

Where the Issuer or the Issuer's representative has been contacted to review the Credit Rating Announcement prior to dissemination, the Lead Analyst should retain records of those communications in accordance with MIS's [Record Retention Policy](#) and MIS's [Record Retention Procedures](#). Specifically, the Lead Analyst should retain a record of the outgoing draft Credit Rating Announcement and any incoming response from either the Issuer or Issuer's representative (e.g., fax, letter, or e-mail). If the Issuer responds orally, (e.g. over the phone or via voice mail), the Lead Analyst should make notes of the Issuer's comments and retain a record in accordance with the Record Retention Policy. In addition, Lead Analysts in rating groups where communication on draft publications is a "vital" record type must create and retain a record when the Issuer or Issuer's representative has not responded, stating that no comment was received.

³² For clarity, a Credit Rating action for the purposes of this paragraph, includes not only those actions defined in the MIS Code of Professional Conduct but also changes in outlooks and watchlist actions (i.e. placing on review or finalizing a review) which announcements will be via a press release as soon as practicable after the rating committee reaches a decision.

³³ For example, it may not be appropriate to issue a Credit Rating Announcement until an Issuer publicly announces an event, or, with respect to a new Issuer or first time rating, until the Issuer goes to market. Additionally, orderly functioning of the capital markets may capture situations in which banks or regulators may be contacted prior to release.

³⁴ Analysts in U.S. PFG must refer to Annex I E for specific guidelines on rating dissemination.

Best Practices Guidance for the Credit Rating Process

The Credit Rating Announcement should be issued as soon as practicable thereafter. To do so, the Lead Analyst, or his or her designee, should enter the rating into the ratings database as quickly as possible. Once the rating is entered into the database and the approval process is completed, it is publicly disseminated. Please see the next section on Announcing the Credit Rating to the Market.

As described in provision MIS Code 3.4, "Upon the request of an Issuer, and solely at MIS's discretion, MIS may agree to keep a Credit Rating confidential. However, if an Issuer or security – including a tranche of a structured finance security — already carries a public Credit Rating from MIS, all subsequent decisions to change or discontinue such Credit Rating will be made available to the public without cost." In those specific circumstances in which a Lead Analyst or Manager believes it is appropriate to keep a credit rating confidential, he or she must obtain approval from the head of the line of business.

Announcing the Credit Rating to the Market

Credit Ratings are communicated to the general public free of charge via Credit Rating Announcements that are published on our website, www.moodys.com, and are distributed to major financial newswires. Credit Rating Announcements should include the key elements underlying the credit rating action. Pursuant to MIS Code provision 3.6, each Credit Rating Announcement must include the date of the last associated Credit Rating Announcement, if any, and the principal action it announced as well as a reference to the principal methodology used in determining the Credit Rating or a description of that methodology. The Credit Rating Announcement also must state that methodologies and other important aspects factored into Credit Ratings can be found on moodys.com.

Under MIS Code 3.7, Credit Rating Announcements for structured finance also must contain key performance statistics so that a financial market professional can understand the basis for the Credit Rating. Furthermore, if the Credit Rating involves a type of structured financial product presenting limited historical data (such as an innovative financial vehicle), MIS Code provision 1.7 requires that such limitation must be made clear in a prominent place.

Credit Rating Announcements are freely available to the public on our website for at least seven consecutive days. After that, the first few lines of Credit Rating Announcements, as well as the related Credit Rating history, continue to be available to the public on our website free of charge. The full text of Credit Rating Announcements may continue to be accessed by subscribers.

Monitoring Credit Ratings

Once a Credit Rating has been published, MIS will monitor the Credit Rating, as deemed appropriate, on an ongoing basis and will change the Credit Rating if our opinion of the creditworthiness of the Issuer or other relevant entity or debt or debt-like securities so indicates. Except for Credit Ratings that clearly indicate that they do not entail ongoing monitoring, once a Credit Rating is published, MIS will monitor it on an ongoing basis until the Credit Rating is withdrawn. See provision 1.10 of the MIS Code for further details.

