

## EXECUTIVE SUMMARY

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**Objective:** To manage potential conflicts of interest regarding Fitch Ratings' assignment (both pending and actual) or maintenance of Ratings on certain affiliated entities by setting forth prohibitions and disclosure requirements on the assignment or maintenance of Ratings where there is a common control, ownership interest or other affiliation between Fitch Ratings and that entity.

**Application:** Fitch Ratings, Inc. and each of its Rating affiliates that issues Ratings under the trade name "Fitch Ratings"

**Effective Date:** 01 June 2020

**Version:** 11.2

**Replaces:** Bulletin 10, *Firewall Policy*, Version 11.1 (31 January 2020)

### 1. INTRODUCTION

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1.1. As a general matter, Fitch Ratings is prohibited from assigning or maintaining Ratings on any entity directly or indirectly controlling, controlled by or under common control with Fitch Ratings. For affiliations not involving control, Fitch Ratings must eliminate, or manage and disclose, potential conflicts arising out of it having a direct or indirect interest in a Rated Entity, or if a Rated Entity has a direct or indirect interest in Fitch Ratings.

#### 1.2. EU Requirements

Pursuant to the more stringent requirements set forth in EU law, each EU Fitch CRA:

- is prohibited from assigning a Rating on an entity or its Securities if: (i) the entity owns 10% or more of the EU Fitch CRA, (ii) any of the Shareholders or Control Persons of this EU Fitch CRA own 10% or more of the entity or a Related Third Party, or (iii) any of these Shareholders or Control Persons is a member of the board of directors of the entity or a Related Third Party; and
- must make additional disclosures in connection with any Rating of a Rated Entity or its Securities rated by this EU Fitch CRA, if any of these Shareholders or Control Persons have a smaller (i.e., from 5% up to less than 10%) ownership interest in the Rated Entity.

#### 1.3. Endorsed CRAs

Each Endorsed CRA:

- is prohibited from assigning an international scale Rating on an entity or its Securities if: (i) the entity owns 10% or more of this Endorsed CRA, (ii) any of the Shareholders or Control Persons of this Endorsed CRA own 10% or more of the entity or a Related Third Party, or (iii) any of these Shareholders or Control Persons is a member of the board of directors of the entity or a Related Third Party; and
- must make additional disclosures in connection with any international scale Rating of a Rated Entity or its Securities rated by this Endorsed CRA, if any of these Shareholders or Control Persons have a smaller (i.e., from 5% up to less than 10%) ownership interest in the Rated Entity.

#### 1.4. Additional Information

Bulletin 10A Firewall Policy sets forth the control, ownership and board membership information necessary to implement this Policy.

## 2. DEFINITIONS

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“**Affiliate**” means any entity designated as an Affiliate in Bulletin 10A.

“**BRM**” means Business and Relationship Management.

“**Control Person(s)**” means a person or entity designated as a Control Person in Bulletin 10A.

“**CRA**” means a credit rating agency.

“**Director Affiliations**” means, with respect to any Fitch Director, his or her service as a director, officer or trustee of a Rated Entity.

“**Disclosable Interest**” means, with respect to an entity, an Equity Interest or directorship identified as a Disclosable Interest in Bulletin 10A.

“**Disqualifying Interest**” means, with respect to an entity, an Equity Interest or directorship identified as a Disqualifying Interest in Bulletin 10A.

“**Endorsed CRA**” means any of Fitch Ratings, Inc., Fitch Australia Pty Ltd., Fitch Ratings Brasil Ltda., Fitch (Hong Kong) Ltd., Fitch Ratings Japan Ltd., Fitch Mexico S.A. de C.V. or Fitch Singapore Pte. Ltd. (or any branch of one of these entities, wherever located)

“**Endorsed CRA Analyst**” means an analyst employed by an Endorsed CRA.

“**Endorsed Rating**” means an international scale Public Rating where the relevant primary analyst is and Endorsed CRA Analyst.

“**Equity Interest**” means, with respect to an entity, a percentage of any of the capital, voting rights or any other ownership interest of the entity or any of its Related Third Parties.

“**EU Fitch CRA**” means Fitch Ratings Ltd and its CRA subsidiaries located and registered in the EU (each individually, including any of its branches (wherever located)).

“**EU**” means the European Union.

“**EU Analyst**” means an analyst employed by an EU Fitch CRA.

