

POLICY

RAM

RATINGS

Code of Conduct



April 2016

Table of Contents

INTRODUCTION	1
Definitions.....	1
1 QUALITY AND INTEGRITY OF THE CREDIT RATING PROCESS	2
A. Quality of the Credit Rating Process.....	2
B. Integrity of the Credit Rating Process.....	4
2 INDEPENDENCE AND THE AVOIDANCE OF CONFLICTS OF INTEREST	5
A. General.....	5
B. Policies, Procedures, Controls and Disclosures.....	6
C. Employee Independence.....	7
3 RESPONSIBILITIES TO THE INVESTING PUBLIC, RATED ENTITIES, OBLIGORS, ORIGINATORS, UNDERWRITERS AND ARRANGERS	8
A. Transparency and Timeliness of Credit Ratings Disclosure.....	8
B. The Treatment of Confidential Information.....	11
4 GOVERNANCE, RISK MANAGEMENT, AND EMPLOYEE TRAINING	12
5 DISCLOSURE AND COMMUNICATION WITH MARKET PARTICIPANTS	12
6 DEVIATIONS FROM IOSCO CODE	13

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Related References

- i. IOSCO Code of Conduct Fundamentals for Credit Rating Agencies (March 2015)
- ii. Securities Commission Malaysia Guidelines on Registration of Credit Rating Agencies (March 2011)
- iii. RAM's Treatment of Confidential Information (August 2011)
- iv. RAM's Whistleblower Policy (September 2011)
- v. RAM's Policy on Personal Investment and Trading of Securities (30 December 2013)

INTRODUCTION

This Code of Conduct ("RAM Ratings Code" or "the Code") supersedes the RAM Code of Conduct dated September 2011, and has been structured to adhere to the revised Code of Conduct Fundamentals for Credit Rating Agencies ("IOSCO Code") released by the International Organization of Securities Commissions ("IOSCO") in March 2015.

This Code and its related procedures and controls are applicable to all employees of RAM Ratings.

Definitions

For the purposes of this Code, the terms below shall have the following meaning:

- "Affiliate" means an entity that directly or indirectly controls, is controlled by, or is under common control with another entity.
- "Analyst" in RAM Ratings is an 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" refers to RAM Ratings' assessment regarding the creditworthiness of an entity or obligation, expressed using an established and defined ranking system. Credit ratings are determined by a rating committee and expressed using RAM Ratings' established "AAA" to "D" and "P1" to "NP" alphanumerical rating scale, or other rating scales as published from time to time by RAM Ratings.
- "Credit rating action" by RAM Ratings 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 RAM Ratings 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” refers to all the steps taken with respect to a credit rating action including, but not limited to, RAM Ratings’ selection and assignment of analysts to work on the matter, application of the credit rating methodology, decision-making activities, 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 RAM Ratings on a full-time, part-time, or temporary basis, including any individual or working as a contractor, provided that such contractor is involved in the credit rating process. However, an external member of the credit rating committee is not deemed an employee of RAM Ratings. An external member of the credit rating committee is appointed as a requirement under the Securities Commission Malaysia Guidelines on Registration of Credit Rating Agencies.
- “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 RAM Ratings shall establish, maintain, document, and enforce a credit rating methodology for each class of entity or obligation for which it 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 RAM Ratings’ historical experience.
- 1.2 Credit ratings of RAM Ratings shall reflect all information known and believed to be relevant to RAM Ratings and consistent with the applicable credit rating methodology that is in effect. To this, RAM Ratings 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 RAM Ratings shall adopt reasonable measures 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 RAM Ratings shall avoid issuing credit ratings for entities or obligations for which it does not have appropriate information, knowledge, and expertise.

- 1.5 In assessing creditworthiness, analysts involved in the credit rating action shall use RAM Ratings' established credit rating methodology for the type of entity or obligation that is subject to the credit rating action. The credit rating methodology shall be applied consistently across all entities or obligations for which that methodology is used.
- 1.6 RAM Ratings 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 RAM Ratings shall assign credit ratings as an entity; and not by an analyst or employee of RAM Ratings.
- 1.8 RAM Ratings shall assign analysts who, individually or collectively, have appropriate knowledge and experience for assessing the creditworthiness of the type of entity or obligation being rated.
- 1.9 RAM Ratings 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 RAM Ratings' credit rating process, which includes permitting internal audit, compliance, and quality control functions to review past credit rating actions in order to carry out the responsibilities of these functions. Further, RAM Ratings shall establish, maintain, document, and enforce policies, procedures, and controls designed to ensure that its employees comply with the internal record maintenance, retention, and disposal requirements and with applicable laws and regulations governing the maintenance, retention, and disposal of RAM Ratings' records.
- 1.10 RAM Ratings 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 RAM Ratings shall devote sufficient resources to carry out and maintain high quality credit ratings. When deciding whether to issue a credit rating for an entity or obligation, RAM Ratings 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 RAM Ratings 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 RAM Ratings currently rates.
- 1.13 RAM Ratings 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 the RAM Ratings' credit rating methodologies and significant changes to the credit rating methodologies.
- 1.14 In selecting the analyst or analysts who will participate in determining a credit rating, RAM Ratings shall seek to promote continuity but also to avoid bias in the credit rating process.

