Moody's Investors Service

Report on the Code of Professional Conduct

April 2006

Moody's Investors Service

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I. Introduction and Background

A. Introduction

Moody's Investors Service ("MIS" or "Moody's") adopted the *Code of Professional Conduct* (the "Code" or "Moody's Code") in June 2005.[1] Moody's Code sets forth the overall policies through which we seek to further our objective to protect the integrity, objectivity and transparency of our credit rating process. The Code reflects the guidance provided in the International Organization of Securities Commissions' ("IOSCO") Code of Conduct Fundamentals for Credit Rating Agencies (the "IOSCO Code"). The IOSCO Code was the product of two years of collaborative effort by global regulatory authorities, the credit rating industry and credit market participants. It provides a global framework of principles for the behavior of credit rating agencies and for transparent disclosure of their procedures, analytical methodologies and rating performance metrics.

Moody's endorses the principles expressed in the IOSCO Code, and we are committed to implementing them through our own Code. Our support for the IOSCO Code stems, in large part, from our commitment to be a useful and responsible participant in the global capital markets and our belief that the IOSCO principles represent sound business practices for the rating agency industry. We also believe that greater transparency around what we do and how we do it will enhance market understanding of, and confidence in, our Credit Ratings.[2]

Over the past several years, Moody's has introduced important policies and guidelines to document existing practices within our rating groups and to address evolving market and regulatory expectations for our business. Moody's Code is consistent with these policies and guidelines. At the same time, we recognize the need to continue striving to enhance our processes and the quality of our ratings as we evolve and as the capital markets continue to develop. Consequently, Moody's will continue to modify our policies and procedures and to develop further processes and policies to promote implementation of the Code as we deem necessary in the future.

1 The Code can be found on Moody's website, www.moodys.com, by selecting "Regulatory Affairs" from the menu at the bottom of the home page and clicking the direct link to the Code on the upper right-hand side of the Regulatory Affairs page.

2 We use the term "Credit Rating" to mean, as defined in the Code, Moody's current opinion regarding the relative future creditworthiness of an entity, a credit commitment, a debt or debt-like security, or an Issuer of such obligations, as determined by a rating committee and expressed using our established Aaa to C alphanumeric rating scale, or other Credit Rating scales as identified from time to time by Moody's.

This report is being issued pursuant to Section 4.2 of Moody's Code. Section II of this report discusses how Moody's has implemented the provisions of the Code. Section III explains substantive differences between Moody's Code and the IOSCO Code and how the objectives of the IOSCO Code are achieved notwithstanding the differences.

Capitalized terms used but not defined in this report are intended to have the meaning provided in Moody's Code.

B. Background About Moody's

Moody's is owned by Moody's Corporation ("MCO"), a New York Stock Exchange listed company. Moody's is the oldest bond rating agency in the world, having introduced bond ratings in 1909. From its inception, Moody's has focused on rating debt instruments. By 1918, Moody's rated virtually every bond in the United States bond market. Today, Moody's publishes opinions on a broad range of credit obligors and credit obligations issued in domestic and international markets, including various corporate and governmental obligations, structured finance securities and commercial paper programs. Moody's also publishes investor-oriented credit research, including in-depth research on major debt issuers, industry studies, special comments and credit opinion handbooks.

We have rating relationships with more than 11,000 companies and more than 25,000 public finance issuers, and we have rated more than 70,000 structured finance obligations. Moody's employs approximately 2,400 people worldwide, including more than 1,000 Analysts[3] and maintains offices in 22 countries. Our analytical teams, while situated around the world to serve local customers and account for important national considerations, generally are organized along global business sectors (such as the credit derivatives team and the banking team).

Moody's Credit Ratings are opinions of the relative creditworthiness of debt issuers and of debt obligations, such as bonds, notes and commercial paper. We use globally consistent rating symbols and definitions to communicate our rating opinions, and we have implemented policies and procedures to promote broad consistency in our overall rating methodologies and practices as well as global comparability in our Credit Ratings.[4]

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3 We use the term "Analyst" to mean, as defined in the Code, an Employee whose primary function is participation in the Credit Rating analysis process. This definition includes Managers with analytical responsibilities. "Managers" and "Management" are defined as Employees who have personnel management responsibilities. An "Employee" is any individual who works for Moody's in any capacity.

4 Moody's global corporate, financial institutions, sovereign and non-US sub-sovereign (collectively, "Fundamental"), and Structured Finance Credit Ratings use the same symbol system and are intended to convey comparable information with respect to the relative risk of expected credit loss. Moody's ratings on public finance securities issued in the US tax-exempt market use the same symbol system but are calibrated to less frequent historical default loss rates and thus are not intended to be compared directly to our other Credit Ratings. See *Special Comment: Moody's US Municipal Bond Rating Scale*, November 2002, which can be found on moodys.com under the title Moody's US Municipal Default Study.

II. Implementation of Moody's Code

Through the implementation of the Moody's Code, we seek to protect the quality, integrity and independence of the rating process, to ensure that investors and Issuers[5] are treated fairly, to safeguard confidential information produced by Moody's Analysts or provided to us by Issuers, and to provide transparent disclosure about our rating methodologies, policies and practices and overall track record. We believe that this will enhance market understanding of and confidence in Moody's Credit Ratings.

In this section we discuss Moody's Credit Rating process and important policies, procedures and practices related to the Credit Rating process and to other processes that we have in place to promote the above-stated objectives and compliance with the Code. While these policies generally are applicable to Moody's Credit Rating process, the practices and procedures regarding certain areas may vary in different rating groups or jurisdictions. Our discussion is divided into the three main subjects that are addressed in both Moody's Code and the IOSCO Code: (a) quality and integrity of the Credit Rating process; (b) independence and management of conflicts of interest; and (c) responsibilities to investors and Issuers.

A. Quality and Integrity of the Credit Rating Process

The quality and integrity of the processes by which we develop our Credit Ratings are of utmost importance to us. We have developed policies, practices and procedures over time to govern the rating process and promote quality and integrity in that process. We judge the quality of an individual rating based on whether it was formed pursuant to our established processes, rather than on the outcome of that rating, because it is inappropriate to judge any individual opinion on future creditworthiness as right or wrong since a rating is a probability-based assessment. However, the quality and performance of our ratings as predictors of relative creditworthiness can be judged in the aggregate. Therefore, we focus considerable attention on analyzing and reporting on the aggregate performance of our Credit Ratings in both an absolute and relative context.

Below, we discuss important mechanisms we have in place to address the quality and integrity of our rating process and the aggregate performance of our Credit Ratings. These include the Credit Policy function, which has centralized oversight responsibility for the procedures governing the rating process as well as the analytical foundations of our Credit Ratings. We also describe the organization of our analytical staff and our procedures for Analyst hiring and training as they pertain to promoting rating-process quality and integrity.

