MOODY'S
INVESTORS SERVICE

Moody's Investors Service
2009 Report on the Code of Professional Conduct
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Table of Contents

I. Introduction and Background

A. Introduction

The Moody's Investors Service ("**MIS**") Code of Professional Conduct (the "**Code**" or the "**MIS Code**") sets out the overarching principles that guide MIS in its efforts to protect the integrity, objectivity and transparency of our credit rating process. Through the Code, MIS also seeks to promote fair treatment of investors and Issuers[1], achieve global consistency, safeguard confidential information produced by MIS or provided to us by Issuers, and promote disclosure about our rating methodologies, policies, practices and overall track record. We believe these measures will enhance market understanding of, and confidence in, our Credit Ratings.

The Code reflects the guidance provided by the International Organization of Securities Commissions ("**IOSCO**") in its r*evised Code of Conduct Fundamentals for Credit Rating Agencies* ("**Revised IOSCO Code**"). The Revised IOSCO Code provides a global framework of principles for the behavior of credit rating agencies ("**CRAs**") and for disclosure by them of their analytical methodologies, rating procedures and rating performance metrics. MIS endorses the Revised IOSCO Code and is committed to implementing it in our organization to the greatest extent possible through the adoption of our own Code.

MIS first adopted a code of professional conduct in June 2005 ("**2005 Code**") and has amended it several times to reflect changes in the regulatory environment and/or feedback we have received from users of our Credit Ratings[2]. This report (the "**Implementation Report**") is being issued pursuant to Provision 4.2 of the MIS Code, which calls for us to report annually on our implementation of the MIS Code and explain differences between the MIS Code and the Revised IOSCO Code[3]. As there were no changes in the Code between November 2008 and August 2010, this Implementation Report focuses primarily on initiatives we pursued in 2009 to enhance our methods for implementing the 2008 Code.

In addition, we describe in Section III the substantive differences between the 2008 Code and the Revised IOSCO Code and how we believe MIS met the Revised IOSCO Code's objectives in 2009 notwithstanding these differences. Section IV of this Implementation Report discusses how we enforced the 2008 Code and made disclosures about it in 2009. In the Annex, we provide a table of correspondence between the provisions of the 2008 Code and the Revised IOSCO Code.

Since there have been a number of recent, significant changes globally in the regulatory environment for CRAs and we have made a number of changes to the Code in 2010, we intend that our next annual report on the Code will provide a consolidated and comprehensive description of how we implement the 2010 Code.

[1] Capitalized terms used but not defined in this Report have the meanings assigned to them in the 2008 Code.

[2] We amended the Code in October 2007 ("**2007 Code**"), November 2008 ("**2008 Code**") and August 2010 ("**2010 Code**").

[3] MIS issued its first Report on the Code of Professional Conduct in April 2006 ("**First Implementation Report**"), the second in December 2007 ("**Second Implementation Report**"), and the third in February 2009 ("**Third Implementation Report**"). The Second and Third Implementation Reports focused mainly on changes made to the Code in the preceding year, as well as initiatives to further improve our implementation of the Code..

B. Background about MIS

MIS is owned by Moody's Corporation ("**MCO**"), a company listed on the New York Stock Exchange[4]. MIS is the oldest bond rating agency in the world, having introduced bond ratings in 1909. From its inception, MIS has focused on rating debt instruments and today, MIS publishes opinions on a broad range of credit obligors and credit obligations issued in markets around the world, including various corporate and governmental obligations, structured finance securities and commercial paper programs. MIS also publishes investor-oriented credit research, including in-depth research on major debt issuers, industry studies, special comments and credit opinion handbooks.

As of the end of 2009, our Credit Ratings and analysis covered Issuers in more than 110 countries, including approximately 12,000 corporate Issuers and 25,000 public finance Issuers. We also monitored Credit Ratings in respect of approximately 106,000 structured finance obligations (representing approximately 16,000 transactions). As of the end of 2009, MIS employed approximately 1,500 people worldwide, including approximately 1,200 Analysts. We maintain numerous offices around the globe, including in most of the world's major financial centers. Members of our analytical teams are situated throughout the world's major financial centers to handle our increasingly global operations and provide the flexibility needed for addressing national or region-specific issues.

Credit Ratings are MIS's current opinions of the relative future credit risk of entities, credit commitments or debt or debt-like securities. MIS defines credit risk as the risk that an entity may not meet its contractual, financial obligations as they come due and any estimated financial loss in the event of default. Credit Ratings do not address any other risk, including but not limited to: liquidity risk, market value risk, or price volatility. Credit Ratings are not statements of current or historical fact. Credit Ratings do not constitute investment or financial advice, and Credit Ratings are not recommendations to purchase, sell, or hold particular securities. Credit Ratings do not comment on the suitability of an investment for any particular investor. Our Credit Ratings are intended for use by finance professionals. MIS issues its Credit Ratings with the expectation and understanding that each investor will make its own study and evaluation of each security that is under consideration for purchase, holding, or sale.

