



## SPECIAL COMMENT

## Moody's Clarifies Policy for the Issuance of RACs

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Moody's is providing clarification regarding its long-standing policy for the provision of rating opinions regarding post-closing changes or amendments to transaction documents, structures or parties, which are commonly referred to as "RACs." In particular, Moody's emphasizes that the provision of a RAC remains entirely within Moody's discretion, and Moody's may not provide a RAC even if the transaction documents require it.

Parties to transaction documents sometimes choose to include in those documents clauses that provide that certain amendments to the structure or documentation of the transaction are contingent upon receipt from a rating agency of a statement that the amendment will not result in a change in or withdrawal of the existing rating maintained by that rating agency. Such provisions are typically referred to by transaction parties as "Rating Agency Conditions," "Rating Agency Confirmations," "Rating Agency Approvals," or "Rating Agency Consents," but will be referred to here as "RACs."

Moody's is not a party to any transaction that is the subject of its ratings. Moody's is therefore not bound by any RAC provision the parties may choose to include in their transaction documents, whether or not Moody's has reviewed such documents for rating purposes. Moody's is never obligated to issue a RAC, even if the transaction documents provide Moody's with an opportunity to do so or suggest that a RAC is required before the proposed change or amendment may take effect. Transaction parties should consider Moody's position -- that it is not committed to providing RACs upon request -- in determining whether or not to include RAC provisions in their transaction documents. Moody's encourages issuers to disclose any transaction changes or amendments to the public as early as possible so that investors and other market participants may arrive at their own conclusions about the amendments' credit implications. Moody's also requests that issuers provide Moody's with prompt notification of all proposed post-closing changes or amendments to any transactions that it rates to ensure that Moody's can accurately monitor those ratings.

Moody's role in the credit markets is limited to analyzing the credit quality of a given transaction or issuance and issuing an opinion reflecting that analysis. Moody's is not in a position, nor is it able under its policies and certain regulations, to advise transaction participants regarding the structure of a transaction or to "consent," "approve," "require" or "agree" to any post-closing amendments or changes.

When in select situations Moody's chooses to issue a RAC, that statement reflects only Moody's opinion that the proposed amendment, in and of itself and as of that point in time, will not result in a reduction or withdrawal of the current Moody's rating on the debt. This statement is not a "confirmation" of the rating, as that term is defined in Moody's published Rating Symbols and Definitions. As with any Moody's rating, the RAC addresses only the credit risks associated with the transaction, and does not address any other type of risk or aspect of the proposed change that may be relevant to an investor. By way of example, a RAC should not be read to suggest that the proposed change may be lawfully implemented or will not have tax consequences to the noteholder, or that the change will not alter the rights of investors as among themselves. For that reason, Moody's wishes to reiterate that it is the exclusive responsibility of the noteholders (or the trustee acting on behalf of the noteholders) to perform their own analysis of the risks posed by any proposed post-closing change or amendment.

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