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CODE OF CONDUCT

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INTRODUCTION

RAM Ratings Lanka Ltd (“RAM Ratings Lanka”) is a fully owned subsidiary of RAM Holdings Berhad. The establishment of RAM Ratings Lanka is to assist the development of the capital markets, in particular the bond market, in this island nation. RAM Ratings Lanka is a national rating agency registered with the Securities and Exchange Commission of Sri Lanka. RAM Ratings Lanka is also recognised by the Central Bank of Sri Lanka to undertake the credit ratings of financial institutions and as an external credit-assessment institution under its Basel II capital-adequacy direction. In addition, RAM Ratings Lanka is recognised by the Insurance Board of Sri Lanka vis-à-vis assigning claims-paying-ability ratings to insurance companies. To enhance the market’s understanding of and confidence in its credit ratings, RAM Ratings Lanka has adopted this *Code of Conduct* (“the Code”), which is a restatement of the established policies and procedures that we have implemented to safeguard the integrity and independence of our rating and surveillance processes, and to ensure that investors and issuers are treated fairly. To effectively use RAM Ratings Lanka’s ratings, the market should be informed of both their attributes and limitations, some of which are outlined in Section II of this Code.

This Code supersedes the *RAM Code of Conduct* dated August 2007, and has been structured to closely track and primarily adhere to the revised *Code of Conduct Fundamentals for Credit Rating Agencies* (“IOSCO Code”), released by the International Organisation of Securities Commissions (“IOSCO”) in May 2008. IOSCO consists of securities regulators from more than 100 countries, including Malaysia. In addition, the Code incorporates the provisions of the Code of Ethics and Best Practices Framework adopted by the Association of Credit Rating Agencies in Asia (“ACRAA”). ACRAA is an association formed by Asian credit-rating agencies, assisted by Asian Development Bank. One of ACRAA’s main missions is to promote the adoption of best practices to ensure high quality and comparability of credit ratings throughout the region.

In the interest of transparency, RAM Ratings Lanka has posted this Code and other related policies on its website at www.ram.com.lk. However, RAM Ratings Lanka does not assume any responsibility or liability to any third party arising out of or relating to this Code. This Code is not part of any contract with any third party, and no third party shall have any right to enforce any of its provisions. RAM Ratings Lanka, in its sole discretion, may revise this Code at any time to reflect changes in its rating policies and procedures, or to address changes in market, legal or regulatory circumstances.

RAM Ratings Lanka expects all its employees to comply with this Code and the related policies and procedures. Any exception to this Code should be approved in writing by the Compliance Officer or the Chief Executive Officer.

I. DEFINITIONS

For the purposes of this document, the terms below shall have the following meanings:

- ❑ An **"Analyst"** is an employee whose primary function is to participate in the process of credit analysis.
- ❑ **"Confidential Information"** is any information received by RAM Ratings Lanka from an Issuer or its authorised agents, in connection with the rating process in respect of which RAM Ratings Lanka has received written notice, specifically indicating the proprietary and confidential nature of the information. However, the term "Confidential Information" shall not include:
 - Information that is or later becomes publicly known.
 - Information that had been substantially known by RAM Ratings Lanka prior to disclosure by the Issuer or its agents.
 - Information that is disclosed lawfully to RAM Ratings Lanka by a third party not reasonably known by RAM Ratings Lanka to be bound by a confidentiality agreement with the Issuer, or otherwise prohibited from making available such information.
 - Information developed independently by RAM Ratings Lanka without reference to the Confidential Information.
- ❑ A **"Credit Rating"** is RAM Ratings Lanka's current opinion on the overall creditworthiness of a particular **Issue** or an **Issuer's** capacity to meet its financial obligations. Credit Ratings are determined by a rating committee and expressed using RAM Ratings Lanka's established "AAA" to "D" and "P1" to "NP" alphanumeric rating scale, or other rating scales as published from time to time by RAM Ratings Lanka.
- ❑ An **"Issuer"** is any entity that issues a debenture, Islamic securities, private debt securities, a credit commitment or debt-like securities.
- ❑ An **"Issue"** includes debentures, Islamic securities, and private debt securities such as bonds, loan stocks and commercial papers, whether convertible into equity or not and whether redeemable or otherwise.
- ❑ **"CRA"** is the abbreviation for "credit rating agency".