- 1.15 RAM Ratings shall allocate sufficient employees and financial resources 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, RAM Ratings 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 RAM Ratings 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 RAM Ratings 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 RAM Ratings and its employees shall deal fairly and honestly with rated entities, obligors, originators, underwriters, arrangers, and users of credit ratings.
- 1.19 Employees of RAM Ratings shall be held to the highest standards of integrity and ethical behavior, and RAM Ratings shall have policies and procedures in place that are designed to ensure that individuals with demonstrably compromised integrity are not employed.
- 1.20 RAM Ratings 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 RAM Ratings' credit ratings about the outcome of a particular credit rating action. This does not preclude RAM Ratings from developing preliminary indications in a manner that is consistent with Provisions 1.22 and 2.6(d) of the Code.
- 1.21 RAM Ratings 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 RAM Ratings' credit ratings to pay for credit ratings or other services.
- 1.22 RAM Ratings 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 RAM Ratings operates, RAM Ratings shall establish, maintain, document, and enforce policies, procedures, and controls designed to ensure that RAM Ratings and its employees comply with its code of conduct and applicable laws and regulations.
- a. RAM Ratings shall establish a compliance function responsible for monitoring and reviewing the compliance of RAM Ratings and its employees with the provisions of its code of conduct and with applicable laws and regulations.
 - b. The compliance function also shall be responsible for reviewing the adequacy of the RAM Ratings' policies, procedures, and controls designed to ensure compliance with the its code of conduct and applicable laws and regulations.
 - c. RAM Ratings shall assign a senior level employee with the requisite skill set to serve as its compliance officer in charge of the compliance function. The compliance officer's reporting lines and compensation shall be independent of RAM Ratings' credit rating operations.
- 1.24 Upon becoming aware that another employee or an affiliate of RAM Ratings is or has engaged in conduct that is illegal, unethical, or contrary to the Code, the employee shall report such information immediately to the relevant authority in accordance with RAM's Whistleblower Policy, as appropriate, so proper action may be taken. While RAM Ratings employees are not necessarily expected to be experts in the law, they are expected to report activities that a reasonable person would question. Upon receiving such a report from an employee, RAM Ratings 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 RAM Ratings. Retaliation by RAM Ratings or an employee shall be prohibited against any employees who, in good faith, make such reports.
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2 INDEPENDENCE AND THE AVOIDANCE OF CONFLICTS OF INTEREST

A General

- 2.1 RAM Ratings shall not delay or refrain from taking a credit rating action based on the potential effect (economic, political, or otherwise) of the action on RAM Ratings, a rated entity, obligor, originator, underwriter, arranger, investor, or other market participant.
- 2.2 RAM Ratings and its employees shall use care and professional judgment to maintain both the substance and appearance of independence and objectivity.
- 2.3 RAM Ratings' determination of a credit rating shall be influenced only by factors relevant to assessing the creditworthiness of the rated entity or obligation.
- 2.4 The credit rating RAM Ratings assigns to an entity or obligation shall not be affected by whether there is an existing or potential business relationship between RAM Ratings (or its affiliates) and the rated entity, obligor, originator, underwriter, or arranger (or any of their affiliates), or any other party.

- 2.5 RAM Ratings shall operationally, legally, and, if practicable, physically separate its credit rating business and its analysts from any other businesses of RAM Ratings that may present a conflict of interest. For other businesses that do not necessarily present a conflict of interest, RAM Ratings shall establish, maintain, document, and enforce policies, procedures, and controls designed to minimize the likelihood that conflicts of interest will arise. RAM Ratings shall disclose why it believes those other businesses do not present a conflict of interest with its credit rating business.

B Policies, Procedures, Controls and Disclosures

- 2.6 RAM Ratings 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 RAM Ratings or the judgment and analyses of RAM Ratings employees. Among other things, the policies, procedures, and controls should address how the following conflicts can potentially influence RAM Ratings' 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 RAM Ratings;
 - c. being paid by rated entities, obligors, originators, underwriters, arrangers, or subscribers for services other than issuing credit ratings or providing access to RAM Ratings' 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 RAM Ratings.
- 2.7 RAM Ratings 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 RAM Ratings shall disclose the general nature of its compensation arrangements with rated entities, obligors, lead underwriters, or arrangers.
- a. When RAM Ratings receives from a rated entity, obligor, originator, lead underwriter, or arranger compensation unrelated to its credit rating services, RAM Ratings 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. RAM Ratings shall disclose in its credit rating report if rating fees for a bond issue or from a group of related issuers comprise 5 percent or more of its rating revenue from the preceding year.

