



MERatings CODE OF CONDUCT FUNDAMENTALS

October 2018

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In line with MERatings pursuit to provide, independent, transparent and objective credit ratings, we have adopted the International Organization of Securities Commission's (IOSCO) Code of Conduct as published in March 2015. The code is intended to provide information about how MERatings will conduct its business in relation to its clients, employees, regulators or any other party. The code comply with the current law, rules and regulations of the jurisdiction MERatings operate in, the code is also consistent with other internal policies and procedures that govern MERatings, activities, businesses, operations and employees.

Structurally, the IOSCO CRA Code is broken into five sections:

- The Quality and Integrity of the Credit Rating Process;
- CRA Independence and the Avoidance of Conflicts of Interest;
- CRA Responsibilities to the Investing Public, Rated Entities, Obligors, Underwriters, and Arrangers;
- Governance, Risk Management, and Employee Training; and
- Disclosure and Communication with Market Participants.

TERMS

For the purposes of the IOSCO CRA Code

- "Affiliate" means an entity that directly or indirectly controls, is controlled by, or is under common control with another entity.
- "Analyst" means a CRA 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, the CRA'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 the CRA 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.

1. QUALITY AND INTEGRITY OF THE CREDIT RATING PROCESS

A. Quality of The Credit Rating Process

- 1.1 MERatings will establish, maintain, document, and enforce a credit rating methodology for each class of entity or obligation for which MERatings issues credit ratings. Each credit rating methodology will 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.
- 1.2 Credit ratings should reflect all information known and believed to be relevant to MERatings, consistent with the applicable credit rating methodology that is in effect. Therefore, MERatings will 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 MERatings will 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 MERatings will 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 MERatings can determine a high-quality credit rating for the security, MERatings should refrain from issuing a credit rating.
- 1.5 In assessing creditworthiness, analysts involved in the credit rating action will use the

credit rating methodology established by MERatings for the type of entity or obligation that is subject to the credit rating action. The credit rating methodology will be applied in a manner that is consistent across all entities or obligations for which that methodology is used.

- 1.6 MERatings will 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 will be assigned by MERatings as an entity (not by an analyst or other employee of MERatings).
- 1.8 MERatings will 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.
- 1.9 MERatings will 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 will be retained for as long as necessary to promote the integrity of the MERatings'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, MERatings will establish, maintain, document, and enforce policies, procedures, and controls designed to ensure that its employees comply with MERatings internal record maintenance, retention, and disposition requirements and with applicable laws and regulations governing the maintenance, retention, and disposition of MERatings records.
- 1.10 MERatings will 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 MERatings will 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, MERatings will 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 MERatings will 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 MERatings currently rates.
- 1.13 MERatings will 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 MERatings's credit rating

methodologies (including models and key assumptions) and significant changes to the credit rating methodologies. For example, MERatings should 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 should be independent of the employees who are principally responsible for determining credit ratings.

- 1.14 MERatings, in selecting the analyst or analysts who will participate in determining a credit rating, will 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, MERatings will 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 and some of whom have other areas of primary analytical responsibility.
- 1.15 MERatings will 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, MERatings will 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 MERatings uses separate analytical teams for determining initial credit ratings and for subsequent monitoring of existing credit ratings, each team will have the requisite level of expertise and resources to perform their respective functions in a timely manner.
- 1.17 MERatings will 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 MERatings and its employees will deal fairly and honestly with rated entities, obligors, originators, underwriters, arrangers, and users of credit ratings.
- 1.19 MERatings's employees will be held to the highest standards of integrity and ethical behavior, and MERatings will have policies and procedures in place that are designed to ensure that individuals with demonstrably compromised integrity are not employed.
- 1.20 MERatings and its employees will 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 MERatings's credit ratings about the outcome of a particular credit rating action. This does not preclude MERatings from developing preliminary indications in a manner that is consistent with Provisions 1.22 and 2.6(d) of the IOSCO CRA Code.
- 1.21 MERatings and its employees will not make promises or threats about potential credit rating actions to influence rated entities, obligors, originators, underwriters, arrangers, or users MERatings's credit ratings (e.g., subscribers) to pay for credit ratings or other services.
- 1.22 MERatings and its employees will 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 MERatings operates, MERatings will establish, maintain, document, and enforce policies, procedures, and controls designed to ensure that MERatings and its employees comply with its own code of conduct and applicable laws and regulations.
 - a. MERatings will establish a compliance function responsible for monitoring and reviewing the compliance of MERatings and its employees with the provisions of the code of conduct and with applicable laws and regulations.
 - b. The compliance function also will be responsible for reviewing the adequacy of MERatings's policies, procedures, and controls designed to ensure compliance with the code of conduct and applicable laws and regulations.
 - c. MERatings will assign a senior level employee with the requisite skill set to serve as a compliance officer in charge of the compliance function. The compliance officer's reporting lines and compensation should be independent of MERatings credit rating operations.
- 1.24 Upon becoming aware that another employee or an affiliate of MERatings is or has engaged in conduct that is illegal, unethical, or contrary to MERatings code of conduct, the employee will report such information immediately to the compliance officer or