II. WHAT ARE CREDIT RATINGS?

Credit Ratings are RAM Ratings Lanka's current opinions regarding the relative creditworthiness of Issuers or Issues, and are not verifiable statements of fact. Credit Ratings do not constitute investment or financial advice, and are not recommendations to purchase, sell, or hold particular securities. Credit Ratings do not comment on the suitability of an investment for any particular investor.

RAM Ratings Lanka's Credit Ratings are based on information furnished by the Issuer or its agents and advisors (e.g. auditors, legal counsels, consultants and other experts) and information obtained by RAM Ratings Lanka from sources believed by RAM Ratings Lanka to be accurate and reliable. RAM Ratings Lanka relies on Issuers and their agents to provide accurate, timely and complete information in connection with the rating and surveillance processes.

RAM Ratings Lanka has no obligation to perform, and does not perform, due diligence or independent verification of information it receives or obtains in connection with the rating process, nor does RAM Ratings Lanka conduct any audit as to the completeness of such information. The assignment of a Credit Rating by RAM Ratings Lanka should not be viewed as a guarantee of the accuracy, completeness, or timeliness of the information relied on in connection with the rating or the results obtained from the use of such information.

RAM Ratings Lanka maintains independence in its relationships with Issuers and other interested entities. RAM Ratings Lanka does not act as an investment, financial or other advisor to, and does not have any fiduciary relationship with, the Issuers it rates. RAM Ratings Lanka does not participate in the actual structuring of any security it rates, but may comment on the potential credit implications of the proposed structural elements of a security.

III. THE PROVISIONS

1. QUALITY AND INTEGRITY OF THE RATING PROCESS

A. Quality of the Rating Process

- 1.1 RAM Ratings Lanka will ensure that its rating opinions are based on a thorough analysis of all relevant information known, according to its established rating methodologies.
- 1.2 RAM Ratings Lanka will develop and maintain rigorous and systematic rating methodologies. Where possible, the ratings resulting from such methodologies shall collectively be subjected to objective validation based on historical experience. However, the performance of an individual credit opinion will not be judged on the basis of the individual outcome, but on whether the individual Credit Rating had been formed pursuant to RAM Ratings Lanka's established processes.
- 1.3 In assessing the creditworthiness of an Issuer or an Issue, Analysts involved in the preparation or review of any rating action will use methodologies established by RAM Ratings Lanka. Analysts will apply a given methodology in a consistent manner, as determined by RAM Ratings Lanka.
- 1.4 Credit Ratings will be determined by rating committees and not by any individual Analyst. Credit Ratings will reflect all information known, and believed to be relevant, by the applicable RAM Ratings Lanka Analysts and rating committee, in a manner generally consistent with RAM Ratings Lanka's methodologies. RAM Ratings Lanka will employ Analysts who, individually or collectively, have appropriate knowledge and experience in developing rating opinions for the type of credit being analysed.
- 1.5 RAM Ratings Lanka will maintain internal records to support its Credit Ratings in accordance with RAM Ratings Lanka's internal policies and applicable laws.
- 1.6 RAM Ratings Lanka and its Analysts will take steps to avoid issuing any credit analyses, ratings or reports that knowingly contain misrepresentations or are otherwise misleading as to the general creditworthiness of an Issuer or obligation or Issue.
- 1.7 RAM Ratings Lanka will invest sufficient resources to carry out high-quality credit assessments of the Issuers and Issues it rates. When deciding whether to rate or continue rating an Issuer or Issue, RAM Ratings Lanka will assess whether it is able to devote sufficient personnel with appropriate

skills to make a proper rating assessment, and whether its personnel are likely to have access to sufficient information needed to make such an assessment. RAM Ratings Lanka will adopt reasonable measures so that the information it uses in assigning a Credit Rating is of sufficient quality to support a credible rating. If the rating involves a type of financial product presenting limited historical data (such as an innovative financial vehicle), RAM Ratings Lanka will make clear, in a prominent place, the limitations of the Credit Rating.

