Moody's

ANNUAL REPORT 2016

Henry A. McKinnell, Jr., Ph.D.

Letter from the Chairman of the Board

For over a century, Moody's has been a leader in analyzing and monitoring credit risk. From the Company's origins as an information provider that was the first to rate public debt, Moody's has expanded to cover the full spectrum of fixed-income securities and credit instruments in support of issuers and investors worldwide. Today, Moody's Investors Service (MIS) brings together nearly 1,600 analysts to evaluate debt covering more than 120 countries, approximately 11,000 corporate issuers, 18,000 public finance issuers and 64,000 structured finance obligations.

Over time, Moody's has augmented this expertise with new content and tools encompassing a more complete spectrum of risk solutions, brought to market via Moody's Analytics (MA). MA has built a strong foundation for growth with its unique intellectual property and global scale, including almost 5,000 institutional customers in 145 countries as well as customer relationships with 86 of the top 100 global banks. Looking ahead, as innovation in financial technology accelerates, it becomes ever more important for Moody's to identify and understand opportunities and risks around technology evolution, including providing products and services to meet customer needs.

The Company's analytical, data-driven culture rewards not only innovative thinking but also intellectual rigor. Moody's mission—"to be the world's most respected authority serving risk-sensitive financial markets"—is guided by its core values of integrity, independence, insight, inclusion and intellectual leadership. To reflect better who we are as an organization as well as the employment experience at Moody's, the Company refreshed its Employee Value Proposition in 2016 to "We have impact. So will you."

Moody's commitment to honesty, transparency and fairness is also evident in its approach to shareholder engagement. Moody's was recently recognized as one of "America's Most Honored Companies" in *Institutional Investor* magazine's 2017 All-America Executive Team rankings, which identify America's best CEOs, CFOs, IROs, IR programs and companies based on an annual survey of more than 2,000 top portfolio managers and analysts.

On behalf of Moody's Board of Directors, I would like to thank Michel Madelain, who announced his retirement as President and Chief Operating Officer of MIS in 2016. Michel has been at Moody's for over 22 years, including the last six managing MIS, and will continue to serve as Vice Chairman for MIS. Effective June 2016, Rob Fauber assumed the role of President of MIS. Rob has played a key role in the growth and development of the Company since joining Moody's in 2005.

Finally, I would like to thank our employees for the work they do helping the Company achieve its goals, as well as our shareholders for their ongoing support. Moody's will continue to evolve as opportunities arise and customer needs shift, but the core of what we offer will steadfastly remain: insight, relevance, rigor, tools and solutions that enable our customers to assess and manage financial risk, make informed decisions and adapt their strategies to ever-changing global financial markets.

Henry A. McKinnell, Jr., Ph.D.
Chairman of the Board

Raymond W. McDaniel, Jr.

Letter from the President & Chief Executive Officer

2016 was remarkable for the number and variety of events affecting global financial markets. Early instability in the Chinese equity market, volatility in energy and commodity prices, the proliferation of negative interest rate bonds in many developed economies, the United Kingdom's vote to leave the European Union, the outcome of the U.S. presidential election and the broad rise of populist politics—these events and more underscored a year of transitions and transformations that will be felt in markets and play out among nations long into the future. Against these volatile market conditions, Moody's demonstrated solid financial performance.

Revenue in 2016 of $3.6 billion grew 3% from 2015. Both Moody's Investors Service (MIS) and Moody's Analytics (MA) achieved revenue growth, including six out of eight lines of business. MIS's record second half revenue allowed it to overcome a very challenging first quarter and generate a 2% revenue increase to $2.4 billion for full year 2016. MA revenue surpassed $1.2 billion in 2016, a 7% increase over the prior year.

Many of Moody's other financial measures were impacted by the Company's January 2017 agreement with the U.S. Department of Justice, 21 U.S. states and the District of Columbia to resolve pending and potential civil claims related to credit ratings assigned during the financial crisis era. The agreement, while costly at $864 million, removed legacy legal risk as well as future costs and uncertainty. As such, we felt that putting these claims behind the Company was in the best interest of Moody's, our employees and our shareholders.

Other 2016 reported financial measures for Moody's Corporation include:

» Operating income of $639 million[1], down from $1,473 million in 2015

» Operating margin of 17.7%[1], down from 42.3%

» Adjusted operating income of $1,641 million, up 3% from $1,587 million[2]

» Adjusted operating margin of 45.5%, flat to 2015[2]

» EPS of $1.36[3], down from $4.63

» Adjusted EPS of $4.81, up 5% from $4.60[2]

» Operating cash flow of $1,226 million, up 6% from $1,154 million

» Free cash flow of $1,111 million, up 4% from $1,065 million[2]

Operationally, Moody's continued to make strong progress on our strategy to protect and enhance our core businesses while pursuing strategic growth opportunities. Early in 2016, MIS launched a multi-year program designed to strengthen the MIS operating model and increase the effectiveness of its technology platforms and operations. These changes will position MIS to serve the financial markets more efficiently and provide a consistently superior experience to its customers. MIS also increased its ownership stake to 100% in Korea Investors Service, a leading provider of domestic credit ratings in Korea; began a collaboration with Euler Hermes to provide credit ratings for small- and medium-sized enterprises and mid-cap companies across Europe; and expanded its Nordic presence by opening an MIS office in Stockholm.

In April 2016, Moody's announced the retirement of Michel Madelain as President & Chief Operating Officer of MIS. Michel continues to serve in a part-time capacity as Vice Chairman for MIS, focusing on international policy and regulatory issues, and will remain on the MIS Board of Directors and MIS boards in the European Union. Throughout his Moody's career, Michel has demonstrated strong leadership and a dedication to excellence, and I am delighted that we will continue to benefit from his deep insight and experience. I would also like to congratulate Rob Fauber on his appointment as President of MIS. Rob has been an

[1] Includes impact of an $863.8 million settlement charge related to an agreement the Company finalized in January 2017 with the U.S. Department of Justice and the attorneys general of 21 U.S. states and the District of Columbia as well as a $12.0 million restructuring charge associated with cost management initiatives.

[2] Refer to "Non-GAAP Financial Measures" on page 52 in Item 7 of Moody's 2016 Form 10-K for a discussion of the Company's non-GAAP financial measures.

[3] Includes impact of $3.59 from settlement charge related to an agreement the Company finalized in January 2017 with the U.S. Department of Justice and the attorneys general of 21 U.S. states and the District of Columbia, $0.04 from a restructuring charge associated with cost management initiatives and an $0.18 non-cash foreign exchange benefit related to the substantial liquidation of a subsidiary.

important member of the Company's senior management team since joining Moody's in 2005, and I am pleased to have his leadership in this capacity.

Like MIS, MA has continued to grow organically and through strategic acquisitions. The acquisition of GGY—a Toronto-based provider of advanced actuarial software for the global insurance industry—complements and further strengthens MA's Enterprise Risk Solutions unit. MA also completed Copal Amba's rebranding to Moody's Analytics Knowledge Services, allowing it to leverage Moody's strong global reputation to accelerate new customer acquisitions, deepen existing customer relationships and attract and retain top talent. MA also recently created its Emerging Business Unit to support and drive innovation across MA and to identify, research and develop new business opportunities that fall across or outside of MA's existing lines of business.

Moody's opinions, analysis, research, risk management solutions and service offerings reflect the talent and expertise we possess as a company. We continue to strengthen our reputation and brand in the global marketplace, to which our lengthening list of prestigious industry awards attests. Among these awards were "#1 US Credit Rating Agency" for MIS for the fifth year in a row in a poll conducted by *Institutional Investor* and "#1 Risk Management – Regulatory/Economic Capital Calculation Product" for MA in the *Structured Products* Technology Rankings for the second consecutive year.

I am especially proud of recent awards for Moody's as an employer, including our first-time inclusion as a top 100 company for working mothers in the U.S. by *Working Mother* and our fifth consecutive year of receiving a top score of 100% in the Human Rights Campaign's Corporate Equality Index—giving us the distinction of being one of the "Best Places to Work for LGBT Equality." These awards speak to our commitment to diversity and inclusion and our dedication to making Moody's a great place to work for all employees.

As I previously noted, 2016 was characterized by volatile market conditions and we expect 2017 to present Moody's with opportunities and challenges that appear no less significant. All-in borrowing costs still remain historically low. Proposed changes in corporate tax laws and the possibility of repatriation of foreign cash by U.S. multinationals may dampen borrowing needs, potentially offset by an acceleration of U.S. economic growth that should encourage more "new money" borrowing for business expansion. The restructuring or repeal of certain financial services regulations, including in both the U.S. and China, may be a further catalyst to business growth and create demand for new products and services at both MIS and MA. Internationally, markets will also closely follow elections in key countries including the Netherlands, France and Germany. The negotiation of terms and conditions for the United Kingdom's exit from the European Union should also gather momentum following those elections.

In a world of heightened complexity, we believe that standards become even more essential. The market values Moody's ratings and research even more in credit-sensitive environments, as these tools serve as a common vocabulary for the marketplace. Moody's ratings are stable, predictive and predictable, and well-positioned to grow in importance as international capital markets mature and develop and market participants seek trusted sources of insight about credit risk.

MA's businesses likewise have important roles to play in addressing the challenges faced by financial institutions around the world, including uncertainty in the macro environment, changing regulatory scrutiny and the necessity to improve efficiency and manage costs. MA offers a common set of best practices—a market-standard approach—that can be applied broadly across a wide range of institutions.

We recognize the macroeconomic environment has both short-term and long-term challenges and we have limited ability to influence most of those macro conditions and events. Importantly, however, we do have control over maintaining our strong market position at MIS, geographic expansion, our strategic build of MA, managing our expense base and allocating capital to create attractive returns for our shareholders, all areas where we have focused historically and will continue to do so as we navigate the unpredictable waters of 2017.

On behalf of the senior management team, thank you for your continuing interest in, and support for, Moody's.

Raymond W. McDaniel, Jr.
President & Chief Executive Officer

Moody's Corporation

DIRECTORS

Henry A. McKinnell, Jr., Ph.D.[1,2,3,4*]
Chairman of the Board of Directors
Moody's Corporation

Raymond W. McDaniel, Jr.[4]
President & Chief Executive Officer
Moody's Corporation

Basil L. Anderson[1,2*,3,4]
Retired Vice Chairman
Staples, Inc.

Jorge A. Bermudez[1,2,3]
Retired Chief Risk Officer
Citigroup, Inc.

Darrell Duffie, Ph.D.[1,2,3]
Dean Witter Distinguished Professor of Finance
Stanford University Graduate School of Business

Kathryn M. Hill[1,2,3*]
Retired Senior Vice President
Cisco Systems Inc.

Ewald Kist[1,2,3]
Retired Chairman
ING Groep N.V. (ING Group)

Leslie F. Seidman[1*,2,3,4]
Former Chairman
Financial Accounting Standards Board

Bruce Van Saun[1,2,3]
Chairman & Chief Executive Officer
Citizens Financial Group, Inc.

BOARD COMMITTEES

1 Audit
2 Governance & Nominating
3 Compensation & Human Resources
4 Executive
* Committee Chairman

Stockholders and other stakeholders may communicate with the Board, or with a specific director or directors, by writing to:

c/o Corporate Secretary
Moody's Corporation
7 World Trade Center
250 Greenwich Street
New York, NY 10007

EXECUTIVE OFFICERS

Raymond W. McDaniel, Jr.
President & Chief Executive Officer

Executive Vice Presidents

John J. Goggins
General Counsel

Linda S. Huber
Chief Financial Officer

Senior Vice Presidents

Michael S. Crimmins
Corporate Controller

Jeffrey R. Hare
Corporate Planning & Risk

Scott Kenney
General Auditor

Arthur N. Skelskie
Corporate Services

Tony Stoupas
Chief Information Officer

Lisa S. Westlake
Chief Human Resources Officer

Blair L. Worrall
Ratings Delivery & Data

Vice Presidents

Thomas Fezza
Global Tax

Stephen Maire
Treasurer

Salli Schwartz
Investor Relations

Chief Risk Officer

Richard Cantor

Corporate Secretary

Jane B. Clark

SENIOR MANAGEMENT

Presidents

Mark Almeida
Moody's Analytics

Robert Fauber
Moody's Investors Service

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM TO .

COMMISSION FILE NUMBER 1-14037

MOODY'S CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	**13-3998945**
(STATE OF INCORPORATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

7 World Trade Center at 250 Greenwich Street, NEW YORK, NEW YORK 10007
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (212) 553-0300.

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK, PAR VALUE $.01 PER SHARE	NEW YORK STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the Registrant: (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (see definition of "accelerated filer and large accelerated filer" in Exchange Act Rule 12b-2).

Large Accelerated Filer ☑ Accelerated Filer ☐ Non-accelerated Filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The aggregate market value of Moody's Corporation Common Stock held by nonaffiliates* on June 30, 2016 (based upon its closing transaction price on the Composite Tape on such date) was approximately $17.9 billion.

As of January 31, 2017, 190.8 million shares of Common Stock of Moody's Corporation were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for use in connection with its annual meeting of stockholders scheduled to be held on April 25, 2017, are incorporated by reference into Part III of this Form 10-K.

The Index to Exhibits is included as Part IV, Item 15(3) of this Form 10-K.

* Calculated by excluding all shares held by executive officers and directors of the Registrant without conceding that all such persons are "affiliates" of the Registrant for purposes of federal securities laws.

MOODY'S CORPORATION
INDEX TO FORM 10-K

Exhibits filed Herewith	
10.16	Form of Employee Non-Qualified Stock Option Grant Agreement for the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan.
10.17	Form of Performance Share Award Letter for the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan.
10.18	Form of Restricted Stock Unit Grant Agreement for the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan.
10.33	Moody's Corporation Career Transition Plan
12	Statement of Computation of Ratios of Earnings to Fixed Charges
21	SUBSIDIARIES OF THE REGISTRANT
23.1	CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
31.1	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Chief Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.DEF	XBRL Definitions Linkbase Document
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101. CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

GLOSSARY OF TERMS AND ABBREVIATIONS

The following terms, abbreviations and acronyms are used to identify frequently used terms in this report:

TERM	DEFINITION
Adjusted Operating Income	Operating income excluding restructuring, depreciation and amortization, goodwill impairment charges and a Settlement Charge
Adjusted Operating Margin	Adjusted Operating Income divided by revenue
Amba	Amba Investment Services; a provider of investment research and quantitative analytics for global financial institutions; a majority owned subsidiary of the Company acquired 100% of Amba in December 2013
Americas	Represents countries within North and South America, excluding the U.S.
AOCI	Accumulated other comprehensive income (loss); a separate component of shareholders' (deficit) equity
ASC	The FASB Accounting Standards Codification; the sole source of authoritative GAAP as of July 1, 2009 except for rules and interpretive releases of the SEC, which are also sources of authoritative GAAP for SEC registrants
Asia-Pacific	Represents countries in Asia including but not limited to: Australia, China, India, Indonesia, Japan, Korea, Malaysia, Singapore, Sri Lanka and Thailand
ASU	The FASB Accounting Standards Update to the ASC. It also provides background information for accounting guidance and the bases for conclusions on the changes in the ASC. ASUs are not considered authoritative until codified into the ASC
Basel II	Capital adequacy framework published in June 2004 by the Basel Committee on Banking Supervision
Basel III	A new global regulatory standard on bank capital adequacy and liquidity agreed by the members of the Basel Committee on Banking Supervision. Basel III was developed in a response to the deficiencies in financial regulation revealed by the global financial crisis. Basel III strengthens bank capital requirements and introduces new regulatory requirements on bank liquidity and bank leverage.
BlackBox	BlackBox Logic; a leading provider of Residential Mortgage-Backed securities loan level data. The Company acquired the customer base and products of BlackBox Logic in December 2015
Board	The board of directors of the Company
BPS	Basis points
Canary Wharf Lease	Operating lease agreement entered into on February 6, 2008 for office space in London, England, occupied by the Company in the second half of 2009
CFG	Corporate finance group; an LOB of MIS
CLO	Collateralized loan obligation
CMBS	Commercial mortgage-backed securities; part of the CREF asset class within SFG
Commission	European Commission
Common Stock	The Company's common stock
Company	Moody's Corporation and its subsidiaries; MCO; Moody's
Copal	Copal Partners; an acquisition completed in November 2011; part of the MA segment; leading provider of research and analytical services to institutional investors
Copal Amba	Operating segment (rebranded as MAKS in 2016) created in January 2014 that consists of all operations from Copal and Amba. Part of the PS LOB within the MA reportable segment. Also a reporting unit.
Council	Council of the European Union
CP	Commercial paper
CP Notes	Unsecured commercial paper issued under the CP Program
CP Program	A program entered into on August 3, 2016 allowing the Company to privately place CP up to a maximum of $1 billion for which the maturity may not exceed 397 days from the date of issue.

TERM	DEFINITION
CRAs	Credit rating agencies
CRA3	Regulation (EU) No 462/2013 of the European Parliament and of the Council, which updated the regulatory regimes imposing additional procedural requirements on CRAs
CREF	Commercial real estate finance which includes REITs, commercial real estate CDOs and mortgage-backed securities; part of SFG
CSI	CSI Global Education, Inc.; an acquisition completed in November 2010; part of the PS LOB and FSTC reporting unit within the MA segment; a provider of financial learning, credentials, and certification services primarily in Canada
CSPP	Corporate Sector Purchase Programme; quantitative easing program implemented by the ECB. This program allows the central bank to purchase bonds issued by European companies, as well as provide access to the secondary bond market in which existing corporate bonds trade
D&A	Depreciation and amortization
DBPPs	Defined benefit pension plans
DBRS	Dominion Bond Rating Service
DCF	Discounted cash flow; a fair value calculation methodology whereby future projected cash flows are discounted back to their present value
Debt/EBITDA	Ratio of Total Debt to EBITDA
Directors' Plan	The 1998 Moody's Corporation Non-Employee Directors' Stock Incentive Plan
Distribution Date	September 30, 2000; the date which Old D&B separated into two publicly traded companies – Moody's Corporation and New D&B
EBITDA	Earnings before interest, taxes, depreciation and amortization
DOJ	U.S. Department of Justice
ECB	European Central Bank
ECCA	Economics and Consumer Credit Analytics; a business within the RD&A LOB which provides economic and consumer credit trend analytics
EMEA	Represents countries within Europe, the Middle East and Africa
EPS	Earnings per share
Equilibrium	A leading provider of credit rating and research services in Peru and Panama; acquired by Moody's in May 2015
ERS	The enterprise risk solutions LOB within MA, which offers risk management software products as well as software implementation services and related risk management advisory engagements
ESMA	European Securities and Markets Authority
ESP	Estimated Selling Price; estimate of selling price, as defined in the ASC, at which the vendor would transact if the deliverable were sold by the vendor regularly on a stand-alone basis
ESPP	The 1999 Moody's Corporation Employee Stock Purchase Plan
ETR	Effective tax rate
EU	European Union
EUR	Euros
European Ratings Platform	Central credit ratings website administered by ESMA

TERM	DEFINITION
Excess Tax Benefits	The difference between the tax benefit realized at exercise of an option or delivery of a restricted share and the tax benefit recorded at the time the option or restricted share is expensed under GAAP
Exchange Act	The Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FIG	Financial institutions group; an LOB of MIS
Fitch	Fitch Ratings, a part of the Fitch Group
Financial Reform Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
Free Cash Flow	Net cash provided by operating activities less cash paid for capital additions
FSTC	Financial Services Training and Certifications; part of the PS LOB and a reporting unit within the MA reportable segment; consists of on-line and classroom-based training services and CSI
FX	Foreign exchange
GAAP	U.S. Generally Accepted Accounting Principles
GBP	British pounds
GDP	Gross domestic product
GGY	Gilliland Gold Young; a leading provider of advanced actuarial software for the global insurance industry. The Company acquired GGY on March 1, 2016; part of the ERS LOB and reporting unit within the MA reportable segment
ICTEAS	ICRA Techno Analytics; formerly a wholly-owned subsidiary of ICRA; divested by ICRA in the fourth quarter of 2016
ICRA	ICRA Limited; a leading provider of credit ratings and research in India. The Company previously held 28.5% equity ownership and in June 2014, increased that ownership stake to just over 50% through the acquisition of additional shares
ICRA Acquisition	The June 2014 purchase of an additional interest in ICRA resulting in a majority ownership of ICRA; ICRAs results are consolidated into Moody's financial statements on a three-month lag and accordingly the Company began including the results of operations for ICRA in its consolidated financial statements beginning in the fourth quarter of 2014
ICRA Gain	Gain relating to the ICRA Acquisition; U.S. GAAP requires the remeasurement to fair value of the previously held non-controlling shares upon obtaining a controlling interest in a step-acquisition. This remeasurement of the Company's equity investment in ICRA to fair value resulted in a pre-tax gain of $102.8 million ($78.5 million after tax) in the second quarter of 2014
Intellectual Property	The Company's intellectual property, including but not limited to proprietary information, trademarks, research, software tools and applications, models and methodologies, databases, domain names, and other proprietary materials
IRS	Internal Revenue Service
IT	Information technology
KIS	Korea Investors Service, Inc.; a leading Korean rating agency and consolidated subsidiary of the Company
KIS Pricing	Korea Investors Service Pricing, Inc.; a leading Korean provider of fixed income securities pricing and consolidated subsidiary of the Company
KIS Research	Korea Investors Service Research; a Korean provider of financial research and consolidated subsidiary of the Company
Korea	Republic of South Korea
Legacy Tax Matter(s)	Exposures to certain potential tax liabilities assumed in connection with the Company's spin-off from Dun & Bradstreet in 2000.

TERM	DEFINITION
Lewtan	Lewtan Technologies; a leading provider of analytical tools and data for the global structured finance market; part of the SAV business within the RD&A LOB; an acquisition completed in October 2014
LIBOR	London Interbank Offered Rate
LOB	Line of business
M&A	Mergers and acquisitions
MA	Moody's Analytics – a reportable segment of MCO formed in January 2008 which provides a wide range of products and services that support financial analysis and risk management activities of institutional participants in global financial markets; consists of three LOBs – RD&A, ERS and PS
Make Whole Amount	The prepayment penalty relating to the Series 2007-1 Notes, 2010 Senior Notes, 2012 Senior Notes, 2013 Senior Notes, 2014 Senior Notes (5-year), 2014 Senior Notes (30-year) and the 2015 Senior Notes; a premium based on the excess, if any, of the discounted value of the remaining scheduled payments over the prepaid principal
MAKS	Moody's Analytics Knowledge Services; operating segment and reporting unit formerly known as Copal Amba; provides offshore research and analytic services to the global financial and corporate sectors; part of the PS LOB and a reporting unit within the MA reportable segment
MCO	Moody's Corporation and its subsidiaries; the Company; Moody's
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MIS	Moody's Investors Service – a reportable segment of MCO; consists of five LOBs – SFG, CFG, FIG, PPIF and MIS Other
MIS Other	Consists of non-ratings revenue from ICRA, KIS Pricing and KIS Research. These businesses are components of MIS; MIS Other is an LOB of MIS
Moody's	Moody's Corporation and its subsidiaries; MCO; the Company
Net Income	Net income attributable to Moody's Corporation, which excludes net income from consolidated non-controlling interests belonging to the minority interest holder
New D&B	The New D&B Corporation – which comprises the D&B business after September 30, 2000
NM	Percentage change is not meaningful
Non-GAAP	A financial measure not in accordance with GAAP; these measures, when read in conjunction with the Company's reported results, can provide useful supplemental information for investors analyzing period-to-period comparisons of the Company's performance, facilitate comparisons to competitors' operating results and to provide greater transparency to investors of supplemental information used by management in its financial and operational decision making
NRSRO	Nationally Recognized Statistical Rating Organization
OCI	Other comprehensive income (loss); includes gains and losses on cash flow and net investment hedges, unrealized gains and losses on available for sale securities, certain gains and losses relating to pension and other retirement benefit obligations and foreign currency translation adjustments
Old D&B	The former Dun and Bradstreet Company which distributed New D&B shares on September 30, 2000, and was renamed Moody's Corporation
Other Retirement Plan	The U.S. retirement healthcare and U.S. retirement life insurance plans
PPIF	Public, project and infrastructure finance; an LOB of MIS
Profit Participation Plan	Defined contribution profit participation plan that covers substantially all U.S. employees of the Company
PS	Professional Services, an LOB within MA consisting of MAKS and FSTC that provides research and analytical services as well as financial training and certification programs

TERM	DEFINITION
RD&A	Research, Data and Analytics; an LOB within MA that produces, sells and distributes research, data and related content. Includes products generated by MIS, such as analyses on major debt issuers, industry studies, and commentary on topical credit events, as well as economic research, data, quantitative risk scores, and other analytical tools that are produced within MA
Redeemable Non-controlling Interest	Represents minority shareholders' interest in entities which are controlled but not wholly-owned by Moody's and for which Moody's obligation to redeem the minority shareholders' interest is represented by a put/call relationship
Reform Act	Credit Rating Agency Reform Act of 2006
REIT	Real Estate Investment Trust
Relationship Revenue	For MIS represents monitoring of a rated debt obligation and/or entities that issue such obligations, as well as revenue from programs such as commercial paper, medium-term notes and shelf registrations. For MIS Other represents subscription-based revenue. For MA, represents subscription-based license and maintenance revenue
Retirement Plans	Moody's funded and unfunded pension plans, the healthcare plans and life insurance plans
RMBS	Residential mortgage-backed securities; part of SFG
S&P	Standard & Poor's, a division of McGraw-Hill Financial, Inc.
SAV	Structured Analytics and Valuation; a business within the RD&A LOB which provides data and analytics for securitized assets
SEC	U.S. Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Series 2005-1 Notes	Principal amount of $300 million, 4.98% senior unsecured notes; were repaid in 2014 in advance of their contractual maturity date
Series 2007-1 Notes	Principal amount of $300 million, 6.06% senior unsecured notes due in September 2017 pursuant to the 2007 Agreement
Settlement Charge	Charge of $863.8 million recorded in the fourth quarter of 2016 related to an agreement entered into on January 13, 2017 with the U.S. Department of Justice and the attorneys general of 21 U.S. states and the District of Columbia to resolve pending and potential civil claims related to credit ratings that MIS assigned to certain structured finance instruments in the financial crisis era
SFG	Structured finance group; an LOB of MIS
SG&A	Selling, general and administrative expenses
Solvency II	EU directive 2009/138/EC that codifies the amount of capital that EU insurance companies must hold to reduce insolvency
Stock Plans	The Old D&B's 1998 Key Employees' Stock Incentive Plan and the Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan
Total Debt	All indebtedness of the Company as reflected on the consolidated balance sheets
TPE	Third party evidence, as defined in the ASC, used to determine selling price based on a vendor's or any competitor's largely interchangeable products or services in standalone sales transactions to similarly situated customers
Transaction Revenue	For MIS, represents the initial rating of a new debt issuance as well as other one-time fees. For MIS Other, represents revenue from professional services as well as data services, research and analytical engagements. For MA, represents software license fees and revenue from risk management advisory projects, training and certification services, and research and analytical engagements
U.K.	United Kingdom

TERM	DEFINITION
U.S.	United States
U.S. Shared National Credit Program	Interagency program designed to evaluate large and complex syndicated credits. The program is administered by the three federal banking regulatory agencies which include the Federal Reserve System, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation (FDIC).
USD	U.S. dollar
UTBs	Unrecognized tax benefits
UTPs	Uncertain tax positions
VSOE	Vendor specific objective evidence; as defined in the ASC, evidence of selling price limited to either of the following: the price charged for a deliverable when it is sold separately, or for a deliverable not yet being sold separately, the price established by management having the relevant authority
WACC	Weighted average cost of capital
WebEquity	WebEquity Solutions LLC; a leading provider of cloud-based loan origination solutions for financial institutions; part of the ERS LOB and reporting unit within the MA reportable segment; an acquisition completed in July 2014
1998 Plan	Old D&B's 1998 Key Employees' Stock Incentive Plan
2001 Plan	The Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan
2007 Agreement	Note purchase agreement dated September 7, 2007, relating to the Series 2007-1 Notes
2010 Indenture	Supplemental indenture and related agreements dated August 19, 2010, relating to the 2010 Senior Notes
2010 Senior Notes	Principal amount of $500 million, 5.50% senior unsecured notes due in September 2020 pursuant to the 2010 Indenture
2012 Facility	Revolving credit facility of $1 billion entered into on April 18,2012; was replaced with the 2015 Facility
2012 Indenture	Supplemental indenture and related agreements dated August 18, 2012, relating to the 2012 Senior Notes
2012 Senior Notes	Principal amount of $500 million, 4.50% senior unsecured notes due in September 2022 pursuant to the 2012 Indenture
2013 Indenture	Supplemental indenture and related agreements dated August 12, 2013, relating to the 2013 Senior Notes
2013 Senior Notes	Principal amount of the $500 million, 4.875% senior unsecured notes due in February 2024 pursuant to the 2013 Indenture
2014 Indenture	Supplemental indenture and related agreements dated July 16, 2014, relating to the 2014 Senior Notes
2014 Senior Notes (5-Year)	Principal amount of $450 million, 2.75% senior unsecured notes due in July 2019
2014 Senior Notes (30-Year)	Principal amount of $600 million, 5.25% senior unsecured notes due in July 2044
2015 Facility	Five-year unsecured revolving credit facility, with capacity to borrow up to $1 billion; replaces the 2012 Facility
2015 Indenture	Supplemental indenture and related agreements dated March 9, 2015, relating to the 2015 Senior Notes
2015 Senior Notes	Principal amount €500 million, 1.75% senior unsecured notes issued March 9, 2015 and due in March 2027
7WTC	The Company's corporate headquarters located at 7 World Trade Center in New York, NY
7WTC Lease	Operating lease agreement entered into on October 20, 2006

PART I

ITEM 1. BUSINESS

BACKGROUND

As used in this report, except where the context indicates otherwise, the terms "Moody's" or the "Company" refer to Moody's Corporation, a Delaware corporation, and its subsidiaries. The Company's executive offices are located at 7 World Trade Center at 250 Greenwich Street, New York, NY 10007 and its telephone number is (212) 553-0300.