5 We use the term "Issuer" to mean, as defined in the Code, any entity that issues debt, a credit commitment or debt-like securities.

We then describe our rating process and our rating performance analysis and reporting. Finally, we describe our record retention practices and the Moody's Corporation Code of Business Conduct, each of which implements important aspects of the Code.

1. Credit Policy Function

Moody's Credit Policy function is charged with promoting consistency and transparency in our rating practices globally across diverse sectors and regions. First established in 1997, the function is a key element of Moody's implementation of the Code. The Credit Policy Committee ("CPC"), comprised primarily of senior Managers, is responsible for setting overall standards that govern Moody's rating process. The CPC has operational arms in the form of rating group credit committees that oversee rating analytics and procedural issues in each of Moody's major rating groups: the Fundamental Credit Committee, the Public Finance[6] Credit Committee and the Structured Finance Credit Committee. Their members include senior Managers and Analysts from within and outside of the relevant rating group as well as Credit Policy staff. These operational committees make recommendations to the CPC on rating procedures, approve updates or changes in rating methodologies in their respective rating groups, and review research prior to publication.[7]

Among the key responsibilities of the CPC and the rating group credit committees are reviewing and approving new or revised methodologies and rating policies. Rating methodologies provide guidelines for conducting credit analysis and assigning Credit Ratings, and promote quality and consistency in our ratings. Our methodologies each address our approach to a particular substantive analytical area, industry or sector. For example, one methodology addresses our specific approach to the European utilities sector, while another describes a general approach to liquidity analysis that may be applicable to all corporate Issuers.

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6 The Public Finance group is responsible for ratings related to states, municipalities and other issuers of bonds in the tax-exempt US municipal market, as well as non-profit Issuers in the US.

7 The CPC also has Standing Committees that promote global consistency in Moody's approaches in a number of specialized areas. The Rating Symbols and Practices Committee ensures that Moody's rating system continues to represent a globally consistent framework for comparing the credit quality of debt securities. The New Instruments Committee addresses Moody's assessments of complex instruments such as hybrid securities, liquidity instruments and monetization structures. The Risk Transference and Securitization Committee analyzes whether particular securitization structures actually transfer risk and, thus, how they impact an Issuer's credit profile. The Priority of Claims and Notching Practices Committee promotes consistency in the application of Moody's guidelines for "notching"; that is, distinguishing among ratings of various debt issuances of a single Issuer to reflect seniority. (See Moody's publication *Notching for Differences in Priority of Claims and Integration of the Preferred Stock Rating Scale*, November 2000.)

Our analytical methodologies are available to the public free of charge on moodys.com. New methodologies or significant changes to existing methodologies (for example, the recently published *Application of Joint Default Analysis to Government Related Issuers*[8] or the recent change in methodology for rating "European Covered Bonds"[9]) are approved by the CPC or the relevant ratings group credit committee. After a new or revised methodology has been approved internally, Moody's may publish it as a Request for Comment to solicit the views of market participants prior to implementation. This process enables us to arrive at a more fully informed methodology and also promotes our objective to be as transparent as practicable in the formulation of our Credit Ratings.

New procedural policies governing the rating process and changes to existing policies are approved by the applicable rating group credit committee and, if the changes are significant or impact more than one rating group, by the CPC as well.

2. Organization of Analytic Staff

Moody's Credit Ratings and research are produced by our credit analysis professionals, who typically are based in the region of the Issuer. Our professionals are organized into the three major rating groups (Fundamental, Public, and Structured Finance), which are generally are subdivided into rating teams based on global industry or asset class. We believe that the organization and composition of Moody's rating groups and analytical teams are key components of our efforts to produce globally consistent Credit Ratings.

Moody's organizational structure includes Managing Directors ("MDs"), Credit Officers and other Analysts. Senior MDs oversee the activities of our global rating groups (such as the global Financial Institutions group) or our major business regions (such as Europe, Africa and the Middle East). Group MDs generally manage large regional subdivisions within the global rating groups (such as the European Corporate Finance Group). Rating teams that are focused on a particular industry or asset class within a region generally are overseen by Team MDs. The Team MDs' responsibilities include managing rating assignments, overseeing monitoring of outstanding Credit Ratings, chairing rating committees, reviewing written research and ensuring that credit policies are appropriately implemented within their respective teams.

8 See Moody's publication *Rating Methodology: The Application of Joint Default Analysis to Government Related Issuers*, April 2005.

9 See Moody's publication *Rating Methodology: Moody's Rating Approach to European Covered Bonds*, June 13, 2005.

Each rating group has one or more Credit Officers, who oversee rating quality for the group, or a region or industry within the group. They help ensure consistent application of Moody's rating methodologies and policies within and across rating groups, implement procedures for monitoring Credit Ratings, and support the development and implementation of new methodologies and analytical initiatives.

Analysts other than MDs and Credit Officers are primarily responsible for the credit analysis of specific Issuers or obligations and typically are assigned to such Issuers or obligations based on their relevant expertise or training. They are responsible for taking a Credit Rating through the rating process and writing credit opinions, Credit Rating announcements and related research.

3. Analyst Hiring and Training

Another key component of Moody's efforts to maintain the quality of our Credit Ratings is the hiring and training of our Analysts. Moody's seeks to employ Analysts who have the requisite skills and are appropriately qualified for their positions, and who demonstrate good judgment and adhere to high standards of integrity.

Each of Moody's rating groups maintains training programs designed to enhance the quality of our rating analysis and Analysts' understanding of relevant policies and procedures. Moody's Professional Development and Training team assists the rating groups in designing and administering training programs that are tailored to the needs of each group. For the Fundamental group, the curriculum includes a variety of courses in corporate finance, accounting, credit analysis and Moody's rating methodologies. Analysts in that group are required to take between 20 and 40 hours of training per year, depending on their experience and previous training levels. The Fundamental curriculum also includes classes on Moody's rating policies and procedures. The Structured Finance and Public Finance groups provide training programs for new Analysts, covering a variety of credit-related and process-related topics. They also provide ongoing training for Analysts that includes on-the-job training and mentoring. The Office of Compliance (discussed in greater detail below) supplements the training offered by the individual rating groups with programs on topics such as Moody's Code, rating committee best practices, treatment of non-public information, securities trading and record retention.

Training classes are taught by subject-matter experts, who may include Managers or other senior-level Analysts, personnel from the Office of Compliance, and third-party professionals. New classes are added to the curriculum, and existing classes revised, in response to developments in the market, to educate Analysts about a new Moody's policy or procedure, or otherwise as Management may determine.