- 1.7.1 RAM Ratings Lanka's Criteria Oversight Committee, which comprises senior management personnel, will review the feasibility of providing a Credit Rating to any type of structure that is materially different from the structures RAM Ratings Lanka currently rates.
- 1.7.2 RAM Ratings Lanka will establish and implement a rigorous and formal review function under the Criteria Oversight Committee, which is responsible for periodically reviewing the methodologies and models as well as any significant changes to the methodologies and models it uses.
- 1.7.3 RAM Ratings Lanka will assess whether the existing methodologies and models for determining the Credit Ratings of structured products are appropriate, when the risk characteristics of the underlying assets in a structured product change materially. In cases where the complexity or structure of a new type of structured product or the lack of robust data on the underlying assets in the structured product raise serious questions as to whether RAM Ratings Lanka can determine a credible Credit Rating for the security, RAM Ratings Lanka will refrain from issuing a Credit Rating.
- 1.8 RAM Ratings Lanka will structure its rating committees and rating teams to promote continuity and avoid bias in the rating process. For each rating assignment, RAM Ratings Lanka shall assemble a team (with a minimum of 2 members) of Analysts with appropriate training and experience. In order to maintain the integrity and objectivity of the rating process and the robustness of internal proceedings, the deliberations and the identities of persons who had participated in a rating committee shall be kept confidential, and not revealed to any external party. All rating decisions shall be announced as a joint decision of the rating committee and the individual votes shall be kept confidential.

B. Monitoring and Updating

- 1.9 RAM Ratings Lanka will ensure that adequate personnel and financial resources are allocated to the monitoring and updating of its ratings. Except for Credit Ratings that clearly indicate they do not entail ongoing surveillance, once a Credit Rating is published, RAM Ratings Lanka will

monitor (over the life of the Issue) on an ongoing basis and update the ratings by:

- a. Regularly reviewing the creditworthiness of the Issuer or Issue.
- b. Initiating a review of the status of the Credit Ratings upon becoming aware of any information that may reasonably be expected to result in a rating action (including termination of a Credit Rating), consistent with the applicable rating methodology.
- c. Updating the Credit Ratings on a timely basis, as appropriate, based on the results of such a review.

Subsequent monitoring should incorporate all cumulative experience obtained. Changes in rating criteria and assumptions should be applied, where appropriate, to both initial ratings and subsequent ratings.

1.9.1 RAM Ratings Lanka will ensure that each analytical team that determines the initial ratings and/or subsequent monitoring of structured-finance products will have the requisite level of expertise and resources to perform their respective functions in a timely manner.

1.10 RAM Ratings Lanka will announce via press releases if it discontinues a public Credit Rating on an Issuer or Issue. When RAM Ratings Lanka withdraws a Credit Rating that has been provided only to limited parties, it will inform them accordingly. Further to the provisions on surveillance as set out in section 1.9, RAM Ratings Lanka will withdraw or suspend a Credit Rating only in extreme circumstances, such as the receipt of material adverse information or the non-availability of critical information due to, but not limited to, the non-cooperation of the Issuer.

C. Integrity of the Rating Process

1.11 RAM Ratings Lanka and its employees will comply with all the applicable laws and regulations governing its activities in each jurisdiction in which RAM Ratings Lanka operates.

1.12 RAM Ratings Lanka and its employees will deal fairly and honestly with Issuers, investors, other market participants, and the public.

1.13 RAM Ratings Lanka will hold its employees to high standards of integrity. RAM Ratings Lanka will not knowingly employ any individual with demonstrably compromised integrity.

1.14 RAM Ratings Lanka and its Analysts will not, either implicitly or explicitly, give any assurance or guarantee on a particular Credit Rating prior to a rating assessment. This does not preclude RAM Ratings Lanka from

developing prospective assessments used in structured finance and similar transactions.

- 1.14.1 RAM Ratings Lanka prohibits its Analysts from making proposals or recommendations regarding the design of the structured-finance transactions that it rates.
- 1.15 RAM Ratings Lanka will institute policies and procedures that clearly specify a person responsible for compliance, by RAM Ratings Lanka and its employees, with the provisions of this Code and with the applicable laws and regulations. This compliance officer will be substantially independent from RAM Ratings Lanka's rating operations.
- 1.16 Upon becoming aware that another RAM Ratings Lanka employee is or has been engaged in conduct that is illegal, unethical, or contrary to this Code, that employee will report such information immediately to the compliance officer or an officer of RAM Ratings Lanka, as appropriate, so that proper action may be taken. While RAM Ratings Lanka's employees are not expected to be experts in the law, they are expected to report activities of which they are aware and that a reasonable person would question as a potential violation of the law or this Code. Any RAM Ratings Lanka officer who receives such a report from an employee is obligated to take appropriate action, as determined by the laws and regulations and the rules and guidelines set forth by RAM Ratings Lanka.
- 1.17 RAM Ratings Lanka's management will prohibit retaliation by its employee or by RAM Ratings Lanka itself against any employee who, in good faith, reports a possible violation of the law or this Code.

