

KINGDOM OF CAMBODIA
NATION RELIGION KING



CODE OF CONDUCT

RATING AGENCY OF (CAMBODIA) PLC. (RAC)

PREAMBLE

- I. Economic development requires capital to be allocated properly through deep and well- functioning financial markets. Securities with varied profiles and maturities allow investors to achieve their risk and return objectives. Debt is a key component of financial markets either through the banking system or directly issued and traded on public exchanges. For debt capital markets to operate fairly and efficiently, investors must have access to as much information as possible.
- II. Credit rating agencies (CRAs) play a critical role in assessing the quality of issuers and debt instruments, their risk characteristics and probability of default as expressed in a credit rating. A credit rating is an opinion. It is not a statement of fact. As such, it must be obtained in a process based on the principles of credibility, transparency and independence.
- III. Credit Rating Agency of Cambodia (henceforth “RAC”) has been set up to provide credit rating services in Cambodia under these three principles. It will implement a credit analysis methodology that is professional, robust and detailed. It will do so in complete transparency so that investors, regulators and users at large can evaluate the result of the analysis. The credit rating shall be awarded without influence, interference or conflict of interests.
- IV. In order to achieve these objectives, RAC will operate under a strict “Code of Conduct” drawing from the International Organization of Securities Commissions (IOSCO) Code of Conduct¹, the Association of Credit Rating Agencies in Asia (ACRAA) Code of Conduct Fundamentals for Domestic Rating Agencies², and the Asian Development Bank (ADB) Handbook on International Best Practices in Credit Rating³. This will ensure RAC follows internationally recognized best-practice, subject to the laws and regulations of the Kingdom of Cambodia which take precedence over the IOSCO Code⁴.

¹ : IOSCO Code of Conduct Fundamentals for Credit Rating Agencies, 2015

² : ACRAA Code of Conduct Fundamentals for Domestic Credit Rating Agencies, 2011

³ : ADB Handbook on International Best Practices in Credit Rating, 2008

⁴ : IOSCO Code, 2015, p. A-3

1. QUALITY AND INTEGRITY OF THE CREDIT RATING PROCESS

A. Quality of the Credit Rating Process

- 1.1.** RAC shall establish, maintain, document, and enforce a credit rating methodology for each class of entity or obligation for which RAC issues credit ratings. Each credit rating methodology shall be rigorous, capable of being applied consistently, and, where possible, result in credit ratings that can be subjected to some form of objective validation based on historical experience, when available⁵.
- 1.2.** Credit ratings shall reflect all information known and believed to be relevant to RAC, consistent with the applicable credit rating methodology that is in effect. Therefore, RAC shall establish, maintain, document, and enforce policies, procedures, and controls to ensure that the credit ratings and related reports it disseminates are based on a thorough analysis of all such information.
- 1.3.** RAC shall adopt reasonable measures designed to ensure that it has the appropriate knowledge and expertise, and that the information it uses in determining credit ratings is of sufficient quality and obtained from reliable sources to support a high-quality credit rating.
- 1.4.** RAC shall avoid issuing credit ratings for entities or obligations for which it does not have appropriate information, knowledge, and expertise. For example, where the complexity of a security or the structure of a type of security, or the lack of robust data about the assets underlying the security raise serious questions as to whether RAC can determine a high-quality credit rating for the security, RAC shall refrain from issuing a credit rating.
- 1.5.** In assessing creditworthiness, analysts involved in the credit rating action shall use the credit rating methodology established by RAC for the type of entity or obligation that is subject to the credit rating action. The credit rating methodology shall be applied in a manner that is consistent across all entities or obligations for which that methodology is used.
- 1.6.** RAC shall define the meaning of each category in its rating scales and apply those categories consistently across all classes of rated entities and obligations to which a given rating scale applies.
- 1.7.** Credit ratings shall be assigned by RAC as an entity (not by an analyst or other employee of RAC).
- 1.8.** RAC shall assign analysts who, individually or collectively (particularly where credit rating committees are used), have appropriate knowledge and experience for assessing the creditworthiness of the type of entity or obligation being rated.