4. Rating Process

Moody's arrives at and maintains our published Credit Ratings through a process that involves robust analysis of the Issuer or obligation to be rated, followed by rating committee deliberation and voting. This ultimately results in a committee decision on a particular rating that is then disseminated to the market and is subsequently monitored, as necessary, to ensure that it continues to reflect Moody's opinion of the creditworthiness of the Issuer or obligation. Below we summarize the various steps in this process and discuss how they promote the quality and integrity of our Credit Ratings.

a. Rating Analysis and Recommendation

The Analyst or Analysts assigned to a particular Issuer or obligation ("Assigned Analyst") begins the credit analysis by assembling relevant information on the Issuer or obligation. This information may come from the Issuer in meetings or other communications with the Assigned Analyst, as well as from public sources. It may then be supplemented with information generated by Moody's, including macroeconomic and sector-specific data. In most jurisdictions, Issuers historically have been able, but not obligated, to provide non-public information to credit rating agencies, such as projections, legal documents, priority of claims and collateral characteristics. Our procedures to protect confidential Issuer and other information are discussed in Section II.C.2 below. Most Issuers operate in good faith and provide reliable information to the securities markets and to us, and we rely on Issuers and their agents to do so. We do not possess either the comprehensive or independent first-hand knowledge to verify or test the accuracy of information that debt issuers make available to the public or directly to Moody's. Nevertheless, our Analysts seek to exercise skepticism with respect to an Issuer's claims. If we believe we have inadequate information to provide an informed Credit Rating to the market, we will exercise our editorial discretion and will either refrain from publishing the opinion or withdraw an outstanding Credit Rating.[10]

Once information has been gathered, the Assigned Analyst will analyze the Issuer or obligation and formulate his or her recommendation for the rating committee's consideration. In so doing, the Analyst will apply the relevant Moody's methodological approach, which may include consideration of both quantitative

10 As provided in Moody's *Guidelines for the Withdrawal of Ratings*, which is available on moodys.com, Moody's may withdraw a Credit Rating for one of four reasons: (i) where there is inadequate information to effectively assess the creditworthiness of the Issuer or obligation; (ii) if the Issuer defaults, enters bankruptcy/reorganization or is liquidated; (iii) for business reasons unrelated to the adequacy of information or bankruptcy; or (iv) when the rated obligation is no longer outstanding. A rating committee is required to approve a rating withdrawal if the reason for the withdrawal is inadequate information or bankruptcy/liquidation. The relevant Group MD must approve a withdrawal for business reasons. Moody's will issue a press release announcing the rating withdrawal except where the rated obligation is no longer outstanding, for example when it matures.

and qualitative factors. For example, in the Corporate Finance group, quantitative factors might include profitability, capitalization and liquidity ratios, while qualitative factors might include business strategy, competitive position and management quality. In the Financial Institutions group, quantitative factors may include earnings, portfolio diversification and loan loss reserves, while qualitative factors may include the reach and influence of the relevant regulatory authority, management quality and lending policy. In Structured Finance and the Municipal Structured Products Group within Public Finance, quantitative factors may include the level of credit enhancement, historical performance of the assets of the originator and the value of a reserve fund, while qualitative factors could include bankruptcy remoteness of the special purpose entity, integrity of the legal structure and management and servicing quality. Finally, other areas of the Public Finance group may consider quantitative factors such as the size of the Issuer's tax or revenue base, demographic data and debt service ratios, as well as qualitative factors such as tax policy, governance structure and management quality.

While the Assigned Analyst brings his or her experience and expertise to the review, Moody's also employs a staff of professionals specializing in accounting and financial reporting, off-balance sheet risk, corporate governance and, for financial institutions, risk management assessment. They are available to assist the analytical team in evaluating the more specialized aspects of an Issuer or obligation that may require greater scrutiny. (See the discussion on "Recent Enhancements" following Section II.A.7 below for more information regarding the specialists.)

b. The Rating Committee

Once the Assigned Analyst has formulated his or her recommendation, it is presented to a rating committee. The rating committee is a critical mechanism in promoting the quality, consistency and integrity of our rating process. Moody's Credit Ratings are determined through rating committees, by a majority vote of the committee's members, and not by any individual Analyst. The composition of the rating committee varies based on the nature and complexity of the Credit Rating being assigned. It includes the Chair, who acts as the moderator of the committee; the Analyst, who presents his or her recommendation and the analysis supporting it; and other participants, which can include support Analysts, other specialists or senior-level personnel, as are deemed appropriate.

The rating committee Chair can be a Managing Director, a Credit Officer, or another Analyst who has been so designated because of seniority and/or expertise. The Chair encourages broad-based participation from all rating committee members, regardless of seniority, and the expression of dissenting views. Senior members of the rating committee are encouraged to vote last. Composition of the rating committee, deliberations and specific voting results are kept confidential from the Issuer and all other parties except those internal parties at Moody's who have a "reason to know."

For many years, Moody's has had in place principles, policies and procedures governing rating committees. In recent years, these policies and procedures have become increasingly formalized. One such policy, the *Core Principles for the Conduct of Rating Committees* (the "*Core Principles*"), sets out the main principles that should be observed in connection with a rating committee.

The *Core Principles*, among other things, provide that a Credit Rating be the product of a rating committee,[11] that rating decisions be consistent with existing policies and methodologies, that rating committee composition be based on relevant expertise and diversity of opinion, that Analysts not give any assurance or guarantee of a particular rating prior to a rating committee, and that conflicted Analysts be excluded from a rating committee. The *Core Principles* also identify various types of potential conflicts that would make an Analyst ineligible to participate in a rating committee. (See Section II.B.3 below for additional information on how the *Core Principles* address management of conflicts of interest.) The *Core Principles* forms the basis for more detailed group-specific guidelines on matters such as the roles of the rating committee Chair and of the Assigned Analyst, deliberation and voting protocols, suggested means of documenting the rating committee outcome and procedures for disseminating rating committee decisions.

11 As stated in Moody's Code, once a rating committee has determined the appropriate Credit Ratings to be assigned to an Issuer's debt classes, or to debt issued under specific program documents, Moody's will assign such Credit Ratings to such classes unless and until a subsequent rating committee determines otherwise.

c. Dissemination of Credit Rating Announcements

Once a rating committee reaches a decision regarding a rating action that Moody's intends to publish,[12] we typically contact the Issuer or its designated agent to inform them of the Credit Rating. Prior to public release of the Credit Rating, Moody's communicates its rating decision only to the Issuer and/or its designated agent. Where feasible and appropriate, Moody's also may provide the Issuer or its designated agent with a draft of the Credit Rating announcement so that the Issuer or its designated agent can review the draft to verify that it does not contain any inaccurate or non-public information.[13] The Issuer may agree or disagree with the rating outcome, but if the rating opinion relates to an existing published Credit Rating, the opinion will be made public unless the Issuer or its designated agent provides us with relevant new information.[14] If Moody's is not able to inform the Issuer or its agent of a Credit Rating prior to its publication, we will inform them as soon as practicable after publication, and generally will explain the reason for the delay.