2. INDEPENDENCE AND MANAGEMENT OF CONFLICTS OF INTEREST

A. General

- 2.1 RAM Ratings Lanka will not forbear or refrain from taking a rating action based on the potential effect (economic, political, or otherwise) of the action on RAM Ratings Lanka, an Issuer, an investor, or other market participants.
- 2.2 RAM Ratings Lanka and its Analysts will use care and professional judgement to maintain both the substance and appearance of independence and objectivity.
- 2.3 The determination of a Credit Rating will be influenced only by factors relevant to the credit assessment.

- 2.4 The Credit Rating that RAM Ratings Lanka assigns to an Issuer or Issue will not be affected by the existence of, or potential for, a business relationship between RAM Ratings Lanka (or its affiliates) and the Issuer (or its affiliates) or any other party, or the non-existence of any such relationship.
- 2.5 RAM Ratings Lanka will separate its credit-rating business and Analysts from other businesses that may present a conflict of interest. RAM Ratings Lanka will ensure that any existing or future ancillary business operations, which do not necessarily present conflicts of interest with RAM Ratings Lanka's credit-rating business, have in place procedures and mechanisms designed to minimise the likelihood that conflicts of interest will arise.

B. Procedures and Policies

- 2.6 Conflicts of interest or other undue influences, if not managed properly, could undermine RAM Ratings Lanka's independence, objectivity and credibility. As such, RAM Ratings Lanka endeavours to avoid conflicts of interest and will adopt procedures and mechanisms to address the conflicts of interest through a combination of internal controls and disclosure.
- 2.7 In case of any possible conflict of interest, the member of the rating committee or Analyst or employee concerned will disclose such conflict of interest and will not participate in any manner in formulating or arriving at a Credit Rating. Depending on the nature of the conflict and subject to the discretion of RAM Ratings Lanka's senior management, however, the person may be asked to be a resource person to give information or opinions useful for the consideration of others; such person will not participate in the voting process itself. RAM Ratings Lanka will disclose known actual and potential conflicts of interest. Such disclosures will be complete, timely, clear, concise, specific and prominent.
- 2.8 RAM Ratings Lanka receives compensation from Issuers to enable it to perform credible credit analysis. This compensation must not influence an Analyst's credit opinions or other analytical processes.
 - a. Where applicable, RAM Ratings Lanka will disclose if it receives material compensation from rated entities that is unrelated to its rating services.
 - b. RAM Ratings Lanka will disclose if it receives 10% or more of its annual rating revenue from a single Issuer, originator, arranger, client or subscriber.
 - c. RAM Ratings Lanka will encourage structured-finance Issuers and originators of structured-finance products to publicly disclose all relevant information regarding these products, so that investors and other CRAs can conduct their own analysis independently of RAM Ratings Lanka.

- 2.9 RAM Ratings Lanka will not engage in any securities or derivatives trading that present conflicts of interest with RAM Ratings Lanka's rating activities, other than holdings in diversified collective investment schemes.
- 2.10 In instances where rated entities (e.g. governments) have, or are simultaneously pursuing, oversight functions related to RAM Ratings Lanka, RAM Ratings Lanka will use different employees to conduct its rating actions than those employees involved in its oversight issues.

