

JCR Code of Conduct



Adoption of the JCR Code of Conduct

1. Introduction

In December 2004 the International Organization of Securities Commissions (IOSCO), which consists of securities regulators and stock exchanges from more than 100 countries and areas, released its "Code of Conduct Fundamentals for Credit Rating Agencies" ("IOSCO Code Fundamentals"). Following this, JCR established a "JCR Code of Conduct" as a guideline for its rating operations, incorporating JCR's points of view and operational procedures into the IOSCO Code Fundamentals (and primarily adhering to them). The JCR Code of Conduct went into effect as of May 31, 2005 (see Table below). JCR has also improved disclosures via the Internet, in accordance with the JCR Code of Conduct. Below is a description of the background, significance, and explanations of characteristics of the JCR Code of Conduct in comparison with the IOSCO Code Fundamentals.

2. Background of Adoption of the JCR Code of Conduct

IOSCO began examining several problems facing securities markets, as highlighted by the bankruptcy of Enron in the US in 2001, and with emphasis on the examination of the activities of Credit Rating Agencies ("CRAs"). In September 2003, the IOSCO Technical Committee (consisting of securities regulators from developed countries, including Japan's Financial Services Agency) issued a Statement of Principles Regarding the Activities of Credit Rating Agencies ("IOSCO Principles"), consisting of 18 principles under four categories relating to the quality and integrity of the rating process, to CRA independence and conflicts of interest, to the transparency and timeliness of ratings disclosures, and to CRAs' use of confidential information. In consultations IOSCO has continued with related parties since then, it has been suggested that it would be useful if IOSCO were to develop a more specific code of conduct, with guidance on how the IOSCO Principles could be implemented.

The IOSCO Code Fundamentals was formed based on these kinds of suggestions, and so constitutes guidance on the formulation of individual CRAs' codes of conduct. The IOSCO Code Fundamentals are not designed to be rigid official standards by which individual CRAs are required to formulate their codes of conduct. Rather, they are allowed to incorporate measures different from those in the IOSCO Code Fundamentals into their own codes of conduct, and to revise portions of them when the rationale for such changes are articulated (such as differences in legal circumstances).

JCR was actively involved in the discussions with IOSCO. JCR realized in this process that the concerned parties' interest in and need for rigorous CRA operations are extremely high. JCR decided to formulate the JCR Code of Conduct in order to properly meet these requests.

3. Significance of the Formulation of the JCR Code of Conduct

JCR believes that the items set out in JCR Code of Conduct should be willingly abided by, in terms of objectivity, independence, transparency and other requirements, without being stipulated in a codified codes of conduct, and that market confidence ultimately cannot be maintained otherwise. JCR believes that the adequacy of CRAs should be secured by self-regulation and evaluation by the market, since unlike banks and other institutions their behavior is not under regulatory supervision. While JCR has established rigorous rules concerning the avoidance of conflicts of interest and the management of confidential information, it has also made efforts to improve the transparency of its ratings, through the publication of many reports about ratings perspectives, etc., as well as through the enhancement of disclosures via its website. Nonetheless, the overall picture and specific nature of these measures are not necessarily clear when observed from the outside, and it is often difficult to judge whether such measures are sufficient to ensure the integrity of rating operations.

A survey of financial officers' perceptions, by the Japan Association for Chief Financial Officers at the beginning of 2005, shows that although 95 percent of respondents agreed that CRAs should clarify their procedures and mechanisms for the preservation of confidential information on issuers, and abide by them, only 34 percent believed that they actually did so. Seventy-five percent of respondents also agreed that CRAs should not allow parties directly involved in the rating process to participate in negotiations with issuers about

fees and payments, but 27 percent believed that no measures had been taken in this regard. This shows that rated entities distrust the integrity of the operations of CRAs, and 56 percent of the survey's respondents agreed that public regulatory bodies should set standards for assessing whether or not a CRA can carry out reliable rating activities in the long run.

Given these circumstances, the announcement of the JCR Code of Conduct is expected to contribute to furthering the understanding of JCR by market participants and rated entities. It also represents a more specific evaluation by these third parties, of the adequacy of JCR's management of its operations based on the JCR Code of Conduct. JCR believes that the JCR Code of Conduct will become a greater incentive for self-discipline.