THE COMPANY

Moody's is a provider of (i) credit ratings, (ii) credit, capital markets and economic related research, data and analytical tools, (iii) software solutions and related risk management services, (iv) quantitative credit risk measures, financial services training and certification services and (v) research and analytical services to financial institution customers. Moody's reports in two reportable segments: MIS and MA. Financial information and operating results of these segments, including revenue, expenses and operating income, are included in Part II, Item 8. Financial Statements of this annual report, and are herein incorporated by reference.

MIS publishes credit ratings on a wide range of debt obligations and the entities that issue such obligations in markets worldwide, including various corporate and governmental obligations, structured finance securities and commercial paper programs. Ratings revenue is derived from the originators and issuers of such transactions who use MIS ratings to support the distribution of their debt issues to investors. MIS provides ratings in more than 120 countries. Ratings are disseminated via press releases to the public through a variety of print and electronic media, including the Internet and real-time information systems widely used by securities traders and investors. As of December 31, 2016, MIS had ratings relationships with approximately 11,000 corporate issuers and approximately 18,000 public finance issuers. Additionally, the Company has rated and currently monitors ratings on approximately 64,000 structured finance obligations (representing approximately 12,000 transactions). The aforementioned amounts relating to the number of issuers and transactions represent issuers or transactions that had an active rating at any point during the year ended December 31, 2016. Additionally, MIS earns revenue from certain non-ratings-related operations which consist primarily of the distribution of research and financial instruments pricing services in the Asia-Pacific region as well as revenue from ICRA non-rating operations. The revenue from these operations is included in the MIS Other LOB and is not material to the results of the MIS segment.

The MA segment develops a wide range of products and services that support financial analysis and risk management activities of institutional participants in global financial markets. Within its Research, Data and Analytics business, MA distributes research and data developed by MIS as part of its ratings process, including in-depth research on major debt issuers, industry studies, commentary on topical credit related events and also provides economic research and credit data and analytical tools such as quantitative credit risk scores. Within its Enterprise Risk Solutions business, MA provides software solutions as well as related risk management services. Within its Professional Services business it provides research and analytical services along with financial training and certification programs. MA customers represent more than 4,600 institutions worldwide operating in approximately 145 countries. During 2016 Moody's research website was accessed by over 258,000 individuals including 36,000 client users.

PROSPECTS FOR GROWTH

Over recent decades, global fixed-income markets have grown significantly both in terms of the amount and types of securities or other obligations outstanding. Beginning in mid-2007, there was a severe market disruption and associated financial crisis both in the developed and emerging markets resulting in a global decline in issuance activity for some significant asset classes and weak economic performance in advanced economies. Since this financial crisis, many markets and economies have recovered and Moody's believes the overall long-term outlook remains favorable for continued growth of the global fixed-income market and related financial information market, which includes information such as credit opinions, research, data, analytics, risk management tools and related services.

Moody's growth is influenced by a number of trends that impact financial information markets including:

» Health of the world's major economies;

» Debt capital markets activity;

» Disintermediation of credit markets;

» Fiscal and monetary policy of governments;

» Changing regulatory requirements; and

» Business investment spending, including mergers and acquisitions.

Moody's is well positioned to benefit from continued growth in global fixed-income market activity and a more informed use of credit ratings as well as research and related analytical products in an environment with heightened attention to credit risk analysis and management. Moody's expects that these developments will support continued long-term demand for high-quality, independent credit opinions, research, data, analytics, risk management tools and related services.

Strong secular trends should continue to provide long-term growth opportunities. Moody's key growth drivers include debt market issuance driven by global GDP growth, continued disintermediation of fixed-income markets in both developed and emerging economies driving issuance and demand for new products and services, growth in MA driven by further penetration into MA's client base and expansion of bank and insurance risk regulatory requirements, pricing opportunities aligned with value, and advances in information technology.

Growth in global fixed income markets in a given year is dependent on many macroeconomic and capital market factors including interest rates, business investment spending, corporate refinancing needs, merger and acquisition activity, issuer profits, consumer borrowing levels and securitization activity. Rating fees paid by debt issuers account for most of the revenue of MIS. Therefore, a substantial portion of MIS's revenue is dependent upon the dollar-equivalent volume and number of ratable debt securities issued in the global capital markets. MIS's results can be affected by factors such as the performance and prospects for growth of the major world economies, the fiscal and monetary policies pursued by their governments, and the decisions of issuers to request MIS ratings to aid investors in their investment decisions. However, annual fee arrangements with frequent debt issuers, annual debt monitoring fees and annual fees from commercial paper and medium-term note programs, bank deposit ratings, insurance company financial strength ratings, mutual fund ratings, and other areas partially mitigate MIS's dependence on the volume or number of new debt securities issued in the global fixed-income markets. Furthermore, the strong growth seen in the issuance of structured finance securities from the mid-1990's reversed dramatically in 2008 due to market turmoil, with continued declines seen in 2009 and 2010, before stabilizing in 2011 with Moody's experiencing revenue growth in this market beginning in 2012. Despite significant declines from peak market issuance levels, Moody's believes that structured finance securities will continue to play a role in global fixed-income markets and provide opportunities for longer-term revenue growth.

The pace of change in technology and communication over the past two decades makes information about investment alternatives widely available throughout the world and facilitates issuers' ability to place securities outside their national markets and similarly investors' ability to obtain information about securities issued outside their national markets. Technology also allows issuers and investors the ability to more readily obtain information about new financing techniques and new types of securities that they may wish to purchase or sell, which in the absence of the appropriate technology might not be readily or easily obtainable. This availability of information promotes the ongoing integration and expansion of financial markets worldwide, giving issuers and investors access to a wider range of both established and newer capital markets. As technology provides broader access to worldwide markets, it also results in a greater need for credible, globally comparable opinions about credit risk, data, analytics and related services. Additionally, information technology also provides opportunities to further build a global platform to support Moody's continued expansion in developing markets.

An ongoing trend in the world's capital markets is the disintermediation of financial systems. Issuers increasingly raise capital in the global public capital markets, in addition to, or in substitution for, traditional financial intermediaries. Moreover, financial intermediaries have sold assets in the global public capital markets, in addition to, or instead of, retaining those assets. Moody's believes that issuer use of global debt capital markets offer advantages in capacity and efficiency compared to traditional banking systems and that the trend of increased disintermediation will continue. Further, disintermediation has continued because of the ongoing low interest rate environment and bank deleveraging, which has encouraged a number of corporations and other entities to seek alternative funding in the bond markets.

Moody's also observes disintermediation in key emerging markets where economic growth may outpace internal banking system capacity. Thus, disintermediation is expected to continue over the longer-term, with Moody's targeting investment and resources to those markets where disintermediation and bond issuance is expected to remain robust.

In response to the credit market disruptions beginning in mid-2007, ongoing volatility in the global capital markets and new regulatory requirements, financial institutions are investing in people, processes and systems to enhance risk management and compliance functions. Regulations such as the Financial Reform Act, Basel II, Basel III, Solvency II and others may stimulate demand for MA products. Financial institutions are also investing in advanced qualitative and quantitative tools and services to support their management of complex balance sheets and diverse portfolios as well as operating costs. MA offers a suite of risk management products and services to address these needs, including but not limited to risk management software, economic analysis, training and professional services.

Legislative bodies and regulators in the U.S., Europe and other jurisdictions continue to conduct regulatory reviews of CRAs, which may result in, for example, an increased number of competitors, changes to the business model or restrictions on certain business activities of MIS, removal of references to ratings in certain regulations, or increased costs of doing business for MIS. Therefore, in order to broaden the potential for expansion of non-ratings services, Moody's reorganized in January 2008 into two distinct businesses: MIS, consisting primarily of the ratings business, and MA, which conducts activities including the sale of credit research produced by MIS and the production and sale of other economic and credit-related products and services. The reorganization broadens the opportunities for expansion by MA into activities that may have otherwise been restricted for MIS, due to the potential for conflicts of interest with the ratings business. At present, Moody's is unable to assess the nature and effect that any regulatory changes may have on future growth opportunities.

Moody's operations are subject to various risks, as more fully described in Part I, Item 1A "Risk Factors," inherent in conducting business on a global basis. Such risks include currency fluctuations and possible nationalization, expropriation, exchange and price controls, changes in the availability of data from public sector sources, limits on providing information across borders and other restrictive governmental actions.

COMPETITION

MIS competes with other CRAs and with investment banks and brokerage firms that offer credit opinions and research. Many users of MIS's ratings also have in-house credit research capabilities. MIS's largest competitor in the global credit rating business is S&P Global Ratings (S&P), a division of S&P Global. There are some rating markets, based on industry, geography and/or instrument type, in which Moody's has made investments and obtained market positions superior to S&P, while in other markets, the reverse is true.
In addition to S&P, MIS's competitors include Fitch Ratings, Dominion Bond Rating Service (DBRS), A.M. Best Company, Japan Credit Rating Agency Ltd., Kroll Bond Rating Agency Inc., Morningstar Inc. and Egan-Jones Ratings Company. In Europe, there are approximately 30 companies currently registered with ESMA, which include both purely domestic European CRAs and International CRAs such as S&P, Fitch and DBRS. There are additional competitors in other regions and countries, for example, in China, where Moody's participates through a joint venture. These competitors include China Lianhe Credit Rating Co Ltd., Shanghai Brilliance Credit Rating & Investors Service Co Ltd., Dagong Global Credit Rating Co Ltd. and Pengyuan Credit Rating Co Ltd.

MA competes broadly in the financial information industry against diversified competitors such as Thomson Reuters, Bloomberg, S&P Global Market Intelligence, Fitch Solutions, Dun & Bradstreet, IBM, Wolters Kluwer, Fidelity Information Services, SAS, Fiserv, MSCI and IHS Markit among others. MA's main competitors within RD&A include S&P Global Market Intelligence, CreditSights, Thomson Reuters, Intex, IHS Markit, BlackRock Solutions, FactSet and other providers of fixed income analytics, valuations, economic data and research. In ERS, MA faces competition from both large software providers such as IBM Algorithmics, Fidelity Information Services, SAS, Oracle, Misys, Oliver Wyman, Verisk and various other vendors and in-house solutions. Within Professional Services, MA competes with Omega Performance, DC Gardner, and a host of financial training and education firms, and with Evalueserve, CRISIL Global Research & Analytics, and other providers of research and professional services, respectively.

MOODY'S STRATEGY

Moody's corporate strategy is to be the world's most respected authority serving financial risk-sensitive markets. The key aspects to implement this strategy are to:

» Defend and enhance the core ratings and research business of MIS;

» Build MA's position as a leading provider of risk management solutions to financial institutions; and

» Invest in strategic growth opportunities.

Moody's will make investments to defend and enhance its core businesses in an attempt to position the Company to fully capture market opportunities resulting from global debt capital market expansion and increased business investment spending. Moody's will also make strategic investments to achieve scale in attractive financial information markets, move into attractive product and service adjacencies where the Company can leverage its brand, extend its thought leadership and expand its geographic presence in high growth emerging markets.

To broaden the Company's potential, MA provides a wide range of products and services to enable financial institutions to better manage risk. As such, MA adds to the Company's value proposition in three ways. First, MA's subscription businesses provide a significant base of recurring revenue to offset cyclicality in ratings issuance volumes that may result in volatility to MIS's revenues. Second, MA products and services, such as financial training and professional services on research and risk management best practices, provide opportunities for entry into emerging markets before debt capital markets fully develop and thus present long-term growth opportunities for the ratings business. Finally, MA's integrated risk management software platform embeds Moody's solutions deep into the technology infrastructure of banks and insurance companies worldwide.

Moody's invests in initiatives to implement the Company's strategy, including internally-led organic development and targeted acquisitions. Example initiatives include:

» Enhancements to ratings quality and product extensions;

» Investments that extend ownership and participation in joint ventures and strategic alliances;

» Headcount growth to meet customer demand for new products and services;

» Selective, bolt-on acquisitions that accelerate the ability to scale and grow Moody's businesses; and

» Expansion in emerging markets.

During 2016, Moody's continued to acquire complementary businesses in MIS and MA. In February 2016, Moody's made an investment in Finagraph, which is a provider of automated financial data collection and business intelligence solutions. In conjunction with this investment Moody's expects to broaden its offering of credit risk solutions covering SMEs, including Moody's Analytics Lending Cloud software and default risk models. In March 2016, Moody's acquired GGY, a leading provider of advanced actuarial software for the global life insurance industry. Combined with Moody's Analytics' insurance risk products, the GGY acquisition creates an industry-leading enterprise risk offering for global life insurers and reinsurers. In July 2016, Moody's acquired full ownership of Korea Investors Service (KIS), one of Korea's leading providers of domestic credit ratings. KIS had been a majority-owned affiliate of Moody's Investors Service since 2001, and will continue to operate as an independent affiliate of Moody's Investors Service. As part of the transaction, Moody's also gained majority ownership in KIS Pricing, which had been a majority-owned subsidiary of KIS and is a provider of pricing services and analytics for fixed income and other local securities. In September 2016, Moody's announced a collaboration with Euler Hermes Rating GmbH (EHRG), a Hamburg-based ratings agency and subsidiary of Euler Hermes, to provide credit ratings for SMEs across Europe. As part of the collaboration, Moody's acquired a 4.99% stake in EHRG.

REGULATION

MIS and many of the securities that it rates are subject to extensive regulation in both the U.S. and in other countries (including by state and local authorities). Thus, existing and proposed laws and regulations can impact the Company's operations and the markets for securities that it rates. Additional laws and regulations have been adopted but not yet implemented or have been proposed or are being considered. Each of the existing, adopted, proposed and potential laws and regulations can increase the costs and legal risk associated with the issuance of credit ratings and may negatively impact Moody's operations or profitability, the Company's ability to compete, or result in changes in the demand for credit ratings, in the manner in which ratings are utilized and in the manner in which Moody's operates.

The regulatory landscape has changed rapidly in recent years, and continues to evolve. In the EU, the CRA industry is registered and supervised through a pan-European regulatory framework. The European Securities and Markets Authority has direct supervisory responsibility for the registered CRA industry throughout the EU. MIS is a registered entity and is subject to formal regulation and periodic inspection. Applicable rules include procedural requirements with respect to ratings of sovereign issuers, liability for intentional or grossly negligent failure to abide by applicable regulations, mandatory rotation requirements of CRAs hired by issuers of securities for ratings of resecuritizations, restrictions on CRAs or their shareholders if certain ownership thresholds are crossed, reporting requirements to ESMA regarding fees, and additional procedural and substantive requirements on the pricing of services. CRA3 also requires that ESMA and the European Commission produce several reports on the industry's structure and the use of ratings. In October 2015, ESMA published its reports, wherein it acknowledged the impact of regulation on the industry, and stated that it will continue to monitor the industry structure over the next three to five years. On October 19, 2016, the Commission published its analysis, reaching a conclusion similar to ESMA's that no new legislation is needed for the industry at this time, but that it will continue to monitor the credit rating market and analyze approaches that may strengthen existing regulation.

Separately, on June 23, 2016 the U.K. voted through a referendum to exit the EU. The longer-term impacts of the decision to leave the EU on the overall regulatory framework for the U.K. will depend, in part, on the relationship that the U.K. negotiates with the EU in the future. In the interim, however, the U.K.'s markets regulator (the Financial Conduct Authority) has said that all EU financial regulations will stay in place and that firms must continue to abide by their existing obligations. As a consequence, at this point in time, there is no change to the regulatory framework under which MIS operates and ESMA remains MIS's regulator both in the EU and in the U.K.

In the U.S., CRAs are subject to extensive regulation primarily pursuant to the Reform Act and the Financial Reform Act. The SEC is required by these legislative acts to publish two annual reports to Congress on NRSROs. The Financial Reform Act requires the SEC to examine each NRSRO once a year and issue an annual report summarizing the examination findings, among other requirements. The annual report required by the Reform Act details the SEC's views on the state of competition, transparency and conflicts of interests among NRSROs, among other requirements. The SEC voted in August 2014 to adopt its final rules for NRSROs as required by the Financial Reform Act. The Company has made and continues to make substantial IT and other investments, and has implemented the relevant compliance obligations.

In light of the regulations that have gone into effect in both the EU and the U.S. (as well as many other countries), from time to time and as a matter of course pursuant to their enabling legislation these regulatory authorities have and will continue to publish reports that describe their oversight activities over the industry. In addition, other legislation and/or interpretation of existing regulation relating to credit rating and research services is being considered by local, national and multinational bodies and this type of activity is likely to continue in the future. Finally, in certain countries, governments may provide financial or other support to locally-based rating agencies. For example, governments may from time to time establish official rating agencies or credit ratings criteria or procedures for evaluating local issuers. If enacted, any such legislation and regulation could change the competitive landscape in which MIS operates. The legal status of rating agencies has been addressed by courts in various decisions and is likely to be considered and addressed in legal proceedings from time to time in the future. Management of the Company cannot predict whether these or any other proposals will be enacted, the outcome of any pending or possible future legal proceedings, or regulatory or legislative actions, or the ultimate impact of any such matters on the competitive position, financial position or results of operations of Moody's.

INTELLECTUAL PROPERTY

Moody's and its affiliates own and control a variety of intellectual property, including but not limited to proprietary information, trademarks, research, software tools and applications, models and methodologies, databases, domain names, and other proprietary materials that, in the aggregate, are of material importance to Moody's business. Management of Moody's believes that each of the trademarks and related corporate names, marks and logos containing the term "Moody's" are of material importance to the Company.

The Company, primarily through MA, licenses certain of its databases, software applications, credit risk models, training courses in credit risk and capital markets, research and other publications and services that contain intellectual property to its customers. These licenses are provided pursuant to standard fee-bearing agreements containing customary restrictions and intellectual property protections.

In addition, Moody's licenses certain technology and other intellectual property rights owned and controlled by others. Specifically, Moody's licenses financial information (such as market and index data, financial statement data, third party research, default data, and security identifiers) as well as software development tools and libraries. The Company obtains such technology and intellectual property rights from generally available commercial sources. Most of such technology and intellectual property is available from a variety of sources. Although certain financial information (particularly security identifiers and certain pricing or index data) is available only from a limited number of sources, Moody's does not believe it is dependent on any one data source for a material aspect of its business.

The Company considers its Intellectual Property to be proprietary, and Moody's relies on a combination of copyright, trademark, trade secret, patent, non-disclosure and other contractual safeguards for protection. Moody's also pursues instances of third-party infringement of its Intellectual Property in order to protect the Company's rights. The Company owns two patents. None of the Intellectual Property is subject to a specific expiration date, except to the extent that the patents and the copyright in items that the Company authors (such as credit reports, research, software, and other written opinions) expire pursuant to relevant law.

The names of Moody's products and services referred to herein are trademarks, service marks or registered trademarks or service marks owned by or licensed to Moody's or one or more of its subsidiaries.

EMPLOYEES

As of December 31, 2016 the number of full-time equivalent employees of Moody's was approximately 10,600.

AVAILABLE INFORMATION

Moody's investor relations Internet website is http://ir.moodys.com/. Under the "SEC Filings" tab at this website, the Company makes available free of charge its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after they are filed with, or furnished to, the SEC.

The SEC maintains an internet site that contains annual, quarterly and current reports, proxy and other information statements that the Company files electronically with the SEC. The SEC's internet site is http://www.sec.gov/.

Executive Officers of the Registrant

Name, Age and Position	Biographical Data
Mark E. Almeida, 57 *President, Moody's Analytics*	Mr. Almeida has served as President of Moody's Analytics since January 2008. Prior to this position, Mr. Almeida was Senior Vice President of Moody's Corporation from August 2007 to January 2008, Senior Managing Director of the Investor Services Group (ISG) at Moody's Investors Service, Inc. from December 2004 to January 2008 and was Group Managing Director of ISG from June 2000 to December 2004. Mr. Almeida joined Moody's Investors Service, Inc. in April 1988 and has held a variety of positions with the company in both the U.S. and overseas.
Richard Cantor, 59 *Chief Risk Officer*	Mr. Cantor has served as Chief Risk Officer of Moody's Corporation since December 2008 and as Chief Credit Officer of Moody's Investors Service, Inc. since November 2008. From July 2008 to November 2008, Mr. Cantor served as Acting Chief Credit Officer. Prior thereto, Mr. Cantor was Managing Director of Moody's Credit Policy Research Group from June 2001 to July 2008, after serving as Senior Vice President in the Financial Guarantors Rating Group. Mr. Cantor joined Moody's in 1997 from the Federal Reserve Bank of New York, where he served as Assistant Vice President in the Research Group and was Staff Director at the Discount Window. Prior to the Federal Reserve, Mr. Cantor taught Economics at UCLA and Ohio State and has taught on an adjunct basis at the business schools of Columbia University and New York University.
Michael S. Crimmins, 46 *Senior Vice President and Corporate Controller*	Mr. Crimmins has served as the Company's Senior-Vice President—Corporate Controller since August 2016. Mr. Crimmins joined Moody's in November 2004 as Assistant Controller. Prior to joining the Company, Mr. Crimmins worked at Deloitte where his last position held was a Senior Manager in their Assurance and Advisory Practice. He also served at PricewaterhouseCoopers as a consultant.
Robert Fauber, 46 *President, Moody's Investors Service*	Mr. Fauber has served as President—Moody's Investors Service since June 1, 2016. He served as Senior Vice President—Corporate & Commercial Development of Moody's Corporation from April 2014 to May 31, 2016 and was Head of the MIS Commercial Group from January 2013 to May 31, 2016. From April 2009 through April 2014, he served as Senior Vice President - Corporate Development of Moody's Corporation. Mr. Fauber served as Vice President-Corporate Development from September 2005 to April 2009. Prior to joining Moody's, Mr. Fauber served in several roles at Citigroup and its investment banking subsidiary Salomon Smith Barney from 1999 to 2005. From 1992-1996, Mr. Fauber worked at NationsBank (now Bank of America) in the middle market commercial banking group.
John J. Goggins, 56 *Executive Vice President and General Counsel*	Mr. Goggins has served as the Company's Executive Vice President and General Counsel since April 2011 and the Company's Senior Vice President and General Counsel from October 2000 until April 2011. Mr. Goggins joined Moody's Investors Service in February 1999 as Vice President and Associate General Counsel.
Linda S. Huber, 58 *Executive Vice President and Chief Financial Officer*	Ms. Huber has served as the Company's Executive Vice President and Chief Financial Officer since May 2005. Prior thereto, she served as Executive Vice President and Chief Financial Officer at U.S. Trust Company, a subsidiary of Charles Schwab & Company, Inc., from 2003 to 2005. Prior to U.S. Trust, she was Managing Director at Freeman & Co. from 1998 through 2002. She served PepsiCo as Vice President of Corporate Strategy and Development from 1997 until 1998 and as Vice President and Assistant Treasurer from 1994 until 1997. She served as Vice President in the Energy Investment Banking Group at Bankers Trust Company from 1991 until 1994 and as an Associate in the Energy Group at First Boston Corporation from 1986 through 1990. She also held the rank of Captain in the U.S. Army where she served from 1980 to 1984.