C. MIS's Adherence to Local Laws

The MIS Code provides that MIS and its Employees will comply with all applicable laws and regulations governing their activities in the jurisdictions in which MIS operates[5]. There are countries in which MIS's ability to adhere to certain provisions in the Revised IOSCO Code and the MIS Code is limited by certain national laws and regulations. For greater certainty, to the extent that a provision in the MIS Code is inconsistent with applicable laws and regulations in a jurisdiction in which MIS operates, then that provision in the MIS Code does not apply in the jurisdiction to the extent of the inconsistency.

[4] MCO has two operationally and legally separate subsidiaries, MIS and Moody's Analytics ("**MA**"). MIS is the CRA, while MA brings together all of MCO's other commercial activities.

[5] See provision 1.13 of the 2008 Code.

II. 2009 Initiatives

The financial crisis exposed vulnerabilities in the infrastructure of the global financial system and important lessons for market participants have emerged from the rapid and dramatic market changes. For MIS's part, we responded to concerns expressed by both the private and public sectors by undertaking initiatives to strengthen the quality and integrity of our rating processes, bolster existing measures to manage conflicts of interest, and improve transparency with respect to our Credit Ratings and our rating processes.

In this section of the Report, we discuss initiatives that we pursued in 2009. These enhancements were built on MIS's pre-existing practices and should be taken as part of a larger group of processes that we undertake as we continually seek to ensure the credibility, quality, transparency and independence of our Credit Ratings.

A. Strengthening the Analytical 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. In 2009, we pursued the following initiatives to enhance the rating process, manage better the quality and proper use of our methodologies and various quantitative tools and qualitative assessments, and enhance consistency across rating groups.

» **Introduced Annual Sector Reviews in Structured Finance Group**: MIS's Structured Finance Group, with important inputs from our Credit Policy Group, enhanced its ratings surveillance function in 2009. Among other things, it implemented annual reviews of each sector of the structured finance market, including an analysis of the asset classes, industries, rating methodologies, rating models, key rating assumptions and existing Credit Ratings.

» **Enhanced our Model Verification and Validation Processes**: As discussed in our Third Implementation Report, our Credit Policy Group has been charged with responsibility for overseeing the development and use of model verification and validation processes. In 2009, we continued to build out this function. Among other things, the Credit Policy Group hired additional model verification staff, developed model verification policies, inventoried all of the models used by rating groups within MIS, verified those models, and created a central source control system so that only verified models are used by rating groups.

» **Surveillance Initiative for U.S. Local Government Issuers**: In late 2008, MIS decided to update our approach to surveillance of this sector to make it more systematic. Among other things, a team focusing specifically on surveillance of U.S. local government Issuers was established within the U.S. Public Finance Group. In addition, new analytical tools were developed in 2009 to facilitate portfolio reviews so that Credit Ratings that might require more review, *e.g.*, because they were exhibiting initial signs of downward or upward credit pressure, could be selected for more extensive analysis. New surveillance processes incorporating the use of these tools also were introduced in 2009.

» **Uniform Presentation of Structured Finance Methodologies**: In 2009, MIS began a multi-year project to explore ways to present our structured finance methodologies in a more uniform manner.

B. Independence and Management of Conflicts of Interest

The credibility of our Credit Ratings depends on a variety of factors including the independence and integrity of our rating processes. In 2009, we pursued the following initiatives to further strengthen our processes to manage conflicts of interest.

- **Revised our Securities Trading Policy**: Analysts in MIS's Structured Finance Rating Group always have been prohibited from owning or trading Securities or Derivatives that they or their rating group rate. In 2009, MIS revised its Securities Trading Policy to prohibit these Analysts from owning or trading any Securities of any Issuer, sponsor, seller, seller/servicer, depositor, manager, collateral manager or originator for transactions rated by the Analyst's rating group during the past three years and, as applicable, publicly traded corporate parents or other affiliates.

- **Prohibited Analysts from Accepting Gifts from Issuers or Intermediaries**: For some time, MCO has imposed strict limits on the types of gifts and favors that MCO employees (including MIS employees) could accept. In 2009, we introduced an even stricter policy that prohibits any person who participates in determining or monitoring a Credit Rating from receiving *any* gifts, meals or entertainment from the obligor, Issuer, underwriter or sponsor of the Securities in respect of which that person participated in determining or monitoring a Credit Rating. While such individuals are permitted to receive minor, incidental items during a business interaction – such as light meals, pens and paper – even these are limited to items of a nominal value.

- **Developed Process for Reviewing Complaints about Analysts**: In addition to retaining any written complaints received from a third party regarding an Analyst, in 2009 MIS developed a process for reviewing such complaints to determine, *e.g.*, whether inherent and unavoidable conflicts (such as those associated with the issuer-pays model) have been managed appropriately.