Our Credit Rating announcements include the current rating action and our rationale therefor, and also reference the last associated rating. Once they are finalized, our Credit Rating announcements are disseminated publicly and free of charge on moodys.com and distributed to major financial newswires. They are available to the public on moodys.com for at least seven days. After that, the first few lines of the announcements, as well as the related Credit Rating history, continue to be available to the public on moodys.com free of charge. Thereafter, the full text of the Credit Rating announcements may be accessed by subscribers.

In accordance with our policy *Designating Issuers that Do Not Participate in the Rating Process*, where the Issuer or its designated agent does not participate in the rating process, we will state this in the Credit Rating announcement. For additional information on the designation of non-participating Issuers, see Section III.B.3 below.

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12 For first-time Credit Ratings for an Issuer and in certain other circumstances, upon the request of the Issuer or its agent and at Moody's sole discretion, Moody's may agree to not publicly disclose the Credit Rating. For example, Moody's may agree to keep a Credit Rating non-public where it relates to a private placement. However, if a Moody's Credit Rating has already been made public, subsequent rating actions regarding that Credit Rating will be made public, regardless of the Issuer's request.

13 It may not be feasible or appropriate to provide a draft of the Credit Rating announcement to the Issuer prior to publication under certain circumstances or for certain types of Issuers or obligations. For example, some teams in Structured Finance and Public Finance may issue Credit Rating announcements that routinely contain little Issuer-specific factual material for the Issuer to review. In addition, the length of time needed to coordinate certain Issuers' reviews must be balanced against the need to disseminate a pending rating action as soon as practicable, such as when rating actions are taken on multiple Issuers simultaneously due to a change in economic factors or methodology.

14 Such instances, known as "appeals," are rare. In such cases, Moody's will delay publishing the Credit Rating action in order to assess the relevance of the new information. If the relevant Analyst and rating committee Chair believe the new information may reasonably lead the rating committee to reconsider the rating conclusion, the rating committee will be reconvened to consider the impact of the information on the rating. See Section III.A.2 below for further discussion of the appeal process.

d. Monitoring

Once a Credit Rating has been published, Moody's will monitor the Credit Rating on an ongoing basis and will modify the Credit Rating as necessary in response to changes in our opinion of the creditworthiness of the Issuer or issue. In monitoring Credit Ratings, Analysts may review public information as well as non-public information provided by the Issuer or its agent 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 comparisons of Moody's Credit Ratings with other measures of credit risk, including measures derived from the market prices of bonds and credit default swaps and accounting ratio-implied ratings based on default prediction and rating prediction models for corporate and sovereign issuers.

Moody's also utilizes institutional monitoring processes overseen by Credit Officers. One such monitoring tool used in the Fundamental group is the portfolio review, which generally is undertaken annually to review the quality and consistency of Credit Ratings within a peer group. In conducting a portfolio review, a senior-level group from both within and outside of a given industry rating team assesses the credit quality of all Moody's-rated companies constituting an industry sector or subsector. A rating committee would be convened for an Issuer found to be at a Credit Rating level inconsistent with its peers.

In Structured Finance, monitoring is performed either by the applicable rating group Analysts or by dedicated monitoring Analysts. Moody's has analytical staff dedicated to monitoring the performance of existing transactions in certain asset types, such as credit card, commercial mortgage and collateralized debt obligation transactions. Monitoring includes qualitative approaches and quantitative approaches, such as models that allow the monitoring staff to compare actual asset performance against the performance expected at the time of the rating assignment. Moody's has published a number of reports describing our monitoring approaches for specific asset classes.[15] In the Public Finance group, the frequency and intensity of monitoring generally are proportional to the complexity and default risk in various public finance sectors.

15 For example, see the following publications titled *Rating Methodology: Understanding Metrics for Performance Monitoring: Volume 1 - Credit Card-Backed Securities*, December 1, 2004; *Volume 2 - Auto Loan-Backed Securities, May 6, 2005;* and *Volume 3 - Residential Mortgage-Backed Securities*, November 4, 2005. See also *Special Report: Moody's Approach to Surveillance of Residential Mortgage Backed Securities with Reperforming/ Nonperforming Collateral*, January 24, 2006.

5. Rating Performance Metrics

Moody's analyzes the overall performance of our Credit Ratings to provide ourselves and third parties with information regarding the predictive quality of our ratings in the aggregate. Our rating performance analysis is undertaken by our Credit Policy Research group, which as part of the centralized Credit Policy function is independent of the rating groups. The Credit Policy Research team produces default and recovery studies and generates statistical analysis, data and metrics to measure Moody's rating performance. A separate Credit Modeling team develops quantitative models designed to support and improve the quality of Moody's credit analysis.

Where feasible and appropriate, Moody's publishes detailed quantitative measures of ratings performance in order to evaluate the quality of our ratings in the aggregate — as ratings cannot be individually judged — and to determine areas where we can improve. Our performance metrics also provide users of our ratings with information by which they can assess whether our ratings are suitable for their purposes. In generating these metrics, we use our proprietary databases and our staff of economists, financial analysts and other in-house experts.

Our published performance metrics generally relate to the two attributes of our ratings that we believe are the most important for market participants: accuracy (for example, correlation between ratings and default events) and stability (for example, frequency of rating changes).[16] Examples of rating performance reports that we publish include.[17]

- Quarterly global and regional reports on corporate bond rating performance, both with respect to rating accuracy and rating stability;
- Semi-annual reports on global structured finance rating performance, both in the aggregate and disaggregated by asset class subsectors;
- Annual reports on corporate and structured finance default rates, loss given default rates and rating transitions; and
- Periodic reports on default and loss characteristics of bonds, bank loans and preferred stocks for specific company sectors and regions.

Moody's maintains ongoing dialogues with regulators, academics and credit market participants to understand their perspectives on Moody's Credit Rating performance and to communicate our own views.

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16 Moody's company bond ratings are intended to be "accurate" and "stable" measures of relative credit risk, as determined by each Issuer's relative fundamental creditworthiness and without reference to explicit time horizons.

17 For more detailed information regarding these publications, see *Special Comment: Guide to Moody's Default Research, February 2006 Update*, March 2006.