In most of the credit rating groups that make up our Fundamental Group, monitoring is conducted continuously by the same analytical team that is responsible for the initial rating. This team is supported by institutional monitoring processes overseen by the COs. Lead Analysts conduct and document portfolio reviews once a year or more frequently where appropriate. A portfolio review in the Corporate Finance, Financial Institutions, Project and Infrastructure, Sovereign and International Public Finance groups at MIS is an assessment of the credit quality of issuers comprising an industry sector or sub-sector and is undertaken to examine the quality and consistency of ratings within a peer group subject to specific guidelines proposed by each rating group. Portfolio reviews encourage broad participation to achieve diversity of views and include at least one rating committee chair but do not constitute rating committees.

In PFG, a separate monitoring team conducts the monitoring for segments of the local government portfolio.

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In our Structured Finance Group, monitoring is performed primarily by dedicated teams of monitoring Analysts who report up to an independent monitoring Manager as well as a business line Manager. For more detail, please see the **Surveillance Handbook** found on the SFG Credit Posts directory on moodysnet for the particular market sector of interest.

In general terms, when monitoring Credit Ratings, the Analyst should consider all available information and formulate a view as to whether a rating should be reconsidered. For the most part, the committee and pre- and post-committee processes are the same for monitoring rating committees as for original Credit Rating committees (i.e., preparing a recommendation, convening a rating committee, preparing the Credit Rating Announcement, publishing the Credit Rating, etc.).

In monitoring Credit Ratings, Analysts may review public information as well as non-public information provided by the Issuer or its agent(s) through periodic meetings or other means. In addition, Analysts have at their disposal a range of tools to monitor and track their rated Issuers and obligations. These include financial analysis, peer group comparisons, and other ratings (e.g., market implied, competitors) and stock prices, if applicable.

Withdrawing Credit Ratings

As noted above, if, at any time during the Credit Rating process, MIS believes it has inadequate information to assign or maintain an informed Credit Rating, MIS will refrain from publishing a new Credit Rating or withdraw an outstanding Credit Rating. In addition, and as described in [Moody's Guidelines for the Withdrawal of Ratings](#), MIS may withdraw a Credit Rating for limited other reasons. For further details, see [Moody's Guidelines for the Withdrawal of Ratings](#) and [Moody's General Principles and Internal Guidance for Withdrawal of Ratings](#). Analysts may also consult with a CO on such points as which reason applies, what approvals are required for withdrawing for business reasons, when a rating committee is required, or what should be communicated in a press release.

Best Practices Guidance for the Credit Rating Process

Annex I A

Best Practices Specific to the Fundamental Rating Groups

Guidelines on Composition

This Annex sets forth guidelines specific to Moody's Fundamental Rating Groups and is supplemental to Best Practices Guidance for the Credit Rating Process. Both documents should be applied consistently with the Core Principles for the Conduct of Rating Committee. Capitalized terms in this document have the same meaning as in the Best Practices Guidance for the Credit Rating Process.

Multiple Lines of Business Involvement

In instances where the corporate entity is structuring an obligation that will be rated in the Structured Finance Group, it is the dual responsibility of the corporate and structured finance Analysts to communicate with one another. In such a situation, a structured Analyst might participate in the rating committee.

Rating Committees Requiring Invitations to the CO and either the LOB Head or his/her delegates

The CO and either the LOB Head or his/her delegates should be invited to any rating committee in which discussion is expected to include an upgrade to investment grade or downgrade to speculative grade or where the outcome may result in a change in the commercial paper rating. However, the CO, LOB Head and his/her delegates are not required to attend.

Franchise Credits

A Franchise Credit is defined as an Issuer whose ratings may be particularly likely to have significant impact on the capital markets. A list of Franchise Credits for the Fundamental Franchise is available on the Credit Policy page on MoodysNet.