Name, Age and Position	Biographical Data
Raymond W. McDaniel, Jr., 59 *President and Chief Executive Officer*	Mr. McDaniel has served as the President and Chief Executive Officer of the Company since April 2012, and served as the Chairman and Chief Executive Officer from April 2005 until April 2012. He currently serves on the Executive Committee of the Board of Directors. Mr. McDaniel served as the Company's President from October 2004 until April 2005 and the Company's Chief Operating Officer from January 2004 until April 2005. He has served as Chief Executive Officer of Moody's Investors Service since October 2007. He held the additional titles of President from November 2001 to August 2007 and December 2008 to November 2010 and Chairman from October 2007 until June 2015. Mr. McDaniel served as the Company's Executive Vice President from April 2003 to January 2004, and as Senior Vice President, Global Ratings and Research from November 2000 until April 2003. He served as Senior Managing Director, Global Ratings and Research of Moody's Investors Service from November 2000 until November 2001 and as Managing Director, International from 1996 to November 2000. Mr. McDaniel currently is a Director of John Wiley & Sons, Inc. and is a member of the Board of Trustees of Muhlenberg College.
Lisa S. Westlake, 55 *Senior Vice President and Chief Human Resource Officer*	Ms. Westlake has served as the Company's Senior Vice President and Chief Human Resources Officer since November 2008. Prior to this position, Ms. Westlake served as Vice President—Investor Relations from December 2006 to November 2008 and Managing Director—Finance from September 2004 to December 2006. Prior to joining the Company, Ms. Westlake was a senior consultant with the Schiff Consulting Group from 2003 to 2004. From 1996 to 2003 Ms. Westlake worked at American Express Company where she held several different positions such as Vice President and Chief Financial Officer for the OPEN Small Business Network, Vice President and Chief Financial Officer for Establishment Services and Vice President and Chief Financial Officer for Relationship Services. From 1989 to 1995 Ms. Westlake held a range of financial management positions at Dun & Bradstreet Corporation and its subsidiary at the time, IMS International. From 1984 to 1987 Ms. Westlake served at Lehman Brothers in both the investment banking and municipal trading areas.
Blair L. Worrall, 60 *Senior Vice President, Ratings Delivery and Data*	Mr. Worrall has served as Senior Vice President—Ratings Delivery and Data since February 2013 and Head of MIS Operations, Data & Controls since February 2016. He served as Head of MIS Ratings Transaction Services from January 2014 to February 2016. Mr. Worrall served as Senior Vice President—Internal Audit from April 2011 to February 2013 and as Vice President—Internal Audit from September 2007 to April 2011. He served as the Controller for MIS from November 2004 until September 2007. Prior to joining the Company, Mr. Worrall was Vice President, Accounting for RCN Corporation from 2002 to 2004 and held various finance positions at Dow Jones & Company, Inc. from 1979 to 2001.

ITEM 1A. RISK FACTORS

The following risk factors and other information included in this annual report on Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones the Company faces. Additional risks and uncertainties not presently known to the Company or that the Company's management currently deems minor or insignificant also may impair its business operations. If any of the following risks occur, Moody's business, financial condition, operating results and cash flows could be materially and adversely affected. These risk factors should be read in conjunction with the other information in this annual report on Form 10-K.

U.S. Laws and Regulations Affecting the Credit Rating Industry May Negatively Impact the Nature and Economics of the Company's Business.

Moody's operates in a highly regulated industry and is subject to extensive regulation by federal, state and local authorities in the U.S., including the Reform Act and the Financial Reform Act. These regulations are complex, continually evolving and have tended to become more stringent over time. See "Regulation" in Part 1, Item 1 of this annual report on Form 10-K for more information. These laws and regulations:

» seek to encourage, and may result in, increased competition among rating agencies and in the credit rating business;

» may result in alternatives to credit ratings or changes in the pricing of credit ratings;

» restrict the use of information in the development or maintenance of credit ratings;

» increase regulatory oversight of the credit markets and CRA operations;

» provide for direct jurisdiction of the SEC over CRAs that seek NRSRO status, and grant authority to the SEC to inspect the operations of CRAs; and

» authorize the adoption of enhanced oversight standards and new pleading standards, which may result in increases in the number of legal proceedings claiming liability for losses suffered by investors on rated securities and aggregate legal defense costs.

These laws and regulations, and any future rulemaking or court rulings, could result in reduced demand for credit ratings and increased costs, which Moody's may be unable to pass through to customers. In addition, there may be uncertainty over the scope, interpretation and administration of such laws and regulations. The Company may be required to incur significant expenses in order to ensure compliance and mitigate the risk of fines, penalties or other sanctions. Legal proceedings could become increasingly lengthy and there may be uncertainty over and exposure to liability. It is difficult to accurately assess the future impact of legislative and regulatory requirements on Moody's business and its customers' businesses. For example, new laws and regulations may affect MIS's communications with issuers as part of the rating assignment process, alter the manner in which MIS's ratings are developed, assigned and communicated, affect the manner in which MIS or its customers or users of credit ratings operate, impact the demand for MIS's ratings and alter the economics of the credit ratings business, including by restricting or mandating business models for rating agencies. Further, speculation concerning the impact of legislative and regulatory initiatives and the increased uncertainty over potential liability and adverse legal or judicial determinations may negatively affect Moody's stock price. Although these recent and pending legislative and regulatory initiatives apply to rating agencies and credit markets generally, they may affect Moody's in a disproportionate manner. Each of these developments increase the costs and legal risk associated with the issuance of credit ratings and may have a material adverse effect on Moody's operations, profitability and competitiveness, the demand for credit ratings and the manner in which such ratings are utilized.

Financial Reforms Outside the U.S. Affecting the Credit Rating Industry May Negatively Impact the Nature and Economics of the Company's Business.

In addition to the extensive and evolving U.S. laws and regulations governing the industry, foreign jurisdictions have taken measures to increase regulation of rating agencies and the markets for ratings. In particular, the EU has adopted a common regulatory framework for rating agencies operating in the EU. As a result, ESMA has direct supervisory authority for CRAs in the EU and has the power to take enforcement action against non-compliant CRAs, including through the issuance of public notices, withdrawal of registration and, in some cases, the imposition of fines.

MIS is a registered entity and is therefore subject to formal regulation and periodic inspection in the EU. Applicable rules include procedural requirements with respect to ratings of sovereign issuers, liability for intentional or grossly negligent failure to abide by applicable regulations, mandatory rotation requirements of CRAs hired by issuers of securities for ratings of resecuritizations, and restrictions on CRAs or their shareholders if certain ownership thresholds are crossed. Additional procedural and substantive requirements include conditions for the issuance of credit ratings, rules regarding the organization of CRAs, restrictions on activities deemed to create a conflict of interest, pricing regulations, and special requirements for the rating of structured finance instruments. Compliance with the EU regulations may increase our costs of operations and could have a significant negative effect on Moody's operations, profitability or ability to compete, or the markets for its products and services, including in ways that Moody's presently is unable to predict. In addition, exposure to increased liability under the EU regulations may further increase costs and legal risks associated with the issuance of credit ratings and materially and adversely impact Moody's results of operations.

The EU and other jurisdictions engage in rulemaking on an ongoing basis that could significantly impact operations or the markets for Moody's products and services, including regulations extending to products and services not currently regulated and regulations affecting the need for debt securities to be rated, increasing the level of competition in the market for credit ratings, establishing criteria for credit ratings or limiting the entities authorized to provide credit ratings. Moody's cannot predict the extent of such future laws and regulations, and the effect that they will have on Moody's business or the potential for increased exposure to liability could be significant. Financial reforms in the EU and other foreign jurisdictions may have a material adverse effect on Moody's business, operating results and financial condition.

The Company Faces Exposure to Litigation and Government Regulatory Proceedings, Investigations and Inquiries Related to Rating Opinions and Other Business Practices.

Moody's faces exposure to litigation and government and regulatory proceedings, investigations and inquiries related to MIS's ratings actions, as well as other business practices and products. If the market value of credit-dependent instruments declines or defaults, whether as a result of difficult economic times, turbulent markets or otherwise, the number of investigations and legal proceedings that Moody's faces could increase significantly. Parties who invest in securities rated by MIS may pursue claims against MIS or Moody's for losses they face in their portfolios. We have faced numerous class action lawsuits and other litigation, government investigations and inquiries concerning events linked to the U.S. subprime residential mortgage sector and broader deterioration in the credit markets during the recent financial crisis. Legal proceedings impose additional expenses on the Company and require the attention of senior management to an extent that may significantly reduce their ability to devote time addressing other business issues, and any of these proceedings, investigations or inquiries could ultimately result in adverse judgments, damages, fines, penalties or activity restrictions. Risks relating to legal proceedings may be heightened in foreign jurisdictions that lack the legal protections or liability standards comparable to those that exist in the U.S. In addition, new laws and regulations have been and may continue to be enacted that establish lower liability standards, shift the burden of proof or relax pleading requirements, thereby increasing the risk of successful litigations in the U.S. and in foreign jurisdictions. These litigation risks are often difficult to assess or quantify. Moody's may not have adequate insurance or reserves to cover these risks, and the existence and magnitude of these risks often remains unknown for substantial periods of time. Furthermore, to the extent that Moody's is unable to achieve dismissals at an early stage and litigation matters proceed to trial, the aggregate legal defense costs incurred by Moody's increase substantially, as does the risk of an adverse outcome. See Note 19 to the consolidated financial statements for more information regarding ongoing investigations and civil litigation that the Company currently faces. Due to the number of these proceedings and the significant amount of damages sought, there is a risk that Moody's will be subject to judgments, settlements, fines, penalties or other adverse results that could have a material adverse effect on its business, operating results and financial condition.

The Company is Exposed to Legal, Economic, Operational and Regulatory Risks of Operating in Multiple Jurisdictions.

Moody's conducts operations in various countries outside the U.S. and derives a significant portion of its revenue from foreign sources. Changes in the economic condition of the various foreign economies in which the Company operates may have an impact on the Company's business. For example, economic uncertainty in the Eurozone or elsewhere could affect the number of securities offerings undertaken within those particular areas. In addition, operations abroad expose Moody's to a number of legal, economic and regulatory risks such as:

» exposure to exchange rate movements between foreign currencies and USD;

» restrictions on the ability to convert local currency into USD and the costs, including the tax impact, of repatriating cash held by entities outside the U.S.;

» U.S. laws affecting overseas operations including domestic and foreign export and import restrictions, tariffs and other trade barriers;

» differing and potentially conflicting legal or civil liability, compliance and regulatory standards including as a result of the U.K.'s referendum vote whereby the U.K. citizens voted to withdraw from the EU, Brexit;

» current and future regulations relating to the imposition of mandatory rotation requirements on CRAs hired by issuers of securities;

» uncertain and evolving laws and regulations, including those applicable to the financial services industries and to the protection of intellectual property;

» economic, political and geopolitical market conditions;

» the possibility of nationalization, expropriation, price controls and other restrictive governmental actions;

» competition with local rating agencies that have greater familiarity, longer operating histories and/or support from local governments or other institutions;

» reduced protection for intellectual property rights;

» longer payment cycles and possible problems in collecting receivables;

» differing accounting principles and standards;

» difficulties in staffing and managing foreign operations;

» difficulties and delays in translating documentation into foreign languages; and

» potentially adverse tax consequences.

Additionally, Moody's is subject to complex U.S., foreign and other local laws and regulations that are applicable to its operations abroad, such as the Foreign Corrupt Practices Act of 1977, the U.K. Bribery Act of 2010 and other anti-bribery and anti-corruption laws. Although the Company has implemented internal controls, policies and procedures and employee training and compliance programs to deter prohibited practices, such measures may not be effective in preventing employees, contractors or agents from violating or circumventing such internal policies and violating applicable laws and regulations. Any determination that the Company has violated anti-bribery or anti-corruption laws could have a material adverse effect on Moody's business, operating results and financial condition. Compliance with international and U.S. laws and regulations that apply to the Company's international operations increases the cost of doing business in foreign jurisdictions. Violations of such laws and regulations may result in severe fines and penalties, criminal sanctions, administrative remedies, restrictions on business conduct and could have a material adverse effect on Moody's reputation, its ability to attract and retain employees, its business, operating results and financial condition.

Moody's Operations and Infrastructure May Malfunction or Fail.
Moody's ability to conduct business may be materially and adversely impacted by a disruption in the infrastructure that supports its businesses and the communities in which Moody's is located, including New York City, the location of Moody's headquarters, major cities worldwide in which Moody's has offices, and locations in China used for certain Moody's Analytics back office work. This may include a disruption involving physical or technological infrastructure (whether or not controlled by the Company), including the Company's electronic delivery systems, data center facilities, or the Internet, used by the Company or third parties with or through whom Moody's conducts business. Many of the Company's products and services are delivered electronically and the Company's customers depend on the Company's ability to receive, store, process, transmit and otherwise rapidly handle very substantial quantities of data and transactions on computer-based networks. The Company's customers also depend on the continued capacity, reliability and security of the Company's telecommunications, data centers, networks and other electronic delivery systems, including its websites and connections to the Internet. The Company's employees also depend on these systems for internal use. Any significant failure, compromise, cyber-breach or interruption of the Company's infrastructure, whether due to human error, hardware failure or defect, natural disasters, fire, power loss, telecommunication failures, break-ins, sabotage, intentional acts of vandalism, acts of terrorism, political unrest, war or otherwise, may impair the Company's ability to deliver its products and services.

Moody's efforts to secure and plan for potential disruptions of its major operating systems may not be successful. The Company relies on third-party providers to provide certain essential services. While the Company believes that such providers are reliable, the Company has limited control over the performance of such providers. To the extent any of the Company's third-party providers ceases to provide these services in an efficient, cost-effective manner or fails to adequately expand its services to meet the Company's needs and the needs of the Company's customers, the Company could experience lower revenues and higher costs. Additionally, although the Company maintains processes to prevent, detect and recover from a disruption, the Company also does not have fully redundant systems for most of its smaller office locations and low-risk systems, and its disaster recovery plan does not include restoration of non-essential services. If a disruption occurs in one of Moody's locations or systems and its personnel in those locations or those who rely on such systems are unable to utilize other systems or communicate with or travel to other locations, such persons' ability to service and interact with Moody's clients and customers may suffer. The Company cannot predict with certainty all of the adverse effects that could result from the Company's failure, or the failure of a third party, to efficiently address and resolve these delays and interruptions. A disruption to Moody's operations or infrastructure may have a material adverse effect on its reputation, business, operating results and financial condition.

The Company is Exposed to Risks Related to Cybersecurity and Protection of Confidential Information.
The Company's operations rely on the secure processing, storage and transmission of confidential, sensitive, proprietary and other types of information relating to its business operations and confidential and sensitive information about its clients and employees in the Company's computer systems and networks, and in those of its third party vendors. The cyber risks the Company faces range from cyber-attacks common to most industries, to more advanced threats that target the Company because of its prominence in the global marketplace, or due to its ratings of sovereign debt. Breaches of Moody's or Moody's vendors' technology and systems, whether from circumvention of security systems, denial-of-service attacks or other cyber-attacks, hacking, "phishing" attacks, computer viruses, ransomware, or malware, employee error, malfeasance, social engineering, physical breaches or other actions, may result in manipulation or corruption of sensitive data, material interruptions or malfunctions in the Company's or such vendors' web sites, applications, data processing, or disruption of other business operations, or may compromise the confidentiality and integrity of material information held by the Company (including information about Moody's business, employees or customers), as well as sensitive personally identifiable

information ("PII"), the disclosure of which could lead to identity theft. Measures that Moody's takes to avoid, detect, mitigate or recover from material incidents can be expensive, and may be insufficient, circumvented, or may become ineffective. Recent well-publicized security breaches at other companies have led to enhanced government and regulatory scrutiny of the measures taken by companies to protect against cyber-attacks, and may in the future result in heightened cybersecurity requirements, including additional regulatory expectations for oversight of vendors and service providers. Any material breaches of cybersecurity or media reports of perceived security vulnerabilities to the Company's systems or those of the Company's third parties, even if no breach has been attempted or occurred, could cause the Company to experience reputational harm, loss of customers, regulatory actions, sanctions or other statutory penalties, litigation, liability for failure to safeguard the Company's clients' information, or financial losses that are either not insured against or not fully covered through any insurance maintained by the Company. Any of the foregoing may have a material adverse effect on Moody's business, operating results, or financial condition.

Changes in the Volume of Debt Securities Issued in Domestic and/or Global Capital Markets and Changes in Interest Rates and Other Volatility in the Financial Markets May Negatively Impact the Nature and Economics of the Company's Business.

Moody's business is impacted by general economic conditions and volatility in the U.S. and world financial markets. Furthermore, issuers of debt securities may elect to issue securities without ratings or securities which are rated or evaluated by non-traditional parties such as financial advisors, rather than traditional CRAs, such as MIS. A majority of Moody's credit-rating-based revenue is transaction-based, and therefore it is especially dependent on the number and dollar volume of debt securities issued in the capital markets. Market disruptions and economic slowdown and uncertainty have in the past negatively impacted the volume of debt securities issued in global capital markets and the demand for credit ratings. Potential changes to U.S. tax laws and policy could negatively affect the volume of debt securities issued in the U.S. Conditions that reduce issuers' ability or willingness to issue debt securities, such as market volatility, declining growth, currency devaluations or other adverse economic trends, reduce the number and dollar-equivalent volume of debt issuances for which Moody's provides ratings services and thereby adversely affect the fees Moody's earns in its ratings business.

Economic and government factors such as a long-term continuation of difficult economic conditions and a worsening of the sovereign debt crisis in Europe may have an adverse impact on the Company's business. Future debt issuances also could be negatively affected by increases in interest rates, widening credit spreads, regulatory and political developments, growth in the use of alternative sources of credit, and defaults by significant issuers. Declines or other changes in the markets for debt securities may materially and adversely affect the Company's business, operating results and financial condition.

Moody's initiatives to reduce costs to counteract a decline in its business may not be sufficient and cost reductions may be difficult or impossible to obtain in the short term, due in part to rent, technology, compliance and other fixed costs associated with some of the Company's operations as well as the need to monitor outstanding ratings. Further, cost-reduction initiatives, including those undertaken to date, could make it difficult for the Company to rapidly expand operations in order to accommodate any unexpected increase in the demand for ratings. Volatility in the financial markets, including changes in the volumes of debt securities and changes in interest rates, may have a material adverse effect on the business, operating results and financial condition, which the Company may not be able to successfully offset with cost reductions.

The Company Faces Increased Pricing Pressure from Competitors and/or Customers.

There is price competition in the credit rating, research, credit risk management markets, research and analytical services and financial training and certification services. Moody's faces competition globally from other CRAs and from investment banks and brokerage firms that offer credit opinions in research, as well as from in-house research operations. Competition for customers and market share has spurred more aggressive tactics by some competitors in areas such as pricing and services, as well as increased competition from non-NRSROs that evaluate debt risk for issuers or investors. At the same time, a challenging business environment and consolidation among customers, particularly those involved in structured finance products, and other factors affecting demand may enhance the market power of competitors and reduce the Company's customer base. Weak economic growth is also intensifying competitive pricing pressures and can result in customers' use of free or lower-cost information that is available from alternative sources. While Moody's seeks to compete primarily on the basis of the quality of its products and services, it may lose market share if its pricing is not sufficiently competitive. In addition, the Reform Act was designed to encourage competition among rating agencies. The formation of additional NRSROs may increase pricing and competitive pressures. Furthermore, in some of the countries in which Moody's operates, governments may provide financial or other support to local rating agencies. Any inability of Moody's to compete successfully with respect to the pricing of its products and services could have a material adverse impact on its business, operating results and financial condition.

The Company is Exposed to Reputation and Credibility Concerns.

Moody's reputation and the strength of its brand are key competitive strengths. To the extent that the rating agency business as a whole or Moody's, relative to its competitors, suffers a loss in credibility, Moody's business could be significantly impacted. Factors that may have already affected credibility and could potentially continue to have an impact in this regard include the appearance of a conflict of interest, the performance of securities relative to the rating assigned to such securities, the timing and nature of changes in ratings, a major compliance failure, negative perceptions or publicity and increased criticism by users of ratings, regulators and legislative bodies, including as to the ratings process and its implementation with respect to one or more securities and intentional or unintentional misrepresentations of Moody's products and services in advertising materials, public relations information, social media or other external communications. Operational errors, whether by Moody's or a Moody's competitor, could also harm the reputation of the Company or the credit rating industry. Damage to reputation and credibility could have a material adverse impact on Moody's business, operating results and financial condition.

The Introduction of Competing Products or Technologies by Other Companies May Negatively Impact the Nature and Economics of the Company's Business.

The markets for credit ratings, research, credit risk management services, research and analytical services and financial training and certification services are highly competitive and characterized by rapid technological change, changes in client demands, and evolving regulatory requirements, industry standards and market preferences. The ability to develop and successfully launch and maintain innovative products and technologies that anticipate customers' changing requirements and utilize emerging technological trends is a key factor in maintaining market share. Moody's competitors include both established companies with significant financial resources, brand recognition, market experience and technological expertise, and smaller companies which may be better poised to quickly adopt new or emerging technologies or respond to customer requirements. Competitors may develop quantitative methodologies or related services for assessing credit risk that customers and market participants may deem preferable, more cost-effective or more valuable than the credit risk assessment methods currently employed by Moody's, or may position, price or market their products in manners that differ from those utilized by Moody's. Moody's also competes indirectly against consulting firms and other information providers; these indirect competitors could choose to compete directly with us in the future. In addition, customers or others may develop alternative, proprietary systems for assessing credit risk. Such developments could affect demand for Moody's products and services and its growth prospects. Further, the increased availability in recent years of free or relatively inexpensive Internet information may reduce the demand for Moody's products and services. For example, in December 2016, the ESMA launched a database providing access to free, current information on certain credit ratings and rating outlooks. Moody's growth prospects also could be adversely affected by Moody's failure to make necessary or optimal capital infrastructure expenditures and improvements and the inability of its information technologies to provide adequate capacity and capabilities to meet increased demands of producing quality ratings and research products at levels achieved by competitors. Any inability of Moody to compete successfully may have a material adverse effect on its business, operating results and financial condition.

The Company Has a Significant Amount of Intangible Assets.

At December 31, 2016, Moody's had $1,023.6 million of goodwill and $296.4 million of intangible assets on its balance sheet. Approximately 73% of these intangibles reside in the MA business and are allocated to the four reporting units within MA: RD&A; ERS; Financial Services Training and Certifications; and Moody's Analytics Knowledge Services. The remaining 27% of these intangibles reside in MIS and primarily relate to ICRA. Failure to achieve business objectives and financial projections in any of these reporting units could result in an asset impairment charge, which would result in a non-cash charge to operating expenses. Goodwill and intangible assets with indefinite lives are tested for impairment on an annual basis and also when events or changes in circumstances indicate that impairment may have occurred. Determining whether an impairment of goodwill exists can be especially difficult in periods of market or economic uncertainty and turmoil, and requires significant management estimates and judgment. In addition, the potential for goodwill impairment is increased during periods of economic uncertainty. An asset impairment charge could have a material adverse effect on Moody's business, operating results and financial condition.

Possible Loss of Key Employees and Related Compensation Cost Pressures May Negatively Impact the Company.

Moody's success depends upon its ability to recruit, retain and motivate highly skilled, experienced financial analysts and other professionals. Competition for skilled individuals in the financial services industry is intense, and Moody's ability to attract high quality employees could be impaired if it is unable to offer competitive compensation and other incentives or if the regulatory environment mandates restrictions on or disclosures about individual employees that would not be necessary in competing industries. As greater focus has been placed on executive compensation at public companies, in the future, Moody's may be required to alter its compensation practices in ways that could adversely affect its ability to attract and retain talented employees. Investment banks, investors and competitors may seek to attract analyst talent by providing more favorable working conditions or offering significantly more attractive compensation packages than Moody's. Moody's also may not be able to identify and hire the appropriate qualified employees in some markets outside the U.S. with the required experience or skills to perform sophisticated credit analysis. There is a risk that even if the Company invests significant resources in attempting to attract, train and retain qualified personnel, it will not succeed in its efforts, and its business could be harmed.

Moody's is highly dependent on the continued services of Raymond W. McDaniel, Jr., the President and Chief Executive Officer, and other senior officers and key employees. The loss of the services of skilled personnel for any reason and Moody's inability to replace them with suitable candidates quickly or at all, as well as any negative market perception resulting from such loss, could have a material adverse effect on Moody's business, operating results and financial condition.

Moody's Acquisitions, Dispositions and Other Strategic Transactions May Not Produce Anticipated Results.
Moody's has made and expects to continue to make acquisitions, dispositions or enter into other strategic transactions to strengthen its business and grow the Company. Such transactions present significant challenges and risks. The market for acquisition targets, dispositions and other strategic transactions is highly competitive, especially in light of industry consolidation, which may affect Moody's ability to complete such transactions. If Moody's is unsuccessful in completing such transactions or if such opportunities for expansion do not arise, its business, operating results and financial condition could be materially adversely affected.

If such transactions are completed, the anticipated growth, synergies and other strategic objectives of such transactions may not be fully realized, and a variety of factors may adversely affect any anticipated benefits from such transactions. Any strategic transaction can involve a number of risks, including unanticipated challenges regarding integration of operations, technologies and new employees; the existence of liabilities or contingencies not disclosed to or otherwise known by the Company prior to closing a transaction; unexpected regulatory and operating difficulties and expenditures; scrutiny from competition and antitrust authorities; failure to retain key personnel of the acquired business; diverting management's focus from other business operations; and failing to implement or remediate controls, procedures and policies appropriate for a larger public company at acquired companies that prior to the acquisition lacked such controls, procedures and policies. The anticipated benefits from an acquisition or other strategic transaction may not be realized fully, or may take longer to realize than expected. As a result, the failure of acquisitions, dispositions and other strategic transactions to perform as expected may have a material adverse effect on Moody's business, operating results and financial condition.