C. Analyst and Employee Independence

- 2.11 Reporting lines for RAM Ratings Lanka's employees and their compensation arrangements have been structured to eliminate or effectively manage actual and potential conflicts of interest.
- a. Analysts will not be compensated or evaluated on the basis of the amount of revenue that RAM Ratings Lanka derives from the Issuers that the Analysts rate, or with which the Analysts regularly interact.
 - b. RAM Ratings Lanka will conduct formal and periodic reviews of compensation policies and practices for its Analysts and other employees who participate in or who may otherwise have an effect on the rating process, to ensure that these policies and practices do not compromise the objectivity of the rating process.
- 2.12 RAM Ratings Lanka will not have employees who are directly involved in the rating process initiate, or participate in, discussions regarding fees or payments with any entity they rate. Discussions on fees or payments will be carried out by RAM Ratings Lanka's Chief Executive Officer.
- 2.13 Subject to clause 2.7, no RAM Ratings Lanka employee will participate in or otherwise influence the determination of the Credit Rating of any particular Issuer or Issue if the employee:
- a. Owns securities or derivatives of the rated entity, other than holdings in diversified collective investment schemes.
 - b. 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.
 - c. Has had a recent employment or other significant business relationship with the rated entity that may cause or may be perceived as causing a conflict of interest.
 - d. Has an immediate relation (i.e. a spouse, partner, parent, child, or sibling) who currently works for the rated entity.

e. 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.

2.14 In accordance with RAM Ratings Lanka’s personal investment policy, Analysts who are involved in the rating process (or their spouses, partners or minor children) should 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 area of primary analytical responsibility, other than holdings in diversified collective investment schemes.

2.15 RAM Ratings Lanka’s employees are prohibited from soliciting money, gifts or favours from anyone with whom RAM Ratings Lanka does business, and are prohibited from accepting gifts exceeding a nominal monetary value, as determined by RAM Ratings Lanka’s management.

2.16 An Analyst who becomes involved in any personal relationship that creates the potential for any real or apparent conflict of interest (including, for example, any personal relationship with an employee of a rated entity or agent of such entity within his/her area of analytical responsibility) will be required to disclose such relationship to his/her immediate supervisor or department head. Based on the assessment of this information, RAM Ratings Lanka will take appropriate steps to mitigate the real or apparent conflict.

3. RESPONSIBILITIES TO THE INVESTING PUBLIC AND ISSUERS

A. Transparency and Timeliness of Ratings Disclosure

3.1 RAM Ratings Lanka will announce to the public as soon as practicable its credit opinions and actions regarding the Issuers and Issues it rates. RAM Ratings Lanka will not unduly delay disseminating any rating action.

3.2 RAM Ratings Lanka will publicly disclose its policies for distributing ratings, reports and updates.

3.3 RAM Ratings Lanka will indicate with each of its Credit Ratings when the rating was last updated. Each rating announcement will also indicate the principal methodology that had been used in determining the Credit Rating. Where the Credit Rating is based on more than one methodology, or where a review of only the principal methodology may cause investors to overlook other important aspects of the Credit Rating, RAM Ratings Lanka will explain this fact in the rating announcement, and indicate where a discussion of

how the different methodologies and other important aspects are factored into the rating decision.

- 3.4 Except for “private ratings”¹, and in line with RAM Ratings Lanka’s rating process, once an Issuer accepts and uses the assigned Credit Rating, RAM Ratings Lanka will make its Credit Rating (throughout the life of the Issue) available to the public without cost. Such a Credit Rating will be disseminated via RAM Ratings Lanka’s public website and through transmission to the news media as well as via electronic or print subscription services. The public will be able to obtain a current Credit Rating on any Issuer or Issue without cost. Press releases of the Credit Rating and a brief explanation of the basis for the rating action will remain on RAM Ratings Lanka’s website for a minimum of three business days.
- 3.5 RAM Ratings Lanka will publish sufficient information on its procedures, methodologies and any assumptions that deviate materially from the information contained in the Issuer’s published financial statements, so that financial-market professionals can understand how a Credit Rating had been arrived at. This information will include (but not be limited to) the meaning of each rating category and the definition of default or recovery, and the time horizon RAM Ratings Lanka had used when making a rating decision.
- a. Where RAM Ratings Lanka rates a structured-finance product, it will provide investors and subscribers with sufficient information on its loss and cashflow analysis, so that an investor allowed to invest in the product can understand the basis of RAM Ratings Lanka’s Credit Rating.
 - b. RAM Ratings Lanka endeavours to assist investors in developing an understanding of what a Credit Rating is, and the limits to which Credit Ratings can be put to use vis-à-vis a particular type of financial product that RAM Ratings Lanka rates. RAM Ratings Lanka will clearly indicate the attributes and limitations of each credit opinion, and the limits to which RAM Ratings Lanka verifies information provided to it by the Issuer or originator of a rated security.
- 3.6 When issuing or revising a Credit Rating, RAM Ratings Lanka will explain in its press releases and reports the underlying key elements of the Credit Rating. RAM Ratings Lanka may provide the Issuer with a draft copy of a press release and/or rating rationale that will accompany an assigned Credit Rating when it is disseminated to the public. The documents are provided solely for the purpose of allowing the Issuer to correct any factual errors and preventing any Confidential Information from being inadvertently disseminated. RAM Ratings Lanka will retain full discretion to disseminate its press releases and/or rating rationales to the market in whatever form

¹ Private ratings include ratings provided only to the Issuer. RAM Ratings Lanka may agree to keep such ratings confidential.