“**Fitch Director(s)**” means an individual who is a member of the Board of Directors of Fitch Group, Inc., Fitch Ratings, Inc., Fitch Ratings Ltd., Fitch Ratings (Thailand) Ltd, Fitch Ratings Lanka Ltd. S.A., Fitch Ratings CIS Limited, Fitch Ratings Espana S.A.U and Fitch Ratings Ireland Limited.

“**Fitch Ratings**” means Fitch Ratings, Inc. and each of its Rating affiliates that issues Ratings under the trade name “Fitch Ratings”.

“**Private Rating**” means a Rating which Fitch Ratings has not published on its website, [www.fitchratings.com](http://www.fitchratings.com).

“**Public Rating**” means a Rating which Fitch Ratings has published on its website, [www.fitchratings.com](http://www.fitchratings.com).

“**Rated Entity**” means (i) the issuer, obligor or (but only with respect to Ratings assigned by an EU Fitch CRA) a Related Third Party with respect to any Security that has a current Rating from Fitch Ratings or (ii) an entity to which Fitch Ratings has currently assigned a Rating. The requirements with respect to Rated Entities as set forth in this Policy apply regardless of the type, nature or legal form of the Rated Entity, including whether it is a for-profit or not-for-profit entity.

“**Rating**” means a “Rating” as defined in Bulletin 07 Credit Products – Defined: Ratings, Assessments, Opinions and Scores Bulletin 07 Credit Products – Defined: Ratings, Assessments, Opinions and Scores that assesses the creditworthiness of an issuer or its Securities. For purposes of this Bulletin 10, “Rating” includes any indication of the likely direction of the Rating.

“**Related Third Party**” means (i) with respect to an entity, any other entity (x) who holds, directly or indirectly, a 20% or more Equity Interest in the first entity, (y), in which 20% or more of the Equity Interest is held directly or indirectly by the first entity<sup>1</sup> or (z) who is otherwise, directly or indirectly linked to the first entity by control; and (ii) with respect to any entity that issues Securities which are part of a structured finance transaction, an arranger/sponsor<sup>2</sup>, servicer<sup>3</sup> or originator<sup>4</sup> with respect to that transaction which substantially interacts with an EU Analyst or Endorsed CRA Analyst with respect to an Endorsed Rating, as the case may be, on behalf of the issuer of the Securities. Prohibitions and disclosures with respect to Related Third Parties are only applicable to Ratings assigned by an EU Fitch CRA or to international scale Ratings assigned by an Endorsed CRA.

“**Security**” means any security, programme or other financial instrument.

“**Shareholder**” means a person or entity designated as a Shareholder of Fitch Ratings in Bulletin 10A.

“**Surveillance Analyst**” means the analyst to whom responsibility for ongoing surveillance of a structured finance transaction is typically transferred after the Rating has been published.

### 3. PROHIBITIONS ON ASSIGNING OR MAINTAINING RATINGS

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This Section sets forth those circumstances under which Fitch Ratings is prohibited from initiating or maintaining a Rating on an entity and/or its Securities. No Fitch Ratings CRA may initiate or maintain a Rating on any other Fitch Ratings CRA. The following are additional restrictions:

#### 3.1. Within the EU:

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<sup>1</sup> Related Third Parties of Related Third Parties are not included. For example, where Company A is the Rated Entity and it owns a 20% Equity Interest in Company B, Company B is a Related Third Party of Company A, but if Company C also owns a 20% or more Equity Interest in Company B, Company C is not a Related Third Party of Company A unless there is some other link of control between Company A and Company C.

<sup>2</sup> For the sake of clarity, the terms “arranger” and “sponsor” used in this definition each refer to the lead structurer of the relevant transaction. If there is more than one structurer of a transaction, the structurer that has the most interaction with Fitch Ratings will be deemed the lead structurer for the purposes of this definition.

<sup>3</sup> For the purposes of this definition, the term “servicer” (i) excludes all subservicers; (ii) refers to any “servicer”, “master servicer” and “special servicer”; (iii) refers, in the case of asset-backed commercial paper and credit-linked notes, to the “administrative agent”; and (iv) refers, in the case of structured credit transactions, to the asset manager. In the case of multiple servicers, master servicers or special servicers, the following servicers will be deemed to be “Related Third Parties” for purposes of this definition: (a) only those acting with respect to 15% or more of the underlying assets; and (b) where there is no servicer which acts with respect to 15% or more of the underlying assets, the top three servicers which act in respect of the largest percentages of these assets.