- 2.9 RAM Ratings shall disclose in its credit rating reports whether the issuer of a structured finance product has informed us that it is publicly disclosing all relevant information about the obligation being rated or if the information remains non-public.
- 2.10 RAM Ratings shall not hold or transact in trading instruments presenting a conflict of interest with its credit rating activities.
- 2.11 In instances where rated entities or obligors have, or are simultaneously pursuing, oversight functions related to RAM Ratings, the employees responsible for interacting with the officials of the rated entity or the obligor 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 Employee Independence

- 2.12 Reporting lines for RAM Ratings employees and their compensation arrangements shall be structured to eliminate or effectively manage actual and potential conflicts of interest.
- a. A RAM Ratings 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 RAM Ratings derives from that entity or obligor.
 - b. RAM Ratings shall 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 RAM Ratings' credit rating process.
- 2.13 RAM Ratings 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. Discussions on fees or payments shall be carried out by a non-ratings unit in RAM Ratings that manages business development and client relationship.
- 2.14 RAM Ratings employee shall not participate in or otherwise influence its 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 RAM Ratings;
 - 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 RAM Ratings;

- 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 Investments in and trading of securities by analysts shall be governed by RAM's Personal Investment and Trading of Securities policy.
- 2.16 RAM Ratings employee shall be prohibited from soliciting money, gifts, or favors from anyone with whom RAM Ratings 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 as determined by RAM Ratings' management.
- 2.17 RAM Ratings employee who becomes involved in a personal relationship (including, 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 RAM Ratings' policies, procedures, and controls to disclose the relationship to his/her immediate supervisor or department head. Based on the assessment of this information, RAM Ratings shall take appropriate steps to mitigate the real or apparent conflict.

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

A. Transparency and Timeliness of Credit Ratings Disclosure

- 3.1 RAM Ratings 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. RAM Ratings that is subject to registration and oversight program administered by the Securities Commission Malaysia shall not state or imply that the Securities Commission Malaysia endorses its credit ratings or use its registration status to advertise the quality of its credit ratings.
- 3.2 RAM Ratings 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 RAM Ratings.
- 3.3 RAM Ratings 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, RAM Ratings shall disclose the material modification in a non-selective manner.
- 3.4 RAM Ratings shall disclose its policies and procedures that address the issuance of unsolicited credit ratings.

- 3.5 RAM Ratings shall disclose its policies and procedures for distributing credit ratings and reports, and for when a credit rating will be withdrawn.
- 3.6 RAM Ratings shall disclose clear definitions of the meaning of each category in its rating scales, including the definition of default.
- 3.7 RAM Ratings shall use the same rating scale and rating symbols for structured finance products and traditional corporate bonds.
- 3.8 RAM Ratings 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, RAM Ratings 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. RAM Ratings shall evaluate any response from such rated entity, obligor, or arranger. Where in particular circumstances RAM Ratings has not informed such rated entity, obligor, or arranger prior to disseminating a credit rating action, RAM Ratings shall inform such rated entity, obligor, or arranger as soon as practical thereafter and, generally, shall explain why it did not inform such rated entity, obligor, or arranger prior to disseminating the credit rating action.
- 3.10 When RAM Ratings publicly discloses or distributes to its subscribers 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 RAM Ratings publicly discloses or distributes to its subscribers 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 RAM Ratings 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 RAM Ratings shall 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.

- 3.14 RAM Ratings 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, RAM Ratings 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, RAM Ratings shall publicly disclose or distribute to its subscribers 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 the credit rating. Where material and resulting in likelihood of rating movement, RAM Ratings shall 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, RAM Ratings 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 RAM Ratings 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 as soon as practicable. A publication by RAM Ratings 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, RAM Ratings 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, RAM Ratings shall disclose why this is the case.