another officer of MERatings, as appropriate, so proper action may be taken. MERatings employees are not necessarily expected to be experts in the law. Nonetheless, the employees are expected to report activities that a reasonable person would question. Upon receiving such a report from an employee, MERatings 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 the CRA. MERatings will prohibit retaliation by the CRA or an employee against any employees who, in good faith, make such reports.

2. MERATINGS INDEPENDENCE AND AVOIDANCE OF CONFLICTS OF INTEREST

A. General

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

B. MERATINGS Policies, Procedures, Controls and Disclosures

- 2.6 MERatings will 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 itself or the judgment and analyses of its employees. Among other things, the policies, procedures, and controls will address (as applicable to MERatings business model) how the following conflicts can potentially influence MERatings'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 MERatings;
 - c. being paid by rated entities, obligors, originators, underwriters, arrangers, or subscribers for services other than issuing credit ratings or providing access to MERatings'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 MERatings.
- 2.7 MERatings will 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 will be disclosed in the same form and through the same means as the relevant credit rating action.
- 2.8 MERatings will disclose the general nature of its compensation arrangements with rated entities, obligors, lead underwriters, or arrangers.
- a. When MERatings receives from a rated entity, obligor, originator, lead underwriter, or arranger compensation unrelated to its credit rating services, MERatings 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. MERatings will 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 MERatings will disclose in its credit rating announcement whether the issuer of a structured finance product has informed them that it is publicly disclosing all relevant information about the obligation being rated or if the information remains non-public.
- 2.10 MERatings will not hold or transact in trading instruments presenting a conflict of interest with its own 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 MERatings, the employees responsible for interacting with the officials of the rated entity or the obligor (e.g., government regulators) regarding supervisory matters should 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. MERATINGS Employee Independence

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

- 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 MERatings analyst will 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 MERatings employee will be prohibited from soliciting money, gifts, or favors from anyone with whom MERatings does business and will be prohibited from accepting gifts offered in the form of cash or cash equivalents or any gifts exceeding a minimal monetary value.

2.17 MERatings 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 will be required under MERatings policies, procedures, and controls to disclose the relationship to the compliance officer or another officer, as appropriate.

2.18 MERatings will 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 the CRA 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 his or her duties at the CRA, or any of their affiliates.

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

A. Transparency and Timeliness of Credit Ratings Disclosure

- 3.1 MERatings will 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.
- 3.2 MERatings will 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 us.
- 3.3 MERatings will 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, MERatings will disclose the material modification in a non-selective manner.
- 3.4 MERatings will disclose its policies and procedures that address the issuance of unsolicited credit ratings.
- 3.5 MERatings will disclose its policies and procedures for distributing credit ratings and reports, and for when a credit rating will be withdrawn.
- 3.6 MERatings will disclose clear definitions of the meaning of each category in its rating scales, including the definition of default.
- 3.7 MERatings will differentiate credit ratings of structured finance products from credit ratings of other types of entities or obligations, preferably through a different credit rating identifier. MERatings will also disclose how this differentiation functions.
- 3.8 MERatings will 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, MERatings will 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. MERatings will duly evaluate any response from such rated entity, obligor, or

arranger. Where in particular circumstances it has not informed such rated entity, obligor, or arranger prior to disseminating a credit rating action, it will inform such rated entity, obligor, or arranger as soon as practical thereafter and, generally, should explain why it did not inform such rated entity, obligor, or arranger prior to disseminating the credit rating action.