With regard to Franchise Credits, rating committees must include:

- One of the following: the CO, LOB Head or his/her delegates, or the Chair of the relevant Credit Committee³⁵ or, if authorized by the LOB Head or his/her delegates, or Chair of the relevant Credit Committee, two MDs; and
- The Lead Analyst and the Analyst's MD (the absence of either should be approved by the respective LOB Head, his/her delegates, or Chair of the relevant Credit Committee); and
- At least 4 voting members.

Rating Committee Composition for Infrastructure Transactions with Multiple Bidders

Please see Annex I C for information on Rating Committee Composition for Infrastructure Transactions with Multiple Bidders.

³⁵ The relevant Credit Committee shall mean the Fundamental Credit Committee for CFG and FIG; the Public Sector Credit Committee for Sovereign, Infrastructure and U.S. and International Public Finance; and, for purposes of rating committees in the Global Sovereign Risk Group, the senior external participants defined in Annex I G shall satisfy the requirement under the first bullet in this section.

Best Practices Guidance for the Credit Rating Process

Annex I B

Best Practices Specific to the Global Financial Institution Group

Guidelines on Composition, Chairing and Co-Chairing

This Annex sets forth guidelines on composition of rating committees, chairing and co-chairing in MIS's Global Financial Institutions Group, and is supplemental to Best Practices Guidance for the Credit Rating Process. Both documents should be applied consistently with the Core Principles for the Conduct of Rating Committee. Capitalized terms in this document have the same meaning as in the Best Practices Guidance for the Credit Rating Process.

Rating Committee Composition

For rating committees involving rating changes, new ratings, consideration of reviews and resolution of reviews:

These rating committees must include a Chair and an eligible representative from another team/region (Required Attendee/Co-Chair). In addition, the Lead Analyst and the back-up Analyst for an Issuer must attend rating committees relating to that Issuer whenever possible.

When convening a rating committee, consideration should be given to expanding the size of the committee to allow for an odd number of voting members, in order to minimize the likelihood of a 'tie' vote.

For rating committees involving outlook changes:

These rating committees should include at least the following individuals: the relevant MD, TL, or CO as the Chair; an SCO or SVP from the team can serve as the Required Attendee; the Lead Analyst; and the back-up Analyst.

If the committee concludes that a rating change or a change in review status should be considered, the rating committee may need to be reconvened with the appropriate members (please see above).

Chair

A list of Employees eligible to serve as Chairs or Co-Chairs of FIG rating committees can be found by clicking the following link: [G-Rating Committee Practices And Documents - Eligible Required Attendees](#)

Whenever the responsible MD attends a rating committee, he/she should act as the Chair for that committee. Other MIS Employees within FIG can chair rating committees if they fall into one of the following categories:

1. LOB Head and his/her delegates, MDs, TLs with management responsibilities, COs can chair rating committees in Global FIG; and
2. SVPs and SCOs with Accurate³⁶ Level 2 approval rights can chair any rating committee if the committee is within their respective group (banking and insurance) AND within their respective region³⁷ (EMEA, Americas and Asia Pacific).

If neither the MD nor any person in either of the categories listed above is available to chair the committee, the global head of the business line must be notified.

Additionally, in all instances in which the relevant MD is not the rating committee Chair, the Chair should attempt to notify the MD that the committee is taking place in his or her absence, should strive to provide the

³⁶ The current system used to database new ratings and rating changes.

³⁷ For the purposes of this document, Japan and Asia ex-Japan are considered separate regions.

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MD with an advance copy of the rating committee memorandum, including recommendation, and should inform the MD of the outcome immediately following the rating committee.

Required Attendee/Co-Chair

Each rating committee **must** include an attendee from a team **other than the one responsible for the Issuer being rated**. The following MIS Employees outside FIG can co-chair rating committees for FIG:

1. Non-FIG MDs; and
2. Non-FIG TLs/COs/SVPs with Accurate Level 2 approval rights can co-chair FIG rating committee if within their respective region (EMEA, Americas and Asia Pacific).