The Company's Compliance and Risk Management Programs May Not be Effective and May Result in Outcomes That Could Adversely Affect the Company's Reputation, Financial Condition and Operating Results.
Moody's operates in a number of countries, and as a result the Company is required to comply with numerous international and U.S. federal, state and local laws and regulations. The Company's ability to comply with applicable laws and regulations, including anti-corruption laws, is largely dependent on its establishment and maintenance of compliance, review and reporting systems, as well as its ability to attract and retain qualified compliance and risk management personnel. Moody's policies and procedures to identify, evaluate and manage the Company's risks may not be fully effective, and Moody's employees or agents may engage in misconduct, fraud or other errors. It is not always possible to deter such errors, and the precautions the Company takes to prevent and detect this activity may not be effective in all cases. If Moody's employees violate its policies or if the Company's risk management methods are not effective, the Company could be subject to criminal and civil liability, the suspension of the Company's employees, fines, penalties, regulatory sanctions, injunctive relief, exclusion from certain markets or other penalties, and may suffer harm to its reputation, financial condition and operating results.

Legal Protections for the Company's Intellectual Property Rights may not be Sufficient or Available to Protect the Company's Competitive Advantages.
Moody's considers many aspects of its products and services to be proprietary. Failure to protect the Company's intellectual property adequately could harm its reputation and affect the Company's ability to compete effectively. Businesses the Company acquires also involve intellectual property portfolios, which increase the challenges the Company faces in protecting its strategic advantage. In addition, the Company's operating results may be adversely affected by inadequate or changing legal and technological protections for intellectual property and proprietary rights in some jurisdictions and markets. On January 6, 2015, a rule with direct relevance to the CRA industry was published in the Official Journal of the European Union regarding the types of information that CRAs are to provide about certain ratings (those that were paid for by issuers) for publication on a central website administered by ESMA (the European Ratings Platform). This rule directly relates to the Company's intellectual property as it requires that the Company provide proprietary information at no cost that the Company currently sells, which could result in lost revenue. ESMA launched the European Rating Platform for public use on December 1, 2016.

Unauthorized third parties may also try to obtain and use technology or other information that the Company regards as proprietary. It is also possible that Moody's competitors or other entities could obtain patents related to the types of products and services that Moody's offers, and attempt to require Moody's to stop developing or marketing the products or services, to modify or redesign the products or services to avoid infringing, or to obtain licenses from the holders of the patents in order to continue developing and marketing the products and services. Even if Moody's attempts to assert or protect its intellectual property rights through litigation, it may require considerable cost, time and resources to do so, and there is no guarantee that the Company will be successful. These risks, and the cost, time and resources needed to address them, may increase as the Company's business grows and its profile rises in countries with intellectual property regimes that are less protective than the rules and regulations applied in the United States.

The Company is Dependent on the Use of Third-Party Software, Data, Hosted Solutions, Data Centers, and Network Infrastructure (Together, "Third Party Technology"), and Any Reduction in Third-Party Product Quality or Service Offerings, Could Have a Material Adverse Effect on the Company's Business, Financial Condition or Results of Operations.
Moody's relies on Third Party Technology in connection with its product development and offerings. The Company depends on the ability of Third Party Technology providers to deliver and support reliable products, enhance their current products, develop new products

on a timely and cost-effective basis, and respond to emerging industry standards and other technological changes. The Third Party Technology Moody's uses may become obsolete, incompatible with future versions of the Company's products, unavailable or fail to operate effectively, and Moody's business could be adversely affected if the Company is unable to timely or effectively replace such Third Party Technology. The Company also monitors its use of Third Party Technology to comply with applicable license and other contractual requirements. Despite the Company's efforts, the Company cannot ensure that such third parties will permit Moody's use in the future, resulting in increased Third Party Technology acquisition costs and loss of rights. In addition, the Company's operating costs could increase if license or other usage fees for Third Party Technology increase or the efforts to incorporate enhancements to Third Party Technology are substantial. Some of these third-party suppliers are also Moody's competitors, increasing the risks noted above. If any of these risks materialize, they could have a material adverse effect on the Company's business, financial condition or results of operations.

Changes in Tax Rates or Tax Rules Could Affect Future Results.
As a global company, Moody's is subject to taxation in the United States and various other countries and jurisdictions. Significant judgment is required to determine worldwide tax liabilities. Moody's future tax rates could be affected by changes in the composition of earnings in countries or states with differing tax rates or other factors, including by increased earnings in jurisdictions where we face higher tax rates, losses incurred in jurisdictions for which we are not able to realize the related tax benefit, or changes in foreign currency exchange rates. Changes in the tax, accounting and other laws, treaties, regulations, policies and administrative practices, or changes to their interpretation or enforcement, including changes applicable to multinational corporations such as the Base Erosion Profit Shifting project being conducted by the Organization for Economic Co-operation and Development and the European Union's state aid rulings, could have a material adverse effect on our effective tax rate, results of operations and financial condition. In addition, Moody's is subject to regular examination of our income tax returns by the Internal Revenue Service and other tax authorities, and we have experienced increased scrutiny as business has grown. Moody's regularly assesses the likelihood of favorable or unfavorable outcomes resulting from these examinations to determine the adequacy of our provision for income taxes, however, developments in an audit or litigation could materially and adversely affect us. Although we believe our tax estimates and accruals are reasonable, there can be no assurance that any final determination will not be materially different than the treatment reflected in our historical income tax provisions and accruals, which could materially and adversely affect our operating results and financial condition.

The Company's aggregate cash and cash equivalents and short-term investments of $2.2 billion at December 31, 2016 consisted of approximately $1.7 billion located outside of the U.S. Except as required under U.S. tax laws, Moody's does not provide for U.S. taxes on undistributed earnings of foreign subsidiaries that have not been previously taxed since we intend to invest such undistributed earnings indefinitely in our foreign operations. If our intent changes or if these funds are needed for our U.S. operations, we may be required to accrue or pay U.S. taxes on some or all of these undistributed earnings and our effective tax rate could be adversely affected.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Moody's corporate headquarters is located at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, with approximately 797,537 square feet of leased space. As of December 31, 2016, Moody's operations were conducted from 14 U.S. offices and 78 non-U.S. office locations, all of which are leased. These properties are geographically distributed to meet operating and sales requirements worldwide. These properties are generally considered to be both suitable and adequate to meet current operating requirements.

ITEM 3. LEGAL PROCEEDINGS

For information regarding legal proceedings, see Part II, Item 8 – "Financial Statements", Note 19 "Contingencies" in this Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Information in response to this Item is set forth under the captions below.

MOODY'S PURCHASES OF EQUITY SECURITIES

For the three months ended December 31, 2016

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares That May yet be Purchased Under the Program(2)
October 1 – 31	558,789	$ 107.48	558,061	$ 726.8 million
November 1 – 30	3,248	$ —	—	$ 726.8 million
December 1 – 31	—	$ —	—	$ 726.8 million
Total	562,037	$ —	558,061	

(1) Includes the surrender to the Company of 728 shares and 3,248 shares of common stock in October and November, respectively, to satisfy tax withholding obligations in connection with the vesting of restricted stock issued to employees.

(2) As of the last day of each of the months. On December 15, 2015, the Board authorized a $1 billion share repurchase program. There is no established expiration date for the remaining authorization.

During the fourth quarter of 2016, Moody's issued 0.1 million shares under employee stock-based compensation plans.

COMMON STOCK INFORMATION AND DIVIDENDS

The Company's common stock trades on the New York Stock Exchange under the symbol "MCO". The table below indicates the high and low sales price of the Company's common stock and the dividends declared and paid for the periods shown. The number of registered shareholders of record at January 31, 2017 was 2,139. A substantially greater number of the Company's common stock is held by beneficial holders whose shares are held of record by banks, brokers and other financial institutions.

	Price Per Share		Dividends Per Share	
	High	Low	Declared	Paid
2016:				
First quarter	**$ 99.09**	**$ 77.76**	**$ —**	**$ 0.37**
Second quarter	**$ 101.70**	**$ 87.30**	**0.37**	**0.37**
Third quarter	**$ 110.83**	**$ 90.98**	**0.37**	**0.37**
Fourth quarter	**$ 110.00**	**$ 93.85**	**0.75**	**0.37**
Year ended December 31, 2016			**$ 1.49**	**$ 1.48**
2015:				
First quarter	$ 104.58	$ 85.50	$ —	$ 0.34
Second quarter	$ 111.06	$ 102.44	0.34	0.34
Third quarter	$ 113.87	$ 96.00	0.34	0.34
Fourth quarter	$ 104.83	$ 94.20	0.71	0.34
Year Ended December 31, 2015			$ 1.39	$ 1.36

On December 20, 2016, the Board of the Company approved the declaration of a quarterly dividend of 0.38 per share of Moody's common stock, payable on March 10, 2017 to shareholders of record at the close of business on February 20, 2017. The continued payment of dividends at the rate noted above, or at all, is subject to the discretion of the Board.

EQUITY COMPENSATION PLAN INFORMATION

The table below sets forth, as of December 31, 2016, certain information regarding the Company's equity compensation plans.

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights[2]	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Securities Reflected in Column (a))
Plan Category	**(a)**	**(b)**	**(c)**
Equity compensation plans approved by security holders	7,481,319[1]	$ 49.68	21,399,711[3]
Equity compensation plans not approved by security holders	—	$ —	—
Total	7,481,319	$ 49.68	21,399,711

(1) Includes 6,140,346 options and unvested restricted shares outstanding under the Company's 2001 Key Employees' Stock Incentive Plan, 62,815 options outstanding under the Company's 1998 Key Employees' Stock Incentive Plan, and 15,638 unvested restricted shares outstanding under the 1998 Non-Employee Directors' Stock Incentive Plan. This number also includes a maximum of 1,262,520 performance shares outstanding under the Company's 2001 Key Employees' Stock Incentive Plan, which is the maximum number of shares issuable pursuant to performance share awards assuming the maximum payout at 225% of the target award for performance shares granted in 2014, 2015 and 2016. Assuming payout at target, the number of shares to be issued upon the vesting of outstanding performance share awards is 561,120.

(2) Does not reflect unvested restricted shares or performance share awards included in column (a) because these awards have no exercise price.

(3) Includes 17,625,604 shares available for issuance as under the 2001 Stock Incentive Plan, of which all may be issued as options and 10,930,024 may be issued as restricted stock, performance shares or other stock-based awards; 927,472 shares available for issuance as options, shares of restricted stock or performance shares under the 1998 Directors Plan; and 2,846,635 shares available for issuance under the Company's Employee Stock Purchase Plan. No new grants may be made under the 1998 Stock Incentive Plan, which expired by its terms in June 2008.

PERFORMANCE GRAPH

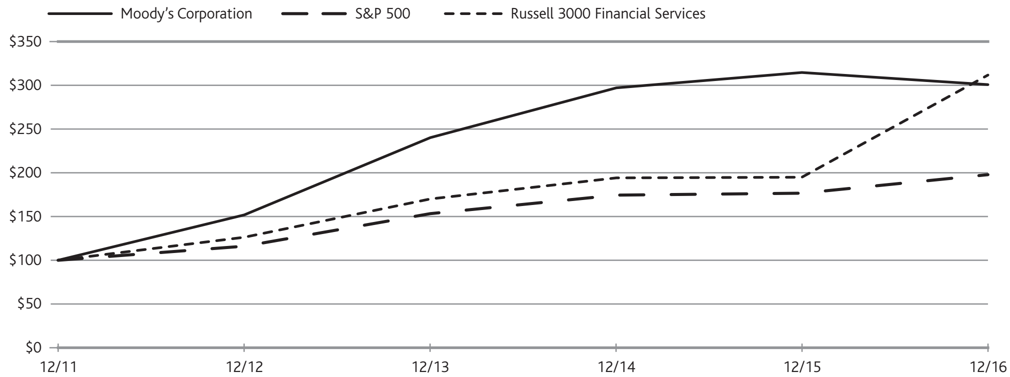
The following graph compares the total cumulative shareholder return of the Company to the performance of Standard & Poor's Stock 500 Composite Index and the Russell 3000 Financial Services Index. Both of the aforementioned indexes are easily accessible to the Company's shareholders in newspapers, the internet and other readily available sources for purposes of the following graph.

The comparison assumes that $100.00 was invested in the Company's common stock and in each of the foregoing indices on December 31, 2011. The comparison also assumes the reinvestment of dividends, if any. The total return for the common stock was 201% during the performance period as compared with a total return during the same period of 212% for the Russell 3000 Financial Services Index and 98% for the S&P 500 Composite Index.

Comparison of Cumulative Total Return

Moody's Corporation, Russell 3000 Financial Services Index and S&P 500 Composite Index

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN
Among Moody's Corporation, the S&P 500 Index
and the Russell 3000 Financial Services Index



	Year Ended December 31,					
	2011	2012	2013	2014	2015	2016
Moody's Corporation	$ 100.00	$ 151.86	$ 240.26	$ 297.12	$ 315.21	$ 300.75
S&P 500 Composite Index	$ 100.00	$ 116.00	$ 153.58	$ 174.60	$ 177.01	$ 198.18
Russell 3000—Financial Services Index	$ 100.00	$ 126.49	$ 170.29	$ 194.22	$ 195.19	$ 311.69

The comparisons in the graph above are provided in response to disclosure requirements of the SEC and are not intended to forecast or be indicative of future performance of the Company's common stock.

ITEM 6. SELECTED FINANCIAL DATA

The Company's selected consolidated financial data should be read in conjunction with Item 7. "MD&A" and the Moody's Corporation consolidated financial statements and notes thereto.

	Year Ended December 31,				
amounts in millions, except per share data	2016	2015	2014	2013	2012
Results of operations					
Revenue	**$ 3,604.2**	$3,484.5	$3,334.3	$2,972.5	$2,730.3
Expenses					
Operating and SG&A expenses	**1,963.0**	1,897.6	1,799.6	1,644.5	1,547.2
Depreciation and amortization	**126.7**	113.5	95.6	93.4	93.5
Goodwill impairment	**—**	—	—	—	12.2
Settlement Charge	**863.8**	—	—	—	—
Restructuring	**12.0**	—	—	—	—
Total Expenses	**2,965.5**	2,011.1	1,895.2	1,737.9	1,652.9
Operating income*	**638.7**	1,473.4	1,439.1	1,234.6	1,077.4
Non-operating (expense) income, net (1)	**(80.7)**	(93.8)	21.9	(65.3)	(53.4)
Income before provision for income taxes*	**558.0**	1,379.6	1,461.0	1,169.3	1,024.0
Provision for income taxes	**282.2**	430.0	455.0	353.4	324.3
Net income (2)*	**275.8**	949.6	1,006.0	815.9	699.7
Less: Net income attributable to noncontrolling interests	**9.2**	8.3	17.3	11.4	9.7
Net income attributable to Moody's (2) *	**$ 266.6**	$ 941.3	$ 988.7	$ 804.5	$ 690.0
Earnings per share					
Basic*	**$ 1.38**	$ 4.70	$ 4.69	$ 3.67	$ 3.09
Diluted*	**$ 1.36**	$ 4.63	$ 4.61	$ 3.60	$ 3.05
Weighted average shares outstanding					
Basic	**192.7**	200.1	210.7	219.4	223.2
Diluted	**195.4**	203.4	214.7	223.5	226.6
Dividends declared per share	**$ 1.49**	$ 1.39	$ 1.18	$ 0.98	$ 0.68
Operating margin*	**17.7%**	42.3%	43.2%	41.5%	39.5%
Operating Cash Flow	**$ 1,226.1**	$1,153.6	$1,018.6	$ 926.8	$ 823.1

* The significant decline in 2016 reflects an $863.8 million charge ($700.7 million, net of tax, or $3.59 per diluted share) pursuant to a settlement agreement with the U.S. Department of Justice and the attorneys general of 21 U.S. States and the District of Columbia as more fully discussed in Note 19 to the consolidated financial statements in Item 8 of this Form 10-K.

	December 31,				
	2016	2015	2014	2013	2012
Balance sheet data					
Total assets	**$ 5,327.3**	$5,103.0	$4,653.8	$4,384.6	$3,953.2
Long-term debt (3)	**$ 3,063.0**	$3,380.6	$2,532.1	$2,091.3	$1,599.7
Total shareholders' (deficit) equity	**$(1,027.3)**	$ (333.0)	$ 42.9	$ 347.9	$ 396.6

(1) The 2016 amount includes an approximate $35 million FX gain relating to the substantial liquidation of a subsidiary. The 2015, 2014, 2013 and 2012 amounts include benefits of $7.1 million, $7.1 million, $22.8 million, and $17.2 million, respectively, related to the favorable resolution of certain Legacy Tax Matters. The 2014 amount also includes the ICRA Gain of $102.8 million.

(2) The 2016 amount includes an approximate $35 million FX gain relating to the substantial liquidation of a subsidiary. The 2015, 2014, 2013 and 2012 amounts include benefits of $6.4 million, $6.4 million, $21.3 million and $12.8 million, respectively, related to the resolution of certain Legacy Tax Matters. Also, the 2014 amount includes the ICRA Gain of $78.5 million and the 2013 amount includes a litigation settlement charge of $0.14.

(3) The 2016 amount excludes $300 million of the Series 2007-1 Notes due in 2017.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis of financial condition and results of operations should be read in conjunction with the Moody's Corporation consolidated financial statements and notes thereto included elsewhere in this annual report on Form 10-K.

This MD&A contains Forward-Looking Statements. See "Forward-Looking Statements" commencing on page 55 and Item 1A. "Risk Factors" commencing on page 17 for a discussion of uncertainties, risks and other factors associated with these statements.

THE COMPANY

Moody's is a provider of (i) credit ratings, (ii) credit, capital markets and economic related research, data and analytical tools, (iii) software solutions and related risk management services, (iv) quantitative credit risk measures, financial services training and certification services and (v) research and analytical services. Moody's has two reportable segments: MIS and MA.

MIS, the credit rating agency, publishes credit ratings on a wide range of debt obligations and the entities that issue such obligations in markets worldwide. Revenue is primarily derived from the originators and issuers of such transactions who use MIS ratings in the distribution of their debt issues to investors. Additionally, MIS earns revenue from certain non-ratings-related operations which consist primarily of the distribution of research and financial instruments pricing services in the Asia-Pacific region as well as revenue from ICRA's non-ratings revenue. The revenue from these operations is included in the MIS Other LOB and is not material to the results of the MIS segment.

The MA segment develops a wide range of products and services that support financial analysis and risk management activities of institutional participants in global financial markets. Within its RD&A business, MA distributes research and data developed by MIS as part of its ratings process, including in-depth research on major debt issuers, industry studies and commentary on topical credit-related events. The RD&A business also produces economic research as well as data and analytical tools such as quantitative credit risk scores. Within its ERS business, MA provides software solutions as well as related risk management services. The PS business provides research and analytical services and financial training and certification programs.

CRITICAL ACCOUNTING ESTIMATES

Moody's discussion and analysis of its financial condition and results of operations are based on the Company's consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires Moody's to make estimates and judgments that affect reported amounts of assets and liabilities and related disclosures of contingent assets and liabilities at the dates of the financial statements and revenue and expenses during the reporting periods. These estimates are based on historical experience and on other assumptions that are believed to be reasonable under the circumstances. On an ongoing basis, Moody's evaluates its estimates, including those related to revenue recognition, accounts receivable allowances, contingencies, goodwill and intangible assets, pension and other retirement benefits, UTBs and stock-based compensation. Actual results may differ from these estimates under different assumptions or conditions. The following accounting estimates are considered critical because they are particularly dependent on management's judgment about matters that are uncertain at the time the accounting estimates are made and changes to those estimates could have a material impact on the Company's consolidated results of operations or financial condition.

REVENUE RECOGNITION

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or the services have been provided and accepted by the customer when applicable, fees are determinable and the collection of resulting receivables is considered probable.

Pursuant to ASC Topic 605, when a sales arrangement contains multiple deliverables, the Company allocates revenue to each deliverable based on its relative selling price which is determined based on its vendor specific objective evidence if available, third party evidence if VSOE is not available, or estimated selling price if neither VSOE nor TPE is available.

The Company's products and services will generally qualify as separate units of accounting under ASC Topic 605. The Company evaluates each deliverable in an arrangement to determine whether it represents a separate unit of accounting. A deliverable constitutes a separate unit of accounting when it has stand-alone value to the customers and if the arrangement includes a customer refund or return right relative to the delivered item and the delivery and performance of the undelivered item is considered probable and substantially in the Company's control. In instances where the aforementioned criteria are not met, the deliverable is combined with the undelivered items and revenue recognition is determined as one single unit.

The Company determines whether its selling price in a multi-element transaction meets the VSOE criteria by using the price charged for a deliverable when sold separately or, if the deliverable is not yet being sold separately, the price established by management having the relevant authority to establish such a price. In instances where the Company is not able to establish VSOE for all deliverables in a multiple element arrangement, which may be due to the Company infrequently selling each element separately, not selling products within a reasonably narrow price range, or only having a limited sales history, the Company attempts to establish TPE for deliverables. The Company determines whether TPE exists by evaluating largely similar and interchangeable competitor products or services in standalone sales to similarly situated customers. However, due to the difficulty in obtaining third party pricing, possible differences in its market strategy from that of its peers and the potential that products and services offered by the Company may contain a significant level of differentiation and/or customization such that the comparable pricing of products with similar functionality cannot be obtained, the Company generally is unable to reliably determine TPE. Based on the selling price hierarchy established by ASC Topic 605, when the Company is unable to establish selling price using VSOE or TPE, the Company will establish an ESP. ESP is the price at which the Company would transact a sale if the product or service were sold on a stand-alone basis. The Company establishes its best estimate of ESP considering internal factors relevant to is pricing practices such as costs and margin objectives, standalone sales prices of similar products, percentage of the fee charged for a primary product or service relative to a related product or service, and customer segment and geography. Additional consideration is also given to market conditions such as competitor pricing strategies and market trend. The Company reviews its determination of VSOE, TPE and ESP on an annual basis or more frequently as needed.

In the MIS segment, revenue attributed to initial ratings of issued securities is recognized when the rating is issued. Revenue attributed to monitoring of issuers or issued securities is recognized ratably over the period in which the monitoring is performed, generally one year. In the case of commercial mortgage-backed securities, structured credit, international residential mortgage-backed and asset-backed securities, issuers can elect to pay the monitoring fees upfront. These fees are deferred and recognized over the future monitoring periods based on the expected lives of the rated securities, which was approximately 25 years on a weighted average basis at December 31, 2016. At December 31, 2016, 2015 and 2014, deferred revenue related to these securities was approximately $133 million, $121 million, and $107 million.

Multiple element revenue arrangements in the MIS segment are generally comprised of an initial rating and the related monitoring service. In instances where monitoring fees are not charged for the first year monitoring effort, fees are allocated to the initial rating and monitoring services based on the relative selling price of each service to the total arrangement fees. The Company generally uses ESP in determining the selling price for its initial ratings as the Company rarely sells initial ratings separately without providing related monitoring services and thus is unable to establish VSOE or TPE for initial ratings.

MIS estimates revenue for ratings of commercial paper for which, in addition to a fixed annual monitoring fee, issuers are billed quarterly based on amounts outstanding. Revenue is accrued each quarter based on estimated amounts outstanding and is billed when actual data is available. The estimate is determined based on the issuers' most recent reported quarterly data. At December 31, 2016, 2015 and 2014, accounts receivable included approximately $25 million, $24 million, and $22 million, respectively, related to accrued commercial paper revenue. Historically, MIS has not had material differences between the estimated revenue and the actual billings. Furthermore, for certain annual monitoring services, fees are not invoiced until the end of the annual monitoring period and revenue is accrued ratably over the monitoring period. At December 31, 2016, 2015, and 2014, accounts receivable included approximately $159.1 million, $146.4 million, and $127.8 million, respectively, relating to accrued monitoring service revenue.

In the MA segment, products and services offered by the Company include software licenses and related maintenance, subscriptions, and professional services. Revenue from subscription based products, such as research and data subscriptions and certain software-based credit risk management subscription products, is recognized ratably over the related subscription period, which is principally one year. Revenue from sale of perpetual licenses of credit processing software is generally recognized at the time the product master or first copy is delivered or transferred to and accepted by the customer. If uncertainty exists regarding customer acceptance of the product or service, revenue is not recognized until acceptance occurs. Software maintenance revenue is recognized ratably over the annual maintenance period. Revenue from professional services rendered is generally recognized as the services are performed. A large portion of annual research and data subscriptions and annual software maintenance are invoiced in the months of November, December and January.

Products and services offered within the MA segment are sold either stand-alone or together in various combinations. In instances where a multiple element arrangement includes software and non-software deliverables, revenue is allocated to the non-software deliverables and to the software deliverables, as a group, using the relative selling prices of each of the deliverables in the arrangement based on the aforementioned selling price hierarchy. Revenue is recognized for each element based upon the conditions for revenue recognition noted above.

If the arrangement contains more than one software deliverable, the arrangement consideration allocated to the software deliverables as a group is allocated to each software deliverable using VSOE. In the instances where the Company is not able to determine VSOE for all of the deliverables of an arrangement, the Company allocates the revenue to the undelivered elements equal to its VSOE and the residual revenue to the delivered elements. If the Company is unable to determine VSOE for an undelivered element, the Company defers all revenue allocated to the software deliverables until the Company has delivered all of the elements or when VSOE has been determined for the undelivered elements. In cases where software implementation services are considered essential and VSOE of fair value exists for post-contract customer support ("PCS"), once the delivery criteria has been met on the standard software, license and service revenue is recognized on a percentage-of-completion basis as implementation services are performed, while PCS is recognized over the coverage period. If VSOE of fair value does not exist for PCS, once the delivery criteria has been met on the standard software, service revenue is recognized on a zero profit margin basis until essential services are complete, at which point total remaining arrangement revenue is then spread ratably over the remaining PCS coverage period. If VSOE does not exist for PCS at the beginning of an arrangement but is established during implementation, revenue not recognized due to the absence of VSOE will be recognized on a cumulative basis.

Accounts Receivable Allowance

Moody's records an allowance for estimated future adjustments to customer billings as a reduction of revenue, based on historical experience and current conditions. Such amounts are reflected as additions to the accounts receivable allowance. Additionally, estimates of uncollectible accounts are recorded as bad debt expense and are reflected as additions to the accounts receivable allowance. Actual billing adjustments and uncollectible account write-offs are charged against the allowance. Moody's evaluates its accounts receivable allowance by reviewing and assessing historical collection and invoice adjustment experience as well as the current aging status of customer accounts. Moody's also considers the economic environment of the customers, both from an industry and geographic perspective, in evaluating the need for allowances. Based on its analysis, Moody's adjusts its allowance as considered appropriate in the circumstances. This process involves a high degree of judgment and estimation and could involve significant dollar amounts. Accordingly, Moody's results of operations can be affected by adjustments to the allowance. Management believes that the allowance for uncollectible accounts receivable is adequate to cover anticipated adjustments and write-offs under current conditions. However, significant changes in any of the above factors, or actual write-offs or adjustments that differ from the estimated amounts could impact the Company's consolidated results of operations.

