

Policy for Agency Rotation

Issued by: Compliance Department
Applicable to: All MIS Structured Finance
and Commercial Group employees
Scope: MIS public Credit Ratings of
European Re-Securitizations
Effective Date: April 3, 2017

I. STATEMENT OF PURPOSE

MIS has adopted this Policy to implement a rotation mechanism in connection with its issuance of public Credit Ratings of European Re-Securitizations. To implement its regulatory obligations, MIS will, for prescribed periods, refrain from rating new European Re-Securitizations where MIS has previously entered into a contract to issue Credit Ratings for a European Re-Securitization with the same Originator, subject to the limitations described below.

II. POLICY

1. From the effective date of the regulation and onwards, when MIS signs a contract to publicly rate a new European Re-Securitization, the maximum Agency Time On Period will be four (4) years. MIS will not enter into another such contract or publicly rate a new European Re-securitization from the same Originator until a Contract Break Period has been completed. For contracts signed before the effective date of the regulation, the Agency Time On Period will commence on the effective date of the regulation.
2. This provision is subject to the Exemption set out in Section II.3 below.
3. Exemption

Where at least four Credit Rating Agencies each rate more than 10% of the total number of outstanding rated European Re-Securitizations, MIS will not be bound by the limitation set out in section II.1 above.

This exemption ceases to apply if MIS enters into a new non-exempt contract to publicly rate a new European Re-Securitization from the same Originator. If this occurs, the Agency Time On Period will commence on the date MIS enters into that new non-exempt contract.

4. The Contract Break Period follows the conclusion of the Agency Time On Period for the respective Originator. Once a Contract Break Period has been completed, MIS will commence a new Agency Time On Period for the same Originator.
5. MIS continues to monitor or update previously assigned Credit Ratings for the lifetime of such European Re-Securitization or until the relevant Credit Rating is withdrawn.

III. DEFINED TERMS

Agency Time On Period

The Agency Time On Period means the period of time during which MIS issues public Credit Ratings on a new European Re-Securitization with the same Originator.

Contract Break Period

A Contract Break Period is a period of time equal to the Agency Time On Period, during which MIS will not enter into a new contract, and will not issue public Credit Ratings on new European Re-Securitized from the same Originator.

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 Agency

Credit Rating Agency means a legal person whose occupation includes the issuing of Credit Ratings on a professional basis.

European Re-Securitization

A European Re-Securitization is a Re-Securitization where the public Credit Ratings is issued by any of MIS's wholly owned subsidiaries in the EU (including branches of such subsidiaries).

Moody's Investors Service, Inc. (MIS)

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Originator

An Originator is the primary instigator of a transaction, as determined by Moody's, expected to have the most interest in and be the ultimate decision maker of the transaction.

Rating

A Rating is any rating or assessment with respect to Credit Rating Services, Ancillary Services, and Other Permissible Services.

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.

Re-Securitization

Re-Securitization means a Securitization where the risk associated with an underlying pool of exposures is

tranching and at least one of the underlying exposures is a Securitization position.

Securitization

Securitization means a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranching, having both of the following characteristics:

- i. payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures; and
- ii. the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme.

Tranche

Tranche means a contractually established segment of the credit risk associated with an exposure or number of exposures, where a position in the segment entails a risk of credit loss greater than or less than a position of the same amount in each other such segment, without taking account of credit protection provided by third parties directly to the holders of positions in the segment or in other segments.

The stratified/tranching structures that characterize securitizations differ from ordinary senior/subordinated debt instruments in that junior securitization tranches can absorb losses without interrupting contractual payments to more senior tranches, whereas subordination in a senior/subordinated debt structure is a matter of priority of rights to the proceeds of liquidation.

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