



Procedure Banning Recommendations Associated with Credit Ratings

Issued by: Compliance Department
Applicable to: All MCO Employees
Scope: Global
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Internal Use Only

STATEMENT OF PURPOSE

The purpose of this document is to implement the [Policy Banning Recommendations Associated with Credit Ratings](#) by distinguishing permissible feedback from a Prohibited Recommendation and setting forth procedures Employees must follow to report requests for Prohibited Recommendations from Issuers, Rated Entities or their Agents.

PROCEDURE

When working on a Credit Rating and, if applicable, the related rating Outlook or rating Review¹, the appropriate Employee may explain and clarify to an Issuer, Rated Entity and/or its Agents (as used herein “counterparty” or “external counterparty”) the assumptions, methodologies, application of methodologies, procedures and rationales used to reach ratings decisions and how they apply or may apply to the designated transaction or proposed transaction. In particular, the appropriate employee may provide explanations on any element publicly disclosed in MIS methodologies or the application of methodologies. Additionally, if an Employee perceives that the information provided by an external counterparty is insufficient for MIS to provide a Credit Rating, that Employee may request additional information. Employees are permitted to make requests regarding clarification of the deal documents. However, Employees must not provide editorial comments or edits regarding any deal documentation or recommend any disclosures in such documentation that the counterparty may provide, which could be construed as a Prohibited Recommendation.

Employees who have questions about whether an intended communication may constitute a Prohibited Recommendation or improper structuring must consult with a manager or a team MD before engaging in the intended communication.

What Constitutes a Reportable Request for a Prohibited Recommendation?

From time to time, an Employee may be confronted with a situation where an external party either directly or indirectly makes a request for a Prohibited Recommendation in connection with a Credit Rating. Some of these events must be reported to Compliance, as set forth below. A reportable event is one where an external counterparty requests that

¹ 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.

the Employee make a recommendation or proposal with regard to a Credit Rating of the type described in the [Policy Banning Recommendations Associated with Credit Ratings](#) and the definition of a Prohibited Recommendation, despite the best efforts by the Employee to remind the counterparty that Employees cannot provide recommendations or advice. For example: 1) An external counterparty requests that an Employee advise on how to structure a debt offering to achieve a specific rating result, after having been told that Moody's cannot and does not provide that type of recommendation; or, 2) an external counterparty, despite being reminded that Moody's does not offer recommendations, asks for instructions on how to adjust a debt offering for a better rating.

Certain events do not need to be reported to Compliance, including the following: (a) an Employee pre-empts his or her counterparty from making a request for a recommendation, and successfully redirects the counterparty away from making such a request, or (b) an Employee clarifies or explains that Moody's cannot provide recommendations or advice, but can explain methodologies, the application of methodologies, assumptions, procedures and rationales, and the interaction then continues without any subsequent request for a Prohibited Recommendation. In all such cases, there is no need to report the situation to Compliance². For example, 1) an external counterparty, after hearing that Moody's cannot provide debt structuring recommendations, asks the MIS analyst detailed questions about the methodology used and the scorecard or model, in order to understand MIS's approach, and then makes structuring decisions without input from the analyst; or 2) an external counterparty, after being reminded that Moody's does not provide recommendations ceases that line of questioning, asks very detailed questions regarding MIS's latest credit opinion and the main drivers for the analysis.

For further guidance on what is not acceptable feedback to provide to an external party, including issuers, arrangers and sponsors, please consult Appendix I.

Directions upon receiving a reportable request for Prohibited Recommendation on a deal MIS rates or may rate

Upon receiving a request for a Prohibited Recommendation, an Employee must neither answer any question(s) posed by the requestor, nor give any Prohibited Recommendation.

E-Mail Requests

In case of a reportable request received by email sent to an MIS Employee, promptly respond to the individual(s) who sent the email with the following standard language:

“Thank you for giving Moody's Investors Service (MIS) the opportunity to explain and clarify the assumptions, methodologies, procedures, and rationales MIS uses to arrive at credit rating decisions and how they apply or may apply to you or your transaction. Please note that MIS cannot make recommendations or provide advice about your transaction's corporate or legal structure, assets, liabilities or activities, including the terms of your transaction documents.”

Forward the original email received and the answer sent promptly to the MIS Compliance Department (email address “[Moody's Compliance](#)”, for EMEA employees, “[Moody's Compliance EMEA](#)”, or for MJKK / MSFJ employees, “Moody's Compliance Japan”).

Any Employee that is not an MIS Employee that receives a similar request is to contact Compliance for further guidance prior to sending a response.

² Employees of MJKK and MSFJ must also follow the MJKK/MSFJ Procedure Banning Recommendations Associated with Credit Ratings and contact MJKK/MSFJ Compliance Department regarding all Compliance matters associated with Prohibited Recommendations.

Verbal Requests

In case of a reportable request received during a phone call or a meeting, do not answer the question and do not give any Prohibited Recommendation regarding the deal. Explain that under applicable regulations and internal policies employees are not allowed to provide such recommendation. After the phone call or meeting, describe the situation, including how the verbal request was handled, in an email and promptly send it to the MIS Compliance Department (email address "[Moody's Compliance](#)", for EMEA employees, "[Moody's Compliance EMEA](#)", or for MJJKK / MSFJ employees, "Moody's Compliance Japan").