- **Extended Scope of Prohibition on Fee Discussions**: In October 2007, we updated our policy on fee discussions so that both Analysts and their immediate managers became prohibited from discussing fees with Issuers. (Previously, while Analysts were barred from such discussions, their managers were authorized to do so.) More recently, in July 2009, MIS extended the scope of this policy so that all Employees with analytical functions, regardless of whether they are junior Analysts or senior managers, are prohibited from engaging in such discussions. With very limited exceptions arising in unique circumstances, only members of MIS's Issuer Relations Group and/or our Business Development Group (none of whom has any role in determining Credit Ratings) may participate in fee discussions.

C. Responsibilities to Investors and Issuers

Authorities and market participants have called for increased transparency with respect to CRAs' methodologies and about the risk characteristics of structured finance instruments. In 2009, MIS pursued the following initiatives to improve the transparency of our Credit Ratings and ratings process.

- **Announced Preliminary Plan for Structured Finance Ratings Indicator**: As part of a wider initiative to help users of Credit Ratings understand the distinctive features of structured finance products, in October 2009 we announced a preliminary plan to add an indicator to our structured finance Credit Ratings in 2010. (In August 2010, MIS introduced an indicator in the form of an "(sf")", which appears following the Credit Rating in all Credit Rating Announcements and research reports regarding structured finance products. We will describe this indicator in more detail in our next report on the MIS Code.)

- **Enhancing Access to Rating Methodologies**: MIS already makes its methodologies publicly available for free. In 2009, MIS continued implementing steps to enhance market participants' access to our rating methodologies, particularly those concerning structured finance products. For example, we launched *Structured Finance Quick Check*, a weekly overview of methodology changes, ratings

criteria updates and structured finance rating activities. We also provided a homepage dropdown link on moodys.com to "Rating Methodologies", where we have posted files that present an organized view of our rating methodologies[6]. We also published on moodys.com detailed summaries of our methodologies for rating U.S. residential mortgage-backed securities ("**RMBS**") and collateralized debt obligations ("**CDOs**").

- **More Ratings Performance Information**: MIS has led the ratings industry in subjecting our ratings performance to periodic, objective measurement. We measure a range of attributes associated with our Credit Ratings and compile these measurements in a number of periodic ratings performance studies that can be accessed through the Ratings Performance page on moodys.com. In addition, beginning in 2009, MIS began publishing rating histories in a downloadable, machine-readable file for a random sample of 10% of our Credit Ratings. This data can be found on the Regulatory Affairs page of moodys.com.

- **Transforming moodys.com**: We recognize that our website is an important mechanism in our transparency initiatives. To that end, in 2008, we began enhancing its functionality to facilitate access to key publications. In 2009, we substantially completed our website enhancement initiative by making our website easier to use, with more powerful search capabilities, integrated content and more intuitive page layouts and navigation.

- **Additional Information on Structured Finance Credit Ratings**: MIS continued its efforts in 2009 to enhance our structured finance Credit Ratings to improve transparency:

  - **Continued Roll-out of V Scores and Parameter Sensitivities**: As we indicated in our Third Implementation Report, we began rolling out on a sector-by-sector basis two new risk measures, V Scores and Parameter Sensitivities, for new issuances of structured finance instruments in late 2008. V Scores rank transactions based on the potential for significant rating changes owing to uncertainty around the assumptions due to data quality, historical performance, the level of disclosure, transaction complexity, the modeling and the transaction governance that underlie the ratings. Parameter Sensitivities provide a quantitative, model-indicated calculation of the number of notches that an MIS-rated structured finance security may vary if certain key parameters used in the initial rating process differed[7]. By the end of 2009, we had published approximately twenty V Score sector analysis reports covering approximately seventy different sectors and subsectors, including the RMBS, commercial mortgage-backed securities, asset-backed securities and CDO sectors. These sector reports also included sample Parameter Sensitivity analyses for typical transactions in the given sector.

  - **Key Statistics and Severity and Default Assumptions**: In 2009, we began publishing key statistics and severity and default assumptions for all new structured finance Credit Ratings and for surveillance rating actions in major asset classes. We also began disclosing information relating to pool losses. For certain sectors, such as RMBS, these disclosures are made in Special Comments.

[6] These files include an *Index of Fundamental Rating Methodologies* covering methodologies used in our Corporate Finance, Financial Institutions and Public, Project and Infrastructure Finance Groups and *Structured Finance Quick Check*, which covers methodologies used in our Structured Finance Group. *Structured Finance Quick Check* is accessible through a hyperlink on the first page of the *Index of Fundamental Rating Methodologies*.

[7] See MIS, *Rating Methodology – Updated Report on V Scores and Parameter Sensitivities for Structured Finance Securities* (December 2008), available on moodys.com.

Where we have not published a Special Comment, we make the disclosures in the relevant press release.

» **Increasing Focus on Areas of Perceived Risk for Investors**: MIS has been publishing more detailed research for those areas where investors have expressed a particular interest in receiving more in-depth analytical commentary. The particular areas of focus for these research reports are subject to changes in the market and needs of investors. This initiative is being carried out through a coordinated effort among MIS's Structured Finance Group, Corporate Finance Group and Financial Institutions Group, as well as Moody's Economy.com[8]. For example, as a result of investor interest, in 2009 we launched the bi-weekly *Credit Card Statement*, *AutoNavigator* and *ResiLandscape*, as well as the quarterly *Aaa Sovereign Monitor* and the monthly *CLO Interest*.