4. Explanations of the Principal Provisions of the JCR Code of Conduct

The JCR Code of Conduct consists of six chapters (with 34 articles), and a supplement that sets the effective date. It is designed for JCR and its employees (including directors), and covers all aspects of JCR's rating operations, management, and related matters.

Chapter 1: Quality and Integrity of the Rating Process (Articles 1-7)

Chapter 2: JCR's Independence and Avoidance of Conflicts of Interest (Articles 8-12)

Chapter 3: Analyst and Employee Independence and Avoidance of Conflicts of Interest (Articles 13-17)

Chapter 4: Disclosure of Rating Information (Articles 18-24)

Chapter 5: Treatment of Confidential Information (Articles 25-32)

Chapter 6: Disclosure of JCR's Code of Conduct and Communication with Market Participants (Articles 33-34)

As mentioned above, the JCR Code of Conduct is principally based on the IOSCO Code Fundamentals (see the Table for an item-by-item comparison), but some provisions supplement it or are excluded in consideration of JCR's basic philosophy. The explanations of the principal provisions of the JCR Code of Conduct are as follows.

(1) Categories of Rating and Applied Coverage of JCR Code of Conduct

The JCR Code of Conduct covers all areas of JCR's rating operations. The ratings categories provided by JCR are as follows: Long-term Rating (covering bonds, bond-issuing programs, ability to pay insurance claims of insurance company, long-term senior general obligation which represents an obligor's overall debt-servicing capability, etc.); Short-term Rating (covering debts such as CPs and short-term senior general obligation); Fund Credit Rating; and Servicer Rating. Unless otherwise stated, the JCR Code of Conduct applies to every rating. The Servicer Rating evaluates a servicer's operational executive capability, and is different from other ratings (which evaluate creditworthiness), but the same criteria for objectivity, independence, and transparency are equally required so that the JCR Code of Conduct also applies to the Servicer Rating.

(2) Publication of Rating Methodologies

In Article 1 of the JCR Code of Conduct, it is clearly stated that rating methodologies are rigorous and systematic, that ratings are based on a thorough analysis of all information available to JCR, and that JCR will publish rating methodologies in written form. JCR provides its rating methodologies now on its website (<http://www.jcr.co.jp>) with the more improved contents than before.

(3) Maintenance of Rating Independence

To maintain rating independence, relevant provisions are included in Chapters 2 and 3, for corporate- and employee-level matters. Rating decisions are to be determined by the rating committee, which is composed of several members, for which the analysis team conducts examinations and proposes rating results. In the JCR Code of Conduct, the conditions for disqualification as an analyst or as a member of the rating committee are clearly stated (Article 14), and the avoidance of conflicts of interest for individual ratings is precisely defined. Since JCR conducts no other businesses (such as consulting) which may cause conflicts of interest with its rating business, the JCR Code of Conduct does not set any prohibition on analysts being involved in consulting as provided in the IOSCO Code Fundamentals. For the same reason, the clause corresponding to the IOSCO Code Fundamentals, urging the disclosure of the proportion such non-rating fees constitute against the fees the CRA receives from the entity for ratings services, is not incorporated into the JCR Code of Conduct.

(4) Restriction of Securities Transactions

JCR and its analysts will be prohibited to engage in any transaction in any security or derivative that presents a conflict of interest with rating activities (Article 9), is issued, guaranteed, or otherwise supported by any entity within an analyst's area of primary responsibility (Article 15), or if confidential information is known about the issuer of such securities (Article 28). Holdings in diversified collective investment schemes or bank debentures issued under the Deposit Insurance Law are exempted from this prohibition, however, since these will cause no conflicts of interest or unfair transactions. To ensure that this clause is effective, JCR requires all employees to seek approval before engaging in any transactions in securities issued by rating entities.

(5) Response to Dissident from an Issuer (Article 21)

When an issuer expresses its objection to a rating, JCR will respond by re-examining the rating using different analysts or via reconsideration by the Rating Committee. This clause is designed to enable re-examination, and to resolve such discrepancies between an issuer and the rating agency as factual misperceptions of differing business perspectives, through discussion and communication when an issuer refuses to consent to a rating result. The "Practical Standard for Participants in the Credit Rating Process," jointly issued by associations of financial professionals of the US, UK, and France in 2004, recommends that rating agencies include this provision when an issuer dissents to a rating result, so that they may respond by re-examination of the rating process using another analyst.