RAM Ratings Lanka, in its editorial judgement, determines to be the most appropriate.

- 3.7 Where feasible and appropriate, prior to issuing or revising a Credit Rating, RAM Ratings Lanka will inform the Issuer of the critical information and principal considerations upon which the Credit Rating is based, and afford the Issuer an opportunity to submit additional factual information not previously available to the Issuer or RAM Ratings Lanka, or clarify any likely factual misperception in order to produce a well-informed Credit Rating. RAM Ratings Lanka will duly evaluate the Issuer's response. In particular circumstances where RAM Ratings Lanka has not informed the Issuer prior to issuing or revising a Credit Rating, RAM Ratings Lanka will inform the Issuer as soon as practicable thereafter and, generally, will explain the reason for the delay.
- 3.8 RAM Ratings Lanka will publicly disclose all material modifications to its rating methodologies and related significant practices and procedures. RAM Ratings Lanka will carefully consider the various uses of Credit Ratings before modifying its rating methodologies, practices, procedures and processes.

B. Treatment of Confidential Information

- 3.9 RAM Ratings Lanka will adopt procedures and mechanisms to protect the Confidential Information shared with RAM Ratings Lanka by Issuers under the standard terms and conditions of the contract between RAM Ratings Lanka and the Issuers. Unless RAM Ratings Lanka has received permission from the Issuer, RAM Ratings Lanka and its employees will refrain from disclosing Confidential Information in press releases, through research conferences, conversations with investors, other Issuers, or any other person.
- 3.10 RAM Ratings Lanka will only use Confidential Information for purposes related to its rating activities. RAM Ratings Lanka may use Confidential Information to publish ratings-related research and analytical reports as well as for modeling purposes, provided that the Confidential Information is not presented in a way that can be directly tied to the Issuer.
- 3.11 In spite of Clause 3.10, RAM Ratings Lanka will not be restricted from: (a) publishing any Credit Rating or other opinion regarding a particular Issuer or Issue that incorporates Confidential Information, without specifically disclosing it; (b) using third-party contractors or agents bound by appropriate confidentiality obligations to assist in any aspect of the rating process or related business activities; or (c) disclosing information as required by any applicable law, rule, or regulation, or at the request of any governmental agency or authority.

- 3.12 RAM Ratings Lanka's employees will take all reasonable measures to protect all property and records belonging to or in the possession of RAM Ratings Lanka from fraud, theft or misuse.
- 3.13 In accordance with RAM Ratings Lanka's personal investment policy, its employees will be prohibited from engaging in transactions in securities when they possess Confidential Information concerning the Issuer of such securities.
- 3.14 RAM Ratings Lanka's employees will not disclose any non-public information on rating opinions or the possible future rating actions of RAM Ratings Lanka, except to the Issuer or its designated agents.
- 3.15 RAM Ratings Lanka's employees will not share Confidential Information entrusted to RAM Ratings Lanka with the employees of any affiliated entities, except to the extent that such employees are acting as agents of RAM Ratings Lanka with respect to the rating process, and are bound by appropriate confidentiality obligations. RAM Ratings Lanka's employees will not share Confidential Information within RAM Ratings Lanka, except on an "as needed" basis.
- 3.16 RAM Ratings Lanka's employees will not use or share Confidential Information for the purpose of trading securities, or for any other purpose except the conduct of RAM Ratings Lanka's business.