D. Increasing Resources in Key Areas

Appropriate resource allocation is crucial to MIS's continued ability to assign and maintain high quality Credit Ratings. Our senior management team annually reviews the level and type of staff and other resources required on a regional and business unit basis. This firm-wide review process considers many different factors, including anticipated business needs, budgetary proposals, complexity and volume of transactions, and availability of talent and technology solutions. Based upon this review, senior management determines whether and to what extent different groups within MIS have incremental personnel and related resource needs. For example, in 2008, MIS strengthened the global leadership of our ratings surveillance function, increased the number of structured finance Credit Ratings surveillance analysts, increased the Credit Policy Group's staff and increased the size of our Compliance Group. In 2009, MIS's efforts to increase resources in key areas included the following:

» **U.S. Local Government Surveillance**: As noted in Section II.A above, in late 2008 MIS created and began staffing a new, dedicated team focusing on surveillance of U.S. local government Issuers. Additional staff were added in 2009.

» **Credit Policy**: In our Third Implementation Report, we stated that we had reinforced the independence of our internal credit policy function and increased the size of the Credit Policy Group's staff in several areas. In 2009, we substantially increased the size of the Credit Policy Group's model verification and validation team.

» **Compliance Function**: In 2009, MIS continued to build out its global Compliance function to better conduct training, monitor adherence to policies and facilitate policy development. We also hired new, experienced individuals to lead some of the Compliance Department's efforts.

» **Research**: In late 2008, MIS created and staffed a new management position focused on the oversight of MIS's issuer-specific and industry research. Additional staff were added in late 2008 and in 2009. Our new Director of Research and his team work to improve the number and quality of the research publications we provide to the market and to promote increased cross-departmental research and publications.

[8] Moody's Economy.com is a division of MA and provides economic, financial, country and industry research.

III. Differences between the 2008 Code and the Revised IOSCO Code

The 2008 Code achieves the objectives of the Revised IOSCO Code. We structured the 2008 Code to track the Revised IOSCO Code as closely as practicable, in order to demonstrate how we have addressed each Revised IOSCO Code provision. There are, however, certain differences between the 2008 Code and the Revised IOSCO Code. Some of these differences are textual and some are more substantive. The latter are provisions intended to:

» describe more fully our rating process or address areas not reflected in the Revised IOSCO Code; or

» correspond more closely with our business environment and practices.

In this section of the Implementation Report, we explain the differences that might be viewed as substantive.

A. Additional 2008 Code Provisions

This Section discusses those provisions that we added to the 2008 Code to describe more fully our rating practices or procedures and/or to address areas not reflected in the Revised IOSCO Code.

1. CONTINUING EDUCATION

REVISED IOSCO CODE	2008 CODE	
There is no parallel IOSCO Code provision.	1.8	MIS will adopt and maintain an appropriate continuing education program for Analysts. MIS will designate one or more appropriate Employees to implement and oversee the program.

MIS believes in the value of offering ongoing training to its Analysts to help them maintain and enhance their knowledge of matters relevant to credit risk analysis and the Credit Rating process, familiarize them with emerging credit market issues, and remain knowledgeable about MIS's policies, practices and procedures as well as relevant regulatory requirements applicable to CRAs. Although we had already conducted a number of programs in this regard, MIS added Provision 1.8 to the MIS Code in 2008 to enhance our commitment to provide appropriate, continuing education programs for Analysts.

2. PROHIBITION ON PARTICIPATION IN THE STRUCTURING OF SECURITIES

REVISED IOSCO CODE		2008 CODE	
1.14-1	A CRA should prohibit its analysts from making proposals or recommendations regarding the design of structured finance products a CRA rates.	1.17	MIS's Analysts are prohibited from making proposals or recommendations regarding the design of structured finance products for which MIS assigns ratings. Consistent with this prohibition, in assessing the credit risk of a structured finance transaction, Analysts may properly hold a series of discussions with an

REVISED IOSCO CODE (CONT)	2008 CODE (CONT)
	Issuer or its agents in order to: (1) understand and 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 (2) 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.

Provision 1.17 of the 2008 Code articulates MIS's long-standing policy of prohibiting Analysts from making proposals or recommendations regarding the design of structured finance products for which MIS assigns a Credit Rating. The second sentence in provision 1.17 describes the types of activities that are consistent with the prohibition set out in the first sentence. We believe that this second sentence promotes transparency and helps market participants and other interested observers understand better what is prohibited, and permitted, by provision 1.17.

3. PUBLIC DISCLOSURE OF CREDIT RATINGS

REVISED IOSCO CODE		2008 CODE	
3.4	Except for "private ratings" provided only to the issuer, the CRA should disclose to the public, on a non-selective basis and free of charge, any rating regarding publicly issued securities, or public issuers themselves, as well as any subsequent decisions to discontinue such a rating, if the rating action is based in whole or in part on material non-public information.	3.4	Upon the request of an Issuer, and at MIS's sole 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.