Contingencies

Accounting for contingencies, including those matters described in Note 19 to the consolidated financial statements, is highly subjective and requires the use of judgments and estimates in assessing their magnitude and likely outcome. In many cases, the outcomes of such matters will be determined by third parties, including governmental or judicial bodies. The provisions made in the consolidated financial statements, as well as the related disclosures, represent management's best estimates of the then current status of such matters and their potential outcome based on a review of the facts and in consultation with outside legal counsel where deemed appropriate. The Company regularly reviews contingencies and as new information becomes available may, in the future, adjust its associated liabilities.

For claims, litigation and proceedings and governmental investigations and inquiries not related to income taxes, where it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated, the Company records liabilities in the consolidated financial statements and periodically adjusts these as appropriate. When the reasonable estimate of the loss is within a range of amounts, the minimum amount of the range is accrued unless some higher amount within the range is a better estimate than another amount within the range. In other instances, where a loss is reasonably possible, management does not record a liability because of uncertainties related to the probable outcome and/or the amount or range of loss, but discloses the contingency if significant. As additional information becomes available, the Company adjusts its assessments and estimates of such matters accordingly. In view of the inherent difficulty of predicting the outcome of litigation, regulatory, governmental investigations and inquiries, enforcement and similar matters and contingencies, particularly where the claimants seek large or indeterminate damages or where the parties assert novel legal theories or the matters involve a large number of parties, the Company cannot predict what the eventual outcome of the pending matters will be or the timing of any resolution of such matters. The Company also cannot predict the impact (if any) that any such matters may have on how its business is conducted, on its competitive position or on its financial position, results of operations or cash flows. As the process to resolve any pending matters progresses, management will continue to review the latest information available and assess its ability to predict the outcome of such matters and the effects, if any, on its operations and financial condition. However, in light of the large or indeterminate damages sought in some of them, the absence of similar court rulings on the theories of law asserted and uncertainties regarding apportionment of any potential damages, an estimate of the range of possible losses cannot be made at this time.

The Company's wholly-owned insurance subsidiary insures the Company against certain risks including but not limited to deductibles for worker's compensation, employment practices litigation, employee medical claims and terrorism, for which the claims are not material to the Company. In addition, for claim years 2008 and 2009, the insurance subsidiary insured the Company for defense costs related to professional liability claims. For matters insured by the Company's insurance subsidiary, Moody's records liabilities based on the estimated total claims expected to be paid and total projected costs to defend a claim through its anticipated conclusion. The Company determines liabilities based on an assessment of management's best estimate of claims to be paid and legal defense costs as well as actuarially determined estimates. Defense costs for matters not self-insured by the Company's wholly-owned insurance subsidiary are expensed as services are provided.

For income tax matters, the Company employs the prescribed methodology of Topic 740 of the ASC which requires a company to first determine whether it is more-likely-than-not (defined as a likelihood of more than fifty percent) that a tax position will be sustained based on its technical merits as of the reporting date, assuming that taxing authorities will examine the position and have full knowledge of all relevant information. A tax position that meets this more-likely-than-not threshold is then measured and recognized at the largest amount of benefit that is greater than fifty percent likely to be realized upon effective settlement with a taxing authority.

Goodwill and Other Acquired Intangible Assets

On July 31 of each year, Moody's evaluates its goodwill for impairment at the reporting unit level, defined as an operating segment or one level below an operating segment.

The Company has six primary reporting units: two within the Company's ratings business (one for the ICRA business and one that encompasses all of Moody's other ratings operations) and four reporting units within MA: RD&A, ERS, FSTC and MAKS. The RD&A reporting unit encompasses the distribution of investor-oriented research and data developed by MIS as part of its ratings process, in-depth research on major debt issuers, industry studies, economic research and commentary on topical events and credit analytic tools. The ERS reporting unit provides products and services that support the credit risk management and regulatory compliance activities of financial institutions and also provides advanced actuarial software for the life insurance industry. These products and services are primarily delivered via software that is licensed on a perpetual basis or sold on a subscription basis. The FSTC reporting unit consists of the portion of the MA business that offers both credit training as well as other professional development training and implementation services. The MAKS reporting unit, formerly known as Copal Amba, provides research and analytical services. Copal Amba was renamed Moody's Analytics Knowledge Services in December 2016.

The Company evaluates the recoverability of goodwill using a three-step impairment test approach at the reporting unit level. In the first step, the Company assesses various qualitative factors to determine whether the fair value of a reporting unit may be less than its carrying amount. If a determination is made based on the qualitative factors that an impairment does not exist, the Company is not required to perform further testing. If the aforementioned qualitative assessment results in the Company concluding that it is more likely than not that the fair value of a reporting unit may be less than its carrying amount, the fair value of the reporting unit will be determined and compared to its carrying value including goodwill. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and the Company is not required to perform further testing. If the fair value of the reporting unit is less than the carrying value, the Company must perform a third step of the impairment test to determine the implied fair value of the reporting unit's goodwill. The implied fair value of the goodwill is determined based on the difference between the fair value of the reporting unit and the net fair value of the identifiable assets and liabilities of the reporting unit. If the implied fair value of the goodwill is less than its carrying value, the difference is recognized as an impairment charge. The Company evaluates its reporting units on an annual basis, or more frequently if there are changes in the reporting structure of the Company due to acquisitions or realignments. For the reporting units where the Company is consistently able to conclude that no impairment exists using only a qualitative approach, the Company's accounting policy is to perform the second step of the aforementioned goodwill impairment assessment at least once every three years. At July 31, 2016, the Company performed the second step of the goodwill impairment test on all reporting units, which resulted in no impairment of goodwill.

In January 2017 there was a management change in the MAKS business. As of the date of the filing of this Form 10-K, a new operating and strategic plan for this reporting unit under the new management structure has not yet been completed. Based on all available information, the Company does not believe that it is more likely than not that the fair value of the MAKS reporting unit may be less than its carrying amount at December 31, 2016. A quantitative impairment assessment for the MAKS reporting unit will be performed in the first quarter of 2017 upon the completion of revised financial projections under the new management structure which could result in a reduced fair value as compared to the July 31, 2016 fair value.

Determining the fair value of a reporting unit or an indefinite-lived acquired intangible asset involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions, and appropriate comparable market metrics. However, as these estimates and assumptions are unpredictable and inherently uncertain, actual future results may differ from these estimates. In addition, the Company also makes certain judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for each of its reporting units.

Other assets and liabilities, including applicable corporate assets, are allocated to the extent they are related to the operation of respective reporting units.

Sensitivity Analyses and Key Assumptions for Deriving the Fair Value of a Reporting Unit

The following table identifies the amount of goodwill allocated to each reporting unit as of December 31, 2016 as well as the amount by which the net assets of each reporting unit would exceed the fair value under Step 2 of the goodwill impairment test as prescribed in ASC Topic 350, assuming hypothetical reductions in their fair values as of July 31, 2016, which was the date of the last quantitative goodwill impairment assessment for all reporting units.

		Sensitivity Analysis			
		Deficit Caused by a Hypothetical Reduction to Fair Value			
	Goodwill	10%	20%	30%	40%
MIS	$ 46.3	$ —	$ —	$ —	$ —
RD&A	174.7	—	—	—	—
ERS	323.5	—	—	—	—
FSTC	85.2	—	—	(14.4)	(34.6)
MAKS	159.9	—	—	—	(6.5)
ICRA	234.0	—	—	—	—
Totals	$ 1,023.6	$ —	$ —	$ (14.4)	$ (41.1)

Methodologies and significant estimates utilized in determining of the fair value of reporting units:
The following is a discussion regarding the Company's methodology for determining the fair value of its reporting units, excluding ICRA, as of July 31, 2016, the date of each reporting unit's last quantitative assessment. As ICRA is a publicly traded company in India, the Company was able to observe its fair value based on its market capitalization.

The fair value of each reporting unit, excluding ICRA, was estimated using a discounted cash flow methodology and comparable public company and precedent transaction multiples. The DCF analysis requires significant estimates, including projections of future operating results and cash flows of each reporting unit that is based on internal budgets and strategic plans, expected long-term growth rates, terminal values, weighted average cost of capital and the effects of external factors and market conditions. Changes in these estimates and assumptions could materially affect the estimated fair value of each reporting unit which could result in an impairment charge to reduce the carrying value of goodwill, which could be material to the Company's financial position and results of operations. Moody's allocates newly acquired goodwill to reporting units based on the reporting unit expected to benefit from the acquisition.

The sensitivity analyses on the future cash flows and WACC assumptions described below are as of July 31, 2016. The following discusses the key assumptions utilized in the discounted cash flow valuation methodology that requires significant management judgment:

» *Future cash flow assumptions* —The projections for future cash flows utilized in the models are derived from historical experience and assumptions regarding future growth and profitability of each reporting unit. These projections are consistent with the Company's operating and strategic plan. Cash flows for the five years subsequent to the date of the quantitative goodwill impairment analysis were utilized in the determination of the fair value of each reporting unit. The growth rates assumed a gradual increase in revenue based on a continued improvement in the global economy and capital markets, new customer acquisition and new products. Beyond five years, a terminal value was determined using a perpetuity growth rate based on inflation and real GDP growth rates. A sensitivity analysis of the revenue growth rates was performed on all reporting units. For all reporting units, a 10% decrease in the revenue growth rates used would not have resulted in the carrying value of the reporting unit exceeding its respective estimated fair value.

» *WACC* —The WACC is the rate used to discount each reporting unit's estimated future cash flows. The WACC is calculated based on the proportionate weighting of the cost of debt and equity. The cost of equity is based on a risk-free interest rate, an equity risk factor which is derived from public companies similar to the reporting unit and which captures the perceived risks and uncertainties associated with the reporting unit's cash flows. The cost of debt component is calculated as the weighted average cost associated with all of the Company's outstanding borrowings as of the date of the impairment test and was immaterial to the computation of the WACC. The cost of debt and equity is weighted based on the debt to market capitalization ratio of publicly traded companies with similarities to the reporting unit being tested. The WACC for all reporting units ranged from 8.5% to 11.5% as of July 31, 2016. Differences in the WACC used between reporting units is primarily due to distinct risks and uncertainties regarding the cash flows of the different reporting units. A sensitivity analysis of the WACC was performed on all reporting units as of July 31, 2016 for each reporting unit. For all reporting units, an increase in the WACC of one percentage point would not result in the carrying value of the reporting unit exceeding its fair value.

Amortizable intangible assets are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There were no such events or changes during 2016 that would indicate that the carrying amount of amortizable intangible assets in any of the Company's reporting units may not be recoverable. This determination was made based on continued growth, consistent with operating and strategic plans for the reporting unit where the intangible asset resides.

Pension and Other Retirement Benefits

The expenses, assets and liabilities that Moody's reports for its Retirement Plans are dependent on many assumptions concerning the outcome of future events and circumstances. These significant assumptions include the following:

» future compensation increases, based on the Company's long-term actual experience and future outlook;

» long-term return on pension plan assets, based on historical portfolio results and the expected future average annual return for each major asset class within the plan's portfolio (which is principally comprised of equity and fixed-income investments); and

» discount rates, based on current yields on high-grade corporate long-term bonds.

The discount rates selected to measure the present value of the Company's benefit obligation for its Retirement Plans as of December 31, 2016 were derived using a cash flow matching method whereby the Company compares each plan's projected payment obligations by year with the corresponding yield on the Citibank pension discount curve. The cash flows by plan are then discounted back to present value to determine the discount rate applicable to each plan.

Moody's major assumptions vary by plan and assumptions used are set forth in Note 13 to the consolidated financial statements. In determining these assumptions, the Company consults with third-party actuaries and other advisors as deemed appropriate. While the Company believes that the assumptions used in its calculations are reasonable, differences in actual experience or changes in assumptions could have a significant effect on the expenses, assets and liabilities related to the Company's Retirement Plans. Additionally, the Company has updated its mortality assumption by adopting the newly released mortality improvement scale MP-2016 to accompany the RP-2014 mortality tables to reflect the latest information regarding future mortality expectations by the Society of Actuaries.

When actual plan experience differs from the assumptions used, actuarial gains or losses arise. Excluding differences between the expected long-term rate of return assumption and actual experience on plan assets, the Company amortizes, as a component of annual pension expense, total outstanding gains or losses over the estimated average future working lifetime of active plan participants to the extent that the gain/loss exceeds 10% of the greater of the beginning-of-year projected benefit obligation or the market-related value of plan assets. For Moody's Retirement Plans, the total actuarial losses as of December 31, 2016 that have not been recognized in annual expense are $130.3 million, and Moody's expects to recognize a net periodic expense of $9.8 million in 2017 related to the amortization of actuarial losses.

For Moody's funded U.S. pension plan, the differences between the expected long-term rate of return assumption and actual experience could also affect the net periodic pension expense. As permitted under ASC Topic 715, the Company spreads the impact of asset experience over a five-year period for purposes of calculating the market-related value of assets that is used in determining the expected return on assets' component of annual expense and in calculating the total unrecognized gain or loss subject to amortization. As of December 31, 2016, the Company has an unrecognized asset loss of $7.7 million, of which $1.5 million will be recognized in the market-related value of assets that is used to calculate the expected return on assets' component of 2018 expense.

The table below shows the estimated effect that a one percentage-point decrease in each of these assumptions will have on Moody's 2017 operating income. These effects have been calculated using the Company's current projections of 2017 expenses, assets and liabilities related to Moody's Retirement Plans, which could change as updated data becomes available.

(dollars in millions)	Assumption Used for 2017		Estimated Impact on 2017 Operating Income (Decrease)/Increase
Weighted Average Discount Rates*	3.89%/3.85%	$	(12.3)
Weighted Average Assumed Compensation Growth Rate	3.72%	$	2.1
Assumed Long-Term Rate of Return on Pension Assets	5.40%	$	(3.1)

* Weighted average discount rates of 3.89% and 3.85% for pension plans and Other Retirement Plans, respectively.

A one percentage-point increase in assumed healthcare cost trend rates will not affect 2017 projected expenses. Based on current projections, the Company estimates that expenses related to Retirement Plans will be $34.9 million in 2017 or flat compared to the $34.3 million recognized in 2016.

Stock-Based Compensation

The Company records compensation expense for all share-based payment award transactions granted to employees based on the fair value of the equity instrument at the time of grant. This includes stock options and restricted stock. The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option pricing model that uses assumptions and estimates that the

Company believes are reasonable. Some of the assumptions and estimates, such as share price volatility and expected option holding period, are based in part on Moody's experience during the period since becoming a public company. The use of different assumptions and estimates in the Black-Scholes option pricing model could produce materially different estimated fair values for option awards and related expense.

An increase in the following assumptions would have had the following estimated effect on operating income in 2016 (dollars in millions):

	Assumption Used for 2012-2016 employee stock options	Increase in Assumption	Estimated impact on Operating Income in 2016 Increase/(Decrease)
Average Expected Dividend Yield	1.3% - 1.8%	0.1%	$ 0.1
Average Expected Share Price Volatility	30.8% - 43.6%	5%	$ (1.5)
Expected Option Holding Period	6.8 - 7.4 years	1.0 year	$ (0.5)

Income Taxes

The Company is subject to income taxes in the U.S. and various foreign jurisdictions. The Company's tax assets and liabilities are affected by the amounts charged for services provided and expenses incurred as well as other tax matters such as intercompany transactions. The Company accounts for income taxes under the asset and liability method in accordance with ASC Topic 740. Therefore, income tax expense is based on reported income before income taxes, and deferred income taxes reflect the effect of temporary differences between the amounts of assets and liabilities that are recognized for financial reporting purposes and the amounts that are recognized for income tax purposes.

The Company is subject to tax audits in various jurisdictions. The Company regularly assesses the likely outcomes of such audits in order to determine the appropriateness of liabilities for UTBs. The Company classifies interest related to income taxes as a component of interest expense in the Company's consolidated financial statements and associated penalties, if any, as part of other non-operating expenses.

For UTBs, ASC Topic 740 requires a company to first determine whether it is more-likely-than-not (defined as a likelihood of more than fifty percent) that a tax position will be sustained based on its technical merits as of the reporting date, assuming that taxing authorities will examine the position and have full knowledge of all relevant information. A tax position that meets this more-likely-than-not threshold is then measured and recognized at the largest amount of benefit that is greater than fifty percent likely to be realized upon effective settlement with a taxing authority. As the determination of liabilities related to UTBs and associated interest and penalties requires significant estimates to be made by the Company, there can be no assurance that the Company will accurately predict the outcomes of these audits, and thus the eventual outcomes could have a material impact on the Company's operating results or financial condition.

For certain of its non-U.S. subsidiaries, the Company has deemed the undistributed earnings relating to these subsidiaries to be indefinitely reinvested within its foreign operations. Accordingly, the Company has not provided deferred income taxes on these indefinitely reinvested earnings. It is not practicable to determine the amount of deferred taxes that might be required to be provided if such earnings were distributed in the future due to complexities in the tax laws and in the hypothetical calculations that would have to be made.

Other Estimates

In addition, there are other accounting estimates within Moody's consolidated financial statements, including recoverability of deferred tax assets, anticipated dividend distributions from non-U.S. subsidiaries and valuation of investments in affiliates. Management believes the current assumptions and other considerations used to estimate amounts reflected in Moody's consolidated financial statements are appropriate. However, if actual experience differs from the assumptions and other considerations used in estimating amounts reflected in Moody's consolidated financial statements, the resulting changes could have a material adverse effect on Moody's consolidated results of operations or financial condition.

See Note 2 to the consolidated financial statements for further information on significant accounting policies that impact Moody's.

REPORTABLE SEGMENTS

The Company is organized into two reportable segments at December 31, 2016: MIS and MA.

The MIS segment is comprised primarily of all of the Company's ratings operations. The MIS segment consists of five lines of business – CFG, SFG, FIG, PPIF and MIS Other. The ratings LOBs generate revenue principally from fees for the assignment and ongoing monitoring of credit ratings on debt obligations and the entities that issue such obligations in markets worldwide. The MIS Other LOB consists of certain non-ratings operations managed by MIS which consists of non-rating revenue from ICRA as well as certain research and financial instruments pricing service operations in the Asia-Pacific region.

The MA segment develops a wide range of products and services that support financial analysis and risk management activities of institutional participants in global financial markets. The MA segment consists of three lines of business – RD&A, ERS and PS.

The following is a discussion of the results of operations of the Company and its reportable segments. Total MIS revenue and total MA expenses include the intersegment royalty revenue for MIS and expense charged to MA for the rights to use and distribute content, data and products developed by MIS. The royalty rate charged by MIS approximates the fair value of the aforementioned content, data and products developed by MIS. Total MA revenue and total MIS expenses include intersegment fees charged to MIS from MA for the use of certain MA products and services in MIS's ratings process. These fees charged by MA are generally equal to the costs incurred by MA to provide these products and services. Overhead charges and corporate expenses which exclusively benefit one segment are fully charged to that segment. Additionally, overhead costs and corporate expenses of the Company which benefit both segments are generally allocated to each segment based on a revenue-split methodology. Accordingly, a reportable segment's share of these costs will increase as its proportion of revenue relative to Moody's total revenue increases. Overhead expenses include costs such as rent and occupancy, information technology and support staff such as finance, human resources and information technology.

RESULTS OF OPERATIONS

Year ended December 31, 2016 compared with year ended December 31, 2015

Executive Summary

» Moody's revenue in 2016 totaled $3,604.2 million, an increase of $119.7 million, or 3%, compared to 2015 reflecting good growth in MA revenue coupled with modest growth in MIS revenue.

  » MIS revenue was 2% higher compared to the prior year reflecting robust rated issuance volumes for high-yield corporate debt and bank loans as well as for public finance related activity in the second half of 2016. The growth also reflected benefits from changes in the mix of fee type, new fee initiatives and pricing increases. These increases were mostly offset by challenges in the first half of 2016 in the high-yield and investment-grade corporate debt sectors due to elevated credit spreads and market volatility. Additionally, there was lower securitization activity in the U.S. in the first half of 2016, most notably in the U.S. CLO and CMBS asset classes, which reflected the aforementioned elevated credit spreads and market volatility as well as uncertainty relating to the implementation of risk retention regulatory requirements for these asset classes.

  » MA revenue grew 7% compared to the prior year reflecting growth in ERS and RD&A, most notably in the U.S. Revenue grew in most product areas of ERS and included revenue from the acquisition of GGY. In RD&A, revenue growth was primarily driven by credit research subscriptions and licensing of ratings data. Excluding unfavorable changes in FX translation rates, MA revenue grew 10%.

» Total operating expenses increased $954.4 million or 47%, reflecting:

  » an $863.8 million Settlement Charge relating to the MIS segment pursuant to an agreement with the DOJ and the attorneys general of 21 U.S. states and the District of Columbia more fully discussed in Note 19, "Contingencies" within Item 8 of this annual report on Form 10-K;

  » higher compensation costs of $88.1 million associated with headcount growth in MA (including costs from the acquisition of GGY) and annual compensation increases company-wide partially offset by cost reduction initiatives in response to the challenging business conditions in MIS during the first half of 2016; and

  » a restructuring charge of $12.0 million associated with cost management initiatives in the MIS segment as well as in certain corporate overhead functions.

» Operating income of $638.7 million in 2016, which included the aforementioned $863.8 million Settlement Charge, was down $834.7 million compared to 2015 and resulted in an operating margin of 17.7%, compared to 42.3% in the prior year. Adjusted Operating Income of $1,641.2 million in 2016 was up modestly compared to 2015, while Adjusted Operating Margin of 45.5% remained flat compared to 2015.

» The change in non-operating income (expense) net, compared to the prior year is primarily due to higher FX gains which included an approximate $35 million gain related to the liquidation of a non-U.S. subsidiary and an approximate $15 million gain relating to the appreciation of the euro relative to the British pound during 2016. Partially offsetting these increases was higher interest expense reflecting the 2015 Senior Notes issued in March 2015 and the $300 million of additional borrowings under the 2014 Senior Notes (30-Year) in November 2015.

» The ETR was 50.6% in 2016 compared to 31.2% in the prior year with the increase primarily reflecting the non-deductible nature of the federal portion of the aforementioned Settlement Charge.

» Diluted EPS of $1.36 in 2016, which included: i) a $3.59 Settlement Charge; ii) a $0.04 restructuring charge and iii) an $0.18 FX gain relating to the substantial liquidation of a subsidiary, decreased $3.27 compared to 2015. Excluding all of the aforementioned items in 2016 and a $0.03 benefit from a Legacy Tax Matter in the prior year, Adjusted Diluted EPS of $4.81 in 2016 increased $0.21.

Moody's Corporation

	Year ended December 31,		% Change Favorable (Unfavorable)
	2016	**2015**	
Revenue:			
United States	$ **2,105.5**	$ 2,009.0	5%
International:			
EMEA	**904.4**	882.3	3%
Asia-Pacific	**373.2**	364.2	2%
Americas	**221.1**	229.0	(3%)
Total International	**1,498.7**	1,475.5	2%
Total	**3,604.2**	3,484.5	3%
Expenses:			
Operating	**1,026.6**	976.3	(5%)
SG&A	**936.4**	921.3	(2%)
Restructuring	**12.0**	—	NM
Depreciation and amortization	**126.7**	113.5	(12%)
Settlement Charge	**863.8**	—	NM
Total	**2,965.5**	2,011.1	(47%)
Operating income	$ **638.7**	$ 1,473.4	(57%)
Adjusted Operating Income (1)	$ **1,641.2**	$ 1,586.9	3%
Interest expense, net	$ **(137.8)**	$ (115.1)	(20%)
Other non-operating income, net	$ **57.1**	$ 21.3	168%
Non-operating expense, net	$ **(80.7)**	$ (93.8)	14%
Net income attributable to Moody's	$ **266.6**	$ 941.3	(72%)
Diluted EPS attributable to Moody's common shareholders	$ **1.36**	$ 4.63	(71%)
Adjusted Diluted EPS attributable to Moody's common shareholders (1)	$ **4.81**	$ 4.60	5%
Operating margin	**17.7%**	42.3%	
Adjusted Operating Margin (1)	**45.5%**	45.5%	

(1) Adjusted Operating Income, Adjusted Operating Margin and Adjusted Diluted EPS attributable to Moody's common shareholders are non-GAAP financial measures. Refer to the section entitled "Non-GAAP Financial Measures" of this Management Discussion and Analysis for further information regarding these measures.

The table below shows Moody's global staffing by geographic area:

	December 31,		
	2016	**2015**	**% Change**
United States	**3,386**	3,364	1%
International	**7,231**	7,006	3%
Total	**10,617**	10,370	2%

Global revenue of $3,604.2 million in 2016 increased $119.7 million, or 3%, compared to 2015 and reflected good growth in MA revenue, which included revenue from the first quarter 2016 acquisition of GGY, coupled with modest growth in MIS revenue.

The $36.6 million increase in MIS revenue reflected robust rated issuance volumes for high-yield corporate debt and bank loans as well as for public finance related activity in the second half of 2016 reflecting both opportunistic refinancing and new issuance activity. The growth also reflected benefits from changes in the mix of fee type, new fee initiatives and pricing increases. These increases were mostly offset by challenges in the first half of 2016 in the high-yield and investment-grade corporate debt sectors due to elevated credit spreads and market volatility. Additionally, there was lower securitization activity in the U.S. in the first half of 2016, most notably in the U.S. CLO and CMBS asset classes, which reflected the aforementioned elevated credit spreads and market volatility as well as uncertainty earlier in the year relating to the implementation of certain risk retention regulatory requirements by the end of 2016 for these asset classes.

The $83.1 million increase in MA revenue reflects growth in ERS and RD&A, most notably in the U.S. Revenue grew in most product areas of ERS and included revenue from the 2016 acquisition of GGY. In RD&A, revenue growth was primarily driven by credit research, subscriptions and licensing of ratings data partially offset by the impact of unfavorable changes in FX rates. Excluding unfavorable changes in FX translation rates, MA revenue grew 10%.

Transaction revenue accounted for 49% of global MCO revenue in 2016 compared 50% of global MCO revenue in 2015.

U.S. revenue of $2,105.5 million in 2016 increased $96.5 million over the prior year, reflecting strong growth in MA coupled with modest growth in MIS.

Non-U.S. revenue increased $23.2 million from 2015 reflecting modest growth in both reportable segments.