<sup>4</sup> For purposes of this definition, the term “originator” refers, in the case of structured credit transactions that do not have originators, to the asset manager. In case of multiple originators, the following originators will be deemed to be “Related Third Parties” for the purposes of this definition: (a) only those supplying 15% or more of the underlying assets; and (b) if there are no originators which supply 15% or more of the underlying assets, the top three originators which supply the largest percentages of these assets.

An EU Fitch CRA is prohibited from assigning a Rating<sup>5</sup> on an entity or its Securities if, in Bulletin 10A, that entity, or a Related Third Party<sup>6</sup>, is listed as having a Disqualifying Interest within the EU.

If an EU Fitch CRA is currently maintaining a Rating on a Rated Entity and/or its Securities, and Compliance subsequently obtains knowledge that there is a Disqualifying Interest in the EU with respect to this Rated Entity, then Compliance will initiate the assessment process set forth in Section 5.2 to determine whether this Rating can continue to be maintained. The results of the assessment process will be communicated in writing to the applicable regional analytical group head and the relevant BRM staff member(s), as appropriate, for implementation.

### 3.2. Endorsed Ratings:

An Endorsed CRA is prohibited from assigning a Rating on an entity or its Securities if, in Bulletin 10A, that entity, or a Related Third Party<sup>7</sup>, is listed as having a Disqualifying Interest within the EU.

If an Endorsed CRA is currently maintaining a Rating on a Rated Entity and/or its Securities, and Compliance subsequently obtains knowledge that there is a Disqualifying Interest in the EU with respect to this Rated Entity, then Compliance will initiate the assessment process set forth in Section 5.2 to determine whether this Rating can continue to be maintained. The results of the assessment process will be communicated in writing to the applicable regional analytical group head and the relevant BRM staff member(s), as appropriate, for implementation.

### 3.3. Outside the EU (other than Endorsed CRAs):

A CRA located outside the EU (other than an Endorsed CRA) is prohibited from initiating or maintaining a Rating on an entity or its Securities if it is listed in Bulletin 10A as having a Disqualifying Interest outside the EU.

## 4. DISCLOSURES

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This Section sets forth those circumstances where initiating or maintaining a Rating on an entity and/or its Securities is not prohibited under Section 3, but nonetheless for purposes of managing and disclosing potential conflicts, further disclosures are appropriate or necessary.

### 4.1. Disclosable Interests

If Bulletin 10A indicates that Fitch Ratings has a Disclosable Interest with respect to an entity, or if Fitch Ratings is permitted to assign or maintain a Rating following conclusion of the assessment process set forth in Section 5.2, then Fitch Ratings shall publicly disclose the existence of that Disclosable Interest by posting the information on the Fitch Ratings public website, and:

- with respect to each Public Rating of the Rated Entity and its Securities, and any subsequent changes to or affirmations of that Public Rating, by including a link to the posted disclosures in the relevant rating action commentaries; and

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<sup>5</sup> A Rating is considered to be assigned by an EU Fitch CRA if the primary analyst covering the Rated Entity or Security is employed by that EU Fitch CRA.

<sup>6</sup> The primary analyst is responsible for determining the Related Third Parties, if any, of an entity, and checking Bulletin 10A for information with respect to any such Related Third Parties. The primary analyst should contact EMEA Regulatory Compliance with any questions.

<sup>7</sup> The primary analyst is responsible for determining the Related Third Parties, if any, of an entity, and checking Bulletin 10A for information with respect to any such Related Third Parties. The primary analyst should contact EMEA Regulatory Compliance with any questions.

- with respect to each Private Rating of the Rated Entity and its Securities, and any subsequent changes to or affirmations of that Private Rating, by including the URL or link to the posted disclosures in the relevant rating letter or any subsequent rating action letter.

#### 4.2. Global Disclosure of Director Affiliations

Fitch Ratings will provide market participants and the public with information, provided to Fitch annually by Fitch's Directors, pertaining to the Director Affiliations, by annually posting or updating the information on its public website, and

- in the case of a Public Rating, by including a link to the posted disclosures in the rating action commentaries setting forth the Public Rating(s) of the Rated Entity or its Securities, and any subsequent changes to or affirmations of such Public Rating(s); or
- in the case of a Private Rating, by including the URL or link to the posted disclosures in the rating letter with respect to such Private Rating, and any subsequent rating action letters.