6. Record Retention

Historically, Moody's has had practices in place to retain records as necessary to address the business needs in particular rating groups and applicable legal requirements. We are currently in the process of formalizing our policies for the retention of non-public records related to the Credit Rating process. These policies were initially introduced for our US-based operations and have since been extended to Canada and Europe, and we intend to implement them globally over time. The policies specify the records to be maintained for each Credit Rating and the retention period for those records, which vary depending on the type of Credit Rating and applicable law.

7. Moody's Corporation Code of Business Conduct

Moody's Corporation has a *Code of Business Conduct* (the "MCO Code") that is applicable to all Moody's Corporation employees, including all Moody's Investors Service employees. The MCO Code contains implementing policies for certain provisions of Moody's Code, in particular those relating to integrity and ethical conduct in the rating process.

The MCO Code requires that employees maintain high standards of ethics and integrity in their business activities and comply with applicable laws and regulations. It also details Moody's confidentiality policies, including policies for maintaining the confidentiality of information in the rating process. The MCO Code prohibits employees from soliciting or encouraging any business contact to offer a gift. It also prohibits employees from accepting any gift in cash or any gift there is reason to suspect is being made in an attempt to influence the employee's work, and it establishes dollar limits on other gifts that an employee may receive. The MCO Code also encourages employees to raise concerns, problems or issues by holding frank discussions with their immediate supervisors or other senior managers. Periodically, Moody's Corporation requests certifications from all employees of their understanding of and adherence to the MCO Code.

Recent Enhancements

Moody's recognizes the need to evolve with the markets we serve and to learn from past experiences. In recent years, we have implemented a number of initiatives intended to strengthen the quality of our credit analysis and monitoring, some of which are described below.

In 2003, we introduced the Enhanced Analysis Initiative ("EAI") in the Fundamental rating group, which focuses analytical scrutiny in our rating process on a number of topics of particular interest to investors, including companies' financial reporting, their use of off-balance sheet risk transference strategies, their corporate governance and, for financial institutions, their risk management practices. As part of this initiative, we established specialist groups to provide more technical expertise in each of these fields. We also focused greater analytical attention on companies' vulnerability to short-term liquidity crises, and started publishing Liquidity Risk Assessments for major issuers of US and European commercial paper.

The Fundamental group also began publishing periodic reports on a number of sectors specifying which financial ratios we emphasize in analyzing a particular industry and how Issuers compare on this basis. These reports help to improve analytic consistency across rating teams and regions, increase transparency about our ratings, and provide a clearer basis for explaining ratings which do not fall within the expected ratio range.

In the Structured Finance group, Moody's historically has devoted significant attention to the key parties to a structured finance transaction. Initiatives over the past few years have placed even sharper focus on this aspect of creditworthiness. For example, in 2001, the Structured Finance group began issuing Servicer Quality Ratings, which provide greater differentiation of servicers' relative ability and stability in Asset Backed Securities ("ABS") and Residential Mortgage Backed Securities ("RMBS") transactions. In 2004, we began issuing Transaction Governance Assessments, which incorporate assessments of transaction structure and governance explicitly in the analysis of "governance" risks in ABS or RMBS transactions. In 2006, we introduced Management Quality Ratings for structured investment vehicles ("SIVs"), which are pools of investments actively managed according to pre-established parameters. These ratings address the treasury management function and other operational characteristics of SIVs and provide a minimum threshold for rating SIVs.

We believe that initiatives such as these have provided valuable improvements to our Credit Rating processes over time, and we expect to continue to enhance our processes and policies going forward.

B. Independence and Management of Conflicts of Interest

In 2005, Moody's derived approximately 87% of our revenue from Issuer payments for Credit Ratings, and virtually all of the remainder from sales of credit research and data products. The Issuer fee-based structure of the rating business serves the public policy objective of broad, contemporaneous dissemination of Credit Rating opinions to the public without charge. However, we recognize that this business model entails potential conflicts of interest that could impact the independence and objectivity of our rating process, such as those that exist with financial news publications that accept advertising business from companies about which they report. We also recognize that potential conflicts of interest arising from other sources, such as securities ownership and business and personal relationships, could similarly impact our rating process. To maintain our objectivity and independence, and to protect the integrity of our Credit Ratings and rating process, we have adopted policies and procedures at a company level as well as at the level of the individual rating and the Employee, including those discussed in this section.

1. Moody's Corporation

a. **Disclosure of Affiliations of Moody's Corporation Directors and Shareholders with Rated Entities**. To avoid the appearance of inappropriate influence over or involvement with the Credit Rating process, it is the policy of Moody's Corporation that MIS personnel shall not disclose potential or pending rating actions or market-sensitive rating policies to external parties, including non-employee shareholders and non-employee members of the Moody's Corporation board of directors, unless and until that information has been publicly disclosed. In accordance with its *Director and Shareholder Affiliation Policy*, Moody's Corporation discloses on moodys.com the affiliations of its directors with Issuers and discloses all holders of 5% or more of its outstanding common stock who also hold Credit Ratings from Moody's.

b. **Investment Policies**. Moody's Corporation invests cash on its balance sheet in various high-quality investment grade securities, including money market mutual funds and commercial paper, which may include debt of rated Issuers. Moody's Corporation limits the amount it can invest with any one issuer. In addition, Moody's Corporation has debt outstanding held by various institutional investors, which may include rated Issuers. These investment policies are managed at the Moody's Corporation level; MIS does not invest in securities for our own or others' accounts or have any outstanding debt.

c. **Firewalls with Moody's KMV and Moody's Economy.com**. In addition to MIS, Moody's Corporation owns two other operating subsidiaries, Moody's KMV ("MKMV") and Moody's Economy.com ("MEDC"). MKMV provides financial software, credit training and credit risk assessment models to clients such as banks and asset managers. MEDC is an economic research company that offers economic research and economic forecasting services, as well as other related products and services. "Firewall" policies have been implemented to prevent confidential information received from MKMV or MEDC clients from being shared with MIS employees, and to prevent confidential client information received by MIS, as well as unpublished rating actions and research of MIS, from being shared with MKMV or MEDC employees.