Operating expenses were $1,026.6 million in 2016 up $50.3 million from 2015 and included an increase in compensation costs of approximately $71 million. This increase reflects higher salaries and employee benefit expenses resulting from the impact of annual compensation increases and headcount growth in MA which includes headcount from the acquisition of GGY. The increase in compensation expenses also reflects higher incentive compensation reflecting greater achievement relative to targeted results compared to the prior year. These increases were partially offset by an approximate $21 million decrease in non-compensation expenses reflecting cost reduction initiatives in response to challenging business conditions in MIS earlier in the year.

SG&A expenses of $936.4 million in 2016 increased $15.1 million from the prior year period reflecting higher compensation costs primarily due to annual compensation increases company-wide and headcount growth in MA which included headcount from the GGY acquisition. The increase in compensation expenses also reflects higher incentive compensation reflecting greater achievement relative to targeted results compared to the prior year. Additionally, there was an increase in non-compensation expenses reflecting higher rent and occupancy costs being mostly offset by the impact of cost reduction initiatives in response to challenging business conditions in MIS earlier in the year.

The restructuring charge of $12.0 million relates to cost management initiatives in 2016 in the MIS segment as well as in certain corporate overhead functions.

D&A increased $13.2 million reflecting amortization of intangible assets from acquisitions as well as higher depreciation reflecting an increase in capital expenditures to support IT infrastructure and business growth.

The $863.8 million Settlement Charge relates to an agreement with the U.S. DOJ and the attorneys general of 21 U.S. states and the District of Columbia to resolve pending and potential civil claims related to the MIS segment as more fully discussed in Note 19, “Contingencies” within Item 8 of this annual report on Form 10-K.

Operating income of $638.7 million in 2016, which included the aforementioned $863.8 million Settlement Charge, was down $834.7 million compared to 2015 and resulted in an operating margin of 17.7%, compared to 42.3% in the prior year. Adjusted Operating Income of $1,641.2 million in 2016 was up modestly compared to 2015, while Adjusted Operating Margin of 45.5% remained flat compared to 2015.

Interest expense, net in 2016 was ($137.8) million, a $22.7 million increase in expense compared to 2015 reflecting interest on the 2015 Senior Notes which were issued in March 2015 as well as interest on the $300 million of additional borrowings under the 2014 Senior Notes (30-Year) in November 2015.

Other non-operating income, net was $57.1 million in 2016, a $35.8 million increase in income compared to 2015. This increase reflected FX gains of approximately $35 million related to the substantial liquidation of a subsidiary and approximately $15 million of gains relating to the appreciation of the euro relative to the British pound during 2016. FX gains in 2015 were immaterial. This increase in income was partially offset by a $6.4 million benefit from a Legacy Tax Matter in 2015 compared to a $1.6 million benefit in 2016.

The ETR was 50.6% in 2016 compared to 31.2% in the prior year with the increase primarily reflecting the non-deductible nature of the federal portion of the aforementioned Settlement Charge.

Net Income in 2016, which included an approximate $701 million net Settlement Charge more fully described above, was $266.6 million, or $674.7 million lower than prior year. Diluted EPS of $1.36 in 2016, which included: i) a $3.59 Settlement Charge; ii) a $0.04 restructuring charge and iii) an $0.18 FX gain relating to the substantial liquidation of a subsidiary, decreased $3.27 compared to 2015. Excluding all of the aforementioned items in 2016 and a $0.03 benefit from a Legacy Tax Matter in the prior year, Adjusted Diluted EPS of $4.81 in 2016 increased $0.21 primarily reflecting lower diluted weighted average shares outstanding. The reduction in diluted weighted average shares outstanding reflects share repurchases under the Company’s Board authorized share repurchase program partially offset by shares issued under the employee stock-based compensation programs.

SEGMENT RESULTS

Moody's Investors Service

The table below provides a summary of revenue and operating results, followed by further insight and commentary:

	Year ended December 31,		% Change Favorable (Unfavorable)
	2016	**2015**	
Revenue:			
Corporate finance (CFG)	$ **1,122.3**	$ 1,112.7	1%
Structured finance (SFG)	**436.8**	449.1	(3%)
Financial institutions (FIG)	**368.9**	365.6	1%
Public, project and infrastructure finance (PPIF)	**412.2**	376.4	10%
Total ratings revenue	**2,340.2**	2,303.8	2%
MIS Other	**30.6**	30.4	1%
Total external revenue	**2,370.8**	2,334.2	2%
Intersegment royalty	**100.2**	93.5	7%
Total MIS Revenue	**2,471.0**	2,427.7	2%
Expenses:			
Operating and SG&A (external)	**1,102.1**	1,107.2	—
Operating and SG&A (intersegment)	**13.5**	13.1	(3%)
Adjusted Operating Income	**1,355.4**	1,307.4	4%
Depreciation and amortization	**73.8**	66.0	(12%)
Restructuring	**10.2**	—	NM
Settlement Charge	**863.8**	—	NM
Operating income	$ **407.6**	$ 1,241.4	(67%)
Adjusted Operating Margin	**54.9%**	53.9%	
Operating margin	**16.5%**	51.1%	

The following is a discussion of external MIS revenue and operating expenses:

Global MIS revenue of $2,370.8 million in 2016 was up 2% compared to 2015 reflecting robust rated issuance volumes for high-yield corporate debt, bank loans and public finance in the second half of 2016 as capital market volatility and elevated credit spreads that hindered issuance in the first half of 2016 subsided. Additionally, the growth reflects the favorable impact of changes in the mix of fee type, new fee initiatives and pricing increases. These increases were mostly offset by challenges in the first half of 2016 in both the speculative-grade and investment-grade corporate debt sectors due to elevated credit spreads and market volatility at the time coupled with an unfavorable shift in issuance mix for investment-grade corporate debt. Additionally, there was lower securitization activity in the U.S. in the first half of 2016, primarily in the U.S. CLO and CMBS asset classes, which reflected the aforementioned elevated credit spreads and market volatility as well as uncertainty earlier in the year relating to the December 2016 implementation deadline for certain risk retention regulatory requirements for these asset classes.

Transaction revenue for MIS was 61% in both 2016 and 2015.

In the U.S., revenue was $1,501.9 million in 2016, an increase of $27.6 million compared to 2015 and reflected benefits from changes in the mix of fee type, new fee initiatives and pricing increases coupled with second half of 2016 growth in rated issuance volumes for high-yield corporate debt and bank loans as well as strong public finance issuance. These increases were partially offset by lower rated issuance volumes for high-yield corporate debt in the first half of 2016 and a decline in investment-grade corporate debt rated issuance volumes which was most notable in the fourth quarter of 2016. Additionally, there were declines in securitization activity in the CLO and CMBS asset classes within SFG in the first half of 2016.

Non-U.S. revenue was $868.9 million in 2016, an increase of $9.0 million compared to 2015 primarily reflecting second half of 2016 growth in high-yield corporate debt and bank loans as well as investment-grade corporate debt. This growth in the second half reflected improved market sentiment following volatility in the first half of 2016 as well as the ECB sponsored CSPP providing a ballast to corporate debt issuance in the EMEA region. The growth over the prior year also reflects changes in the mix of fee type, new fee initiatives and pricing increases. These increases were partially offset by lower revenue in the first half of 2016 primarily reflecting declines in investment-grade and high-yield corporate debt across all regions.

Global CFG revenue of $1,122.3 million in 2016 was up 1% compared to 2015. The increase reflects benefits from changes in the mix of fee type, new fee initiatives and pricing increases coupled with robust rated issuance volumes for high-yield corporate debt and bank loans in the U.S. and EMEA in the second half of 2016 as capital market volatility and elevated credit spreads that hindered issuance in the first half of 2016 subsided. The increase also reflects higher investment-grade rated issuance volumes in EMEA in the second half of 2016 reflecting additional liquidity in the region resulting from the ECB sponsored CSPP. These increases were partially offset by lower rated issuance volumes in the first half of 2016 for investment-grade and speculative-grade corporate debt across all regions due to elevated credit spreads and capital market volatility at the time. Also, there were lower U.S. investment-grade rated issuance volumes in the fourth quarter of 2016 reflecting an increase in benchmark interest rates immediately following the U.S. presidential election in November. Transaction revenue represented 68% of total CFG revenue in 2016, compared to 69% in the prior year period. In the U.S., revenue in 2016 was $762.9 million, or $10.0 million higher than the prior year. Internationally, revenue of $359.4 million in the 2016 was flat compared to the prior year.

Global SFG revenue of $436.8 million in 2016 decreased $12.3 million, or 3%, compared to 2015. In the U.S., revenue of $293.3 million decreased $18.2 million compared to 2015. This decrease primarily reflected lower CLO formation in the first half of 2016 due to elevated credit spreads and declining availability of collateral for these instruments earlier in the year. Additionally, the decrease reflected lower securitization activity in the CMBS asset class reflecting higher average credit spreads over the course of 2016, particularly in the first quarter, as well as uncertainties relating to the implementation of certain risk retention regulatory requirements for this asset class. These declines were partially offset by benefits from changes in the mix of fee type, new fee initiatives and pricing increases. Non-U.S. revenue in 2016 of $143.5 million increased $5.9 million compared to the prior year primarily reflecting growth in RMBS and ABS in EMEA. Transaction revenue was 62% of total SFG revenue in 2016 compared to 64% in the prior year.

Global FIG revenue of $368.9 million in 2016 increased $3.3 million, or 1%, compared to 2015. In the U.S., revenue of $160.1 million increased $3.7 million compared to the prior year primarily reflecting benefits from changes in the mix of fee type, new fee initiatives and pricing increases as well as higher M&A related issuance volumes in the insurance sector. These increases were partially offset by reduced banking-related issuance volumes due to market volatility in the first half of 2016. Internationally, revenue was $208.8 million in 2016, or flat compared to 2015 with benefits from changes in the mix of fee type, new fee initiatives and pricing increases and growth in the Asia-Pacific region reflecting higher cross-border issuance from Chinese banks and asset managers being offset by declines in banking-related issuance in EMEA. Transaction revenue was 37% of total FIG revenue in both 2016 and 2015.

Global PPIF revenue was $412.2 million in 2016 and increased $35.8 million, or 10%, compared to 2015. In the U.S., revenue in 2016 was $276.2 million and increased $31.5 million compared to 2015 primarily due to benefits from changes in the mix of fee type, new fee initiatives and pricing increases as well as strong growth in public finance issuance in the second half of 2016. This growth in issuance reflects opportunistic refunding activity amidst favorable market conditions as well as higher new issuance volumes to fund municipal infrastructure investment needs. Additionally, the growth in the U.S. reflects higher infrastructure finance revenue. Outside the U.S., PPIF revenue was $136.0 million and increased $4.3 million compared to 2015 reflecting benefits from changes in the mix of fee type, new fee initiatives and pricing increases as well as higher infrastructure finance revenue in the Americas region. These increases were partially offset by lower project finance revenue across all non-U.S. regions. Transaction revenue was 63% of total PPIF revenue in 2016 compared to 60% in the prior year.

Global MIS Other revenue of $30.6 million in 2016 was flat compared to 2015.

Operating and SG&A expenses in 2016 decreased $5.1 million compared to 2015 primarily reflecting lower non-compensation costs of approximately $25 million reflecting overall cost control initiatives. This decrease was partially offset by higher compensation expenses of approximately $20 million compared to the prior year reflecting annual salary increases coupled with higher incentive compensation costs resulting from higher achievement against full-year targeted results compared to the prior year.

The increase in D&A compared to the prior year reflects capital expenditures related to investments in the Company's IT and operational infrastructure.

The restructuring charge in 2016 relates to cost management initiatives in the MIS segment as well as in certain corporate overhead functions.

The Settlement Charge is pursuant to an agreement with the DOJ and the attorneys general of 21 U.S. states and the District of Columbia as more fully discussed in Note 19, "Contingencies" within Item 8 of this annual report on Form 10-K.

Adjusted Operating Income was $1,355.4 million and increased $48.0 million compared to the prior year. Operating income in 2016, which includes the aforementioned $863.8 million Settlement Charge, was $407.6 million and decreased $833.8 million compared to the prior year. Adjusted Operating Margin was 54.9% or 100 BPS higher than the prior year. Operating margin was 16.5% in 2016 compared to 51.1% in the prior year, with the decline primarily due to the aforementioned Settlement Charge. Adjusted Operating Income and operating income both include intersegment revenue and expense.

Moody's Analytics

The table below provides a summary of revenue and operating results, followed by further insight and commentary:

	Year ended December 31, 2016	Year ended December 31, 2015	% Change Favorable (Unfavorable)
Revenue:			
Research, data and analytics (RD&A)	**$ 667.6**	$ 626.4	7%
Enterprise risk solutions (ERS)	**418.8**	374.0	12%
Professional services (PS)	**147.0**	149.9	(2%)
Total external revenue	**1,233.4**	1,150.3	7%
Intersegment revenue	**13.5**	13.1	3%
Total MA Revenue	**1,246.9**	1,163.4	7%
Expenses:			
Operating and SG&A (external)	**860.9**	790.4	(9%)
Operating and SG&A (intersegment)	**100.2**	93.5	(7%)
Adjusted Operating Income	**285.8**	279.5	2%
Depreciation and amortization	**52.9**	47.5	(11%)
Restructuring	**1.8**	—	NM
Operating income	**$ 231.1**	$ 232.0	—
Adjusted Operating Margin	**22.9%**	24.0%	
Operating margin	**18.5%**	19.9%	

The following is a discussion of external MA revenue and operating expenses:

Global MA revenue increased $83.1 million, or 7%, compared to 2015 and reflected growth in RD&A as well as ERS, which included revenue from the acquisition of GGY. Additionally, the growth over the prior year reflects benefits from pricing increases within MA's recurring revenue base. Excluding unfavorable changes in FX rates, MA revenue grew 10% compared to the prior year. Recurring revenue comprised 75% and 74% of total MA revenue in 2016 and 2015, respectively.

In the U.S., revenue of $603.6 million in 2016 increased $68.9 million, and reflected growth in RD&A and ERS. The growth in RD&A reflected strength in credit research subscriptions and licensing of ratings data as well as higher revenue within SAV and ECCA. The increase in ERS revenue reflected growth across all product verticals and included revenue from the acquisition of GGY in March 2016.

Non-U.S. revenue of $629.8 million in 2016 was $14.2 million higher than in 2015 reflecting growth in RD&A and ERS partially offset by unfavorable changes in FX rates. The growth in RD&A primarily reflects strength in credit research subscriptions and licensing of ratings data in the Asia-Pacific region. The increase in ERS was primarily due to higher revenue from the Assets Liability & Capital and Credit Assessment & Origination product verticals in the EMEA region coupled with revenue from the acquisition of GGY. These increases were partially offset by declines in the Credit Assessment & Origination product vertical in the Americas region.

Global RD&A revenue of $667.6 million, which comprised 54% of total external MA revenue in both 2016 and 2015, increased $41.2 million, or 7%, over the prior year period. Excluding unfavorable changes in FX rates, RD&A revenue increased 9% over the prior year. The growth reflected strength in credit research subscriptions and licensing of ratings data as well as higher revenue within SAV and ECCA. The growth compared to 2015 also reflects the benefits of pricing increases. In the U.S., revenue of $389.3 million increased $37.4 million compared to 2015. Non-U.S. revenue of $278.3 million increased $3.8 million compared to the prior year.

Global ERS revenue of $418.8 million in 2016 increased $44.8 million, or 12%, over 2015. Excluding unfavorable changes in FX rates, ERS revenue grew 15% reflecting increases across most product offerings and included revenue from the acquisition of GGY in March of 2016. Additionally, the revenue growth reflects benefits from pricing increases within ERS's recurring revenue base. Revenue in ERS is subject to quarterly volatility resulting from the variable nature of project timing and the concentration of software implementation and license revenue in a relatively small number of engagements. In the U.S., revenue of $162.9 million increased $31.7 million compared to the prior year. Non-U.S. revenue of $255.9 million increased $13.1 million compared to the prior year.

Global PS revenue of $147.0 million in 2016 decreased $2.9 million, or 2%, from 2015. Excluding the unfavorable impact from changes in FX translation rates, PS revenue was flat compared to the prior year. In the U.S. and internationally revenue was $51.4 million and $95.6 million, respectively, or flat and down 3%, respectively.

The increase in D&A compared to the prior year reflects capital expenditures related to investments in the Company's IT and operational infrastructure as well as amortization of acquired intangible assets.

Operating and SG&A expenses in 2016 increased $70.5 million compared to 2015. The expense growth primarily reflects an approximate $68 million increase in compensation costs primarily due to higher headcount to support business growth as well as headcount from the acquisition of GGY coupled with annual merit increases.

Adjusted Operating Income was $285.8 million in 2016 and increased $6.3 million compared to the same period in 2015. Operating income of $231.1 million in 2016 decreased $0.9 million compared to the same period in 2015. Adjusted Operating Margin in 2016 was 22.9%, down 110bps from 2015. Operating margin was 18.5% in 2016, down 140bps from the prior year. Operating margin and Adjusted Operating Margin in 2016 were suppressed due to a larger proportion of overhead costs allocated to MA under the Company's revenue-split methodology. Adjusted operating income and operating income both include intersegment revenue and expense.

RESULTS OF OPERATIONS

Year ended December 31, 2015 compared with year ended December 31, 2014

Executive Summary

» Moody's revenue in 2015 totaled $3,484.5 million, an increase of $150.2 million, or 5%, compared to 2014. Excluding the unfavorable impact of changes in FX translation rates, primarily due to the strengthening of the U.S. dollar to the euro, British pound and Canadian dollar, revenue increased 9% over the prior year reflecting growth in both reportable segments despite challenging market conditions in 2015. The following discussion of MIS and MA revenue excludes intersegment revenue.

» MIS revenue was 3% higher compared to the prior year. Excluding the impact from unfavorable changes in FX translation rates, MIS revenue grew 8% over the prior year. This growth primarily reflects benefits from changes in the mix of fee type, new fee initiatives and certain pricing increases as well as increases in rated issuance volumes for investment-grade corporate debt. Additionally, higher U.S. PFG refunding volumes and higher U.S. banking-related issuance contributed to the growth. Furthermore, there were increases across most SFG asset classes in the U.S. and EMEA, as well as revenue from the ICRA Acquisition. These increases were partially offset by declines in bank loan revenue in the U.S. and EMEA, lower speculative-grade corporate debt revenue in EMEA and an approximate $102 million unfavorable impact due to changes in FX rates.

» MA revenue grew 8% compared to the prior year reflecting growth in ERS and RD&A partially offset by declines in PS. Excluding the impact from unfavorable changes in FX translation rates, MA revenue grew 12%. Revenue growth in ERS was primarily due to increases across most product offerings with particular strength in the credit assessment and origination business. Additionally, the acquisition of WebEquity in the third quarter of 2014 also contributed to ERS growth. In RD&A, revenue growth was primarily driven by credit research and licensing of ratings data as well as revenue from the acquisition of Lewtan. The decline in PS reflected the Company's exiting certain Copal Amba product lines late in 2014 as well as attrition outpacing sales growth at Copal Amba. The 2015 MA revenue included an unfavorable impact of approximately $47 million due to unfavorable changes in FX translation rates.

» Total expenses increased $115.9 million compared to the prior year reflecting:

  » higher compensation costs of approximately $59 million primarily relating to headcount growth and annual compensation increases. Partially offsetting this increase was a decrease in incentive compensation reflecting lower achievement against full-year targeted results in 2015 compared to 2014.

  » non-compensation expenses increased approximately $39 million compared to 2014 reflecting higher costs related to the Company's investment in IT and other operational infrastructure and higher rent and occupancy costs. Additionally, the increase reflects higher variable costs correlated with business growth.

  » higher D&A of $17.9 million reflecting amortization of intangible assets from acquisitions as well as higher depreciation reflecting an increase in capital expenditures to support IT infrastructure and business growth.

  » The increase in both compensation and non-compensation expenses reflects operating costs from the 2014 acquisitions of ICRA, WebEquity and Lewtan.

» Operating income of $1,473.4 million increased $34.3 million compared to 2014 and resulted in an operating margin of 42.3% compared to 43.2% in the prior year. Adjusted Operating Income of $1,586.9 million in 2015 increased $52.2 million compared to 2014, resulting in an Adjusted Operating Margin of 45.5% compared to 46.0% in the prior year period. The decrease in margins is due to continued investment in the Company's operations, the acquisition of companies that operate at a margin below Moody's historical margin as well as the impact of FX translation. Unfavorable changes in FX translation rates negatively impacted operating income and Adjusted Operating Income by approximately $76 million and $79 million, respectively.

» Non-operating income (expense), net was ($93.8) million compared to net non-operating income of $21.9 million in 2014. The change reflects the $102.8 million ICRA Gain in the prior year and smaller FX gains in 2015.

» The ETR remained flat compared to 2014. The 2015 ETR includes a benefit relating to a state tax ruling and a change in local tax law relating to income apportionment as well as the resolution of certain domestic and international tax matters. The 2014 ETR reflects a benefit from the favorable resolution of an international tax matter.

» Diluted EPS of $4.63 in 2015, which included a $0.03 benefit from a Legacy Tax Matter, increased $0.02 over 2014, which included $0.37 for the ICRA Gain as well as a $0.03 benefit from a Legacy Tax Matter. Excluding the benefit from the Legacy Tax Matter in both years as well as the ICRA Gain in 2014, Adjusted Diluted EPS in 2015 of $4.60 was $0.39 higher than 2014 Adjusted Diluted EPS of $4.21. The increase in both diluted EPS and adjusted diluted EPS benefited from a 5.3% reduction in diluted weighted average shares outstanding due to treasury share repurchases under the Company's Board authorized share repurchase program partially offset by shares issued under the employee stock-based compensation programs.

Moody's Corporation

	Year ended December 31,		% Change Favorable (Unfavorable)
	2015	**2014**	
Revenue:			
United States	**$ 2,009.0**	$ 1,814.5	11%
International:			
EMEA	**882.3**	952.8	(7%)
Asia-Pacific	**364.2**	338.3	8%
Americas	**229.0**	228.7	—
Total International	**1,475.5**	1,519.8	(3%)
Total	**3,484.5**	3,334.3	5%
Expenses:			
Operating	**976.3**	930.3	(5%)
SG&A	**921.3**	869.3	(6%)
Depreciation and amortization	**113.5**	95.6	(19%)
Total	**2,011.1**	1,895.2	(6%)
Operating income	**$ 1,473.4**	$ 1,439.1	2%
Adjusted Operating Income (1)	**$ 1,586.9**	$ 1,534.7	3%
Interest expense, net	**$ (115.1)**	$ (116.8)	1%
Other non-operating income, net	**$ 21.3**	$ 35.9	(41%)
ICRA Gain	**$ —**	$ 102.8	(100%)
Non-operating income (expense), net	**$ (93.8)**	$ 21.9	NM
Net income attributable to Moody's	**$ 941.3**	$ 988.7	(5%)
Diluted EPS attributable to Moody's common shareholders	**$ 4.63**	$ 4.61	—
Adjusted Diluted EPS attributable to Moody's common shareholders (1)	**$ 4.60**	$ 4.21	9%
Operating margin	**42.3%**	43.2%	
Adjusted Operating Margin (1)	**45.5%**	46.0%	

(1) Adjusted Operating Income, Adjusted Operating Margin and Adjusted Diluted EPS attributable to Moody's common shareholders are non-GAAP financial measures. Refer to the section entitled "Non-GAAP Financial Measures" of this Management Discussion and Analysis for further information regarding these measures.

The table below shows Moody's global staffing by geographic area:

	December 31,		
	2015	2014	% Change
United States	**3,365**	3,138	7%
International	**7,005**	6,746	4%
Total	**10,370**	9,884	5%

Global revenue of $3,484.5 million in 2015 increased $150.2 million, or 5%, compared to 2014. Excluding the unfavorable impact from changes in FX translation rates, global revenue increased 9% compared to prior year and reflected growth in both reportable segments. Transaction revenue accounted for 50% of global MCO revenue in both 2015 and 2014.

The MIS revenue increase reflected changes in the mix of fee type, new fee initiatives and certain pricing increases, primarily in the U.S., coupled with growth in rated issuance volumes for investment-grade corporate debt and higher U.S. PFG refunding volumes. The growth also reflects increases across all asset classes within SFG and higher banking revenue coupled with revenue from the ICRA Acquisition. These increases were partially offset by an approximate $102 million unfavorable impact due to changes in FX rates as well as declines in rated issuance volumes for high-yield corporate debt and bank loans.

The growth in MA reflects higher revenue in RD&A and ERS partially offset by decreases in PS revenue. The increase in RD&A was primarily driven by growth from sales of credit research and licensing of ratings data. The growth in ERS reflects increases in all product offerings, with particular strength in the credit assessment and origination business. The 2014 acquisitions of Lewtan and WebEquity also contributed to growth in RD&A and ERS, respectively. Partially offsetting these increases in MA was an approximate $47 million unfavorable impact due to changes in FX translation rates.

U.S. revenue of $2,009.0 million in 2015 increased $194.5 million over the prior year, reflecting changes in the mix of fee type, new fee initiatives and certain pricing increases within MIS, growth in rated issuance volumes for investment-grade corporate debt, higher PFG refunding volumes and revenue increases in most asset classes in SFG. The growth also reflects increases across all MA LOBs. These increases were partially offset by declines in bank loan rated issuance compared to the prior year.

Non-U.S. revenue decreased $44.3 million from 2014, reflecting an approximate $146 million unfavorable impact from changes in FX translation rates coupled with declines in high-yield corporate debt and bank loan issuance in EMEA as well as a revenue decline in PS. These declines were partially offset by increases in RD&A and ERS revenue in all regions within MA as well as growth across most asset classes within SFG in EMEA.

Operating expenses were $976.3 million in 2015 and increased $46.0 million from 2014 due to an approximate $33 million and $13 million increase in compensation and non-compensation costs, respectively. The increase in compensation costs reflected higher expenses resulting from the impact of annual compensation increases as well as higher headcount due to business growth and from acquisitions. Additionally, higher pension costs contributed to the compensation expense growth reflecting a lower discount rate used to measure expense and the use of a new mortality table. These increases were partially offset by a decrease in incentive compensation reflecting lower achievement against full-year targeted results compared to the prior year. The increase in non-compensation expenses reflected higher costs to support various IT and other operational enhancement projects, higher variable costs to support business growth and expenses from the ICRA, WebEquity and Lewtan acquisitions in the second half of 2014. The changes above include a favorable impact relating to changes in FX translation rates compared to the prior year.