B. The Treatment of Confidential Information

- 3.19 RAM Ratings 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.
- a. The policies, procedures, and controls shall prohibit RAM Ratings 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 RAM Ratings' credit rating activities, unless disclosure is required by applicable law or regulation.
 - b. The policies, procedures, and controls shall require RAM Ratings 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 RAM Ratings and its employees from using or disclosing such information in violation of the terms of any applicable agreement or mutual understanding that RAM Ratings 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 RAM Ratings 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 RAM Ratings 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 RAM Ratings 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.
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4 GOVERNANCE, RISK MANAGEMENT, AND EMPLOYEE TRAINING

- 4.1 RAM Ratings' Board of Directors shall have ultimate responsibility for ensuring that RAM Ratings establishes, maintains, documents, and enforces a code of conduct that gives full effect to RAM Ratings Code.
- 4.2 RAM Ratings 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 and make periodic reports to the Risk Committee to assist them in assessing the adequacy of the policies, procedures, and controls RAM Ratings establishes, maintains, documents, and enforces to manage risk, including the policies, procedures, and controls specified in RAM Ratings Code.
- 4.3 RAM Ratings 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, RAM Ratings' Code, credit rating methodologies, the laws governing credit rating activities, the policies, procedures, and controls for managing conflicts of interest and governing the holding and transacting in trading instruments, and RAM Ratings' 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 RAM Ratings' disclosures, including those specified in the provisions of the Code, shall be complete, fair, accurate, timely, and understandable to investors and other users of credit ratings.
- 5.2 To implement RAM Ratings Code, RAM Ratings shall adopt internal policies and procedures to make its employees fully aware of this Code. RAM Ratings shall disclose as soon as practicable any changes to this Code.
- 5.3 The Chief Executive Officer shall establish a function charged with receiving, retaining, and handling complaints from market participants and the public.
- 5.4 RAM Ratings shall publicly and prominently disclose free of charge on its primary website:
- a. RAM Ratings' code of conduct;
 - b. a description of RAM Ratings' credit rating methodologies;
 - c. information about RAM Ratings' historic performance data; and
 - d. any other disclosures specified in the provisions of the IOSCO CRA Code.

6 DEVIATIONS FROM IOSCO CODE

RAM Ratings fully supports the essential purpose of the IOSCO Code, which is to promote investor protection by safeguarding the integrity of the credit rating process while seeking to improve the quality of credit ratings and their usefulness to investors via enhanced transparency.

RAM Ratings' Code of Conduct is established in accordance with the IOSCO Principles and IOSCO Code. However, certain modifications have been made to more closely correspond to RAM Ratings' business model and practices. The material differences between RAM Ratings Code and the IOSCO Code are outlined below.

Principle 1.13 of the IOSCO Code recommends that, where feasible and appropriate for the size and scope of its credit rating business, the review function should be independent of the employees who are principally responsible for determining credit ratings. Given the lack of economies of scale, it is currently not feasible for RAM Ratings to maintain a separate team of employees for this review function. Hence, the review function shall be undertaken by the Criteria Oversight Committee, which comprises RAM Ratings' senior management team who are also involved in the rating process. RAM Ratings believes its existing multi-layered rating process provides adequate mitigation against any potential conflict of interest. Principle 1.13 also recommends that review should also be conducted on models and key assumptions. However, in rating structured transactions, RAM Ratings combines both qualitative and quantitative considerations in the ratings process. Our use of models is bespoke, depending on the nature of information provided and typically specific to the transactions rated with regard to suitability to its objectives, assumptions, inputs, and usage. Based on our market experience, RAM Ratings' model use are largely cash flow simulations for scenario analysis and stress testing.

Principle 2.8b of the IOSCO Code requires a CRA to 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). However, RAM Ratings is instituting a more stringent measure by disclosing in its credit rating report if rating fees for a bond issue or from a group of related issuers comprise 5 percent or more of its rating revenue from the preceding year. This is to be in compliance with the Securities Commission Malaysia Guidelines on Registration of Credit Rating Agencies.

Principle 2.15 of the IOSCO Code requires that a CRA analyst should 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. The Securities Commission Malaysia Guidelines on Registration of Credit Rating Agencies requires the CRA to establish appropriate policies and procedures governing such investments and trading. RAM Ratings has established the Personal Investment and Trading of Securities policy to govern such investments and trading by its employees to be in compliance with the Securities Commission Malaysia Guidelines on Registration of Credit Rating Agencies.

Principle 2.18 of the IOSCO Code requires a CRA to 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. RAM Ratings believes that its current practice of having at least two analysts covering each rated entity or obligation, together with the multi-layered rating process, provides adequate check and balance against any potential bias or conflict of interest.

Principle 3.7 of the IOSCO Code requires a CRA to differentiate credit ratings of structured finance products from credit ratings of other types of entities or obligations, preferably through a different credit rating identifier. The CRA should also disclose how this differentiation functions. RAM Ratings uses the same rating scale and rating symbols for structured finance products and traditional corporate bonds. We believe that our traditional rating scale and rating symbols provide a common yardstick for the evaluation and comparison of the relative credit risks among rated entities and obligations.

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