

Potential Conflict of Interest – Pengyuan International

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Conflict of interest may arise in various situations and forms. The following list represents some of the potential conflicts of interest within a credit rating agency (“CRA”), this list is not exhaustive:

1. Between a client and the CRA:
 - a. The CRA or its employee has personal interest, for example, an employee of the CRA involved in assigning a credit rating to the client holds securities of the client.
 - b. The CRA is involved in a transaction to which a rated entity is also a party, for example, assigning a rating which is paid by a third party, or the rated entities.
2. Between various services provided by the CRA, for example, providing credit rating services and other non-rating services.
3. Between the competing interest of two clients, for example, two related clients are engaging the CRA in credit rating services and non-rating services respectively.
4. Self-dealing, for example, the CRA’s Directors are dealing the CRA’s property for self-benefit.