

## Policy for Withdrawal of Credit Ratings

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Issued by:	MIS Compliance Department
Applicable to:	All MIS Employees and relevant Moody's Shared Services Employees supporting the ratings process
Scope:	Global excluding Japan
Effective Date:	January 2, 2020

### POLICY

#### I. What is a Withdrawn Credit Rating?

MIS withdraws its Credit Rating when it no longer rates an entity, debt or financial obligation, debt issuance program, preferred share or other financial instrument for which it previously assigned a rating. If appropriate and feasible, Credit Ratings will be adjusted before the withdrawal to reflect MIS's current rating opinions.

NOTE: This policy and accompanying procedure do not apply when a Credit Rating committee assigns a Credit Rating to an issuance whose sale is canceled by the Rated Entity without the Credit Rating ever having been published. Because the obligation does not exist, and the Credit Rating was never published, the Credit Rating does not need to be withdrawn.

#### II. Reasons why MIS might withdraw a Credit Rating

MIS may withdraw a Credit Rating for any of the following reasons:

- 1) **Incorrect, insufficient or otherwise inadequate information:** MIS shall withdraw any Credit Rating if, in MIS's opinion: (i) the information available to support the Credit Rating – whether in terms of factual accuracy, quantity and/or quality – is insufficient to effectively assess the creditworthiness of the Rated Entity or the obligation; and (ii) such information is unlikely to be available to MIS in the near future.
- 2) **Bankruptcy/Liquidation/Debt Restructuring/Write-down of a Structured Finance Security:** if a Rated Entity defaults, enters bankruptcy, is liquidated, or restructures its debt, or if a structured finance security experiences a full or partial write-down that results in a zero current balance, it may no longer be useful or necessary for MIS to maintain a Credit Rating on that Rated Entity or that Rated Entity's obligations.
- 3) **Reorganization:** if a Rated Entity becomes the subject of a corporate reorganization or regulator-imposed restructuring, including a merger or acquisition, or enters into any other form of governmental administration, it may no longer be useful or necessary for MIS to maintain a Credit Rating on that Rated Entity or that Rated Entity's obligations.

- 4) Methodological thresholds for certain Structured Finance transactions: if the applicable Credit Rating Methodology states that MIS will not maintain Credit Ratings in the event that aspects of the transaction cross specified thresholds, MIS shall withdraw the Credit Rating.
  - Small Pool Factor: when the size of the asset pool supporting the transaction falls below a level specified in the applicable Credit Rating Methodology.
  - Non-Rated Asset Factor: when the principal balance of performing assets in the collateral pool without a Moody's Credit Rating, a credit estimate or a structured credit assessment exceeds a level specified in the applicable Credit Rating Methodology.
- 5) Maturity of Obligation or Termination of Program: the Credit Rating on an obligation will be withdrawn when the obligation is not outstanding or the program has been terminated. This includes when a debt matures, when a debt is called, when a debt is repaid before the maturity date, when a Credit Rating on a debt or program is issued and published but the debt is ultimately not issued, or the program is not closed, and/or when a debt is otherwise redeemed by the Rated Entity. Because Moody's may not receive timely notification in the event where a debt is called, redeemed, repaid or otherwise terminated before its stated maturity date, Moody's will generally withdraw such ratings once it learns of the event of termination, using the current date as the date of the withdrawal. A rating withdrawal may also be appropriate as a result of amendments to the transaction terms of an obligation.
- 6) Business Reasons: under certain circumstances, MIS will withdraw a Credit Rating for a Rated Entity or an obligation for reasons unrelated to the situations identified above. When MIS indicates that a Credit Rating was withdrawn for "business reasons," this often refers to MIS's business reasons, not the business reasons of the Rated Entity or obligor. In other circumstances, a Credit Rating that is withdrawn to satisfy an MIS regulatory obligation, other than one that is described in any of the other withdrawal reason categories described in Section II of the policy, will be considered withdrawn for "business reasons". MIS's business reasons generally do not reflect any concerns about the Rated Entity's creditworthiness or the quality of its management. Where appropriate, MIS's decision to withdraw a rating under these circumstances will attempt to balance the informational benefit to market participants from maintaining a Credit Rating against the resources required to maintain and monitor that Credit Rating or other business considerations.
- 7) Shareholding: MIS shall immediately assess whether there are grounds for withdrawing EU Credit Ratings<sup>1</sup> when they relate to a 10% Shareholder<sup>1</sup> or an Impacted Rated Entity.
- 8) Conflicts of Interest: in any of the following cases, MIS may determine that it is necessary to withdraw a Credit Rating, if:
  - a) an MIS Employee who participates in the determination, approval or monitoring of a Credit Rating, or that employee's Family Member had or has direct Ownership in the Rated Entity or in any Related Third Party at the time the Credit Rating was determined;
  - b) an MIS Employee who either participated in the determination of the rating, the approval of the Credit Rating, or the monitoring of the Credit Rating, acted in violation of the MIS Fee Discussions Guidelines;
  - c) an MIS Employee who either participated in the determination of the rating, the approval of the