2. Moody's Investors Service

a. **Compliance Oversight.** The Office of Compliance, led by the Moody's Corporation Executive Vice President for Global Regulatory Affairs and Compliance, oversees compliance with the Code. The Legal Department, led by the Moody's Corporation General Counsel, oversees compliance by all employees with the Moody's Corporation Code of Business Conduct and applicable laws and regulations. Office of Compliance personnel and Legal Department personnel do not participate in the rating process.

b. **Ancillary Businesses**. While MIS does not provide any investment products or consulting or advisory services that enable Issuers to retain Moody's Analysts for advice on general management or rating-related matters,[18] we do provide certain limited non-rating services, which mainly consist of general credit training courses and research products that compile and explain market-implied credit risk measures. These services in the aggregate accounted for less than one percent of our revenue in 2005. Pursuant to our *Policy with Respect to Non-Rating Services*, MIS separates its Credit Rating and research business and its Analysts from other businesses that may reasonably present a conflict of interest.

c. **Fee Arrangements**. Our fee structures and ranges are summarized in fee schedules that are provided to Issuers. The fee for a particular Credit Rating is based on a variety of factors, such as the type of rating being assigned, the complexity of the analysis being performed and the principal amount of the

18 Moody's offers a Rating Assessment Service ("RAS") as part of our rating services. We consider RAS to be an integral element of the rating process that provides Issuers with the likely rating impact of contemplated corporate actions and, as such, contributes to rating predictability and reduces market volatility. As such, Moody's does not consider RAS to be a consulting or advisory service.

issuance. A small number of Moody's published Credit Ratings are not paid for by the Issuers. Such ratings are subject to the same analytic standards and the same rating committee process as Credit Ratings that are paid for by Issuers.

3. Rating Committee

The rating committee, discussed above in Section II.A.4.b, is one of Moody's most important control mechanisms for managing potential conflicts of interest and protecting the integrity of the rating process. The rating committee helps to minimize the potential for conflicts of interest by, for example, prohibiting conflicted individuals from committee participation. As discussed above, Moody's *Core Principles* provide that an Analyst be excluded from the relevant rating committee if he or she: (i) owns the Issuer's securities; (ii) has had a recent employment or other business relationship with the Issuer; (iii) has an immediate relative who works for the Issuer; or (iv) has any other relationship with the Issuer or agent that may be perceived as presenting a conflict. Rating committees generally begin with an inquiry by the Chair to ensure that none of the participants are conflicted. Moreover, because a majority vote is required for a rating action, the committee is the ultimate decision-maker, thereby limiting the influence of any one individual.

4. Analysts

Moody's takes a number of steps to eliminate or manage potential conflicts of interest at the Analyst level. As discussed below in Section III.B.2, Analysts without management responsibility are not involved in discussions with Issuers or their agents regarding fees or payment. Such matters are handled by separate Moody's issuer and intermediary relations personnel (who are not involved in the rating process) or Analysts with management responsibility. Analysts also are prohibited from selling research or data products, although they may be called upon from time to time to explain certain aspects of these products to Moody's research customers.

Analysts are neither evaluated on the basis of, nor compensated for, the revenue associated with the companies they rate. Compensation of Analysts consists of a base salary and an annual bonus, with senior-level Analysts also eligible for grants of Moody's Corporation equity. For Analysts below the MD level, the annual bonus is based on Moody's overall financial performance and the qualitative performance of the individual Analyst. For MDs, the annual bonus is based on Moody's overall financial performance as well as financial and strategic objectives specific to individual MDs, which can include areas such as rating group financial performance, rating quality initiatives, results of Issuer or investor surveys and development of new products.

Moody's securities trading policy prohibits: (i) employees and their family members (as defined by the policy) from owning or trading securities of an Issuer rated by any member of the employee's rating team; and (ii) employees from participating in any rating action if they or their family members (as defined in the policy) own any security that could be affected by that rating action. These restrictions further reinforce Moody's objective to avoid any actual or apparent conflicts of interest. The securities trading policy applies to all Moody's employees worldwide, who are required to certify annually to their compliance with the policy. Compliance with the policy is further monitored by company review of employee holdings and transactions.

C. Responsibilities to Investors and Issuers

1. Transparency

We promote transparency in a number of ways, some of which we have discussed above. One of the most significant ways we promote transparency is through the many publications we make available to the public free of charge. These include Credit Ratings, methodologies, rating performance reports and policies and procedures. Many other publications also are available on a subscription basis.

a. Publications Available to Public Free of Charge

Our Credit Rating announcements are available on moodys.com free of charge for at least seven days, and thereafter the first few lines of the announcement, as well as the related Credit Rating history, continue to be available without charge, as discussed above in Section II.A.4.c.

Our methodologies are available on moodys.com without charge. In addition, any material modification to methodologies and related significant practices, procedures and processes will be published on our website; those that have a particularly broad reach may also be announced via press release. We recently adopted a policy that all new rating methodologies and significant rating methodology changes will be published in advance of their implementation. Where the methodologies are likely to result in material Credit Rating changes, we generally will request public comment prior to implementation, as discussed above in Section II.A.1.

As discussed in more detail in Section II.A.5 above, the predictive content and performance history of Moody's Credit Ratings are measurable, measured and made publicly available without charge. Moody's Credit Policy function publishes numerous studies and statistics which show that overall our ratings continue to

effectively distinguish bonds with higher credit risk from those with lower credit risk. Among other things, we publish a quarterly report on the accuracy and stability of our bond ratings[19] and a semi-annual report on the accuracy and stability of structured finance ratings,[20] which contribute to Moody's transparency and provide measurements that enable users of our ratings to assess their predictive quality.

Moody's also has taken initiatives over the past several years to increase the transparency of our internal processes and policies. We have made a number of our significant rating process policies available to the public without charge, including our policy on *Designating Issuers That Do Not Participate in the Rating Process*, our policy on *Designating Unsolicited Credit Ratings*, our *Guidelines for the Withdrawal of Ratings*, our *Core Principles*, and our *Policy with Respect to Non-Rating Services*. In addition, we have added a disclosure page to our website in which we set forth the general nature of our fee arrangements with Issuers and summarize the conflict management policies and procedures we have in place. Our disclosure page also describes our policies on disclosure of Moody's Credit Ratings, reports and updates.

b. Additional Publications Available to Subscribers

Moody's rating and research teams also publish several types of Issuer-specific publications beyond Credit Rating announcements and methodologies. These publications, which are available by subscription, include *Credit Opinions, Analyses, Assessments of Liquidity, Financial Reporting or Governance, Issuer Comments, New Issue Reports* and *Update Reports*. In addition, we publish industry or sector studies, including outlooks, periodic indices and year-end reviews for major asset classes and Special Comments. These subscription-based publications offer additional information that enhances the transparency of our Credit Rating process.

2. Treatment of Confidential Information

Although Issuers are not obligated to provide any information to us, they often are an important source of input for our rating opinions. As a result, our Credit Ratings are at times informed by information that is not public. In such circumstances, while we do not specifically disclose the non-public information, we do take it into account when formulating the Credit Rating.

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19 See *Special Report: The Performance of Moody's Corporate Bond Ratings, December 2005 Quarterly Update*, January 2006.