Provision 3.4 of the 2008 Code explains in more detail our policies regarding the transparency of Credit Rating disclosures and our approach to keeping Credit Ratings confidential. It is important that MIS 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 MIS 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. MIS believes that this provision serves the overall objective of transparency of rating disclosures and is consistent with Provision 3.4 of the Revised IOSCO Code, which acknowledges the right of CRAs to assign private ratings to Issuers.

4. RATING APPEAL PROCESS

REVISED IOSCO CODE	2008 CODE
There is no parallel IOSCO Code provision.	3.10 Where not precluded by specific circumstances, MIS will allow the Issuer a brief period of time, which may vary depending on the circumstances, to notify MIS of the Issuer's desire to appeal the Credit Rating decision. Appeals must be based on information not previously available to the Issuer or MIS.

Provision 3.10 of the 2008 Code explains our process for considering an "appeal" of a Credit Rating decision on an existing, published Credit Rating. 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 that was not previously available to the Issuer or MIS and that the Issuer believes is relevant to its credit assessment. Issuers may not "appeal" a Credit Rating simply because they do not agree with it. MIS believes that the appeal process, and our description of that process in the 2008 Code, enhances transparency of our Credit Rating policies and our ability to provide timely and well-informed Credit Ratings.

5. REQUESTS FOR COMMENT

REVISED IOSCO CODE	2008 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.	3.14 MIS 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. MIS will carefully monitor the various uses of Credit Ratings before modifying its rating methodologies, practices, procedures and processes.

Provision 3.14 of the 2008 Code parallels provision 3.10 of the Revised IOSCO Code. In addition, we have noted our practice to request comment from market participants prior to implementation of material modifications to rating methodologies and significant practices, procedures and processes. We believe that 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.

6. SEPARATION OF RESEARCH SALES STAFF FROM THE RATINGS AND RESEARCH PROCESS

REVISED IOSCO CODE	2008 CODE
There is no parallel IOSCO Code provision.	3.15 As a publisher of credit research related to its Credit Ratings, MIS will seek to provide clear, accurate, transparent and high quality research about rated Issuers and issues. Research sales staff shall be separated from the research and rating process in ways that help to protect the latter activities from improper conflicts of interest. As provided elsewhere in this section, Confidential Information and non-public information about MIS's future rating actions may not be selectively disclosed to research subscribers or others.

MIS included Provision 3.15 in the 2008 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 analytical process and they provide more information about a particular industry or asset class, and, in some cases, the activities of a particular Issuer. As such, they constitute "Credit Rating Services" since they are derived from the Credit Rating process. However, we believe that individuals responsible for the sale of these products to our subscribers should be separate from our Analysts in order to promote Analyst independence and prevent potential conflicts of interest that might otherwise arise. Accordingly, the marketing and sale of MIS's credit research products are conducted by MA, a legally and operationally separate company.

7. TREATMENT OF CONFIDENTIAL INFORMATION

REVISED IOSCO CODE	2008 CODE
3.16 CRA should not selectively disclose any non-public information about rating opinions or possible future rating actions of the CRA, except to the issuer or its designated agents.	3.16 MIS and its Employees will: 3.16.1 Preserve the confidentiality of Confidential Information communicated to them by an Issuer or its agent; and 3.16.2 Unless they have received permission from the Issuer, refrain from publicly disclosing Confidential Information in Credit Rating Announcements, or through research, conferences, or conversations with investors, other Issuers, or any other persons.

REVISED IOSCO CODE (CONT)	2008 CODE (CONT)
	3.16.3 Notwithstanding the foregoing, MIS shall not be restricted from: (a) publishing any Credit Rating or other opinion regarding a particular security or transaction which incorporates Confidential Information without specifically disclosing it; (b) using third party contractors or agents bound by appropriate confidentiality obligations to assist in any aspect of the ratings process or related business activities; (c) disclosing information as required by any applicable law, rule, or regulation, or at the request of any governmental agency or authority; or (d) disclosing information to third parties with an independent legal right to receive it.

Although MIS agrees with the need to avoid selective disclosure of Credit Ratings, future Credit Ratings, and non-public information about rating opinions and possible future rating actions, it would be inappropriate for MIS to prohibit such disclosures without exception. For example, there are situations in which MIS makes such disclosures to third party contractors who assist MIS in the process of developing or disseminating Credit Ratings. Among other things, MIS sometimes outsources to various external services providers the function of extracting data from financial reports and/or trustee reports and entering that data into templates, which MIS then uses in the rating process. While some of these financial reports and trustee reports are publicly available, others may have been provided privately to MIS and may contain Confidential Information. When, however, MIS makes such disclosures, it does so subject to what MIS has deemed necessary and appropriate precautions to protect such information, and applicants for Credit Ratings are made aware of such exceptions at the time that they agree to obtain a Credit Rating from MIS.