⁵ : Cambodian financial markets have a short history and limited data available

- 1.9.** RAC shall maintain internal records that are accurate and sufficiently detailed and comprehensive to reconstruct the credit rating process for a given credit rating action. The records shall be retained for as long as necessary to promote the integrity of RAC's credit rating process, including to permit internal audit, compliance, and quality control functions to review past credit rating actions in order to carry out the responsibilities of those functions. Further, RAC shall establish, maintain, document, and enforce policies, procedures, and controls designed to ensure that its employees comply with RAC's internal record maintenance, retention, and disposition requirements and with applicable laws and regulations governing the maintenance, retention, and disposition of RAC records.
- 1.10.** RAC shall establish, maintain, document, and enforce policies, procedures, and controls designed to avoid issuing credit ratings, analyses, or reports that contain misrepresentations or are otherwise misleading as to the general creditworthiness of a rated entity or obligation.
- 1.11.** RAC shall ensure that it has and devotes sufficient resources to carry out and maintain high quality credit ratings. When deciding whether to issue a credit rating for an entity or obligation, RAC shall assess whether it is able to devote a sufficient number of analysts with the skill sets to determine high quality credit ratings, and whether the analysts will have access to sufficient information in order to determine a high-quality credit rating.
- 1.12.** RAC shall establish and maintain a review function made up of one or more senior managers with appropriate experience to review the feasibility of providing a credit rating for a type of entity or obligation that is materially different from the entities or obligations RAC currently rates.
- 1.13.** RAC shall establish and maintain a review function made up of one or more senior managers responsible for conducting a rigorous, formal, and periodic review, on a regular basis pursuant to an established timeframe, of all aspects of RAC's credit rating methodologies (including models and key assumptions) and significant changes to the credit rating methodologies. For example, RAC shall assess whether existing credit rating methodologies and models for determining credit ratings of structured finance products are appropriate when the risk characteristics of the assets underlying a structured finance product change materially.
Where feasible and appropriate for the size and scope of its credit rating business, this function shall be independent of the employees who are principally responsible for determining credit ratings.
- 1.14.** RAC, in selecting the analyst or analysts who will participate in determining a credit rating, shall seek to promote continuity but also to avoid bias in the credit rating process. For example, in seeking to balance the objectives of continuity and bias avoidance, RAC could assign a team of analysts to participate in determining the credit rating – some for whom the rated entity or obligation is within their area of primary analytical responsibility.

- 1.15.** RAC shall ensure that sufficient employees and financial resources are allocated to monitoring and updating all its credit ratings. Except for a credit rating that clearly indicates it does not entail ongoing surveillance, once a credit rating is published, RAC shall monitor the credit rating on an ongoing basis by:
- a) reviewing the creditworthiness of the rated entity or obligation regularly;
 - b) initiating a review of the status of the credit rating upon becoming aware of any information that might reasonably be expected to result in a credit rating action (including withdrawal of a credit rating), consistent with the applicable credit rating methodology;
 - c) reviewing the impact of and applying a change in the credit rating methodologies, models or key rating assumptions on the relevant credit ratings within a reasonable period of time;
 - d) updating on a timely basis the credit rating, as appropriate, based on the results of such review; and
 - e) incorporating all cumulative experience obtained.
- 1.16.** If RAC uses separate analytical teams for determining initial credit ratings and for subsequent monitoring of existing credit ratings, each team shall have the requisite level of expertise and resources to perform their respective functions in a timely manner.
- 1.17.** RAC shall establish, maintain, document, and enforce policies and procedures that clearly set forth guidelines for disseminating credit ratings that are the result or subject of credit rating actions and the related reports, and for when a credit rating will be withdrawn.