20 See *Special Report: The Performance of Structured Finance Ratings: Mid-Year 2005 Report*, September 2005.

Moody's takes appropriate measures to protect confidential information that is provided to us. We emphasize to our Employees the importance of maintaining the confidentiality of non-public information through training and other means of communication. Our Employees are prohibited from publishing or in any way communicating to third parties any non-public information, including confidential information received in the rating process. Employees are allowed to communicate non-public information internally only on a "reason to know" basis. In addition, Employees are prohibited from selectively disclosing any future rating actions to any third party, including subscribers, investors or the media. Moreover, Moody's securities trading policy prohibits Employees from trading securities of an Issuer while in possession of non-public information related to that Issuer.

Moody's also has implemented computer network and building security protocols that further protect confidential and non-public information in our possession. Our computer network is password protected both in our offices and via remote access through the use of a "virtual private network" software system. Unsupervised access to Moody's offices is limited to authorized personnel with a valid identification card. Visitors must be accompanied by authorized personnel and generally are restricted to public meeting rooms.

III. Differences Between Moody's Code and the IOSCO Code

Moody's Code is consistent with, and achieves the objectives of, the IOSCO Code. We have structured the Code to track the IOSCO Code as closely as practicable, in order to demonstrate how we have addressed each IOSCO Code provision. There are, however, certain differences between Moody's Code and the IOSCO Code, some of which are textual in nature and some of which are more substantive. The latter are intended: (i) to include additional provisions to more fully describe our rating process or to address areas not reflected in the IOSCO Code; or (ii) to more closely correspond with our business environment and practices. In this section of the report, we explain those differences that may be viewed as substantive.

A. Additional Moody's Code Provisions

This section discusses those provisions which Moody's added to the Code to more fully describe our rating practices or procedures or address areas not reflected in the IOSCO Code. Some of those practices have been described in more detail in Section II of this report.

1. Public Disclosure of Credit Ratings

IOSCO Code	Moody's Code
(There is no parallel IOSCO Code section.)	3.3 Upon the request of an Issuer, and at Moody's sole discretion, Moody's may agree to keep a Credit Rating confidential. If an Issuer or structured finance tranche already holds a public Credit Rating, all subsequent rating actions regarding that Issuer or structured finance tranche must also be public.

Moody's added Code Section 3.3 to explain in more detail our policies regarding the transparency of Credit Rating disclosures and our approach to keeping Credit Ratings confidential. It is important that Moody's maintain editorial discretion and the right to agree to an Issuer's request to keep a Credit Rating confidential when an Issuer or structured finance tranche does not otherwise hold a public Moody's Credit Rating. However, we believe that once a Credit Rating has been made publicly available, subsequent rating actions regarding that Credit Rating also should be made publicly available in order to ensure that market participants have our most current opinion on a particular Credit Rating. Moody's believes this provision serves the overall objective of transparency of rating disclosures and is consistent with Section 3.4 of the IOSCO Code, which acknowledges the right of credit rating agencies to issue private ratings to the issuer.

2. Rating Appeal Process

IOSCO Code	Moody's Code
(There is no parallel IOSCO Code section.)	3.9 Where not precluded by specific circumstances, Moody's will allow the Issuer a brief period of time, which may vary depending on the circumstances, to notify Moody's of the Issuer's desire to appeal the Credit Rating decision. Appeals must be based on information not previously available to the Issuer or Moody's.

Moody's added Code Section 3.9 to explain our process for considering an "appeal" of a Credit Rating decision on an existing published Credit Rating. As described in Section II.A.4.c, an appeal is not intended to enable an Issuer with an existing published Credit Rating, who is dissatisfied with the outcome of a review of that Credit Rating, to delay publication of the new Credit Rating. Rather, it is typically available to an Issuer who provides information not previously available to the Issuer or Moody's, which the Issuer believes is relevant to its credit assessment. Moody's believes that the appeal process,

and our description of the process in the Code, enhances the transparency of our Credit Rating policies and our ability to provide timely and well-informed rating disclosures.

3. Request for Comment

IOSCO Code	Moody's Code
3.10 Because users of credit ratings rely on an existing awareness of CRA methodologies, practices, procedures and processes, the CRA should fully and publicly disclose any material modification to its methodologies and significant practices, procedures, and processes. Where feasible and appropriate, disclosure of such material modifications should be made prior to their going into effect. The CRA should carefully consider the various uses of credit ratings before modifying its methodologies, practices, procedures and processes.	3.13 Moody's will publicly disclose via press release and posting on moodys.com any material modifications to its rating methodologies and related significant practices, procedures, and processes. Where feasible and appropriate, disclosure of such material modifications will be made subject to a "request for comment" from market participants prior to their implementation. Moody's will carefully consider the various uses of Credit Ratings before modifying its rating methodologies, practices, procedures and processes.

Moody's Code Section 3.13 parallels IOSCO Code Section 3.10. In addition, we have noted our practice to request comment from market participants prior to implementation of material modifications to our rating methodologies and related significant practices, procedures and processes. We believe this practice helps us develop analytical frameworks that consider and incorporate varying views from users of our Credit Ratings and enhances our methodological rigor and analytical transparency.

4. Separation of Research Sales Staff from the Ratings and Research Process

IOSCO Code	Moody's Code
(There is no parallel IOSCO Code section.)	3.14 As a publisher of credit research related to its Credit Ratings, Moody's will seek to provide clear, accurate, transparent and high quality research about rated Issuers, debt or debt-like obligations. Research sales shall be separated from the research and rating process in ways that help protect the latter activities from improper conflicts of interest. As provided elsewhere in this section, non-public information about Moody's future rating actions may not be selectively disclosed to research subscribers or others.

Moody's added Section 3.14 to our Code because, in addition to our publicly available Credit Ratings, we provide subscription-based credit research products as a part of our Credit Rating activities. Our credit research publications are largely developed by our Analysts as an extension of the Credit Rating analysis process, and they provide more information about a particular Issuer, industry or asset class. However, we believe that Employees responsible for the sale of those products should be separate from our Analysts in order to promote Analyst independence and prevent potential conflicts of interest that might otherwise arise.

B. Differences to Reflect Moody's Business Environment and Practices

This section describes modifications to the IOSCO Code that we made in developing our Code so that it more closely corresponds to our business environment and practices.

1. Disclosure of Compensation Arrangements

IOSCO Code	Moody's Code
2.8 The CRA should disclose the general nature of its compensation arrangements with rated entities. Where a CRA receives from a rated entity compensation unrelated to its ratings service, such as compensation for consulting services, the CRA should disclose the proportion such non-rating fees constitute against the fees the CRA receives from the entity for ratings services.	2.8 Moody's will disclose the general nature of its compensation arrangements with rated entities, including whether it receives compensation unrelated to its Credit Ratings and related research.