## 5. OTHER CONTROLS & REQUIREMENTS

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#### 5.1. Employee Notification Requirement

If an employee becomes aware that (i) any ownership, directorship, control or other information set forth in Bulletin 10A is incorrect or incomplete, or (ii) a change in the facts or circumstances has occurred that may be relevant to a prior determination permitting Fitch Ratings to initiate or maintain a Rating on an entity or its Securities, the employee must promptly inform Compliance (by email at [reporting@fitchratings.com](mailto:reporting@fitchratings.com)) and their manager. In such cases:

- other than carrying out ongoing monitoring tasks with respect to existing Ratings, the employee must cease all further rating activities with respect to that entity and/or its Securities unless and until notified otherwise by Compliance; and
- Compliance will initiate the assessment process, in accordance with Section 5.2, to determine whether rating activities with respect to that entity and/or its Securities can proceed or continue and, if so, whether any additional restrictions, limitations or disclosures would be appropriate.

#### 5.2. Compliance Responsibilities:

Compliance shall:

- *Bulletin 10A*. Produce, update and publish Bulletin 10A internally on a regular basis.
- *Assessment Process Relating To Potential Conflicts of Interest*. Upon identifying a new potential conflict of interest that may trigger a prohibition in accordance with Section 3, convene a group of internal stakeholders charged with performing a documented assessment of:
  - the specifics of the potential conflict,
  - whether Fitch Ratings may assign, or continue to maintain, a Rating on the entity or its Securities given the potential conflict and, if so, whether any previously assigned Ratings should be re-examined,
  - the type and nature of the appropriate disclosures if the Rating can be assigned or maintained, and
  - whether any additional measures are required to manage the potential conflict.

Upon completion of the assessment, Compliance will communicate the results to relevant Fitch Ratings employees.

- *Director Affiliations.* Produce, update and publish on Fitch Ratings' website, [www.fitchratings.com](http://www.fitchratings.com), the disclosure of Director Affiliations set forth in Section 4.2.
- *Disclosable Interests.* Produce, update and publish on Fitch Ratings' website, [www.fitchratings.com](http://www.fitchratings.com), the Disclosable Interests set forth in Section 4.1.

### 5.3. BRM

Prior to entering into an engagement whereby the counterparty requests Fitch Ratings to assign, or to monitor, a Rating for an entity or Rated Entity and/or its Securities, the relevant BRM employee shall confirm whether the prohibitions of this Policy apply, by taking the steps set forth in the relevant policies and procedures governing BRM.

### 5.4. Analytical Group

Prior to assigning a new Rating, or taking any rating action with respect to an existing Rating, the primary Analyst assigned to the Rating (or in the case of previously assigned Structured Finance Ratings, the appointed Surveillance Analyst) shall confirm whether the prohibitions (for all Ratings) or disclosure obligations (for Private Ratings<sup>8</sup>) of this Policy apply, by taking the steps set forth in the relevant policies and procedures governing the ratings process.

## 6. QUESTIONS

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For questions or issues concerning this Policy, please contact Compliance at [reporting@fitchratings.com](mailto:reporting@fitchratings.com).

**Owner:** Bruce Legorburu, Chief Compliance Officer

**Summary of Changes:** Appendix A

**Supplements:** [Bulletin 10A Firewall Policy](#)

Compliance Firewall Procedures

[Fitch Group Bulletin 08: Firewall Policy-Segregation of Credit Rating Activities](#)

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<sup>8</sup> Analysts' obligations with respect to the disclosure requirements in this Policy pertain only to Private Ratings. Compliance is responsible for coordinating the process such that the necessary disclosures are made in connection with Public Ratings (see Section 5.2).

### Appendix A

#### Summary of Changes

##### June 2018

1. Limitations on assigning Ratings to entities affiliated with Marc Ladreit de Lacharriere were removed in light of Fimalac sale of remaining minority share in Fitch Group to Hearst.
2. Revised definition of Related Third Party to more closely track the language of the EU CRA Regulation.
3. Expanded EU requirements to apply to endorsed ratings.

##### January 2020

To clarify the meaning of the terms arranger, sponsor, servicer and originator, as used in the definition of 'Related Third Party' in connection with a structured finance transaction.

##### June 2020

Definition of 'Fitch Director(s)' updated to reflect merger of Fitch Deutschland GmbH into Fitch Ratings Ireland Limited.