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Annex I C

Best Practices Specific to Infrastructure Transactions with Multiple Bidders

Guidelines on Eligibility and Composition

This Annex provides guidelines on eligibility and composition of rating committees for indicative ratings for infrastructure transactions with multiple bids. It should be used in conjunction with the guidance provided in Core Principles for the Conduct of Rating Committees and Best Practices Guidance for the Credit Rating Process. This document does not apply to rating committees for a Rating Assessment Service (RAS) engagement. Those are subject to the guidelines outlined in the [RAS Summary Execution and Operating Guidelines](#).

Transactions Eligible for These Guidelines

These guidelines apply in cases where MIS has been requested to provide indicative ratings by multiple bidders on an eligible infrastructure project. An eligible transaction is one in which:

- MIS either does not rate the transaction sponsor or the selection of any particular bid over another is not material to the rating of the transaction sponsor; and
- MIS does not, by virtue of any rating relationship, have material information about the asset being auctioned that is not also available to all bidders through an RFP or equivalent document.

Bids on infrastructure finance concessions let by national, regional or local governments would generally fall within the eligibility criteria.

Determining Eligibility of Transactions

The MD or TL should determine whether particular transactions are subject to the guidelines outlined below or whether they are subject to RAS Guidelines. In cases where the eligibility of the transaction is in question, a determination will be made by the LOB Head or his/her delegates or the GCO for Global Project and Infrastructure Finance. When in doubt, the more restrictive RAS Guidelines should apply.

- Sales of operating businesses by a rated entity would not fall within the eligibility criteria and the composition of analytical teams and rating committees would continue to be governed by the existing RAS Guidelines.

Rating Committee Composition

In circumstances where MIS has been requested to provide indicative ratings by multiple bidders on an eligible infrastructure project, rating committees formed to evaluate the bids should be structured as follows:

- Separate analytical teams (lead and support analysts) will be assigned to evaluate each bid; and
- Each bid will be evaluated by a common rating committee staffed according to MIS's usual and customary practices, amended as follows:
 - The analytical teams assigned to evaluate a bid will only attend the portion of the committee dedicated to assessing that particular bid. In particular, analytical teams will not attend any part of the committee discussion which "compares and contrasts" different bids to ensure consistent treatment. The rating committee Chair is responsible for maintaining and documenting that discussions are kept separate;
 - Where appropriate, the Chair of the common rating committee will provide common inputs/scores to the relevant methodology for those factors that are not bid-dependent; and
 - Members of the common rating committee will not have any direct analytical contact with the consortium members for any particular bid. All such contact (rating meeting, follow up phone calls, emails, etc.) will be with the appropriate analytical team. Exceptions may be approved by the LOB Head's delegates or GCO for Global Project and Infrastructure Finance.

Best Practices Guidance for the Credit Rating Process

Annex I D

Best Practices Specific to Voting by Specialists in Fundamental Rating Committees

This Annex provides guidelines for Chairs of Fundamental rating committees to determine voting eligibility for MIS's "specialists" (on accounting, corporate governance, hybrid capital, and risk management). It is an addendum to the general guidelines on rating committee composition and voting procedures described in Best Practices Guidance for the Credit Rating Process. Both documents should be applied consistently with Core Principles for the Conduct of Rating Committees.

Responsibility for Determining Voting Eligibility

- The Fundamental Credit Committee is responsible for determining whether the head of the specialist team is eligible to vote in rating committee decisions.
- In the case of all other specialists, voting eligibility of the specialist is determined by the head of the respective specialist team in consultation with the LOB Head or his/her delegates for the sector that the specialist supports.
- Questions about whether a particular specialist is eligible to vote should be addressed to the head of the respective specialist team.

Specialist Participation in Rating Committees

- Specialists may not attend or participate in rating committees where they are conflicted (as set forth in Core Principles for the Conduct of Rating Committees).
- Specialist attendance and participation in rating committees should be determined as set out in Annex I A under Franchise Credits.
- Specialists who are not eligible to vote in rating committees may attend them as part of their training or to provide input on their area of expertise. However, only those specialists designated as eligible to vote may do so.
- Once designated as voting eligible, specialists may vote in rating committees for Issuers in sectors they do not support.