B. Integrity of the Credit Rating Process

- 1.18.** RAC and its employees shall deal fairly and honestly with rated entities, obligors, originators, underwriters, arrangers, and users of credit ratings.
- 1.19.** RAC's employees shall be held to the highest standards of integrity and ethical behavior, and RAC shall have policies and procedures in place that are designed to ensure that individuals with demonstrably compromised integrity are not employed.
- 1.20.** RAC and its employees shall not, either implicitly or explicitly, give any assurance or guarantee to an entity subject to a rating action, obligor, originator, underwriter, arranger, or user of RAC's credit ratings about the outcome of a particular credit rating action. This does not preclude RAC from developing preliminary indications in a manner that is consistent with Provisions 1.22 and 2.6 (d) of the present RAC Code of Conduct.
- 1.21.** RAC and its employees shall not make promises or threats about potential credit rating actions to influence rated entities, obligors, originators, underwriters, arrangers, or users of RAC's credit ratings (e.g., subscribers) to pay for credit ratings or other services.
- 1.22.** RAC and its employees shall not make proposals or recommendations regarding the activities of rated entities or obligors that could impact a credit rating of the rated entity or obligation, including but not limited to proposals or recommendations about corporate or legal structure, assets and liabilities, business

operations, investment plans, lines of financing, business combinations, and the design of structured finance products.

- 1.23.** In each jurisdiction in which RAC operates, RAC shall establish, maintain, document, and enforce policies, procedures, and controls designed to ensure that RAC and its employees comply with RAC's code of conduct and applicable laws and regulations.
- a) RAC shall establish a compliance function responsible for monitoring and reviewing the compliance of RAC and its employees with the provisions of RAC's code of conduct and with applicable laws and regulations.
 - b) The compliance function also shall be responsible for reviewing the adequacy of RAC's policies, procedures, and controls designed to ensure compliance with RAC's code of conduct and applicable laws and regulations.
 - c) RAC shall assign a senior level employee with the requisite skill set to serve as RAC's compliance officer in charge of the compliance function. The compliance officer's reporting lines and compensation shall be independent of RAC's credit rating operations.
- 1.24.** Upon becoming aware that another employee or an affiliate of RAC is or has engaged in conduct that is illegal, unethical, or contrary to RAC's code of conduct, RAC employee shall report such information immediately to the compliance officer or another officer of RAC, as appropriate, so proper action may be taken. RAC's employees are not necessarily expected to be experts in the law. Nonetheless, RAC employees are expected to report activities that a reasonable person would question. Upon receiving such a report from an employee, RAC is obligated to take appropriate action, as determined by the laws and regulations of the jurisdiction and the policies, procedures, and controls established, maintained, documented, and enforced by RAC. RAC shall prohibit retaliation by RAC or an employee against any employees who, in good faith, make such reports.

2. RAC INDEPENDENCE AND AVOIDANCE OF CONFLICTS OF INTEREST

A. General

- 2.1. RAC shall not delay or refrain from taking a credit rating action based on the potential effect (economic, political, or otherwise) of the action on RAC, a rated entity, obligor, originator, underwriter, arranger, investor, or other market participant.
- 2.2. RAC and its employees shall use care and professional judgment to maintain both the substance and appearance of RAC's and its employees' independence and objectivity.
- 2.3. AC's determination of a credit rating shall be influenced only by factors relevant to the assessment of the creditworthiness of the rated entity or obligation.
- 2.4. The credit rating RAC assigns to an entity or obligation shall not be affected by whether there is an existing or potential business relationship between RAC (or its affiliates) and the rated entity, obligor, originator, underwriter, or arranger (or any of their affiliates), or any other party.
- 2.5. RAC shall operationally, legally, and, if practicable, physically separate its credit rating business and its analysts from any other businesses of RAC that may present a conflict of interest. For other businesses that do not necessarily present a conflict of interest, RAC shall establish, maintain, document, and enforce policies, procedures, and controls designed to minimize the likelihood that conflicts of interest will arise. RAC shall disclose why it believes those other businesses do not present a conflict of interest with its credit rating business.