SG&A expenses of $921.3 million in 2015 increased $52.0 million compared to the prior year period reflecting higher compensation and non-compensation expenses of approximately $27 million and $25 million, respectively. The growth in compensation costs was primarily due to higher expenses resulting from annual compensation increases, headcount growth in MIS and MA as well as in overhead support areas coupled with higher headcount from acquisitions. Additionally, higher pension costs contributed to the compensation expense growth reflecting a lower discount rate used to measure expense and the use of a new mortality table. These increases were partially offset by a decrease in incentive compensation reflecting lower achievement against full-year targeted results compared to the prior year. The increase in non-compensation expenses reflects higher costs to support various IT and other operational enhancement projects as well as higher rent and occupancy costs reflecting various real estate projects worldwide. Additionally, the increase reflects non-compensation expenses from the ICRA, WebEquity and Lewtan acquisitions in the second half of 2014. The increases above include a favorable impact relating to changes in FX translation rates compared to the prior year.

D&A increased $17.9 million reflecting amortization of intangible assets from acquisitions as well as higher depreciation reflecting an increase in capital expenditures to support IT infrastructure and business growth.

Operating income of $1,473.4 million increased $34.3 million from 2014. Adjusted Operating Income was $1,586.9 million in 2015 and increased $52.2 million compared to 2014. Operating margin decreased 90 BPS compared to 2014. Adjusted Operating Margin in 2015 of 45.5% decreased 50 BPS compared to the prior year. The decrease in operating margin and Adjusted Operating Margin is primarily due to continued investment in the Company's operations as well as the acquisition of companies that operate at a margin below Moody's historical margin and FX translation. Unfavorable changes in FX translation rates negatively impacted operating income and Adjusted Operating Income by approximately $76 million and $79 million, respectively.

Interest income (expense), net in 2015 was ($115.1) million, or flat compared to 2014 reflecting higher interest on borrowings due to the issuance of the 2014 Senior Notes (5-Year) and 2014 Senior Notes (30-Year) in July 2014 as well as the issuance of the 2015 Senior Notes and additional issuance under the 2014 Senior Notes (30-Year) in 2015. These increases were offset by $11 million in net costs (net of a gain on the termination of an interest rate swap) related to the early repayment of the Series 2005-1 Notes in 2014.

Other non-operating income (expense), net was $21.3 million in 2015, a $14.6 million decrease in income compared to 2014. The decrease primarily reflects FX gains of $20.3 million in 2014 which was primarily due to strengthening of the U.S. dollar relative to the euro and British pound for certain U.S. dollar denominated assets held in international jurisdictions. The FX gains in 2015 were not significant.

The $102.8 million ICRA Gain related to a fair value remeasurement of the Company's previously held equity investment in ICRA which occurred in connection with Moody's acquiring a controlling stake in ICRA on June 26, 2014.

The Company's ETR was 31.2% in 2015, or flat compared to 2014. The 2015 ETR includes a benefit relating to a state tax ruling and a change in local tax law relating to income apportionment as well as the resolution of certain domestic and international tax matters. The 2014 ETR reflects a benefit from the favorable resolution of an international tax matter.

Net Income in 2015, which included a $6.4 million benefit related to the aforementioned Legacy Tax Matter, was $941.3 million, or $4.63 per diluted share. This is a decrease of $47.4 million compared to 2014, which included $78.5 million for the ICRA Gain as well as a $6.4 million benefit related to a Legacy Tax Matter. However, Diluted EPS was up $0.02 reflecting benefits from a 5.3% reduction in diluted weighted average shares outstanding due to treasury share repurchases under the Company's Board authorized share repurchase program partially offset by shares issued under the employee stock-based compensation programs. Excluding the $0.37 ICRA Gain in 2014 and benefits from Legacy Tax Matters in both years, Adjusted Diluted EPS of $4.60 in 2015 was $0.39 higher than Adjusted Diluted EPS of $4.21 in the prior year.

SEGMENT RESULTS

Moody's Investors Service

The table below provides a summary of revenue and operating results, followed by further insight and commentary:

	Year ended December 31, 2015	2014	% Change Favorable (Unfavorable)
Revenue:			
Corporate finance (CFG)	**$ 1,112.7**	$ 1,109.3	—
Structured finance (SFG)	**449.1**	426.5	5%
Financial institutions (FIG)	**365.6**	354.7	3%
Public, project and infrastructure finance (PPIF)	**376.4**	357.3	5%
Total ratings revenue	**2,303.8**	2,247.8	2%
MIS Other	**30.4**	18.0	69%
Total external revenue	**2,334.2**	2,265.8	3%
Intersegment royalty	**93.5**	87.6	7%
Total MIS Revenue	**2,427.7**	2,353.4	3%
Expenses:			
Operating and SG&A (external)	**1,107.2**	1,062.9	(4%)
Operating and SG&A (intersegment)	**13.1**	13.3	2%
Adjusted Operating Income	**1,307.4**	1,277.2	2%
Depreciation and amortization	**66.0**	49.4	(34%)
Operating income	**$ 1,241.4**	$ 1,227.8	1%
Adjusted Operating Margin	**53.9%**	54.3%	
Operating margin	**51.1%**	52.2%	

The following is a discussion of external MIS revenue and operating expenses:

Global MIS revenue of $2,334.2 million in 2015 increased $68.4 million, or 3%, compared to 2014. Excluding unfavorable changes in FX translation rates, MIS revenue grew 8% over the prior year and reflected growth across all LOBs. Transaction revenue for MIS was 61% in both 2015 and 2014.

In the U.S., revenue was $1,474.3 million in 2015, an increase of $133.3 million compared to 2014 reflecting changes in the mix of fee type, new fee initiatives and certain pricing increases coupled with growth in rated issuance volumes for investment-grade corporate debt and higher public finance refunding volumes. The increase also reflects growth across most asset classes in SFG coupled with higher banking revenue. These increases were partially offset by lower rated issuance volumes for bank loans compared to the prior year.

Non-U.S. revenue was $859.9 million in 2015, a decrease of $64.9 million compared to 2014. Excluding unfavorable changes in FX translation rates, revenue grew 4% over the prior year reflecting the favorable impact of changes in the mix of fee type, new fee initiatives and certain pricing increases, higher investment-grade revenue in EMEA, growth across most asset classes within SFG in EMEA and revenue from the ICRA Acquisition. Partially offsetting these increases was lower revenue from rating high-yield corporate debt and bank loans as well as lower indicative ratings revenue in the EMEA region. Additionally, there was an approximate $99 million unfavorable impact relating to changes in FX translation rates.

Global CFG revenue of $1,112.7 million in 2015 was flat compared to 2014. Excluding unfavorable changes in FX translation rates, revenue grew 4% over the prior year primarily due to the benefits from changes in the mix of fee type, new fee initiatives and certain pricing increases, primarily in the U.S. as well as higher rated issuance volumes for investment-grade corporate debt in the U.S. The growth in rated issuance volumes for investment-grade corporate debt, which was more pronounced in the first half of 2015, reflects an increase in M&A activity and continued favorable market conditions for much of the year. Additionally, revenue from the ICRA Acquisition and higher monitoring fees reflecting growth in the number of outstanding rated issuances contributed to the increase over the prior year. These increases were partially offset by a decline in bank loan issuance in the U.S. and EMEA as banks reduced supply to adhere more closely to the U.S. Shared National Credit Program regarding highly leveraged transactions. The increases were also partially offset by declines in high-yield corporate debt across all non-U.S. regions reflecting widening credit spreads in this sector resulting from weak commodity prices coupled with current macroeconomic uncertainties in emerging markets. Additionally, there was an approximate $41 million unfavorable impact from changes in FX translation rates compared to the prior year. Transaction revenue represented 69% of total CFG revenue in 2015, compared to 70% in the prior year period. In the U.S., revenue in 2015 was $752.9 million, or $65.6 million higher than the prior year. Internationally, revenue of $359.8 million in the 2015 decreased $62.2 million compared to the prior year.

Global SFG revenue of $449.1 million in 2015 increased $22.6 million, or 5%, compared to 2014. Excluding the unfavorable impact of FX translation rates, SFG revenue grew 10% reflecting an increase in U.S. CMBS issuance primarily due to higher refinancing activity resulting from a large volume of maturing instruments in 2015 coupled with larger sized deals being rated. The growth also reflects higher U.S. RMBS revenue resulting from an increase in deals rated and improved market coverage over the prior year. Furthermore, there was an increase in covered bond issuance in EMEA as well as benefits from the favorable impact of changes in the mix of fee type, new fee initiatives and certain pricing increases. Partially offsetting these increases was an approximate $22 million unfavorable impact reflecting changes in FX translation rates compared to the prior year. Transaction revenue was 64% of total SFG revenue in 2015 compared to 62% in the prior year. In the U.S., revenue of $311.5 million increased $28.6 million compared to 2014. Non-U.S. revenue in 2015 of $137.6 million decreased $6.0 million from the prior year.

Global FIG revenue of $365.6 million in 2015 increased $10.9 million, or 3%, compared to 2014. Excluding the unfavorable impact of changes in FX translation rates, FIG revenue grew 10% due to changes in the mix of fee type, new fee initiatives and pricing increases. Additionally, the growth reflects higher rated issuance volumes in the U.S. banking sector reflecting issuers taking advantage of favorable market conditions for much of the year as well as revenue from the ICRA Acquisition. These increases were partially offset by an approximate $24 million unfavorable impact from changes in FX translation rates. Transaction revenue was 37% of total FIG revenue in 2015 compared to 35% in the prior year. In the U.S., revenue of $156.4 million increased $15.2 million compared to the prior year. Internationally, revenue was $209.2 million in 2015, or down $4.3 million compared to 2014.

Global PPIF revenue was $376.4 million in 2015 and increased $19.1 million, or 5%, compared to 2014. Excluding the impact of unfavorable changes in FX translation rates, PPIF revenue grew 10% reflecting higher U.S. public finance refunding volumes due to continued low benchmark interest rates as well as the favorable impact of changes in the mix of fee type, new fee initiatives and certain pricing increases. These increases were partially offset by lower U.S. infrastructure finance revenue compared to a strong prior year comparative period as well as an approximate $15 million unfavorable impact from changes in FX translation rates. Transaction revenue was 60% of total PPIF revenue in 2015 compared to 58% in the prior year. In the U.S., revenue in 2015 was $244.7 million and increased $18.5 million compared to 2014. Outside the U.S., PPIF revenue was flat compared to 2014.

Global MIS Other revenue was $30.4 million in 2015 and increased $12.4 million, or 69% compared to 2014. The increase primarily reflects a full year of ICRA non-ratings revenue in 2015 compared to just one quarter of revenue in 2014.

Operating and SG&A expenses in 2015 increased $44.3 million compared to 2014 reflecting an increase in compensation and non-compensation costs of $20 million and $24 million, respectively. The increase in compensation reflects annual merit increases, headcount growth in the ratings LOBs as well as in support areas such as IT, finance and human resources for which the costs are allocated to each segment based on a revenue-split methodology. These increases were partially offset by decreases in incentive compensation costs reflecting lower achievement against full-year targeted results compared to the prior year. The increase in non-compensation expenses reflects higher costs to support various IT and operational enhancement projects and higher variable costs correlated with business growth. Also, there were higher rent and occupancy costs for various global real estate expansion projects. The increase in both compensation and non-compensation expenses also reflects the acquisition of ICRA in the second half of 2014. Changes in FX translation rates had an approximate $42 million favorable impact on MIS operating expenses compared to the prior year.

Adjusted Operating Income and operating income in 2015 were $1,307.4 million and $1,241.4 million, respectively, and increased $30.2 million and $13.6 million, respectively, compared to 2014. Adjusted Operating Margin and operating margin were 53.9% and 51.1%, respectively, or 40 BPS and 110 BPS lower than the prior year, respectively. Adjusted Operating Income and operating income both include intersegment revenue and expense.

Moody's Analytics

The table below provides a summary of revenue and operating results, followed by further insight and commentary:

	Year ended December 31, 2015	Year ended December 31, 2014	% Change Favorable (Unfavorable)
Revenue:			
Research, data and analytics (RD&A)	**$ 626.4**	$ 571.8	10%
Enterprise risk solutions (ERS)	**374.0**	328.5	14%
Professional services (PS)	**149.9**	168.2	(11%)
Total external revenue	**1,150.3**	1,068.5	8%
Intersegment revenue	**13.1**	13.3	(2%)
Total MA Revenue	**1,163.4**	1,081.8	8%
Expenses:			
Operating and SG&A (external)	**790.4**	736.7	(7%)
Operating and SG&A (intersegment)	**93.5**	87.6	(7%)
Adjusted Operating Income	**279.5**	257.5	9%
Depreciation and amortization	**47.5**	46.2	(3%)
Operating income	**$ 232.0**	$ 211.3	10%
Adjusted Operating Margin	**24.0%**	23.8%	
Operating margin	**19.9%**	19.5%	

The following is a discussion of external MA revenue and operating expenses:

Global MA revenue increased $81.8 million, or 8%, compared to 2014. Excluding the unfavorable changes in FX translation rates, MA revenue grew 12% reflecting growth in RD&A and ERS which included revenue from the acquisitions of Lewtan and WebEquity, respectively. Recurring revenue comprised 74% and 73% of total MA revenue in 2015 and 2014, respectively.

In the U.S., revenue of $534.7 million in 2015 increased $61.2 million, and reflected growth in RD&A and ERS, which included revenue from Lewtan and WebEquity, respectively.

International revenue of $615.6 million in 2015 was $20.6 million higher than in 2014 reflecting growth in all regions within RD&A and ERS partially offset by an approximate $47 million unfavorable impact from changes in FX translation rates.

Global RD&A revenue of $626.4 million, which comprised 54% of total external MA revenue in both 2015 and 2014, increased $54.6 million, or 10%, over the prior year period. Excluding the unfavorable impact of FX translation rates, RD&A revenue grew 14% compared to the prior year. The growth over the prior year was most notable in the U.S. and EMEA, primarily due to strong sales of credit research, licensing of ratings data and economic analysis and data. The acquisition of Lewtan in late 2014 also contributed to growth over the prior year. In the U.S., revenue of $351.9 million increased $45.1 million compared to 2014. Internationally, revenue increased $9.5 million compared to the prior year and included an approximate $24 million unfavorable impact relating to unfavorable changes in FX translation rates.

Global ERS revenue of $374.0 million in 2015 increased $45.5 million, or 14%, over 2014. Excluding the unfavorable impact of changes in FX translation rates, ERS revenue grew 19%. This growth reflects increases across all product offerings with particular strength in the credit assessment and origination business which included revenue recognized internationally from a large software implementation engagement for which VSOE for the annual software maintenance was established near the conclusion of the project. Additionally, the acquisition of WebEquity contributed to the revenue growth. Revenue in ERS is subject to quarterly volatility resulting from the variable nature of project timing and the concentration of software implementation and license revenue in a relatively small number of engagements. In the U.S., revenue of $131.2 million increased $21.1 million compared to 2014. Internationally, revenue of $242.8 million increased $24.4 million compared to the prior year and included an approximate $17 million unfavorable impact relating to changes in FX translation rates.

Revenue from PS was $149.9 million and decreased $18.3 million, or 11%, from 2014. Excluding the unfavorable impact from changes in FX translation rates, PS revenue declined 7% primarily due to the Company exiting certain Copal Amba product lines late in 2014 as well as attrition outpacing sales growth at Copal Amba as global banks adjusted their business activities. In the U.S., revenue of $51.6 million decreased $5.0 million compared to 2014. Internationally, revenue decreased $13.3 million compared to the prior year and included an approximate $6 million unfavorable impact reflecting changes in FX translation rates.

Operating and SG&A expenses in 2015 increased $53.7 million compared to 2014. The expense growth reflects an approximate $39 million increase in compensation costs primarily due to higher headcount to support business growth as well as higher headcount in support areas, for which the costs are allocated to each segment based on a revenue- split methodology. Headcount from the acquisitions of WebEquity and Lewtan as well as annual merit increases also contributed to the compensation expense growth. Non-compensation expenses increased approximately $15 million due to higher costs for continued investment in IT infrastructure as well as costs related to ERS product development and project delivery. Also, the expense growth reflected additional non-compensation costs related to the acquisitions of WebEquity and Lewtan. Changes in FX translation rates had an approximate $29 million favorable impact on MA operating expenses in 2015 compared to the prior year.

Adjusted Operating Income was $279.5 million in 2015 and increased $22.0 million compared to the same period in 2014. Operating income of $232.0 million in 2015 increased $20.7 million compared to the same period in 2014. Adjusted Operating Margin in 2015 was 24.0%, up 20 BPS from 2014. Operating margin was 19.9% in 2015, up 40 BPS from the prior year. Adjusted operating income and operating income both include intersegment revenue and expense.

MARKET RISK

Foreign exchange risk:
Moody's maintains a presence in 35 countries outside the U.S. In 2016, approximately 36% and 27% of both the Company's revenue and expenses, respectively were denominated in functional currencies other than the U.S. dollar, principally in the British pound and the euro. As such, the Company is exposed to market risk from changes in FX rates. As of December 31, 2016, approximately 62% of Moody's assets were located outside the U.S. making the Company susceptible to fluctuations in FX rates. The effects of translating assets and liabilities of non-U.S. operations with non-U.S. functional currencies to the U.S. dollar are charged or credited to AOCI in the consolidated statements of shareholders' equity (deficit).

The effects of revaluing assets and liabilities that are denominated in currencies other than a subsidiary's functional currency are charged to other non-operating income (expense), net in the Company's consolidated statements of operations. Accordingly, the Company enters into foreign exchange forwards to partially mitigate the change in fair value on certain assets and liabilities denominated in currencies other than a subsidiary's functional currency. If the British pound were to weaken 10% relative to the euro, there would be an approximate $3 million unfavorable impact to the fair value of the forward contracts. Additionally, if the Singapore dollar were to devalue 10% compared to the euro, there would be an approximate $3 million unfavorable impact to the fair value of the forward contracts. The change in fair value of the foreign exchange forward contracts would be offset by FX revaluation gains or losses on underlying assets and liabilities denominated in currencies other than a subsidiary's functional currency. Additional information on the Company's forward contracts can be found in Note 5 to the consolidated financial statements located in Item 8 of this Form 10K.

Additionally, the Company enters into foreign currency forward contracts to hedge the exposure related to non-U.S. dollar net investments in certain foreign subsidiaries against adverse changes in foreign exchange rates. If there is any ineffectiveness in the net investment hedges, any change in the fair value of these hedges allocated to the ineffectiveness would be recognized immediately in other non-operating (expense) income in the Company's consolidated statements of operations. For the year ended December 31, 2016, all gains and losses on these derivatives designated as net investment hedges were recognized in OCI. If the British pound were to appreciate 10% compared to the euro, there would be an approximate $3 million favorable impact to the foreign currency forward designated as a net investment hedge with a British pound/euro currency pairing. These adjustments would partially offset the currency translation adjustment component of AOCI. Additional information on the Company's forward contracts designated as net investment hedges can be found in Note 5 to the consolidated financial statements located in Item 8 of this Form 10K.

Also, the Company has designated €400 million of the 2015 Senior Notes as a net investment hedge to mitigate FX exposure relating to euro denominated net investments in subsidiaries. If the euro were to strengthen 10% relative to the U.S. dollar, there would be an approximate $42 million unfavorable adjustment to OCI. This adjustment would be offset by favorable translation adjustments on the Company's euro net investment in subsidiaries.

In conjunction with the designation of a portion of the 2015 Senior Notes as a net investment hedge, the Company entered into a cross-currency swap (exchanging €100 million for U.S. dollars) to mitigate FX exposure on the remaining principal balance of the 2015 Senior Notes not designated as a net investment hedge. If the euro were to weaken 10% relative to the U.S. dollar, there would be an approximate $13 million unfavorable impact to the fair value of the cross-currency swap which would be partially offset by favorable revaluation gains on the €100 million of the 2015 Senior Notes which were not designated as a net investment hedge.

Moody's aggregate cash and cash equivalents and short- term investments of $2.2 billion at December 31, 2016 consisted of $1.7 billion located outside the U.S. Approximately 40% of the Company's aggregate cash and cash equivalents and short term investments at December 31, 2016 were held in currencies other than USD. As such, a decrease in the value of foreign currencies against the U.S. dollar, particularly the euro and GBP, could reduce the reported amount of USD cash and cash equivalents and short-term investments.

Credit and Interest rate risk:
The Company's interest rate risk management objectives are to reduce the funding cost and volatility to the Company and to alter the interest rate exposure to the desired risk profile. Moody's uses interest rate swaps as deemed necessary to assist in accomplishing these objectives.

The Company is exposed to interest rate risk on its various outstanding fixed rate debt for which the fair value of the outstanding fixed rate debt fluctuates based on changes in interest rates. The Company has entered into interest rate swaps to convert the fixed rate of interest on certain of its borrowings to a floating rate based on the 3-month LIBOR. These swaps are adjusted to fair market value based on prevailing interest rates at the end of each reporting period and fluctuations are recorded as a reduction or addition to the carrying value of the borrowing, while net interest payments are recorded as interest expense/income in the Company's consolidated statement of operations. A hypothetical change of 100bps in the LIBOR-based swap rate would result in an approximate $37 million change to the fair value of these interest rate swaps.

Additional information on these interest rate swaps is disclosed in Note 5 to the consolidated financial statements located in Item 8 of this Form 10-K.

Moody's cash equivalents consist of investments in high-quality investment-grade securities within and outside the U.S. with maturities of three months or less when purchased. The Company manages its credit risk exposure by allocating its cash equivalents among various money market mutual funds, money market deposit accounts, certificates of deposit and issuers of high-grade commercial paper and by limiting the amount it can invest with any single issuer. Short-term investments primarily consist of certificates of deposit.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

The Company is currently financing its operations, capital expenditures and share repurchases from operating and financing cash flow.

The following is a summary of the changes in the Company's cash flows followed by a brief discussion of these changes:

	Year Ended December 31,			Year Ended December 31,		
	2016	2015	**$ Change Favorable (unfavorable)**	2015	2014	**$ Change Favorable (unfavorable)**
Net cash provided by operating activities	**$ 1,226.1**	$ 1,153.6	$ 72.5	$ 1,153.6	$ 1,018.6	$ 135.0
Net cash provided by (used in) investing activities	**$ 102.0**	$ (92.0)	$ 194.0	$ (92.0)	$ (564.9)	$ 472.9
Net cash used in financing activities	**$ (1,009.8)**	$ (461.0)	$ (548.8)	$ (461.0)	$ (1,064.5)	$ 603.5
Free Cash Flow*	**$ 1,110.9**	$ 1,064.6	$ 46.3	$ 1,064.6	$ 944.0	$ 120.6

* Free Cash Flow is a non-GAAP measure and is defined by the Company as net cash provided by operating activities minus cash paid for capital additions. Refer to the section "Non-GAAP Financial Measures" of this MD&A for further information on this financial measure.

Net cash provided by operating activities

Year ended December 31, 2016 compared to the year ended December 31, 2015:
Net cash flows from operating activities increased $72.5 million compared to the prior year. The following non-cash items partially offset by a decrease in net income of $673.8 million impacted net cash provided by operating activities in the year ended December 31, 2016 compared to the same period in 2015:

» a $171.2 million decrease primarily relating to a deferred income tax benefit reflecting the deductible portion of the settlement charge which will be paid in 2017; and

» a $36.6 million decrease primarily relating to an FX gain from the liquidation of a subsidiary.

In addition to the non-cash items discussed above, the following working capital changes resulted in higher net cash flows provided by operating activities:

» an $863.8 million increase relating to an accrued Settlement Charge in 2016;

» an approximate $64 million increase due to the timing of income tax payments;

» an approximate $43 million increase relating to higher deferred revenue reflecting overall business growth; and

» an approximate $43 million increase reflecting higher incentive compensation payouts in 2015 compared to 2016 as well as higher incentive compensation accruals reflecting greater achievement against full-year targeted results in 2016 compared to 2015;

partially offset by:

» an approximate $79 million decrease in cash flow from changes in accounts receivable balances primarily reflecting greater growth in accounts receivable in 2016 compared to 2015. Approximately 30% and 33% of the Company's accounts receivable at December 31, 2016 and 2015, respectively, represent unbilled receivables which primarily reflect certain annual fees in MIS which are billed in arrears.

Additionally, the Company made approximately $22 million in contributions to its funded U.S. pension plan in both 2016 and 2015.

Year ended December 31, 2015 compared to the year ended December 31, 2014:
Net cash flows from operating activities increased $135.0 million compared to the prior year. The following non-cash items partially offset by a decrease in net income of $56.4 million (prior year net income included the non-cash ICRA Gain) impacted cash provided by operating activities in the year ended December 31, 2015 compared to the same period in 2014:

» a $17.9 million increase in depreciation and amortization primarily reflecting intangible assets acquired in the Company's 2014 acquisitions as well as an increase in the Company's capital expenditures to support investment in IT infrastructure and operations; and

» a $102.8 million increase reflecting the non-cash ICRA Gain in the prior year.

In addition to the non-cash items discussed above, the following working capital changes resulted in higher net cash flows provided by operating activities:

» a $72.9 million increase in cash flow from changes in accounts receivable balances primarily reflecting overall business growth. Approximately 33% and 29% of the Company's accounts receivable at December 31, 2015 and 2014, respectively, represent unbilled receivables which primarily reflect certain annual fees in MIS which are billed in arrears;

» an approximate $34 million increase due to the timing of income tax payments;

partially offset by:

» an approximate $58 million decrease primarily relating to higher incentive compensation payouts in 2015 compared to 2014 which reflected greater achievement against full-year targeted results in 2014 compared to 2013 as well as higher headcount.

Additionally, the Company made approximately $22 million and $34 million in contributions to its funded U.S. pension plan in 2015 and 2014, respectively.

Net cash provided by (used in) investing activities

Year ended December 31, 2016 compared to the year ended December 31, 2015:
The $194.0 million increase in cash flows provided by investing activities compared to 2015 primarily reflects:

» higher net maturities of short-term investments of $354.7 million;

Partially offset by:

» a $73.2 million increase in cash paid for acquisitions and equity investments primarily due to the acquisition of GGY in 2016;

» net cash paid of $23.1 million for the settlement of forward contracts designated as net investment hedges in 2016 compared to cash received of $39.7 million in 2015; and

» higher capital expenditures of approximately $26 million reflecting investment in the Company's IT and operational infrastructure.