Guidelines for Determining Voting Eligibility

In determining whether a specialist is eligible to vote, the head of the specialist team and the LOB Head or his/her delegates for the sector that the Specialist supports should consider the following:

- Length of tenure at MIS as a specialist and (non-voting) participation in rating committees in that capacity;
- Familiarity with MIS's rating scale and rating methodologies;
- Previous (MIS or non-MIS) credit analysis experience;
- Scope of credit training (MIS or non-MIS); and
- Demonstrated insight in rating committee discussions and in published research.

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Annex I E

Best Practices Specific to the U.S. Public Finance Group ("PFG")

This Annex sets forth guidelines specific to MIS's U.S. PFG and is supplemental to Best Practices Guidance for the Credit Rating Process. These documents should be applied consistently with the Core Principles for the Conduct of Rating Committee. Capitalized terms in this document have the same meaning as in the Best Practices Guidance for the Credit Rating Process.

Rating Committee Voting Eligibility

1. Rating committee voting membership, including the breadth of each member's authority, is reviewed and updated on a regular basis by the LOB head or his/her delegates and the MDs ("PFG Management Team"), together with the GCO.
2. A record of these decisions is maintained in the Group's Rating Committee Membership and Authorization List ("RC List"), posted on the PFG shared drive, and/or the PFG page on Moody's intranet.
 - a) The RC List will indicate whether each committee member has committee voting privileges for each of several sectors, including state government, regional, health care, housing, higher education, infrastructure, municipal structured products, structured local housing, and pre-refunded bonds. Other sectors may be added by the PFG Management Team, as necessary.
 - b) The RC List will also indicate, by sector, whether the committee member has the authority to serve as a committee Chair.
3. Accreditation
 - a) Earning rating committee membership privileges: The process for first-time rating committee accreditation begins with a nomination of an Analyst by the Analyst's MD based on performance, as well as the Analyst's experience and expertise in a sector or geographic region.

The Analyst will then be observed by at least two members of the PFG Management Team and the Group Credit Officer in an actual committee setting where the Analyst is not the Lead Analyst, but is acting as a non-voting committee member. This can be done by both of the PFG Management Team members in the same committee, or separately in two different committees. The observing managers or GCO makes a recommendation which is then discussed by the PFG Management Team. Accreditation is either approved (or rejected) by a majority vote of the PFG Management Team and the GCO. If the recommendation is rejected, the Analyst's manager will provide feedback to the Analyst as to the reasons for the decision and the Analyst can request a follow-up observation.
 - b) Rating committee member to Chair and expansion of sector authorizations: The expansion of authority of a rating committee member to serve as a Chair for one or more sectors, or expansion of a rating committee member's committee voting privileges to an additional sector or sectors, is recommended by the Analyst's MD, and discussed and approved by a majority of votes of the PFG Management Team. Within the regional sectors, expansion of a regional rating committee member's voting authority to include additional states is determined by the Analyst's TL and MD, and communicated to the PFG Management Team.

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Supplemental Rating Committees

In addition to the rating committee process described in the Best Practices Guidance for the Credit Rating Process, ratings in PFG may be assigned by a Supplemental Committee. Supplemental committees can be used only for:

- a) Rating affirmations;
- b) Assignment of insurance codes;
- c) Assignment of new ratings, if the rating and outlook are unchanged from the rating and outlook assigned to parity debt for the same Issuer and, in the judgment of the Lead Analyst and the Chair, there has been no material change in credit position;
- d) Assignment of ratings to Bond Anticipation Notes (BAN) except for initial BAN ratings when the Issuer's general obligation rating is lower than A2;
- e) Assignment of ratings to municipal cash flow notes (Tax Anticipation Notes, Revenue Anticipation Notes, Tax and Revenue Anticipation Notes, Grant Anticipation Notes), if the Issuer borrows for cash-flow purposes at least annually and has always received a MIG 1 rating on its cash flow notes, and the current recommendation is MIG 1; and
- f) In the Municipal Structured Products Group, assignment or update of ratings for standard transactions, credit or liquidity replacements and outstanding derivative programs.