B. RAC Policies, Procedures, Controls and Disclosures

- 2.6. RAC shall establish, maintain, document, and enforce policies, procedures, and controls to identify and eliminate, or manage and disclose, as appropriate, any actual or potential conflicts of interest that may influence the credit rating methodologies, credit rating actions, or analyses of RAC or the judgment and analyses of RAC's employees. Among other things, the policies, procedures, and controls shall address (as applicable to RAC's business model) how the following conflicts can potentially influence RAC's credit rating methodologies or credit rating actions:
 - a) being paid to issue a credit rating by the rated entity or by the obligor, originator, underwriter, or arranger of the rated obligation;
 - b) being paid by subscribers with a financial interest that could be affected by a credit rating action of RAC;
 - c) being paid by rated entities, obligors, originators, underwriters, arrangers, or subscribers for services other than issuing credit ratings or providing access to RAC's credit ratings;
 - d) providing a preliminary indication or similar indication of credit quality to an entity, obligor, originator, underwriter, or arranger prior to being hired to determine the final credit rating for the entity, obligor, originator, underwriter, or arranger; and
 - e) having a direct or indirect ownership interest in a rated entity or obligor, or having a

rated entity or obligor have a direct or indirect ownership interest in RAC.

- 2.7. RAC shall disclose actual and potential conflicts of interest (including, but not limited to, those conflicts of interest identified in Principle 2.6 above) in a complete, timely, clear, concise, specific, and prominent manner. When the actual or potential conflict of interest is unique or specific to a credit rating action with respect to a particular rated entity, obligor, originator, lead underwriter, arranger, or obligation, such conflict of interest shall be disclosed in the same form and through the same means as the relevant credit rating action.
- 2.8. RAC shall disclose the general nature of its compensation arrangements with rated entities, obligors, lead underwriters, or arrangers.
 - a) When RAC receives from a rated entity, obligor, originator, lead underwriter, or arranger compensation unrelated to its credit rating services, RAC shall disclose such unrelated compensation as a percentage of total annual compensation received from such rated entity, obligor, lead underwriter, or arranger in the relevant credit rating report or elsewhere, as appropriate.
 - b) RAC shall disclose in the relevant credit rating report or elsewhere, as appropriate, if it receives 10 percent or more of its annual revenue from a single client (e.g., a rated entity, obligor, originator, lead underwriter, arranger, or subscriber, or any of their affiliates).
- 2.9. RAC shall disclose in its credit rating announcement whether the issuer of a structured finance product has informed RAC that it is publicly disclosing all relevant information about the obligation being rated or if the information remains non-public.
- 2.10. RAC shall not hold or transact in trading instruments presenting a conflict of interest with RAC's credit rating activities.
- 2.11. In instances where rated entities or obligors (e.g., sovereign nations or states) have, or are simultaneously pursuing, oversight functions related to RAC, the employees responsible for interacting with the officials of the rated entity or the obligor (e.g., government regulators) regarding supervisory matters shall be separate from the employees that participate in taking credit rating actions or developing or modifying credit rating methodologies that apply to such rated entity or obligor.

C. RAC Employee Independence

- 2.12. Reporting lines for RAC employees and their compensation arrangements shall be structured to eliminate or effectively manage actual and potential conflicts of interest.
 - a) A RAC employee who participates in or who might otherwise have an effect on a credit rating action with respect to an entity or obligation shall not be compensated or evaluated on the basis of the amount of revenue that RAC derives from that entity or obligor.
 - b) RAC shall conduct formal and periodic reviews of its compensation policies, procedures, and practices for RAC employees who participate in or who might otherwise have an effect on a credit rating action to ensure that these policies, procedures, and practices have not compromised and do not compromise the objectivity of RAC's credit rating process.
- 2.13. RAC's employees who participate in or who might otherwise have an effect on a

credit rating action shall not initiate or participate in discussions with rated entities, obligors, arrangers, or subscribers regarding fees or payments charged to such rated entity, obligor, arranger, or subscriber.