4. DISCLOSURE OF THE CODE OF CONDUCT AND COMMUNICATION WITH MARKET PARTICIPANTS

- 4.1 In order to implement the Code, RAM Ratings Lanka will adopt internal policies and procedures to make its employees fully aware of this Code. RAM Ratings Lanka will disclose in a timely manner any modification to this Code.
- 4.2 The Chief Executive Officer will be responsible for communicating with market participants and the public on any questions, concerns or complaints relating to RAM Ratings Lanka's adherence to the Code. The objective of this is to help ensure that RAM Ratings Lanka's officers and management have adequate market intelligence when setting RAM Ratings Lanka's policies.
- 4.3 RAM Ratings Lanka will publish, in a prominent position on its home webpage, links to: (1) RAM Ratings Lanka's *Code of Conduct*; and (2) a description of the methodologies it uses.

IV. DEVIATIONS FROM THE IOSCO CODE

RAM Ratings Lanka 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 usefulness of Credit Ratings via enhanced transparency.

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

Clause 1.7.2 of the IOSCO Code recommends that, where feasible, the review function responsible for periodically reviewing the methodologies and models should be independent of the business lines that are responsible for the rating of Issuers and Issues. Given the size of the Sri Lankan market, RAM Ratings Lanka believes it is currently not feasible to maintain a separate team of personnel for this review function. Hence, the review function will be undertaken by the Criteria Oversight Committee, which comprises RAM Ratings Lanka's senior management personnel who are also involved in the rating process. RAM Ratings Lanka believes its existing multi-layered rating process provides adequate mitigation against any potential conflict of interest.

Clause 1.9.1 of the IOSCO Code requires that if the CRA uses separate analytical teams to determine initial ratings and for subsequent monitoring of structured-finance products, each team should have the requisite level of expertise and resources to perform their respective functions in a timely manner. Given the current size and stage of development of the Sri Lankan structured-finance market, RAM Ratings Lanka may use the same analytical teams to determine initial ratings and for subsequent monitoring of structured-finance products. Nonetheless, RAM Ratings Lanka will use its best endeavour to rotate its Analysts for each rated Issue. RAM Ratings Lanka will review the feasibility of using separate teams for the determination of initial ratings and subsequent monitoring of the ratings on a regular basis.

Clause 2.8c of the IOSCO Code requires the CRA to disclose in its announcements whether the issuer of a structured-finance product has informed it that it is publicly disclosing all relevant information on the product being rated, or if such information remains non-public. While RAM Ratings Lanka supports IOSCO's guiding principle of enhancing transparency, we do not believe the agency should be responsible for disclosing whether an Issuer has publicly disclosed all relevant information on the product being rated, or if such information remains non-public. In addition, this requirement could put the burden on RAM Ratings Lanka to conduct due diligence on the veracity of the Issuer's statement.

Clause 2.17 of the IOSCO Code requires the CRA to establish policies and procedures to review the past work of Analysts that leave the employ of the CRA and join Issuers the Analysts had been involved in rating, or financial firms with which the Analysts had had significant dealings as part of their duties at the CRA. RAM Ratings Lanka believes that its current practice of having at least 2 Analysts cover each rated Issuer and Issue, together with the multi-layered rating process, provides adequate check and balance against any potential bias or conflict of interest.

Clause 3.5b of the IOSCO Code requires the CRA to differentiate the ratings of structured-finance products from traditional corporate bond ratings, preferably through different rating symbols, and disclose how this differentiation functions. RAM Ratings Lanka uses the same rating scale and rating symbols for structured finance 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 Issuers and Issues.

Clause 3.8 of the IOSCO Code recommends that, where possible, the CRA should publish sufficient information on the historical default rates of the CRA's rating categories and whether the default rates in these categories have changed over time, so that interested parties can understand the historical performance of each category and if and how rating categories have changed, and be able to draw quality comparisons among the ratings assigned by different CRAs. While RAM Ratings Lanka fully endorses this requirement, we also note that due to the nascent stage of our agency, our limited portfolio size will not assist investors in drawing performance comparisons with other CRAs. That said, RAM Ratings Lanka will review on a regular basis, the feasibility of providing historical default rates.

No statement in this paper is to be construed as a recommendation to buy, sell or hold securities, or as investment advice, as it does not comment on the security's market price or suitability for any particular investor.

While every effort has been made to incorporate the salient points of RAM Ratings Lanka' experience in relation to the methodology, we note that the information contained could be updated and altered depending on changes in our internal views, market conditions, accounting practices and regulations. The methodology is also based on factors relevant to Sri Lanka and may require adaptation to local conditions.

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