SCHEDULE 1

Recognition of ECAIs

PART 1

Methodology

Objectivity

1. The Authority must verify that an ECAI's assessment methodology is rigorous, systematic, continuous and subject to validation based on historical experience.

Independence

2. The Authority must verify that an ECAI's assessment methodology is free from external political influences or constraints, and from economic pressures that may influence a credit assessment.

3. The Authority must assess the independence of an ECAI's assessment methodology according to factors such as the following—

(a) ownership and organisation structure of the ECAI;

(b) financial resources of the ECAI;

(c) staffing and expertise of the ECAI;

(d) corporate governance of the ECAI.

Ongoing review

4. The Authority must verify that an ECAI's credit assessments—

(a) are subject to ongoing review, taking place after all significant events and at least annually; and

(b) are responsive to changes in the financial conditions.

5. The Authority must verify that the assessment methodology for each market segment is established according to standards such as the following—

(a) that backtesting has been established for at least one year;

(b) that the Authority monitors the regularity of the review process by the ECAI;

(c) that the Authority is able to receive from the ECAI information as to the extent of the ECAI's contacts with the senior management of the entities which it rates.

6. The Authority must take such steps as it considers necessary to ensure that it is promptly informed by an ECAI of any material changes in the methodology that the ECAI uses for assigning credit assessments.

Transparency and disclosure

7. The Authority must take such steps as it considers necessary to ensure that the principles of the methodology employed by an ECAI for the formulation of its credit assessments are publicly available so as to enable all potential users to decide whether they are derived in a reasonable way.