- 2.14. A RAC employee shall not participate in or otherwise influence a RAC's credit rating action with respect to an entity or obligation if the employee, an immediate family member of the employee (e.g., spouse, domestic partner, or dependent), or an entity managed by the employee (e.g., a trust):
- a) Holds or transacts in a trading instrument issued by the rated entity or obligor;
 - b) Holds or transacts in a trading instrument (other than a diversified collective investment scheme) that itself owns an interest in the rated entity or obligor, or is a derivative based on a trading instrument issued by the rated entity or obligor;
 - c) Holds or transacts in a trading instrument issued by an affiliate of the rated entity or obligor, the ownership of which may cause or may be perceived as causing a conflict of interest with respect to the employee or RAC;
 - d) Holds or transacts in a trading instrument issued by a lead underwriter or arranger of the rated obligation, the ownership of which may cause or may be perceived as causing a conflict of interest with respect to the employee or RAC;
 - e) Is currently employed by, or had a recent employment or other significant business relationship with the rated entity or obligor or a lead underwriter or arranger of the rated obligation that may cause or may be perceived as causing a conflict of interest;
 - f) Is a director of the rated entity or obligor, or lead underwriter or arranger of the rated obligation; or
 - g) Has, or had, another relationship with or interest in the rated entity, obligor, or the lead underwriter or arranger of the rated obligation (or any of their affiliates) that may cause or may be perceived as causing a conflict of interest.
- 2.15. A RAC analyst shall not hold or transact in a trading instrument issued by a rated entity or obligor in the analyst's area of primary analytical responsibility. This would not preclude an analyst from holding or trading a diversified collective investment scheme that owns a trading instrument issued by a rated entity or obligor in the analyst's area of primary analytical responsibility.
- 2.16. A RAC employee shall be prohibited from soliciting money, gifts, or favors from anyone with whom RAC does business and shall be prohibited from accepting gifts offered in the form of cash or cash equivalents or any gifts exceeding a minimal monetary value.
- 2.17. A RAC employee who becomes involved in a personal relationship (including, for example, a personal relationship with an employee of a rated entity, obligor, or originator, or the lead underwriter or arranger of a rated obligation) that creates an actual or potential conflict of interest shall be required under RAC's policies, procedures, and controls to disclose the relationship to the compliance officer or another officer of RAC, as appropriate.
- 2.18. RAC shall establish, maintain, document, and enforce policies, procedures, and controls for reviewing without unnecessary delay the past work of an analyst who leaves the employ of RAC and joins an entity that the employee participated in rating, an obligor whose obligation the employee participated in rating, an originator, underwriter, or arranger with which the employee had significant dealings as part of

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his or her duties at RAC, or any of their affiliates.

3. RAC RESPONSIBILITIES TO THE INVESTING PUBLIC, RATED ENTITIES, OBLIGORS, ORIGINATORS, UNDERWRITERS, AND ARRANGERS

A. Transparency and Timeliness of Credit Ratings Disclosure

- 3.1.** RAC shall assist investors and other users of credit ratings in developing a greater understanding of credit ratings by disclosing in plain language, among other things, the nature and limitations of credit ratings and the risks of unduly relying on them to make investment or other financial decisions. If RAC is subject to a Credit Rating Agency registration and oversight program administered by a regional or national authority, it shall not state or imply that the authority endorses its credit ratings or use its registration status to advertise the quality of its credit ratings.
- 3.2.** RAC shall disclose sufficient information about its credit rating process and its credit rating methodologies, so that investors and other users of credit ratings can understand how a credit rating was determined by RAC.
- 3.3.** RAC shall disclose a material modification to a credit rating methodology prior to the modification taking effect unless doing so would negatively impact the integrity of a credit rating by unduly delaying the taking of a credit rating action. In either case, RAC shall disclose the material modification in a non-selective manner.
- 3.4.** RAC shall disclose its policies and procedures that address the issuance of unsolicited credit ratings.
- 3.5.** RAC shall disclose its policies and procedures for distributing credit ratings and reports, and for when a credit rating will be withdrawn.
- 3.6.** RAC shall disclose clear definitions of the meaning of each category in its rating scales, including the definition of default.
- 3.7.** RAC shall differentiate credit ratings of structured finance products from credit ratings of other types of entities or obligations, preferably through a different credit rating identifier. RAC shall also disclose how this differentiation functions.
- 3.8.** RAC shall be transparent with investors, rated entities, obligors, originators, underwriters, and arrangers about how the relevant entity or obligation is rated.
- 3.9.** Where feasible and appropriate, RAC shall inform the rated entity, or the obligor or arranger of the rated obligation about the critical information and principal considerations upon which a credit rating will be based prior to disseminating a credit rating that is the result or subject of the credit rating action and afford such rated entity, obligor, or arranger an adequate opportunity to clarify any factual errors, factual omissions, or factual misperceptions