Section 2.8 of Moody's Code tracks much of the substance of Section 2.8 of the IOSCO Code. Moody's discloses the general nature of our compensation arrangements with rated entities in all of our ratings-related publications as well as on moodys.com. However, Moody's Code does not include the IOSCO Code provision related to disclosure of the proportion of non-rating fees to rating fees received from a given Issuer.

Moody's does not provide advisory or consulting services that enable Issuers to retain Moody's Analysts for advice on general management or rating-related matters. The Non-Rating Services that we do provide are insignificant, accounting for less than 1% of our revenue in 2005. They mainly consist of general credit training courses and research products that compile and explain market-implied credit risk measures. Employees who may provide such services to Issuers are subject to the restrictions set forth in our *Policy with Respect to Non-Rating Services*. Given these considerations, we believe that our Code provision effectively addresses the IOSCO objectives related to independence and transparency.

2. Fee Discussions with Issuers

IOSCO Code	Moody's Code
2.12 The CRA should not have employees who are directly involved in the rating process initiate, or participate in, discussions regarding fees or payments with any entity they rate.	2.12 Moody's will not have Analysts without Management responsibilities who are directly involved in the rating process for an Issuer initiate, or participate in, discussions regarding fees or payments with such Issuer.

Moody's encourages fee-related communications to be handled by our issuer and intermediary relations personnel, who are non-Analyst Employees and are not directly involved in the rating process. Nevertheless, from time to time an Issuer may want to discuss concerns or questions about its fees with a Moody's representative who also understands the specific credit analysis and the nature of the analytical work involved. In such cases, we believe it is necessary and appropriate to make available to the Issuer a Manager with the appropriate knowledge. We direct Analysts to refer such discussions to Managers. In our smaller offices, where there may not be an on-site Manager for a particular rating area, the local Manager may hold such discussions. Accordingly, Moody's Code Section 2.12 allows our Analysts who have Management responsibilities to discuss fees with Issuers or their agents as necessary. Moody's nevertheless meets the IOSCO Code's objective of minimizing conflicts of interest that may impact a Credit Rating by prohibiting the Analysts with primary analytical responsibility (the Assigned Analysts, who prepare the initial Credit Rating recommendation for rating committee consideration) from participating in fee discussions with that Issuer or its designated agent.

3. Unsolicited Credit Ratings and Non-Participating Credit Ratings

IOSCO Code	Moody's Code
3.9 For each rating, the CRA should disclose whether the issuer participated in the rating process. Each rating not initiated at the request of the issuer should be identified as such. The CRA should also disclose its policies and procedures regarding unsolicited ratings.	3.11 In order to promote transparency, and in accordance with Moody's Policy on Designation of Ratings in Which the Issuer Has Not Participated, Moody's will publicly designate and disclose Non-Participating Credit Ratings.
(There is no parallel IOSCO Code section.)	3.12 Moody's has not assigned Unsolicited Credit Ratings in the recent past. However, as a publisher of opinions about credit, Moody's reserves the right in the future to issue Unsolicited Credit Ratings if Moody's believes: (i) there is a meaningful credit market or investor interest served by the publication of such a rating; and (ii) it has sufficient information to support adequate analysis and, if applicable, ongoing surveillance. When a Credit Rating is an Unsolicited Credit Rating, Moody's will not seek or accept remuneration for its analytical services from the Issuer for at least one year after the publication of such rating.

Moody's believes that all of our Credit Ratings provide comparable informational value because we will only assign a Credit Rating when we believe we have sufficient information to form a useful conclusion. We recognize, however, that market participants have shown an interest in understanding which ratings lack the Issuer's participation. IOSCO Code Section 3.9 addresses this issue through disclosure standards for ratings in which the issuer did not participate and for policies related to unsolicited ratings.

In the Moody's Code, we have included separate provisions related to Non-Participating Credit Ratings[21] and Unsolicited Credit Ratings,[22] and we have in each case implemented a policy that sets forth our disclosure standards. These policies, titled *Designating Issuers That Do Not Participate in the Rating Process* and *Designating Unsolicited Credit Ratings*, can be found on moodys.com. For Non-Participating Credit Ratings, we make disclosures both in related Credit Rating announcements and in a separate list that is maintained on moodys.com. While we have not assigned Unsolicited Credit Ratings in the recent past, if

21 As defined in Moody's Code, Non-Participating Credit Ratings are those published Credit Ratings in which the Issuer has not participated in the rating process for the past 12 months and has declined Moody's offer to participate going forward.

22 As defined in Moody's Code, Unsolicited Credit Ratings are those published Credit Ratings that are first-time ratings related to a given Issuer that were initiated by Moody's and not requested by the Issuer.

in the future we assign such ratings we will indicate in the initial Credit Rating announcement that the Credit Rating was initiated by Moody's. We believe that these standards address the disclosure objectives stated in IOSCO Code Section 3.9.

IV. Enforcement and Disclosure of the Code of Conduct and Communication with Market Participants

When Moody's adopted the Code, we established a training program to communicate the details and objectives of the Code to Analysts worldwide. We continue to train new employees on a periodic basis. The Code is available to all Moody's employees on our internal and external websites. Moody's welcomes feedback on the Code from our employees as well as the public, and has established an email address on our external website, accessible from the Regulatory Affairs page of moodys.com (MISCodeofconduct-Comments@moodys.com), to which questions and comments on the Code may be sent.

The publications discussed in this report, and other information that provides transparency about our Credit Ratings, can be found on the Moody's website. These include:

- Rating Methodologies;
- Requests for Comment (found on the Credit Policy page of moodys.com);
- Policies that implement the Moody's Code, including the *Core Principles*, the policy on *Designating Ratings in Which the Issuer Has Not Participated*, the policy on *Designating Unsolicited Credit Ratings, the Guidelines for the Withdrawal of Ratings* and the *Policy With Respect To Non-Rating Services* (all found through the Credit Policy page);
- Moody's Credit Policy newsletters (found through the Credit Policy page);
- Moody's disclosure page (found through the Regulatory Affairs page);
- Moody's Corporation *Code of Business Conduct* (found through the shareholder relations page, corporate governance link); and
- Moody's Corporation *Director and Shareholder Affiliation Policy* (found through the shareholder relations page, corporate governance link).

Moody's Management is responsible for implementation and enforcement of the Code. Subject to applicable law and applicable employment agreements, Employees who violate the Code or other Moody's policies may be subject to discipline, up to and including termination. The Office of Compliance will annually review and assess the efficacy of such implementation and enforcement. Moody's will continue to publish annually a report discussing our implementation of the Code and will identify any further deviations that may arise between Moody's Code and the IOSCO Code if Moody's Code is amended.

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