

July 28, 2009  
Bureau of Finance

**Tokyo Metropolitan Government Requests Withdrawal of Credit Ratings from Moody's Investors Service**

**Rating Agency**

Moody's Investors Service

**Reasons**

Change of policy concerning local government ratings announced by Moody's is a unilateral shift that is in defiance of the fiscal conditions of local governments. Serious problems exist including the process leading to this shift of policy and the lack of the accountability to the market.

Tokyo Metropolitan Government has requested withdrawal of credit ratings as a strong protest against Moody's actions.

For more details, please refer to "Tokyo Metropolitan Government Views on Re-alignment of Ratings by Moody's Investors Service."

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## **Tokyo Metropolitan Government Views on Re-alignment of Ratings by Moody's Investors Service**

On May 18, 2009, Moody's Investors Service announced that the foreign currency rating of Japanese Government Bonds (JGB) has been aligned with the Aa2 rating of local currency JGBs. It was also announced at that time that 13 local governments' ratings (Aa1) will be under review for downgrading in accordance with a policy shift to have ratings of local governments at the same or under the level of the JGBs, with the exception of specific cases.

On July 28, 2009, Tokyo Metropolitan Government (TMG) requested Moody's to withdraw credit ratings. However, Moody's announced on the same day that the TMG's ratings have been downgraded to Aa2.

TMG views concerning this action are as follows:

### **1 Negative impact on local government ratings**

Moody's revision of policy for local government ratings is not based on the fiscal conditions of local governments, which should essentially be the focus of evaluations by rating agencies.

The sudden and unilateral announcement has a negative impact on the credibility of local government ratings in the market.

### **2 Slapdash process lacks accountability**

In the process of making a major shift in policy concerning ratings, Moody's should have given a full explanation to both issuers and investors concerning the reasoning behind this change and the direction of their review, in order to win their understanding. Moody's explanation, however, consisted of only the presentation of a schedule, and the company did not fulfill its responsibility to assess the process leading to the policy change.

### **3 Unilateral announcement disregards issuer's request for withdrawal of ratings**

Although TMG had been protesting this action by Moody's from before and had requested withdrawal of credit ratings, Moody's unilaterally announced the downgrading of TMG's ratings.

Accordingly, the downgrading of TMG's ratings by Moody's was done without consideration of the fiscal conditions of TMG, based merely on Moody's change in rating policy, and TMG believes that some problems exist in the overall process.