that would have a material effect on the credit rating. RAC shall duly evaluate any response from such rated entity, obligor, or arranger. Where in particular circumstances RAC has not informed such rated entity, obligor, or arranger prior to disseminating a credit rating action, RAC shall inform such rated entity, obligor, or arranger as soon as practical thereafter and, generally, shall explain why RAC did not inform such rated entity, obligor, or arranger prior to disseminating the credit rating action.

- 3.10.** When RAC publicly discloses or distributes to its subscribers (depending on RAC's business model⁶) a credit rating that is the result or subject of the credit rating action, it shall do so as soon as practicable after taking such action.
- 3.11.** When RAC publicly discloses or distributes to its subscribers (depending on RAC's business model) a credit rating that is the result or subject of a credit rating action, it shall do so on a non-selective basis.
- 3.12.** RAC shall disclose with a credit rating that is the result or subject of a credit rating action whether the rated entity, obligor, or originator, or the underwriter or arranger of the rated obligation participated in the credit rating process. Each credit rating not initiated at the request of the rated entity, obligor, or originator, or the underwriter or arranger of the rated obligation shall be identified as such.
- 3.13.** RAC shall clearly indicate the attributes and limitations of each credit rating, and the extent to which RAC verifies information provided to it by the rated entity, obligor, or originator, or the underwriter or arranger of the rated obligation. For example, if the credit rating involves a type of entity or obligation for which there is limited historical data, RAC shall disclose this fact and how it may limit the credit rating.
- 3.14.** RAC shall indicate in the announcement of a credit rating that is the result or the subject of a credit rating action when the credit rating was last updated or reviewed. The credit rating announcement shall also indicate the principal credit rating methodology or methodology version that was used in determining the credit rating and where a description of that credit rating methodology can be found. Where the credit rating is based on more than one credit rating methodology, or where a review of only the principal credit rating methodology might cause investors and other users of credit ratings to overlook important aspects of the credit rating, RAC shall explain this fact in the credit rating announcement, and indicate where to find a discussion of how the different credit rating methodologies and other important aspects factored into the credit rating decision.
- 3.15.** When rating a structured finance product, RAC shall publicly disclose or distribute to its subscribers (depending on RAC's business model) sufficient information about its loss and cash-flow analysis with the credit rating, so that investors in the product, other users of credit ratings, and/or subscribers can understand the basis for RAC's credit rating. RAC shall

⁶ : The business model of RAC shall be detailed before any credit rating is issued

also publicly disclose or distribute information about the degree to which it analyzes how sensitive a credit rating of a structured finance product is to changes in the assumptions underlying the applicable credit rating methodology.