- 3.10 When MERatings publicly discloses or distributes to its subscribers (depending on its business model) a credit rating that is the result or subject of the credit rating action, it should do so as soon as practicable after taking such action.
- 3.11 When MERatings publicly discloses or distributes to its subscribers (depending on its business model) a credit rating that is the result or subject of a credit rating action, it should do so on a non-selective basis.
- 3.12 MERatings will 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 should be identified as such.
- 3.13 MERatings will clearly indicate the attributes and limitations of each credit rating, and the extent to which it 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, it will disclose this fact and how it may limit the credit rating.
- 3.14 MERatings will 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 should 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, the MERatings will 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, MERatings will publicly disclose or distribute to its subscribers (depending on its 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 MERatings's credit rating. MERatings will 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, MERatings will 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 MERatings discontinues monitoring a credit rating for a rated entity or obligation it will either withdraw the credit rating or disclose such discontinuation to the public or to its subscribers (depending on its business model) as soon as practicable. A publication by MERatings of a credit rating that is no longer being monitored will 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, MERatings will disclose sufficient information about the historical transition and default rates of its credit rating categories with respect to the classes of entities and obligations its rates. This information will 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, MERatings will disclose why this is the case.

B. The Treatment of Confidential Information

- 3.19 MERatings will 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 will prohibit MERatings and its employees from using or disclosing confidential and/or material non-public information for any purpose unrelated to its credit rating activities, including disclosing such information to other employees where the disclosure is not necessary in connection with MERatings's credit rating activities, unless disclosure is required by applicable law or regulation.

- b. The policies, procedures, and controls will require MERatings 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 will prohibit MERatings and its employees from using or disclosing such information in violation of the terms of any applicable agreement or mutual understanding that MERatings 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 will prohibit MERatings 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 MERatings will 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 MERatings will 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 MERatings's board (or similar body) will have ultimate responsibility for ensuring that it 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 MERatings will 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 will be independent of the internal audit function (if practicable given the CRA'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 MERatings 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 MERatings will 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 should be relevant to the employee's responsibilities and should cover, as applicable, MERatings's code of conduct, its credit rating methodologies, the laws governing its credit rating activities, its policies, procedures, and controls for managing conflicts of interest and governing the holding and transacting in trading instruments, and MERatings's policies and procedures for handling confidential and/or material non-public information. The policies, procedures, and controls should include measures designed to verify that employees undergo required training.

5. DISCLOSURE AND COMMUNICATION WITH MARKET PARTICIPANTS

- 5.1 MERatings disclosures, including those specified in the provisions of the IOSCO CRA Code, will be complete, fair, accurate, timely, and understandable to investors and other users of credit ratings.
- 5.2 MERatings will 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 MERatings's code of conduct deviates from an IOSCO provision, it will 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. MERatings will describe how it implements and enforces its code of conduct. It also will disclose as soon as practicable any changes to its code of conduct or changes to how it is being implemented or enforced.
- 5.3 MERatings will establish and maintain a function within its organization charged with receiving, retaining, and handling complaints from market participants and the public. The function should 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 should specify the circumstances under which a complaint must be reported to senior management and/or the board (or similar body).
- 5.4 MERatings will publicly and prominently disclose free of charge on its primary website:
 - a. MERatings's code of conduct;
 - b. a description of MERatings's credit rating methodologies;
 - c. information about MERatings's historic performance data; and
 - d. any other disclosures specified in the provisions of the IOSCO CRA Code as applicable given MERatings's business model.