Rating Committee Composition

A regular PFG rating as described in the Best Practice Guidance for the Credit Rating Process should be composed of the Lead Analyst plus at least two additional rating committee members with voting privileges, one of whom with authority to serve as Chair to the committee. A Supplemental Committee as described in II E. above should include the Lead Analyst and at least one rating committee member who has authority to Chair the committee.

Additional guidance in terms of PFG rating committee composition applies as follows:

- a) To the extent possible, rating committee composition for a credit on Watchlist should include the same rating committee members who were on the rating committee when the credit was placed on Watchlist;
- b) It is the ongoing responsibility of the rating committee Chair of the Supplemental Committee to assess whether a regular committee is appropriate (particularly for rating affirmations, in the case of receipt by the Lead Analyst of new financial statements for the Issuer);
- c) The rating committee Chair is generally the most senior rating committee member at the rating committee meeting who is eligible to serve as Chair for that credit. However, the most senior person may designate an alternate Chair. If the most senior person is also the Lead Analyst for the credit under consideration, the next most senior person will serve as Chair;

All other Supplemental Committees, including insurance codes that are being used to offer an estimated rating, require that a person authorized as a Chair for the applicable sector serve as the sole rating committee member

- d) If a non-PFG Analyst participates in a PFG rating committee, the Chair of that committee will determine at the outset of the rating committee whether that Analyst's vote will be counted, based on that Analyst's expertise and seniority; and
- e) As stated in the Best Practices Guidance for the Credit Rating Process, all rating committee participants eligible to vote are expected to vote and each voting member is entitled to one vote. Additionally, eligibility is documented in the then current RC List. Only the votes of authorized PFG rating committee members and

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voting non-PFG Analysts will be counted in the total vote tally. If the Lead Analyst is not eligible to be a voting member of rating committee for the credit under consideration, his or her recommendation is not included in the total vote tally.

Further Guidance on the Use of E-mail Rating Committees

Rating committees generally should not be conducted via e-mail. As outlined in the Best Practice Guidance for the Credit Rating Process, subject to approval by the LOB Head or his/her delegates, or CO, certain exceptions are possible. The following PFG committees can be conducted via e-mail without obtaining such prior approval:

- a) Assignment of insurance codes;
- b) Rating of obligations issued under specific program documents that have been approved by a previous rating committee; and
- c) Follow-up rating committees that resolve issues remaining outstanding from a previous committee, provided that the Chair of the original rating committee approves such resolution by e-mail at such rating committee and the members otherwise follow the guidelines in the following paragraph.

Documentation: Rating Committee Memo and Supporting Material

The contents of a rating committee package are determined on a team specific basis, but generally include a rating committee memo and/or a workbook or workbook equivalent. A workbook is generally an excel spreadsheet with details of the finances of the credit being reviewed. A workbook equivalent may be determined on a team specific basis. The rating committee package may also include (i) a draft New Issue Report or Update, (ii) a rating committee memo, and/or (iii) other supporting documentation.

If new or substantial information is provided to the rating committee as part of the Issuer's credit consideration, the relevant details should be included in the NIR or Update (to the extent that it has not been characterized by the Issuer as confidential) as well as in the workbook or workbook equivalent, rating committee memo, or other supporting documentation.