- 3.16. When issuing or revising a credit rating, RAC shall explain in its announcement and/or report the key assumptions and data underlying the credit rating, including financial statement adjustments that deviate materially from those contained in the published financial statements of the relevant rated entity or obligor.
- 3.17. If RAC discontinues monitoring a credit rating for a rated entity or obligation it shall either withdraw the credit rating or disclose such discontinuation to the public or to its subscribers (depending on RAC's business model) as soon as practicable. A publication by RAC of a credit rating that is no longer being monitored shall indicate the date the credit rating was last updated or reviewed, the reason the credit rating is no longer monitored, and the fact that the credit rating is no longer being updated.
- 3.18. To promote transparency and to enable investors and other users of credit ratings to compare the performance of different CRAs, RAC shall disclose sufficient information about the historical transition and default rates of its credit rating categories with respect to the classes of entities and obligations it rates. This information shall include verifiable, quantifiable historical information, organized over a period of time, and, where possible, standardized in such a way to assist investors and other users of credit ratings in comparing different CRAs. If the nature of the rated entity or obligation or other circumstances make such historical transition or default rates inappropriate, statistically invalid, or otherwise likely to mislead investors or other users of credit ratings, RAC shall disclose why this is the case.

B. The Treatment of Confidential Information

- 3.19. RAC shall establish, maintain, document, and enforce policies, procedures, and controls to protect confidential and/or material non-public information, including confidential information received from a rated entity, obligor, or originator, or the underwriter or arranger of a rated obligation, and non-public information about a credit rating action (e.g., information about a credit rating action before the credit rating is publicly disclosed or disseminated to subscribers).
 - a) The policies, procedures, and controls shall prohibit RAC and its employees from using or disclosing confidential and/or material non-public information for any purpose unrelated to RAC's credit rating activities, including disclosing such information to other employees where the disclosure is not necessary in connection with RAC's credit rating activities, unless disclosure is required by applicable law or regulation.
 - b) The policies, procedures, and controls shall require RAC and its employees to take reasonable steps to protect confidential and/or material non-public information from fraud, theft, misuse, or inadvertent disclosure.
 - c) With respect to confidential information received from a rated entity, obligor, originator, underwriter, or arranger, the policies, procedures, and controls shall prohibit RAC and its employees from using or disclosing such information in violation of the terms of any applicable agreement or mutual understanding that RAC will keep the information confidential, unless disclosure is required by

applicable law or regulation.

- d) With respect to a pending credit rating action, the policies, procedures, and controls shall prohibit RAC and its employees from selectively disclosing information about the pending credit rating action, except to the rated entity, obligor, arranger, or their designated agents, or as required by applicable law or regulation.

3.20. RAC shall establish, maintain, document, and enforce policies, procedures, and controls designed to prevent violations of applicable laws and regulations governing the treatment and use of confidential and/or material non-public information.

3.21. RAC shall establish, maintain, document, and enforce policies, procedures, and controls that prohibit employees that possess confidential and/or material non-public information concerning a trading instrument from engaging in a transaction in the trading instrument or using the information to advise or otherwise advantage another person in transacting in the trading instrument.

4. GOVERNANCE, RISK MANAGEMENT, AND EMPLOYEE TRAINING

- 4.1.** RAC's board (or similar body) shall have ultimate responsibility for ensuring that RAC establishes, maintains, documents, and enforces a code of conduct that gives full effect to the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies.
- 4.2.** RAC shall establish a risk management function made up of one or more senior managers or employees with the appropriate level of experience responsible for identifying, assessing, monitoring, and reporting the risks arising from its activities, including, but not limited to legal risk, reputational risk, operational risk, and strategic risk. The function shall be independent of the internal audit function (if practicable given RAC's size) and make periodic reports to the board (or similar body) and senior management to assist them in assessing the adequacy of the policies, procedures, and controls RAC establishes, maintains, documents, and enforces to manage risk, including the policies, procedures, and controls specified in the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies.
- 4.3.** RAC shall establish, maintain, document, and enforce policies, procedures, and controls requiring employees to undergo formal ongoing training at reasonably regular time intervals. The subject matter covered by the training shall be relevant to the employee's responsibilities and shall cover, as applicable, RAC's code of conduct, RAC's credit rating methodologies, the laws governing RAC's credit rating activities, RAC's policies, procedures, and controls for managing conflicts of interest and governing the holding and transacting in trading instruments, and RAC's policies and procedures for handling confidential and/or material non-public information. The policies, procedures, and controls shall include measures designed to verify that employees undergo required training.