In addition, when MIS is required, pursuant to law, regulation, governmental request or subpoena to share Confidential Information, MIS is not in a position to refuse to do so. In those circumstances, however, MIS takes all precautions that it deems necessary and appropriate to limit the scope of the disclosure that is compelled and all steps that it can to protect the confidentiality of the information to the maximum extent possible.

8. CONFIDENTIALITY OF RATING COMMITTEE COMPOSITION AND DELIBERATIONS

REVISED IOSCO CODE	2008 CODE	
There is no parallel IOSCO Code provision.	3.24	Except as required under any applicable law, rule, regulation or at the proper request of any governmental agency or authority, MIS's internal deliberations and the identities of persons who participated in a rating committee will be kept strictly confidential and will not be disclosed to persons outside MIS.

MIS's Credit Ratings are not the opinions of any individual Employee, but rather the opinion of MIS. Therefore, MIS views it as inappropriate to disclose the names of MIS Employees involved in rating committees, since such disclosure might undermine the perception that the Credit Rating is the opinion of MIS, rather than the opinion of any particular individual. In addition, preventing the disclosure of the names of members of rating committees protects those members from the possibility that Issuers, investors, their agents or other third parties might make efforts to lobby or otherwise influence the way those individuals might vote at a future rating committee.

9. IMPLEMENTATION OF SUBJECTIVE STANDARDS

REVISED IOSCO CODE	2008 CODE	
There is no parallel IOSCO Code provision.	4.3	With respect to the subjective standards that are incorporated into this Code, MIS will use its good faith efforts in implementing such standards.

The Revised IOSCO Code and the 2008 Code include provisions that set subjective standards for conduct. For example, provision 1.4 of the Revised IOSCO Code states that "ratings should reflect all information known, and <u>believed to be relevant</u>, to the CRA." (Emphasis added.) Provision 1.4 of the 2008 Code contains similar language. The underlined language sets a subjective, rather than an objective, standard. MIS believes it would be inappropriate to assess implementation of a subjective standard against an objective or absolute standard and, accordingly, provision 3.24 of the 2008 Code clarifies for market participants the standard of behavior (*i.e.*, good faith efforts) that MIS intends to apply in implementing such provisions.

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

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

1. WITHDRAWAL OF CREDIT RATINGS IN CERTAIN CIRCUMSTANCES

REVISED IOSCO CODE		2008 CODE	
1.10	Where a CRA makes its ratings available to the public, the CRA should publicly announce if it discontinues rating an issuer or obligation. Where a CRA's ratings are provided only to its subscribers, the CRA should announce to its subscribers if it discontinues rating an issuer or obligation. In both cases, the continuing publications by the CRA of the discontinued rating should indicate the date the rating was last updated and the fact that the rating is no longer being updated.	1.12	Moody's will publish a press release announcing if it discontinues a public Credit Rating on an Issuer or obligation, in accordance with MIS's published Rating Withdrawal Policy, except when the rating is withdrawn because the outstanding rated obligation has matured or the issuer has entered or been placed into bankruptcy, liquidation, or other forms of governmental administration.
3.4	Except for "private ratings" provided only to the issuer, the CRA should disclose to the public, on a non-selective basis and free of charge, any rating regarding publicly issued securities, or public issuers themselves, as well as any subsequent decisions to discontinue such a rating, if the rating action is based in whole or in part on material non-public information.	3.4	Upon the request the request of an Issuer, and at MIS's sole 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 certain circumstances, MIS may decide to withdraw a Credit Rating. The "WR" symbol is used to signify that a Credit Rating either on an obligation or an Issuer has been withdrawn.

MIS's *Rating Withdrawal Policy* in effect in 2009 and referred to in the 2008 Code indicated that, in specified circumstances, MIS generally would not issue a press release announcing that it had withdrawn a Credit Rating. In particular, MIS typically did not issue a press release announcing that it had withdrawn a Credit Rating because the rated obligation had matured or because the Issuer had entered or been placed into some form of governmental administration. This is because these events (*e.g.*, payment on maturity of an obligation or the commencement of bankruptcy proceedings) themselves communicated sufficient information to investors about the status of an obligation or Issuer.

Nevertheless, as indicated above, withdrawn Credit Ratings were (and are) identified on MIS's website with the "WR" symbol. Accordingly, MIS believes that the objectives in provisions 1.10 and 3.4 of the Revised IOSCO Code were met in 2009 because of these disclosures on MIS's website.

2. INFORMATION DISCLOSURE BY STRUCTURED FINANCE ISSUERS

REVISED IOSCO CODE		2008 CODE	
2.8c	CRAs as an industry should encourage structured finance issuers and originators of structured finance products to publicly disclose all relevant information regarding these products so that investors and other CRAs can conduct their own analyses independently of the CRA contracted by the issuers and/or originators to provide a rating. CRAs should publicly disclose in their rating announcements whether the issuer of a structured finance product has informed it that it is publicly disclosing all relevant information about the product being rated or if the information remains non-public.	3.3	MIS will encourage structured finance Issuers and originators of structured finance products to publicly disclose all relevant information regarding these products.