Employees may use the Requests for Prohibited Recommendation Reporting Form to file a report with Compliance regarding a verbal request. A version of the form can be found in Appendix II. The form can be found on ComplianceNet also.

DEFINED TERMS

Agent

Any party working on behalf of a Rated Entity, or working on behalf of an agent of the Rated Entity

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.

Employee(s)

An Employee is any full-time or part-time employee of Moody's Corporation or any of its wholly-owned subsidiaries, wherever located.

Issuer

The term Issuer means any entity by which a Security has been issued, guaranteed, or by which the credit underlying a Security has been otherwise supported. The term Issuer also includes the corporate parent or majority-owned subsidiary of an Issuer.

MCO

MCO refers to Moody's Corporation and all of its subsidiaries.

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 the "Moody's Investors Service" brand name.

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 Rating Symbols and Definitions document.

Prohibited Recommendation

Any formal or informal recommendations by an employee provided to a Rated Entity or its Agent about the corporate or legal structure, assets, liabilities or activities of the Rated Entity for the purpose of achieving a better rating, and proposals or recommendations, made either formally or informally, regarding the design of financial instruments on which MIS is expected to issue a Credit Rating.

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.

Review

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

Structured Finance Instruments

A Structured Finance Instrument is one rated by the Structured Finance Group and listed on the documents “SEC Rule 17g-5(a)(3) Structured Finance Instruments List.”

Appendix I

Help table of what feedback is and is not acceptable for analysts to provide to issuers, arrangers, sponsors or other external parties.

Acceptable	Not acceptable
General information	
Explain MIS rating methodologies to any market participant, including issuers, intermediaries and investors	Suggest or require the inclusion of features or provisions so that a certain security can achieve a certain rating level under a particular MIS rating methodology
Discuss features present in other public transactions (i.e., discussed in a published issuer report) or public credit characteristics present in other rated entities	Require that a transaction be structured the same way as or similar to another transaction or that an issuer pursue certain course of action to be like another rated issuer
Application of rating methodologies	
State the credit impact of a certain provision/feature/issue and explain the credit implications for the analysis under MIS rating methodologies	Suggest or require that a transaction be structured in a certain way to fit under the analysis parameters of particular MIS rating methodologies or to achieve a certain rating Recommend how to adjust an offering to achieve a certain rating; advise on how to structure a debt offering to achieve a specific rating result
Discussion of credit drivers	
Provide feedback on credit drivers of a rating committee decision	Suggest or require that a factor behind a credit driver be changed
Explain the credit implications of certain risks/features under MIS methodologies so that the issuer can make its own decision	Suggest or require that a certain risk be mitigated
Analyst's work on models	
Confirm the data provided by the issuer that have been input in the model. Inform of the expected losses obtained with these inputs. Discuss credit drivers influencing model results	Recommend changes to the structure based on the analyst's work on the model
Ratings	
Provide rating level after it has been decided by a rating committee	Provide rating level before it has been decided by a rating committee

Acceptable	Not acceptable
<p>Communicate the rating level decided by rating committee if the issuer has provided credit enhancement levels</p> <p>For the same transaction, communicate the rating level decided by rating committee if the issuer has provided revised credit enhancement levels</p> <p>Provide rating level decided by a rating committee, including on transactions in which credit enhancement has already been provided</p>	<p>Provide a level of credit enhancement if prior feedback to the issuer or its agent was the rating level</p>
Credit enhancement	
<p>Provide a level of credit enhancement after it has been decided by a rating committee</p>	<p>Provide a level of credit enhancement before it has been decided by a rating committee</p>
<p>Provide a level of credit enhancement decided by a rating committee when the target ratings are provided by the issuer or its agent</p>	<p>Provide a level of credit enhancement when target ratings are not provided by the issuer or its agent (i.e., a rating committee cannot provide feedback on both credit enhancement and rating levels at the same time)</p>
<p>After a rating committee has decided credit enhancement levels to achieve the target ratings provided by the issuer:</p> <ul style="list-style-type: none"> - provide updated credit enhancement levels decided by rating committee if the issuer provides revised target ratings; or - provide ratings decided by rating committee if the issuer provides credit enhancement levels 	<p>Suggest or require adjustments to credit enhancement levels provided by issuer or agent to achieve issuer's target ratings</p>

APPENDIX II

Use this [form](#) to report all verbal requests for a Prohibited Recommendation received. When completed return the form or information by e-mail to the appropriate e-mail group:

[“Moody’s Compliance”](#)
[“Moody’s Compliance EMEA”](#) for EMEA employees
[“Moody’s Compliance Japan”](#) for MJKK / MSFJ employees

This form is located on ComplianceNet under Useful Links.

<u>Verbal Requests for Prohibited Recommendation Reporting Form</u>	
Today’s Date:	
Date of the Conversation:	
Name(s) of the Moody’s Personnel Present:	
Name(s) of the Non-Moody’s Persons Present and the Entity That They Represent:	
Place of the Conversation:	
Briefly describe what occurred during the conversation, be sure to include details regarding Moody’s personnel’s attempts to disengage from the discussion:	