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

Credit Rating, or the monitoring of the Credit Rating, has had a relationship with the Rated Entity or a Related Third Party that constitutes a prohibited conflict of interest;

- d) an MIS Employee who either participated in the determination of the rating, the approval of the Credit Rating, or the monitoring of the Credit Rating, or his or her Family Member, received gifts, including entertainment, in violation of the MIS Gifts and Entertainment Policy; or
  - e) either MIS or an entity associated with MIS made recommendations to the obligor or the Rated Entity, underwriter or sponsor of the security about the corporate or legal structure, assets, liabilities or activities of the obligor or Rated Entity of the security in violation of MIS policies or procedures.
- 9) Public Point-In-Time Credit Ratings: to meet market needs in certain sectors, MIS occasionally assigns a public Credit Rating on a “point-in-time” basis that is subsequently withdrawn as soon as practicable, before which it is subject to monitoring.
- 10) Provisional Rating<sup>2</sup>: MIS from time to time may assign a provisional rating when the rating committee has been able to assess the relevant risks of a transaction that has not yet issued into the market based on draft documentation. It is highly likely that the rating will become final after all documents are received, or an obligation is issued into the market. To the extent it is anticipated that the transaction does not close in the near future, or that certain tranches of the transaction are not issued, the applicable provisional ratings will be withdrawn.
- 11) Clerical Error: MIS will withdraw a Credit Rating if it was assigned as the result of an internal clerical error.
- 12) Full Write-Down of Principal Balance: For Structured Finance transactions only: if the principal balance of a structured finance security is fully written down to zero because of credit loss recognitions, then MIS will withdraw the credit rating.

### III. Credit Rating Announcements Regarding Withdrawal of Credit Ratings

When a Credit Rating is withdrawn, MIS will issue an indication on [www.moody.com](http://www.moody.com) that the Credit Rating has been withdrawn and, depending on the reason for the withdrawal, may also issue a Credit Rating Announcement.

## DEFINED TERMS

### 10% Shareholder

A 10% Shareholder is a Shareholder holding 10% or more of either the capital or the voting rights of Moody’s Corporation, excluding holdings in diversified collective investment schemes and managed funds such as pension funds or life insurance, provided that the holdings in such schemes do not put the shareholder as referred above in a position to exercise significant influence on the business activities of those schemes.

### Anticipated Ratings Process

Anticipated Ratings Process is the process by which a provisional notation may be removed from a Credit Rating assigned to an instrument or issuer, when the applicable contingencies which were the basis for affixing the (P) notation are deemed to have been fulfilled. For example, when a rating of (P) Baa1 is assigned to a debt instrument, it is anticipated that the (P) notation will be removed from the Baa1 rating when it is determined that the contingencies indicated by the (P) notation have been fulfilled.

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<sup>2</sup> Provisional Ratings may not be assigned by Moody’s de Mexico (MDM).

## Credit Rating

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.

## Credit Rating Action

A Credit Rating Action is any one of the items below:

- i. the assignment of a Credit Rating to a Rated Entity or obligation, including Credit Ratings assigned in the Subsequent Ratings Process;
- ii. the removal of a provisional notation from a Credit Rating when applicable contingencies are deemed to have been fulfilled in the Anticipated Ratings Process;
- iii. a change in a Credit Rating (i.e., upgrade or downgrade);
- iv. placing a Credit Rating on Review, changing the direction of an existing Review or taking a Credit Rating off Review (i.e., Credit Rating Confirmation);
- v. the assignment or change in an Outlook associated with a Rated Entity or one or more Credit Ratings;
- vi. an Affirmation of a Credit Rating; and
- vii. a Withdrawal of a Credit Rating.

## Credit Rating Announcement

A Credit Rating Announcement is a written communication that may be used to announce the publication of a Credit Rating Action related to public Credit Ratings, Unpublished Monitored Loan Ratings or Unpublished Monitored Private Placement Ratings. MIS may also publish Credit Rating Action related to public Credit Ratings on [www.moodys.com](http://www.moodys.com) that is not accompanied by Credit Rating Announcement.

## Credit Rating Methodology

Credit Rating Methodology is defined in Moody's Rating Symbols and Definitions which is available on [Moodys.com](http://Moodys.com).

## Electronic Platform

An Electronic Platform is the private web based electronic platform designated by MIS for certain communications to appropriate recipients relating to MIS's provision of private and/or unpublished products and services, such as Unpublished Monitored Loan Ratings, and Unpublished Monitored Private Placement Ratings.