(6) Handling Unsolicited Ratings (Article 23)

JCR has made it a rule to publicize unsolicited ratings with the consent of issuers. JCR has indicated ratings not initiated at the request of issuers by including the suffix, "p," in the rating symbol. When the new BIS rules for banks' capital requirements are induced, this method will be the foundation for practical handling, while unsolicited ratings would usually be prohibited in the "Standardized Approach" in new BIS rules. This will contribute to ratings users' convenience. Country ratings (so-called sovereign ratings) function to provide upper limits and requisite information when rating individual corporate entities have their domiciles in the rated countries. JCR will continue not to indicate "p" when it publicizes sovereign ratings.

(7) Obligation of Protection Confidential Information (Articles 25 and 28)

JCR's employees are required to protect the confidential information of entities requesting ratings, and are prohibited from engaging in securities transactions when they possess confidential information concerning the issuer of such securities. The JCR Code of Conduct stipulates that even after retirement from JCR, employees will also be prohibited from engaging in such transactions, in accordance with an agreement between JCR and the employee at the time of retirement. This ensures that confidential information is to be treated appropriately. (The IOSCO Fundamental Code does not have any prohibitions on securities transactions, although it covers the protection of confidential information after the retirement of employees.)

(8) Organization in Charge of Communication with Market Participants (Article 34)

Through its Information Services & Training Department, JCR receives opinions, questions, and complaints from the public and market participants. As applicable, JCR's management and rating departments are informed of such communications, and any necessary countermeasures will be examined and put into effect. (Information Services & Training Department; Tel 813-3544-7013, Fax 813-3544-7026)

5. Conclusion

JCR expects that the adoption of the JCR Code of Conduct will enhance the reliability of its ratings, and that it will help increase the understanding by capital market participants of JCR's operations. The important role of CRAs in capital markets will increase, and JCR will continue to exert its utmost efforts to maintain rigorous rating operations. The market requires rigorous operations by CRAs, concerning objectivity, independence, transparency and other points, but this may change with development of the monetary and economic situation. The JCR Code of Conduct may therefore be revised when necessary.

JCR Code of Conduct

Realizing the important role played by credit rating agencies in financial markets and in order to ensure appropriate operations, Japan Credit Rating Agency, Ltd. ("JCR") hereby adopts and shall adhere to the following Code of Conduct.

Chapter 1. Quality and Integrity of the Rating Process

Article 1. Rating Methodologies and Results Validation

JCR shall ensure that ratings are based on a thorough analysis of all information available to it, as is relevant to such analysis according to its established rating methodologies. JCR shall use rating methodologies that are rigorous and systematic, and shall publish them in written form. The ratings resulting from such methodologies shall be subjected to objective validation based on historical experience.

Article 2. Ratings by Analysts

Analysts who have appropriate knowledge and experience in developing rating opinions for the types of credit, shall apply methodologies in a consistent manner, as determined by JCR. Credit ratings shall represent the opinions of JCR as well as any individual analyst who has charge of the ratings. JCR and its analysts shall take steps to avoid issuing any credit analyses or reports that contain misrepresentations or are otherwise misleading concerning the general creditworthiness of an issuer or obligation.

Article 3. Rating Teams and Rating Committee

JCR shall compose rating teams of two or more analysts to rate an issuer or obligation. When structuring these rating teams, it shall assess whether it is able to devote sufficient personnel with sufficient skills to make a proper rating assessment, and whether its personnel are likely to have access to information sufficient to make such assessments. JCR shall also structure its rating teams to ensure continuity and to avoid bias in the rating process. The rating teams shall make proposals concerning issuer ratings (the "senior general obligation ratings") or the ratings of specific obligations (including bonds) to the Rating Committee based upon its own assessment and analysis; the Rating Committee shall then decide the ratings.

Article 4. Maintenance of Internal Records

JCR shall maintain internal records related to ratings for a reasonable period of time in accordance with applicable internal rules determined by JCR.