MIS has been concerned about rating shopping for many years. Rating shopping stems from Issuers' exclusive control over the dissemination of the information needed to analyze an obligation. Rating shopping may be particularly endemic in markets with limited regulatory disclosure obligations for Issuers, such as many structured finance markets. Such opaque markets can facilitate rating shopping by hampering the ability of CRAs, other analysts and, most importantly, investors to assess independently the creditworthiness of Issuers or issuances. Accordingly, insofar as we are able, we encourage Issuers to disclose the information relevant to investment decisions publicly, and, therefore, believe we have captured the substance of Provision 2.8c of the Revised IOSCO Code in Provision 3.3 of the 2008 Code. The disclosure regimes for structured finance Issuers are limited, however, in many jurisdictions and, therefore, Issuers are permitted by law not to disclose certain types of information.

3. DIFFERENTIATION OF STRUCTURED FINANCE RATINGS

REVISED IOSCO CODE		2008 CODE	
3.5(b)	A CRA should differentiate ratings of structured finance products from traditional corporate bond ratings, preferably through a different rating symbology. A CRA should also disclose how this differentation functions. A CRA should clearly define a given rating symbol and apply it in a consistent manner for all types of securities to which that symbol is assigned.	3.7(b)	MIS currently does not use a different scale to differentiate structured finance Credit Ratings from Credit Ratings it assigns to other asset types. If MIS were to adopt a different scale for its structured finance Credit Ratings, MIS would: (i) publicly notify the market; and (ii) clearly define the use and application of such rating symbols. MIS defines and discloses its various ratings symbols on the Rating Definitions site on the Credit Policy page of moodys.com.

In 2009 MIS did not use a different scale or other indicator to differentiate its structured finance Credit Ratings. As discussed in Section II.C above, however, as part of a wider initiative to help users of Credit Ratings understand the distinctive features of structured finance products, in October 2009 we announced a preliminary plan to add an indicator to our structured finance Credit Ratings in 2010.

We indicated that we expected that the indicator would take the form of an "(sf)", which would appear following the Credit Rating in all Credit Rating Announcements and research reports. MIS did in fact introduce this indicator in August 2010 and we will describe it in more detail in our next report on the MIS Code.

4. HISTORICAL RATINGS PERFORMANCE INFORMATION

REVISED IOSCO CODE		2008 CODE	
3.8	In order to promote transparency and to enable the market to best judge the performance of the ratings, the CRA, where possible, should publish sufficient information about the historical default rates of the CRA rating categories and whether the default rates of these categories have changed over time, so that interested parties can understand the historical performance of each category and if and how rating categories have changed, and be able to draw quality comparisons among ratings given by different CRAs. If the nature of the rating or other circumstances make a historical default rate inappropriate, statistically invalid, or otherwise likely to mislead the users of the rating, the CRA should explain this. This information should include verifiable, quantifiable historical information about the performance of its rating opinions, organized and structured, and, where possible, standardized in such a way as to assist investors in drawing performance comparisons between different CRAs.	3.11	In order to promote transparency and to enable the market to best judge the aggregate performance of Credit Ratings on debt instruments, where possible, MIS will publish sufficient information about its historical default rates by rating category, transitions between rating categories, and periodic performance metrics so that financial market professionals can understand the historical performance of securities assigned to different rating categories. Where feasible, this information will include verifiable, quantifiable historical information about the performance of its rating opinions, organized and structured and, where possible, standardized in such a way to assist financial professionals in drawing performance comparisons between credit rating agencies. Upon request, MIS will provide ratings data feeds to regulatory authorities to allow those authorities to conduct their own evaluation of Credit Ratings performance.

Provision 3.8 of the Revised IOSCO Code provides that CRAs should publish verifiable, quantifiable historical information about the performance of their rating opinions and, where possible, standardize this information in a way that will assist interested parties in drawing performance comparisons between CRAs. Although MIS acknowledges the importance of such publications, MIS can only commit to do what is feasible. For example, it would not be feasible to produce certain types of ratings performance statistics if MIS has only a small number of outstanding ratings in a given sector, asset class or region because the performance data might not be statistically significant. Likewise, it would not be feasible to publish, for example, ten-year default rate studies if a majority of the ratings have been outstanding for less than ten years. In addition, it should be noted that our Credit Ratings measure different things than those of our competitors, and, accordingly, the standardization of certain performance metrics across CRAs might not be meaningful as a result.

The last sentence of Provision 3.11 of the 2008 Code, which has no counterpart in the Revised IOSCO Code, states that MIS will provide a ratings data feed to regulatory authorities to allow those authorities to conduct their own evaluation of Credit Ratings performance. This reflects a commitment MIS made,

along with several other industry participants, to facilitate regulatory review of ratings performance.

5. UNSOLICITED CREDIT RATINGS AND NON-PARTICIPATING CREDIT RATINGS

REVISED IOSCO CODE	2008 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. A CRA should also disclose its policies and procedures regarding unsolicited ratings.	3.12 In order to promote transparency, and in accordance with MIS's *Designating Issuers That Do Not Participate in the Rating Process*, MIS will publicly designate and disclose Non-Participating Credit Ratings. 3.13 As a publisher of opinions about credit, MIS reserves the right at any time to issue Unsolicited Credit Ratings if MIS 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 monitoring. In accordance with MIS's *Policy on Designating Unsolicited Credit Ratings*, when a Credit Rating is unsolicited, 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.