## EU Credit Rating

An EU Credit Rating is a Credit Rating assigned by an MIS entity registered as a credit rating agency in the EU and where the Lead Rating Analyst is located in the EU.

## EU Rated Entity

An EU Rated Entity is an entity with an EU Credit Rating.

## Family Members

A Family Member is any of the following:

- i. an Employee's spouse or domestic partner;
- ii. a person with whom an Employee cohabits (such as a shared living arrangement where the relationship is more than casual), whether or not they share financial responsibilities. This would not include typical roommate living arrangement;
- iii. an Employee's minor or dependent children;
- iv. any other relative sharing the same household as the Employee;
- v. any persons who do not live in the same household as the Employee but whose Trades in Securities are directed by or are subject to the Employee's influence or control (either direct or indirect) (such as

- parents or children living in separate households who consult with the Employee before they Trade); and
- vi. any other natural or legal person, trust, entity or partnership (other than blind trusts, as defined in the Securities Trading Policy):
    - i. whose managerial responsibilities are discharged by,
    - ii. that is set up for the benefit of,
    - iii. that is directly or indirectly controlled by, or
    - iv. whose economic interests are substantially equivalent to, the Employee or any Family Member.

### Impacted Rated Entity

An Impacted Rated Entity is an EU Rated Entity in which a 10% Shareholder: (i) holds 10% or more of either the capital or voting rights or any other ownership interest of the relevant EU Rated Entity, or a Related Third Party, excluding holdings in diversified collective investment schemes and managed funds such as pension funds or life insurance; or (ii) is a member of its or a Related Third Party's administrative or supervisory board.

### Lead Rating Analyst, Lead Analyst or Lead

A Lead Rating Analyst, Lead Analyst, or Lead is the MIS Employee who is currently assigned the primary responsibility for assigning or monitoring a given Rating and, if applicable, the related rating Outlook or rating Review.

### MIS Employee

The term MIS Employee means any full-time or part-time employee of MIS.

### Moody's Investors Service, Inc. (MIS)

MIS refers to Moody's Investors Service, Inc. and its affiliates that issue Ratings under "Moody's Investors Service" brand name.

### Outlook

An Outlook is an opinion regarding the likely direction of an issuer's Credit Rating over the medium term. For further information, please consult the [Rating Symbols and Definitions](#) document.

### Own, Owning and Ownership

The terms Own, Owning and Ownership refer to all methods by which an Employee or Family Member may possess an interest in a Security or an account with a financial services institution, including direct ownership and beneficial ownership (i.e., sole or shared dispositive or voting power over a security).

### Subsequent Ratings Process

Subsequent Ratings Process is the process of assigning Credit Ratings (together with the associated outlook or review status, if applicable) that are derived exclusively by reference to an existing Credit Rating of a program, series category/class of debt or primary Rated Entity. This includes:

- » Assignment of a Credit Rating to issuance of debt within or under an existing rated program where the transaction structure and terms have not changed in a manner that would affect the Credit Rating indicated by the program rating (examples include covered bond programs, shelf registrations, and medium term note programs);
- » Credit Ratings assigned based on the pass-through of a primary Rated Entity's Credit Rating, including monoline or guarantee linked ratings; or
- » Assignment of Credit Ratings to debt instruments of the same seniority as previously rated debt when such issuance of debt is contemplated in the existing Credit Ratings. Examples include ratings on debt issued by frequent corporate and government issuers. This also includes Credit Ratings assigned to new debts or amended and extended credit facilities by reference to an existing rating of the same debt class, at the same rating level, whether or not the new debts replace similarly structured debts or credit facilities.

### Rated Entity (ies)

A Rated Entity means any entity rated by MIS or any entity that issues securities rated by MIS or any entity that is seeking a Credit Rating from MIS.

### Related Third Party

Any party (including the originator, arranger, sponsor, servicer, or other party) that interacts with Moody's on behalf of a Rated Entity in connection with a Credit Rating Action for such Rated Entity, including any person directly or indirectly linked to that Rated Entity by control.

### Review

A Review is an indication that a Credit Rating is under consideration for a change in the near term. For further information see the [Ratings Symbols and Definitions](#) document.

### Shareholder

A Shareholder includes a direct and indirect owner of Moody's Corporation stock.

### Unpublished Monitored Loan Rating (UMLR)

An Unpublished Monitored Loan Rating (UMLR) is a monitored Credit Rating of a loan or loans (or individual facilities within the same loan or loans) made to the Rated Entity which is distributed via an Electronic Platform.

### Unpublished Monitored Private Placement Rating (UMPPR)

An Unpublished Monitored Private Placement Rating (UMPPR) is a monitored Credit Rating of a private placement of a Rated Entity which is distributed via an Electronic Platform to the recipients designated by the Rated Entity

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