Article 5. Ratings Review and Termination

Once a rating is published, JCR shall monitor it on an ongoing basis, and update it in the following manner:

- i. Regular reviews of the issuer's creditworthiness.
- ii. Reviews of the status of the rating upon becoming aware of any information that might reasonably be expected to result in a rating action (including termination) consistent with the applicable rating methodology.
- iii. Timely updates of the rating, as appropriate, based on the results of the aforementioned review.

When JCR withdraws a rating of an issuer or obligation that has been made available to the public, it shall announce it accordingly. When JCR withdraws a rating of an issuer or obligation that has been provided only to limited parties, it shall announce it to them accordingly. In both cases, continuing publications of ratings that have been withdrawn shall indicate the dates on which ratings were last updated, and the fact that such ratings will no longer be updated.

Article 6. Compliance

JCR and its employees (including directors, who are hereinafter included within the term, "employees") shall comply with JCR's Code of Conduct, and with all applicable laws and regulations relevant to their activities. JCR shall, in accordance with its internal rules already adopted, appoint a compliance officer(s), from among personnel who are independent from rating operations, to be in charge of compliance by JCR and its employees' with the provisions of the Code of Conduct and with applicable laws and regulations. Upon becoming aware that another JCR employee is or has been engaged in conduct that is illegal, unethical, or

contrary to JCR's Code of Conduct, that employee shall report such information immediately to the compliance officer, as appropriate, so that proper action may be taken. The compliance officer who receives such a report from a JCR employee is obligated to take appropriate action, as determined by the laws and regulations of the jurisdiction, and by the rules and guidelines of JCR. JCR's management shall prohibit retaliation by other JCR employees, or by JCR itself, against any employees who make such reports in good faith.

Article 7. Employee Integrity

JCR shall not employ individuals with demonstrably compromised integrity, and its analysts shall have high standards of integrity. JCR and its employees shall respond fairly and honestly to issuers, investors, other market participants, and the public. JCR and its employees shall not, either implicitly or explicitly, give to an entity requesting a rating any assurance or guarantee of a particular rating prior to a rating assessment. This does not preclude JCR from developing prospective assessments used in structured finance and similar transactions.

Chapter 2. JCR's Independence and Avoidance of Conflicts of Interest

Article 8. Independence and Objectivity of Ratings

JCR and its analysts shall use care and professional judgment to maintain both the substance and appearance of independence and objectivity. JCR shall not forbear or refrain from taking a rating action based on the potential effect (economic, political, or otherwise) of such action on JCR, an issuer, an investor, or other market participant. The determination of a credit rating shall be influenced only by factors relevant to the credit assessment. The credit rating JCR assigns to an issuer or security shall not be affected by the existence or potential of a business relationship between JCR and the issuer (or its affiliates), or any other party, or the non-existence of such a relationship.

Article 9. Elimination and Management of Conflicts of Interest

JCR shall adopt written internal procedures and mechanisms to identify and eliminate, or manage and disclose, as appropriate, any actual or potential conflicts of interest that may influence the opinions and analyses it makes, or the judgment and analyses of the individuals it employs who have an influence on ratings decisions. JCR's disclosures of actual and potential conflicts of interest shall be clear, concise, complete, specific, and timely. JCR and its employees shall not engage in any securities or derivatives trading presenting conflicts of interest with its rating activities, other than holdings in diversified collective investment schemes or bank debentures insured under the Deposit Insurance Law.

Article 10. Separation of Employees in Liaison with the FSA from Conducting Rating Actions of Japanese Government Bonds

JCR shall use different employees to conduct its rating actions of Japanese Government Bonds than employees in liaison with the Financial Services Agency.

Article 11. Avoidance of Conflicts of Interest from Ancillary Business

If JCR is engaged in business operations ancillary to its rating business, it shall have in place procedures and mechanisms designed to avoid conflicts of interest.

Article 12. Fee Schedule

JCR shall disclose the general system of its fee schedule with entities that request ratings.