Rating Dissemination and NIR or Update

In addition to the process for rating dissemination described in the Best Practice Guidance for the Credit Rating Process], the following guidelines apply to PFG:

- a) If an Issuer or municipal structured finance tranche already holds a published credit rating, all subsequent rating actions regarding that Issuer or tranche must also be published. In applying this provision to Issuers with multiple classes of debt, each individual class of debt should be treated as a separate Issuer;
- b) Lead Analysts should publish research explaining our rating rationale for each initial public rating assigned, and for each outstanding rating confirmed, upgraded, downgraded or placed on Watchlist, and for each outlook change;
- c) Lead Analysts should make every effort to release the NIR or Update report simultaneously with the release of the rating action;
- d) The MD, LOB Head or his/her delegates must approve any delay in the public dissemination of ratings and reports by more than two business days after the release of the rating to the Issuer. Every effort should be made to disseminate within the shortest time period as possible;
- e) Where prior review by the Issuer would be appropriate and is feasible under the circumstances, the Lead Analyst should share a NIR or an Update with the Issuer (or its designated representative) prior to publication;

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- f) MDs and Team Leaders will provide guidance to the Analysts on their teams as to the circumstances under which they do not need to send the draft to the Issuer. Every effort should be made to disseminate within the shortest time period possible;
- g) If a draft report is not being shared with the Issuer³⁸, the Lead Analyst should make a note to that effect in the rating committee package, which is retained either electronically or in hard copy in accordance with Moody's Record Retention Policy;
- h) The Lead Analyst will advise the Issuer in advance that the report will be published no more than two business days after release of the rating to the Issuer regardless of whether the Issuer has commented on the draft report;
- i) If, after reasonable effort, a designated agent cannot be contacted, the Lead Analyst, after consultation with the Team Leader or MD, can release the research as is; and
- j) Except in instances where the GCO,LOB Head or his/her delegates have approved otherwise, the Lead Analyst should fax or e-mail a copy of the disseminated document to the Issuer and/or its designated agent(s).

³⁸ This documentation requirement does not apply to the Municipal Structured Products and Housing Groups because they do not share draft reports with Issuers.

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Annex I F

Best Practices Specific to the Structured Finance Rating Groups

This Annex sets forth guidelines specific to MIS's SFG and is supplemental to Best Practices Guidance for the Credit Rating Process. Both documents should be applied consistently with the Core Principles for the Conduct of Rating Committee. Capitalized terms in this document have the same meaning as in the Best Practices Guidance for the Credit Rating Process.

Multiple Lines of Business Involvement

In instances where there is a need to assess the impact of changes in corporate ratings on structured transactions, it is the dual responsibility of the corporate and structured finance Analysts to communicate with one another. In such a situation, a Fundamental Analyst might participate in the rating committee.

Convening Structured Finance Rating Committees

Committees are also convened to:

1. To withdraw a rating on a security prior to its payment in full or for other non-business-related reasons such as the writedown of a bond or the bankruptcy, insolvency, or other event relating to the Issuer or a party to the transaction.
2. In the case of a rating committee convened to provide only preliminary feedback to investment bankers or Issuers or their agents on their proposed structure of enhancement levels for new structured products, the MD determines whether convening a rating committee is appropriate. After the feedback process is complete, if the Issuer decides to proceed, additional committees will usually be necessary.
3. The Lead Analyst, in consultation with a MD or Chair, may agree to changes to a new transaction subsequent to a rating committee or amendments to the documentation of an existing transaction without convening a full rating committee, provided that the credit impact of such changes are minor in nature and both are in unanimous agreement

Conducting E-Mail Rating Committees

1. Rating committees may be conducted by e-mail that resolve issues that remain outstanding from a previous committee, provided that the Chair of the original rating committee approves such resolution by e-mail at such rating committee and the members otherwise follow the guidelines in the following paragraph. In addition, email committees may be conducted for minor rating agency condition (RACs).
2. The decision to conduct an e-mail rating committee is to be made by the relevant TL, MD, or Chair, if applicable.
3. In addition, rating committees may be conducted via e-mail with respect to rating confirmations and affirmations, provided that they do not raise issues involving complex structures or require extended discussion.
4. E-mail rating committees are appropriate for ABCP facilities under the following circumstances³⁹:
 - a) facilities that are fully supported, either through the liquidity funding structure or through highly rated credit enhancement (Aa2 and above);
 - b) credit changes with little or no material impact (e.g., small seller additions or facility increases);

³⁹ The lists in this section are not all inclusive. There may be instances where other situations or categories of RCs may present themselves which had not been hitherto contemplated. In such cases analysts should confer with MDs.