MIS believes that all of our Credit Ratings provide comparable informational value because we will assign a Credit Rating only 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 Credit Ratings lack the Issuer's participation.

The 2008 Code includes separate provisions related to Non-Participating Credit Ratings and Unsolicited Credit Ratings, and in each case we implemented and published a policy that set out our disclosure standards. The current versions of these policies can be found on moodys.com. In 2009, for Non-Participating Credit Ratings, we made disclosures both in related Credit Rating Announcements and in a separate list that we maintained on moodys.com. We did not assign any Unsolicited Credit Ratings in 2009. We indicated in the 2008 Code that if, in the future[9], we assigned such Credit Ratings, we would indicate in the initial Credit Rating Announcement that the Credit Rating was initiated by MIS. We believe that these policies and disclosure practices address the disclosure objectives stated in Provision 3.9 of the IOSCO Code.

[9] Due to changes in the regulatory environment, our approach to designating Unsolicited Credit Ratings changed in 2010. This change is reflected in the 2010 Code and we will discuss it in more detail in our next Implementation Report.

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

MIS discloses on moodys.com the Code and our annual Implementation Reports[10]. The 2010 Code is accessible from our homepage via the dropdown menu for Research and Ratings, while the **2008 Code** will be accessible through hyperlinks included in this Implementation Report until the end of 2010[11]. Our annual Implementation Reports are set out in the "Policies" section of our Regulatory Affairs webpage, which is accessible from a dropdown menu on the homepage. MIS intends to continue publishing on an annual basis a report discussing our implementation of the Code and will disclose: (i) substantive changes to the Code, if any; and (ii) any substantive deviations between the MIS Code and the IOSCO Code[12].

The Code is available to all MIS employees on our internal and external websites and we have established a training program to communicate the details and objectives of the Code to Analysts worldwide.

MIS welcomes feedback on the Code from our employees as well as the public. We have established an email address (MISCodeofConduct-Comments@moodys.com) on our external website, accessible from the homepage via the dropdown menus for Research and Ratings - Code of Professional Conduct, to which questions and comments on the Code can be sent.

MIS Management is responsible for implementing and enforcing the Code. Subject to applicable law and applicable employment agreements, Employees who violate the Code or other MIS or MCO policies may be subject to discipline, up to and including termination. On an annual basis, the Compliance Department will review and assess the efficiency of such implementation and enforcement[13].

[10] See Provision 4.1 of the 2008 Code.

[11] See Provision 4.1 of the 2008 Code.

[12] See Provision 4.1 of the 2008 Code.

[13] See Provision 4.1 of the 2008 Code.

Annex: Table of Correspondence between 2008 Code and Revised IOSCO Code Provisions

REVISED IOSCO CODE PROVISION	2008 CODE PROVISION	REVISED IOSCO CODE PROVISION	2008 CODE PROVISION	REVISED IOSCO CODE PROVISION	2008 CODE PROVISION
1.1		2.1	2.1	3.1	3.1
1.2	1.1, 1.2	2.2	2.2	3.2	3.2, 3.4, 3.5
1.3	1.3	2.3	2.3	3.3	3.6
1.4	1.4	2.4	2.4	3.4	3.4
1.5	1.5	2.5	2.5	3.5	3.7
1.6	1.6	2.6	2.6	3.5a	3.7 (a)
1.7	1.7	2.7	2.7	3.5b	3.7 (b)
1.7-1	1.7.1	2.8	2.8	3.5c	3.7 (c)
1.7-2	1.7.2	2.8a	2.8 (a)	3.6	3.8
1.7-3	1.7.3 and subsequent paragraph	2.8b	2.8 (b)	3.7	3.9
--	1.8	2.8c	3.3	--	3.10
1.8	1.9	2.9	2.9	3.8	3.11
1.9	1.10	2.10	2.10	3.9	3.12, 3.13
1.9-1	1.11	2.11	2.11	3.10	3.14
1.10	1.12	2.11a	2.11 (a)	--	3.15
1.11	1.13	2.11b	2.11 (b)	3.11 (	3.16.1 to 3.16.3
1.12	1.14	2.12	2.12	3.12	3.17
1.13	1.15	2.13a	2.13 (a)	3.13	3.18
1.14	1.16	2.13b	2.13 (b)	3.14	3.19
1.14-1	1.17	2.13c	2.13 (c)	3.15	3.20
1.15	1.18	2.13d	2.13 (d)	3.16	3.21
1.16	1.19, 1.20	2.13e	2.13 (e)	3.17	3.22
		2.14	2.14	3.18	3.23
		2.15	2.15	--	3.24
		2.16	2.16	4.1	4.1, 4.2
		2.17	2.17	4.2	--
				--	4.3
				4.3	4.4

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