Chapter 3. Analyst and Employee Independence and Avoidance of Conflicts of Interest

Article 13. Compensation Arrangements

Reporting lines for JCR employees and their compensation arrangements shall be structured to eliminate or effectively manage actual and potential conflicts of interest. JCR analysts shall not be compensated or evaluated on the basis of the amount of revenue related to issuers that they rate, or with which the analysts regularly interact. JCR shall not have employees who are directly involved in the rating process initiate, or participate in, discussions regarding fees or payments with any entity requesting a rating.

Article 14. Restriction of Involvement in Rating Actions

No JCR employee shall participate in or otherwise influence the determination of JCR's ratings of any particular entity or obligation as an analyst or a member of the Rating Committee if such employee:

- i. Owns securities or derivatives of the rated entity, other than holdings in diversified collective investment schemes or bank debentures insured under the Deposit Insurance Law;
- ii. Owns securities or derivatives of any entity related to a rated entity, the ownership of which may cause or may be perceived as causing a conflict of interest, other than holdings in diversified collective investment schemes or bank debentures insured under the Deposit Insurance Law;
- iii. Has in the preceding one year period had employment or other significant business relationships with the rated entity that may cause or may be perceived as causing a conflict of interest;
- iv. Has a lineal relative(s) who is(are) dependents and currently work(s) for the rated entity; or
- v. Has, or had, any other relationship with the rated entity or any related entity thereof that may cause or may be perceived as causing a conflict of interest.

Article 15. Prohibition of Securities Transactions by Analysts

JCR analysts and anyone involved in the rating process (or a lineal relative(s) who is(are) dependents) shall not buy or sell or engage in any transaction in any security or derivative based on a security issued, guaranteed, or otherwise supported by any entity within such analyst's primary area of analytical responsibility, other than holdings in diversified collective investment schemes or bank debentures insured under the Deposit Insurance Law.

Article 16. Prohibition of Soliciting or Accepting Money and Gifts

JCR employees shall be prohibited from soliciting money, gifts, or favors from anyone with whom JCR does business and shall be prohibited from accepting gifts offered in the form of cash, or any gifts or conveniences exceeding the value commonly accepted as a social norm (a product sample widely distributed by the rated entity, for example, not exceeding such value).

Article 17. Disclosure of Personal Relationships that Create the Potential for Conflicts of Interest

Any JCR analyst who becomes involved in any personal relationship that creates the potential for any real or apparent conflict of interest (including, for example, a personal relationship with an employee of a rated entity or agent of such entity within his or her area of analytical responsibility), shall be required to disclose such relationship to the compliance officer of JCR, as determined by JCR's internal rules.

Chapter 4. Disclosure of Rating Information**Article 18. Public Disclosure of Ratings Decisions**

JCR shall announce to the public in a timely manner its ratings decisions regarding the entities and securities it rates. JCR shall indicate with each of its ratings when the rating was last updated. JCR shall publicly disclose its policies for distributing ratings, reports, and updates.

Article 19. Non-selective Basis for Disclosure of Rating Decisions

Except for "private ratings" provided only to a requesting entity, JCR shall disclose to the public, on a non-selective basis and free of charge, all ratings regarding publicly issued securities, all senior general obligation ratings, or all other ratings, as well as all subsequent decisions to withdraw a rating where such a rating is published, and if a rating action is based in whole or in part on material non-public information.

Article 20. Disclosure of All Related Information on Rating Actions

JCR shall publish sufficient information about its procedures, methodologies, and assumptions (including financial statement adjustments that deviate materially from those contained in an issuer's published financial statements), so that outside parties may understand how a rating was arrived at by JCR. This information shall include (but is not limited to) the meaning of each rating category, the definition of default, and the time horizon JCR used when making a rating decision. When issuing or revising a rating, JCR shall explain in its press release and reports the key elements underlying the rating opinion.

Article 21. Measures for Response from an entity requesting the rating

Prior to issuing or revising a rating, JCR shall inform the entity requesting the rating of the critical information and principal considerations upon which a rating is based, and afford the issuer an opportunity to clarify any factual misperceptions or other matters that JCR would wish to be made aware of in order to produce an accurate rating. In response to an objection from the entity requesting the rating, JCR shall re-examine the rating by replacing analysts and/or bring the case to reconsideration of the Rating Committee.