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- c) co-purchase facilities that involve a previously committed transaction and that use liquidity funding structures substantially similar to the committed transaction;
- d) partially supported transactions involving the purchase of securities by repeat issuers using structures identical to or substantially similar to previously committed transactions and for which Moody's has rated the underlying security (shadow or public) (e.g., credit card transactions); or
- e) amendments or waivers relating to existing transactions that involve one or more of the above features.

Documentation

1. In a new transaction, after MIS's opinion is finalized (the "finalized rating opinion"), the Lead Analyst should document the rating rationales for the final rating opinion and any significant changes that occurred following the rating committee in a final rating committee memo or in the Addendum.
2. If the rating committee involves a new asset class or a new or revised methodology, the final rating committee memo should be sent to the Structured Finance Credit Committee's co-Chairs, CCOs, and the relevant MDs in MIS's global offices to promote global consistency in Moody's ratings⁴⁰.
3. In existing transactions, after the rating committee, and in new transactions, upon closing, the Lead Analyst should prepare an Addendum.

Closing of New Transactions

1. The Lead Analyst is responsible for reviewing the draft transaction documents, as necessary and appropriate, and for providing comments in order that the closing documents do not conflict with MIS's rating criteria and final rating opinion.
2. The Lead Analyst is responsible for issuing a rating letter at the closing of the transaction or subsequently, if MIS rates the transaction after its closing, and retaining a copy thereof as part of the credit file for the transaction and, if applicable, in accordance with Moody's Record Retention Policy.
3. On the press release, it must be issued as soon as practicable thereafter.

⁴⁰ New or revised methodologies should be published as soon as practicable in accordance with "Guidelines for the Classification and Review of Research, Policy and Methodology Publications."

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Annex I G

Best Practices Specific to the Global Sovereign Risk Group ("SRG")

Guidelines on Composition, Chairing and Voting

This Annex sets forth guidelines specific to Moody's Global Sovereign Risk Group and is supplemental to Best Practices Guidance for the Credit Rating Process. Both documents should be applied consistently with the Core Principles for the Conduct of Rating Committee. Capitalized terms in this document have the same meaning as in the Best Practices Guidance for the Credit Rating Process.

Rating Committee Composition

All analysts in the SRG should be invited to rating committees called by the SRG, as should other "MIS" analytical Employees who, in the opinion of the rating committee Chair, can bring a useful perspective on the country to be discussed at the rating committee. Examples of MIS analytical Employees who may be invited include the lead bank Analyst for the country, the sub-sovereign Analyst for the country, the regional bank Manager, the country Manager, and the regional Manager, provided that Moody's policies don't preclude them from participating in the rating committee process. (For example, a country Manager would be precluded if engaged in business development activities or had an actual conflict of interest with respect to the subject country).

Each SRG rating committee should include at least two "senior external participants." For the purpose of SRG rating committees, any Employee of MIS in the following role and not otherwise precluded from participating in the rating committee process is considered to be an eligible "senior external participant":

- Any SVP from the region;
- Any Fundamental or Structured MD, LOB Head or his/hers delegates (excluding Sovereign);
- Any GCO or CCO from Credit Policy; or
- Any member of the Credit Policy Committee.

Chairing

The Chair should be the SRG MD or a SRG SVP, preferably from outside the region.

Voting

The following Employees of MIS are authorized to vote at SRG rating committees:

- All associates of the SRG with title of Analyst or above;
- The "senior external participants";
- The regional Manager, provided Moody's policies do not preclude the regional Manager from participating in the RC, and
- The lead bank Analyst. **The country Manager does not have a vote.**

All non-voting participants in the rating committee will be asked to express their opinions before the vote is taken.