5. DISCLOSURE AND COMMUNICATION WITH MARKET PARTICIPANTS

- 5.1.** RAC's disclosures, including those specified in the provisions of the IOSCO CRA Code, shall be complete, fair, accurate, timely, and understandable to investors and other users of credit ratings.
- 5.2.** RAC shall disclose with its code of conduct a description of how the provisions of its code of conduct fully implement the provisions of the IOSCO Statement of Principles Regarding the Activities of Credit Rating Agencies and the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies (collectively, the "IOSCO provisions"). If RAC's code of conduct deviates from an IOSCO provision, RAC shall identify the relevant IOSCO provision, explain the reason for the deviation, and explain how the deviation nonetheless achieves the objectives contained in the IOSCO provisions. RAC shall describe how it implements and enforces its code of conduct. RAC also shall disclose as soon as practicable any changes to its code of conduct or changes to how it is being implemented or enforced.
- 5.3.** RAC shall establish and maintain a function within its organization charged with receiving, retaining, and handling complaints from market participants and the public. The function shall establish, maintain, document, and enforce policies, procedures, and controls for receiving, retaining, and handling complaints, including those that are provided on a confidential basis. The policies, procedures, and controls shall specify the circumstances under which a complaint must be reported to senior management and/or the board (or similar body).
- 5.4.** RAC shall publicly and prominently disclose free of charge on its primary website:
- a) RAC's code of conduct;
 - b) a description of RAC's credit rating methodologies;
 - c) information about RAC's historic performance data; and
 - d) any other disclosures specified in the provisions of the IOSCO Code⁷ as applicable given RAC's business model.

⁷ : IOSCO Code of Conduct Fundamentals for Credit Rating Agencies, 2015

TERMS

For the purposes of RAC Code of Conduct:

- **“Affiliate”** means an entity that directly or indirectly controls, is controlled by, or is under common control with another entity.
- **“Analyst”** means a RAC employee who performs analytical functions that are necessary for the issuing or monitoring of a credit rating or participates in determining credit ratings, including an employee involved in a credit rating committee.
- **“Credit rating” or “rating”** means an assessment regarding the creditworthiness of an entity or obligation, expressed using an established and defined ranking system.
- **“Credit rating action”** means to determine an initial credit rating, an upgrade of an existing credit rating, a downgrade of an existing credit rating (including to a default category), an affirmation of an existing credit rating, or a withdrawal of a credit rating.
- **“Credit rating agency” or “CRA”** means an entity that is in the business of issuing credit ratings.
- **“Credit rating methodology”** means the procedure by which a CRA determines credit ratings, including the information that must be considered or analyzed to determine a credit rating and the analytical framework used to determine the credit rating, including, as applicable, the models, financial metrics, assumptions, criteria, or other quantitative or qualitative factors to be used to determine the credit rating.
- **“Credit rating process”** means all the steps taken with respect to a credit rating action including, but not limited to, RAC’s selection and assignment of analysts to work on the matter, application of the credit rating methodology, decision-making activities (e.g., the operation of a rating committee), interaction with the rated entity, obligor, originator, underwriter, or arranger, and as applicable, dissemination of the credit rating publicly or to subscribers.
- **“Employee”** means any individual who works for RAC on a full-time, part-time, or temporary basis, including any individual working as a contractor, provided that such contractor is involved in the credit rating process.
- **“Entity”** means a government; political subdivision, agency, or instrumentality of a government; or a company, corporation, partnership, trust, estate, or association.
- **“Trading instrument”** means a security, money market instrument, derivative, or other similar product.
- **“Obligation”** means a trading instrument, credit commitment, loan, or other similar product or transaction that has inherent credit risk.
- **“Obligor”** means the entity that is legally or contractually obliged to make payments on a rated obligation.