Article 22. Disclosure of Information about Historical Default Rates

In order to promote transparency and to enable the market to best judge the performance of ratings, JCR shall publish sufficient information about the historical default rates of JCR rating categories and whether the default rates of these categories have changed over time so that interested parties may understand the historical performance of each category and if and how rating categories have changed, and may be able to draw quality comparisons among ratings given by different credit rating agencies. If the nature of a rating or other circumstances make a historical default rate inappropriate, statistically invalid, or otherwise likely to mislead the users of the rating, JCR shall explain this.

Article 23. Publication of Unsolicited Ratings

If a publication of a rating on an issuer is perceived to contribute to the enhancement of rating accuracy because the issuer's market share, for example, is high, JCR shall publicize the unsolicited rating with the consent of the issuer. In this case, JCR shall disclose that the rating was not initiated at the request of the issuer by indicating suffix, "p," to the rating symbol to identify it as such. Even in case of an unsolicited rating, JCR shall exert efforts to carry out credit assessments in the same rating process as for a solicited rating, by assessing sufficient information and/or interviewing issuers. JCR shall make sovereign ratings only when it obtains the consent of the applicable nation, but the suffix, "p," shall not be indicated.

Article 24. Publication of Material Modifications to Rating Methodologies, etc.

JCR shall fully and publicly disclose all material modifications to its methodologies, processes and other related procedures. JCR shall carefully consider the uses of credit ratings before modifying its methodologies, processes and other related procedures.

Chapter 5. Treatment of Confidential Information

Article 25. Protection of Confidential Information

JCR shall adopt procedures and mechanisms to protect the confidential nature of information (the "Confidential Information") shared with it by entities requesting ratings, under the terms of a confidentiality agreement or otherwise under the mutual understanding that such information is shared confidentially. Unless otherwise permitted by the confidentiality agreement or the mutual understanding, and consistent with applicable laws and regulations, JCR and its employees shall not disclose Confidential Information in press releases, research conferences, or conversations with investors, or by any other means. Even after retirement from JCR, the retired employee shall protect Confidential Information in accordance with an agreement between JCR and the employee at the time of retirement.

Article 26. Use of Confidential Information

JCR shall use Confidential Information only for purposes related to its rating activities or otherwise in accordance with confidentiality agreements with an entity requesting a rating.

Article 27. Measures for the Protection of Property and Records

JCR employees shall take all reasonable measures to protect all property and records belonging to or in possession of JCR from fraud, theft, or misuse.

Article 28. Prohibition of Securities Transactions when Possessing Confidential Information

JCR employees shall be prohibited from engaging in transactions in securities or derivatives thereof when they possess Confidential Information concerning the issuer of such securities, other than holdings in diversified collective investment schemes or bank debentures insured under the Deposit Insurance Law. Even after

retirement from JCR, the retired employee shall also be prohibited from engaging in such transactions based on Confidential Information of the issuer in accordance with an agreement between JCR and the employee at the time of retirement.

Article 29. Compliance with Internal Policies about the Treatment of Confidential Information and Securities Trading

JCR employees shall familiarize themselves with the internal policies concerning the treatment of Confidential Information and securities trading, and periodically certify their compliance as required by such policies.

Article 30. Prohibition of Selective Disclosure

JCR employees shall not selectively disclose any non-public information about rating opinions or possible future rating actions of JCR, except to an entity requesting a rating or its designated agents.

Article 31. Restriction on Sharing Confidential Information

JCR employees shall not share Confidential Information within JCR, except on an "as needed" basis.

Article 32. Restriction on Use of Confidential Information for Other Purposes

JCR employees shall not use or share Confidential Information for the purpose of trading securities, or for any other purpose except the conduct of JCR's business.

Chapter 6. Disclosure of JCR's Code of Conduct and Communication with Market Participants

Article 33. JCR's Code of Conduct following the Provisions of the IOSCO Principles and the IOSCO Code of Conduct Fundamentals

JCR's Code of Conduct is established in accordance with the provisions of the IOSCO Principles Regarding the Activities of Credit Rating Agencies and the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies. In order to implement its Code of Conduct, JCR shall adopt internal policies and organizations to make its employees fully aware of the Code of Conduct. JCR shall disclose on a timely manner any modification to its Code of Conduct and how it shall be implemented.

