

## Policy for Review of EU and UK Endorsed Sub-Sovereign Ratings (Inc. US-PFG)

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Issued by:	MIS Compliance Department
Applicable to:	All MIS Employees, and relevant Moody's Shared Services Employees supporting the MIS ratings process
Scope:	Global
Effective Date:	January 1, 2021

### PURPOSE

This policy describes the timing of review requirement for EU Endorsed Credit Ratings and UK Endorsed Credit Ratings that fall under the EU and/or UK definitions of a sovereign credit rating.

### POLICY

#### 1. Applicability

This policy applies to all non-European Union Sub-Sovereign (including US-PFG) Credit Ratings, and all non-United Kingdom Sub-Sovereign Credit Ratings that fall under the definition of an Eligible Sub-Sovereign Credit Rating, including, if applicable, any related rating Outlook or rating Review<sup>1</sup>, except as noted.

#### 2. Review of Ratings

All Eligible Sub-Sovereign Credit Ratings must be reviewed at least every six (6) months. All other Credit Ratings, will be reviewed, at a minimum, on an annual basis. Other than this requirement regarding the frequency of certain Credit Rating reviews, all other terms of the *Policy on Periodic Review of Credit Ratings* and the *Procedure on the Conduct of Portfolio Reviews* shall apply to Credit Rating reviews on the six month cycle.

### DEFINED TERMS

#### Credit Ratings

A Credit Rating is an opinion from MIS regarding the creditworthiness of an entity, a debt or financial obligation, debt security, preferred share or other financial instrument, or of an issuer of such a debt or financial obligation, debt security, preferred share or other financial instrument, issued using an established and defined ranking system of rating categories.

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<sup>1</sup> All references to an Eligible Sub-Sovereign Credit Rating in this document shall include the Credit Rating and to the extent applicable, any related rating Outlook or rating Review.

## Eligible Sub-Sovereign

An Eligible Sub-Sovereign is:

- » Any regional or local government, the ratings of which have been designated as endorsed in the European Union or the United Kingdom.
- » Not included in the definition of an Eligible Sub-Sovereign is:
  - any entity or distinct organizational unit that has been established by a regional or local government, to carry out an essential services function or other limited purpose, or
  - any entity, enterprise or distinct organizational unit, established by a regional or local government, that operates on commercial terms, separate and distinct from general government functions. Such entities include, but are not limited to, entities that provide: 1) educational services (i.e., primary education, secondary education, higher education) or education finance services (i.e., state student loan programs), 2) medical services (i.e., healthcare systems, hospitals, clinics, pharmacies, ambulance services), 3) insurance or other consumer financial services, 4) transportation services (i.e., air transport, rail transport, buses, water transportation services, other ground transportation), 5) port authority style services (i.e., airport authorities, shipping and port services, other transportation services, and their related subsidiaries), 6) utility services (i.e., power, telecommunications, broadcasting, water, recycling, sewage and waste removal), 7) park services or cultural amenities (i.e., zoological parks, botanical gardens, theaters, cultural centers or museums), 8) housing or housing finance (i.e., public housing authorities, housing associations, housing finance agencies), or 9) the services of a conduit issuer or entity whose purpose is to issue debt on behalf of an obligor that would otherwise not be considered to be a regional or local government or would fit in a category described above.

Decisions as to whether or not an entity should be included as an Eligible Sub-Sovereign rest with the Group Managing Director from the US PFG and Sub-Sovereign Rating Groups for their respective areas of analytical responsibility.

## Eligible Sub-Sovereign Credit Rating

An Eligible Sub-Sovereign Credit Rating is:

- » the rating of an Eligible Sub-Sovereign, or
- » the rating of a debt or financial obligation, debt security or other financial instrument of an Eligible Sub-Sovereign, or of a special purpose vehicle (SPV) for an Eligible Sub-Sovereign.

An Eligible Sub-Sovereign SPV would NOT include any entity established as part of a Public Private Partnership project, as these SPVs are not intended to be a unit of the participating government(s) and therefore are not considered an SPV regional or local governments.

## EU Endorsed Credit Rating

An EU Endorsed Credit Rating is a Credit Rating assigned by an MIS entity outside the EU which is endorsed by an MIS entity registered in the EU.

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### Outlook

An Outlook is an opinion regarding the likely direction of an issuer's rating over the medium term. For further information, please consult the applicable Rating Symbols and Definitions document.

### Review

A Review is an indication that a rating is under consideration for a change in the near term. For further information, see the applicable Ratings Symbols and Definitions document.

### UK Endorsed Credit Rating

A UK Endorsed Credit Rating is a Credit Rating assigned by an MIS entity outside the UK which is endorsed by an MIS entity registered in the UK.

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