Article 34: Establishment of Communications Functions with Market Participants and the Public

JCR shall establish a function within its organization charged with communicating with market participants and the public about any questions, concerns, or complaints that JCR may receive. This function shall help ensure that JCR's officers and management are informed of issues that its officers and management would want to be made aware of when setting policies relating to ratings.

Supplement

Article 1. Effective date

This Code of Conduct is put into effect as of May 31, 2005.

Correspondence between “ JCR Code of Conduct, ” “ the IOSCO Principles Regarding the Activities of Credit Rating Agencies ” and “ the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies ”

JCR Code of Conduct	IOSCO Code Fundamentals	IOSCO Principles
Chapter 1. Quality and Integrity of the Rating Process		
Article 1. Rating Methodologies and Results Validation	1.1, 1.2, 1.4	1.1
Article 2. Ratings by Analysts	1.3, 1.4, 1.6	1.4, 1.5
Article 3. Rating Teams and Rating Committee	1.7, 1.8	1.4
Article 4. Maintenance of Internal Records	1.5	1.3
Article 5. Ratings Review and Termination	1.9, 1.10	1.2
Article 6. Compliance	1.11, 1.15, 1.16	n.a.
Article 7. Employee Integrity	1.12, 1.13, 1.14	1.5
Chapter 2. JCR Independence and Avoidance of Conflicts of Interest		
Article 8. Independence and Objectivity of Ratings	2.1, 2.2, 2.3, 2.4	2.2, 2.5
Article 9. Elimination and Management of Conflicts of Interest	2.6, 2.7, 2.9	2.1
Article 10. Separation of Employees in Liaison with the FSA from Conducting Rating Actions of Japanese Government Bonds	2.1	n.a.
Article 11. Avoidance of Conflicts of Interest from Ancillary Business	2.5	n.a.
Article 12. Fee Schedule	2.8	2.6
Chapter 3. Analyst and Employee Independence and Avoidance of Conflicts of Interest		
Article 13. Compensation Arrangements	2.11, 2.12	2.4
Article 14. Restriction of Involvement in Rating Actions	2.13	n.a.
Article 15. Prohibition of Securities Transactions by analysts	2.14	2.3
Article 16. Prohibition of Soliciting or Accepting Money and Gifts	2.15	n.a.
Article 17. Disclosure of Personal Relationships that Create the Potential for Conflicts of Interest	2.16	n.a.
Chapter 4. Disclosure of Rating Information		
Article 18. Public Disclosure of Ratings Decisions	3.1, 3.2, 3.3	3.1
Article 19. Non-selective-basis Disclosure of Rating Decisions	3.4	3.2
Article 20. Disclosure of All Related Information on Rating Actions	3.5, 3.6	3.3
Article 21. Measures for Response from an Entity Requesting the Rating	3.7	n.a.
Article 22. Disclosure of Information about Historical Default Rates	3.8	3.4
Article 23. Publication of Unsolicited Ratings	3.9	3.5
Article 24. Publication of Material Modifications to Rating Methodologies, etc.	3.1	n.a.
Chapter 5. Treatment of Confidential Information		
Article 25. Protection of Confidential Information	3.11	4.1
Article 26. Use of Confidential Information	3.12	4.2
Article 27. Measures for the Protection of Property and Records	3.13	n.a.
Article 28. Prohibition of Securities Transactions when Possessing Confidential Information	3.14	n.a.
Article 29. Compliance with Internal Policies about the Treatment of Confidential Information and Securities Trading	3.15	n.a.
Article 30. Prohibition of Selective Disclosure	3.16	n.a.
Article 31. Restriction of Sharing Confidential Information	3.17	n.a.
Article 32. Restriction of Use of Confidential Information for Other Purposes	3.18	n.a.
Chapter 6. Disclosure of JCR’s Code of Conduct and Communication with Market Participants		
Article 33. JCR’s Code of Conduct following the Provisions of the IOSCO Principles and the IOSCO Code of Conduct Fundamentals	4.1	n.a.
Article 34. Establishment of Communications Functions with Market Participants and the Public	4.2	n.a.