Year ended December 31, 2015 compared to the year ended December 31, 2014:
The $472.9 million decrease in cash flows used in investing activities compared to 2014 primarily reflects:

» two immaterial acquisitions in 2015 compared to three larger transactions in 2014 totaling $239.7 million. The acquisitions in 2014 consisted of additional equity shares acquired of ICRA Limited to achieve a controlling interest as well as the acquisitions of WebEquity and Lewtan.

» lower net purchases of investments of $237.2 million.

Net cash used in financing activities

Year ended December 31, 2016 compared to the year ended December 31, 2015:
The $548.8 million increase in cash used in financing activities was primarily attributed to:

» $852.8 million from the issuance of long-term debt in 2015, no long-term debt was issued in 2016;

» $45.4 million paid to acquire the non-controlling interest of KIS and additional shares of KIS Pricing;

partially offset by:

» treasury shares repurchased of $738.8 million in 2016 compared to $1,098.1 million repurchased in 2015.

Year ended December 31, 2015 compared to the year ended December 31, 2014:
The $603.5 million decrease in cash used in financing activities was primarily attributed to:

» treasury shares repurchased of $1,220.5 million in 2014 compared to $1,098.1 million repurchased in 2015;

» cash paid of $183.8 million in 2014 to obtain 100% ownership in Copal Amba;

» $300 million paid in 2014 in the early repayment of the Series 2005-1 Notes;

» a $105.1 million increase from the issuance of long-term debt;

partially offset by:

» a decrease in proceeds from the exercise of employee stock options of $60.2 million reflecting a lower amount exercised in 2015;

» higher dividends paid to MCO shareholders of $36.1 million reflecting $1.36 per share paid in 2015 compared to $1.12 per share paid in 2014.

Cash and short-term investments held in non-U.S. jurisdictions
The Company's aggregate cash and cash equivalents and short-term investments of $2.2 billion at December 31, 2016 consisted of approximately $1.7 billion located outside of the U.S. Approximately 26% of the Company's aggregate cash and cash equivalents and short-term investments is denominated in euros and British pounds. Approximately 95% of the cash and cash equivalents and short-term investments in the Company's non-U.S. operations are held by entities whose undistributed earnings are indefinitely reinvested in the Company's foreign operations. Accordingly, the Company has not provided for deferred income taxes on these indefinitely reinvested earnings. A future distribution or change in assertion regarding reinvestment by the foreign subsidiaries relating to these earnings could result in additional tax liability to the Company. It is not practicable to determine the amount of the potential additional tax liability due to complexities in the tax laws and in the hypothetical calculations that would have to be made. The Company manages both its U.S. and international cash flow to maintain sufficient liquidity in all regions to effectively meet its operating needs.

Other Material Future Cash Requirements
The Company believes that it has the financial resources needed to meet its cash requirements and expects to have positive operating cash flow in 2017. Cash requirements for periods beyond the next twelve months will depend, among other things, on the Company's profitability and its ability to manage working capital requirements. The Company may also borrow from various sources.

The Company remains committed to using its strong cash flow to create value for shareholders by investing in growing areas of the business, reinvesting in ratings quality initiatives, making selective acquisitions, repurchasing stock and paying a dividend, all in manner consistent with maintaining sufficient liquidity after giving effect to any additional indebtedness that may be incurred. In December 2016, the Board of Directors of the Company declared a quarterly dividend of $0.38 per share of Moody's common stock, payable on March 10, 2017 to shareholders of record at the close of business on February 20, 2017. The continued payment of dividends at this rate, or at all, is subject to the discretion of the Board. In December 2015, the Board authorized $1.0 billion of share repurchase authority, which had a remaining repurchase authority of approximately $727 million at December 31, 2016. Full-year 2017 total share repurchases are expected to be approximately $500 million, subject to available cash, market conditions and other ongoing capital allocation decisions.

In January 2017, the Company reached an agreement with the DOJ and the attorneys general of 21 U.S. states and the District of Columbia to resolve pending and potential civil claims as more fully discussed in Note 19 to the consolidated financial statements in Item 8 of this Form 10-K. In accordance with this agreement, the Company will be required to pay a settlement amount of $863.8 million, most of which is expected to be paid in the first quarter of 2017. Accordingly, in order to manage near-term liquidity needs in light of this settlement payment, the Company began borrowing under its CP Program in the first quarter of 2017 as more fully discussed in "Indebtedness" below.

On February 6, 2008, the Company entered into an operating lease agreement to occupy six floors of an office tower located in the Canary Wharf district of London, England. The Canary Wharf lease has an initial term of 17.5- years with a total of 15 years of renewal options. The total base rent of the Canary Wharf Lease over its initial 17.5-year term is approximately £134 million, and the Company began making base rent payments in 2011. In addition to the base rent payments the Company will be obligated to pay certain customary amounts for its share of operating expenses and tax obligations. The total remaining lease payments as of December 31, 2016 are approximately £86 million, of which approximately £10 million will be paid in the next twelve months. Payments under this lease agreement are included in the contractual obligations table below.

On October 20, 2006, the Company entered into an operating lease agreement with 7 World Trade Center, LLC for 589,945 square-feet of an office building located at 7WTC at 250 Greenwich Street, New York, New York, which is serving as Moody's headquarters. The 7WTC Lease has an initial term of 21 years with a total of 20 years of renewal options. On March 28, 2007, the 7WTC lease agreement was amended for the Company to lease an additional 78,568 square-feet at 7WTC. The total remaining lease payments for the 7WTC leases noted above are $389 million as of December 31, 2016, of which approximately $35 million will be paid during the next twelve months. Payments under this lease agreement are included in the contractual obligations table below.

Indebtedness

At December 31, 2016, Moody's had $3.4 billion of outstanding debt and $1.0 billion of additional capacity available under the Company's CP program which is backstopped by the 2015 Facility as more fully discussed in Note 16 to the consolidated financial statements. There were no borrowings outstanding under the CP Program or 2015 Facility at December 31, 2016. In the first quarter of 2017, the Company began issuing CP to manage liquidity needs in light of the settlement payment to be made in the first quarter 2017 relating to a Settlement Charge as more fully discussed in Note 19 to the consolidated financial statements in Item 8 of this Form 10-K. As of February 22, 2017, the Company had $566.0 million of CP borrowings outstanding that have a weighted average maturity and interest rate of 63 days and 1.18%, respectively. At December 31, 2016, the Company was in compliance with all covenants contained within all of the debt agreements. The 2015 Facility, the 2007 Agreement, the 2010 Indenture, the 2012 Indenture, the 2013 Indenture, the 2014 Indenture and the 2015 Indenture contain cross default provisions. These provisions state that default under one of the aforementioned debt instruments could in turn permit lenders under other debt instruments to declare borrowings outstanding under those instruments to be immediately due and payable. At December 31, 2016, there were no such cross defaults.

The repayment schedule for the Company's borrowings outstanding at December 31, 2016 is as follows:

Year Ended December 31,	Series 2007-1 Notes	2010 Senior Notes	2012 Senior Notes	2013 Senior Notes	2014 Senior Notes (5-Year)	2014 Senior Notes (30-Year)	2015 Senior Notes	Total
2017*	$ 300.0	$ —	$ —	$ —	$ —	$ —	$ —	$ 300.0
2018		—	—	—	—	—	—	—
2019	—	—	—	—	450.0	—	—	450.0
2020	—	500.0	—	—		—	—	500.0
2021	—			—	—	—	—	—
Thereafter	—	—	500.0	500.0	—	600.0	527.4	2,127.4
Total	$ 300.0	$ 500.0	$ 500.0	$ 500.0	$ 450.0	$ 600.0	$ 527.4	$3,377.4

* On February 16, 2017, the Company notified the holders of the Series 2007-1 Notes that it intends to prepay the notes on March 20, 2017 in accordance with provisions set forth in the 2007 Agreement. Accordingly, the Company will make cash payments to the holders of the Series 2007-1 Notes totaling approximately $316 million in the first quarter of 2017 (payment consists of $300 million of principal, approximately $8 million in accrued interest, and approximately $8 million in pre-payment penalties).

Management may consider pursuing additional long-term financing when it is appropriate in light of cash requirements for operations, share repurchases and other strategic opportunities, which would result in higher financing costs.

Off-Balance Sheet Arrangements

At December 31, 2016, Moody's did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as special purpose or variable interest entities where Moody's is the primary beneficiary, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, Moody's is not exposed to any financing, liquidity, market or credit risk that could arise if it had engaged in such relationships.

Contractual Obligations

The following table presents payments due under the Company's contractual obligations as of December 31, 2016:

		Payments Due by Period			
(in millions)	**Total**	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**Over 5 Years**
Indebtedness (1)	**$ 4,832.4**	$ 438.3	$ 690.2	$ 697.5	$ 3,006.4
Operating lease obligations	**743.9**	101.9	161.0	137.2	343.8
Purchase obligations	**132.2**	55.0	56.5	20.7	—
Capital lease obligations	**0.7**	0.5	0.2	—	—
Pension obligations (2)	**152.9**	17.2	45.0	24.6	66.1
Settlement Charge (3)	**863.8**	863.8	—	—	—
Total(4)	**$ 6,725.9**	$ 1,476.7	$ 952.9	$ 880.0	$ 3,416.3

(1) Reflects principal payments, related interest and applicable fees due on the Series 2007-1 Notes, the 2010 Senior Notes, the 2012 Senior Notes, the 2013 Senior Notes, the 2014 Senior Notes (5-year), the 2014 Senior Notes (30-year), the 2015 Senior Notes and the 2015 Facility as described in Note 16 to the consolidated financial statements.

(2) Reflects projected contributions to the Company's funded U.S. DBPP and payments relating to the Company's U.S. unfunded DBPPs and Retirement and Other Plans described in Note 13 to the consolidated financial statements

(3) Reflects an agreement with the U.S. DOJ and the attorneys general of 21 U.S. states and the District of Columbia to resolve pending and potential civil claims related to the MIS segment as more fully discussed in Note 19 to the consolidated financial statements.

(4) The table above does not include the Company's net long-term tax liabilities of $199.8 million relating to UTB and Legacy Tax Matters, since the expected cash outflow of such amounts by period cannot be reasonably estimated.

Non-GAAP Financial Measures:

In addition to its reported results, Moody's has included in this MD&A certain adjusted results that the SEC defines as "non-GAAP financial measures." Management believes that such non-GAAP financial measures, when read in conjunction with the Company's reported results, can provide useful supplemental information for investors analyzing period to period comparisons of the Company's performance, facilitate comparisons to competitors' operating results and can provide greater transparency to investors of supplemental information used by management in its financial and operational decision-making. These non-GAAP measures, as defined by the Company, are not necessarily comparable to similarly defined measures of other companies. Furthermore, these non-GAAP measures should not be viewed in isolation or used as a substitute for other GAAP measures in assessing the operating performance or cash flows of the Company. Below are brief descriptions of the Company's non-GAAP financial measures accompanied by a reconciliation of the non-GAAP measure to its most directly comparable GAAP measure:

Constant Currency Measures:

The Company presents certain of its revenue on a constant currency basis because management deems this metric to be a useful measure of assessing the operations of the Company in times of foreign exchange rate volatility. Constant currency measures exclude the impact of changes in foreign exchange rates on operating results. The Company calculates the dollar impact of foreign exchange as the difference between the translation of its current period non-USD functional currency results using prior comparative period weighted average foreign exchange translation rates and current year as reported results. Growth rates on a constant currency basis are determined based on the difference between current period revenue translated using prior period comparative weighted average exchange rates and prior period as reported results divided by prior as reported results. Below is a reconciliation of the Company's as reported revenue changes to the revenue changes on a constant currency basis:

	Year Ended December 31, 2016							
	RD&A Revenue		**ERS Revenue**		**PS Revenue**		**Total External MA Revenue**	
	$	**%**	**$**	**%**	**$**	**%**	**$**	**%**
Reported change	$ 41.2	7%	$ 44.8	12%	$ (2.9)	(2%)	$ 83.1	7%
FX impact	16.4	2%	9.8	3%	2.6	2%	28.8	3%
Constant currency change	$ 57.6	9%	$ 54.6	15%	$ (0.3)	—	$111.9	10%

Adjusted Operating Income and Adjusted Operating Margin:

The Company presents Adjusted Operating Income because management deems this metric to be a useful measure of assessing the operating performance of Moody's. Adjusted Operating Income excludes depreciation and amortization as well as goodwill impairment charges because companies utilize productive assets of different ages and use different methods of acquiring productive assets including goodwill. Companies also have different methods of depreciating and amortizing productive assets as well as different methods of valuing goodwill. Adjusted Operating Income also excludes restructuring charges and the Settlement Charge as the frequency and magnitude of these charges may vary widely across periods and companies. Management believes that the exclusion of these items, detailed in the reconciliation below, allows for an additional perspective on the Company's operating results from period to period and across companies. The Company defines Adjusted Operating Margin as Adjusted Operating Income divided by revenue. Below is a reconciliation of the Company's operating income and operating margin to Adjusted Operating Income and Adjusted Operating Margin:

	Year Ended December 31,		
	2016	**2015**	**2014**
Operating income	**$ 638.7**	**$ 1,473.4**	**$ 1,439.1**
Adjustments:			
Restructuring	**12.0**	—	—
Depreciation and amortization	**126.7**	113.5	95.6
Settlement Charge	**863.8**	—	—
Adjusted Operating Income	**$ 1,641.2**	$ 1,586.9	$ 1,534.7
Operating margin	**17.7%**	42.3%	43.2%
Adjusted Operating Margin	**45.5%**	45.5%	46.0%

Adjusted Net Income and Diluted EPS

The Company presents these adjusted measures to exclude: i.) the Settlement Charge in 2016, ii.) restructuring charges, iii.) an FX gain related to the substantial liquidation of a subsidiary, iv.) Legacy Tax benefits and v.) the ICRA Gain as the frequency and magnitude of these matters may vary widely across periods and companies. These measures allow for an additional perspective when comparing Moody's Net Income and diluted earnings per share from period to period. Below is a reconciliation of these measures to their most directly comparable U.S. GAAP amount:

	Year ended December 31,					
		2016		2015		2014
Net income attributable to Moody's common shareholders		**$ 266.6**		**$ 941.3**		**$ 988.7**
Pre-tax restructuring	$ 12.0		$ —		$ —	
Tax on restructuring	(3.9)		—		—	
Net restructuring		**8.1**		—		—
Pre-tax Settlement Charge	$ 863.8		$ —		$ —	
Tax on Settlement Charge	(163.1)		—		—	
Net Settlement Charge		**700.7**		—		—
FX gain on liquidation of a subsidiary		**(34.8)**		—		—
Legacy Tax benefit		—		**(6.4)**		**(6.4)**
Pre-tax ICRA Gain	—		—		(102.8)	
Tax on ICRA Gain	—		—		24.3	
Net ICRA Gain		—		—		**(78.5)**
Adjusted Net income attributable to Moody's common shareholders		**$ 940.6**		$ 934.9		$ 903.8

	Year ended December 31,					
		2016		2015		2014
Diluted EPS attributable to Moody's common shareholders—GAAP		**$ 1.36**		**$ 4.63**		**$ 4.61**
Pre-tax restructuring	$ 0.06		$ —		$ —	
Tax on restructuring	(0.02)		—		—	
Net restructuring		**0.04**		—		—
Pre-tax Settlement Charge	$ 4.42		$ —		$ —	
Tax on Settlement Charge	(0.83)		—		—	
Net Settlement Charge		**3.59**		—		—
FX gain on liquidation of a subsidiary		**(0.18)**		—		—
Legacy Tax benefit		—		**(0.03)**		**(0.03)**
Pre-tax ICRA Gain	—		—		(0.48)	
Tax on ICRA Gain	—		—		0.11	
Net ICRA Gain		—		—		**(0.37)**
Adjusted Diluted EPS attributable to Moody's common shareholders		**$ 4.81**		**$ 4.60**		**$ 4.21**

Free Cash Flow:

The Company defines Free Cash Flow as net cash provided by operating activities minus payments for capital additions. Management believes that Free Cash Flow is a useful metric in assessing the Company's cash flows to service debt, pay dividends and to fund acquisitions and share repurchases. Management deems capital expenditures essential to the Company's product and service innovations and maintenance of Moody's operational capabilities. Accordingly, capital expenditures are deemed to be a recurring use of Moody's cash flow. Below is a reconciliation of the Company's net cash flows from operating activities to Free Cash Flow:

	Year Ended December 31,		
	2016	2015	2014
Net cash provided by operating activities	$ 1,226.1	$ 1,153.6	$ 1,018.6
Capital additions	(115.2)	(89.0)	(74.6)
Free Cash Flow	$ 1,110.9	$ 1,064.6	$ 944.0
Net cash provided by (used in) investing activities	$ 102.0	$ (92.0)	$ (564.9)
Net cash used in financing activities	$ (1,009.8)	$ (461.0)	$ (1,064.5)

Recently Issued Accounting Pronouncements

Refer to Note 2 to the consolidated financial statements located in Item 8 on this Form 10-K for a discussion on the impact to the Company relating to recently issued accounting pronouncements.

CONTINGENCIES

For information regarding legal proceedings, see Part II, Item 8 – "Financial Statements", Note 19 "Contingencies" in this Form 10-K.

Forward-Looking Statements

Certain statements contained in this annual report on Form 10-K are forward-looking statements and are based on future expectations, plans and prospects for the Company's business and operations that involve a number of risks and uncertainties. Such statements involve estimates, projections, goals, forecasts, assumptions and uncertainties that could cause actual results or outcomes to differ materially from those contemplated, expressed, projected, anticipated or implied in the forward-looking statements. Those statements appear at various places throughout this annual report on Form 10-K, including in the sections entitled "Contingencies" under Item 7. "MD&A", commencing on page 28 of this annual report on Form 10-K, under "Legal Proceedings" in Part I, Item 3, of this Form 10-K, and elsewhere in the context of statements containing the words "believe", "expect", "anticipate", "intend", "plan", "will", "predict", "potential", "continue", "strategy", "aspire", "target", "forecast", "project", "estimate", "should", "could", "may" and similar expressions or words and variations thereof relating to the Company's views on future events, trends and contingencies. Stockholders and investors are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements and other information are made as of the date of this annual report on Form 10-K, and the Company undertakes no obligation (nor does it intend) to publicly supplement, update or revise such statements on a going-forward basis, whether as a result of subsequent developments, changed expectations or otherwise. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company is identifying examples of factors, risks and uncertainties that could cause actual results to differ, perhaps materially, from those indicated by these forward-looking statements.

Those factors, risks and uncertainties include, but are not limited to, world-wide credit market disruptions or an economic slowdown, which could affect the volume of debt and other securities issued in domestic and/or global capital markets; other matters that could affect the volume of debt and other securities issued in domestic and/or global capital markets, including regulation, credit quality concerns, changes in interest rates and other volatility in the financial markets such as that due to the U.K.'s referendum vote whereby the U.K. citizens voted to withdraw from the EU; the level of merger and acquisition activity in the U.S. and abroad; the uncertain effectiveness and possible collateral consequences of U.S. and foreign government actions affecting world-wide credit markets, international trade and economic policy; concerns in the marketplace affecting our credibility or otherwise affecting market perceptions of the integrity or utility of independent credit agency ratings; the introduction of competing products or technologies by other companies; pricing pressure from competitors and/or customers; the level of success of new product development and global expansion; the impact of regulation as an NRSRO, the potential for new U.S., state and local legislation and regulations, including provisions in the Financial Reform Act and regulations resulting from that Act; the potential for increased competition and regulation in the EU and other foreign jurisdictions; exposure to litigation related to our rating opinions, as well as any other litigation, government and regulatory proceedings, investigations and inquires to which the Company may be subject from time to time; provisions in the Financial Reform Act legislation modifying the pleading standards, and EU regulations modifying the liability standards, applicable to credit rating agencies in a manner adverse to credit rating agencies; provisions of EU regulations imposing additional procedural and substantive requirements on the pricing of services; the possible loss of key employees; failures or malfunctions of our operations and infrastructure; any vulnerabilities to cyber threats or other cybersecurity concerns; the outcome of any review by controlling tax authorities of the Company's global tax planning initiatives; exposure to potential criminal sanctions or civil remedies if the Company fails to comply with foreign and U.S. laws and regulations that are applicable in the jurisdictions in which the Company operates, including sanctions laws, anti-corruption laws, and local laws prohibiting corrupt payments to government officials; the impact of mergers, acquisitions or other business combinations and the ability of the Company to successfully integrate acquired businesses; currency and foreign exchange volatility; the level of future cash flows; the levels of capital investments; and a decline in the demand for credit risk management tools by financial institutions. These factors, risks and uncertainties as well as other risks and uncertainties that could cause Moody's actual results to differ materially from those contemplated, expressed, projected, anticipated or implied in the forward-looking statements are described in greater detail under "Risk Factors" in Part I, Item 1A of this annual report on Form 10-K for the year ended December 31, 2016, and in other filings made by the Company from time to time with the SEC or in materials incorporated herein or therein. Stockholders and investors are cautioned that the occurrence of any of these factors, risks and uncertainties may cause the Company's actual results to differ materially from those contemplated, expressed, projected, anticipated or implied in the forward-looking statements, which could have a material and adverse effect on the Company's business, results of operations and financial condition. New factors may emerge from time to time, and it is not possible for the Company to predict new factors, nor can the Company assess the potential effect of any new factors on it.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information in response to this Item is set forth under the caption "Market Risk" in Part II, Item 7 on page 47 of this annual report on Form 10-K.

ITEM 8. FINANCIAL STATEMENTS

Index to Financial Statements

Schedules are omitted as not required or inapplicable or because the required information is provided in the consolidated financial statements, including the notes thereto.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Moody's Corporation is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the SEC in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, or persons performing similar functions, and effected by the Company's Board, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Moody's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of Moody's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management of the Company has undertaken an assessment of the design and operational effectiveness of the Company's internal control over financial reporting as of December 31, 2016 based on criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on the assessment performed, management has concluded that Moody's maintained effective internal control over financial reporting as of December 31, 2016.

The effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which appears herein.

/s/ RAYMOND W. MCDANIEL, JR.

Raymond W. McDaniel, Jr.
President and Chief Executive Officer

/s/ LINDA S. HUBER

Linda S. Huber
Executive Vice President and Chief Financial Officer

February 23, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Moody's Corporation:

We have audited the accompanying consolidated balance sheets of Moody's Corporation (the Company) as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, shareholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2016. We also have audited the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Moody's Corporation's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Moody's Corporation as of December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Moody's Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ KPMG LLP
New York, New York
February 23, 2017

MOODY'S CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in millions, except per share data)

	Year Ended December 31,		
	2016	2015	2014
Revenue	**$ 3,604.2**	$ 3,484.5	$ 3,334.3
Expenses			
Operating	**1,026.6**	976.3	930.3
Selling, general and administrative	**936.4**	921.3	869.3
Restructuring	**12.0**	—	—
Depreciation and amortization	**126.7**	113.5	95.6
Settlement Charge	**863.8**	—	—
Total expenses	**2,965.5**	2,011.1	1,895.2
Operating income	**638.7**	1,473.4	1,439.1
Non-operating (expense) income, net			
Interest expense, net	(137.8)	(115.1)	(116.8)
Other non-operating income, net	57.1	21.3	35.9
ICRA Gain	—	—	102.8
Non-operating (expense) income, net	(80.7)	(93.8)	21.9
Income before provision for income taxes	**558.0**	1,379.6	1,461.0
Provision for income taxes	282.2	430.0	455.0
Net income	**275.8**	949.6	1,006.0
Less: Net income attributable to noncontrolling interests	9.2	8.3	17.3
Net income attributable to Moody's	**$ 266.6**	$ 941.3	$ 988.7
Earnings per share			
Basic	**$ 1.38**	$ 4.70	$ 4.69
Diluted	**$ 1.36**	$ 4.63	$ 4.61
Weighted average shares outstanding			
Basic	**192.7**	200.1	210.7
Diluted	**195.4**	203.4	214.7

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in millions)

	Year Ended December 31, 2016			Year Ended December 31, 2015			Year Ended December 31, 2014		
	Pre-tax amounts	**Tax amounts**	**After-tax amounts**	**Pre-tax amounts**	**Tax amounts**	**After-tax amounts**	**Pre-tax amounts**	**Tax amounts**	**After-tax amounts**
Net Income			**$ 275.8**			$ 949.6			$ 1,006.0
Other Comprehensive Income (Loss):									
Foreign Currency Adjustments:									
Foreign currency translation adjustments, net	**$ (22.2)**	**$ (5.4)**	**(27.6)**	$ (110.5)	$ (14.7)	(125.2)	$ (123.0)	$ (10.7)	(133.7)
Foreign currency translation adjustments - reclassification of (gains) losses included in net income	**(36.6)**	**—**	**(36.6)**	(0.1)	—	(0.1)	4.4	—	4.4
Cash Flow Hedges:									
Net realized and unrealized loss on cash flow hedges	**(1.4)**	**0.5**	**(0.9)**	(1.1)	—	(1.1)	—	—	—
Reclassification of losses included in net income	**6.0**	**(2.3)**	**3.7**	—	—	—	—	—	—
Available for Sale Securities:									
Net unrealized gains on available for sale securities	**2.6**	**—**	**2.6**	3.3	—	3.3	1.0	—	1.0
Reclassification of gains included in net income	**—**	**—**	**—**	(0.9)	—	(0.9)	(0.1)	—	(0.1)
Pension and Other Retirement Benefits:									
Amortization of actuarial losses and prior service costs included in net income	**9.7**	**(3.7)**	**6.0**	13.5	(5.2)	8.3	7.3	(2.8)	4.5
Net actuarial gains (losses) and prior service costs	**0.3**	**(0.1)**	**0.2**	18.5	(7.1)	11.4	(93.8)	37.1	(56.7)
Total Other Comprehensive Loss	**$ (41.6)**	**$ (11.0)**	**(52.6)**	$ (77.3)	$ (27.0)	(104.3)	$ (204.2)	$ 23.6	(180.6)
Comprehensive Income			**223.2**			845.3			825.4
Less: comprehensive (loss) income attributable to noncontrolling interests and redeemable noncontrolling interest			**(18.0)**			8.3			17.3
Comprehensive Income Attributable to Moody's			**$ 241.2**			$ 837.0			$ 808.1

The accompanying notes are an integral part of the consolidated financial statements.

MOODY'S CORPORATION

CONSOLIDATED BALANCE SHEETS

(Amounts in millions, except share and per share data)

	December 31,	
	2016	**2015**
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 2,051.5**	$ 1,757.4
Short-term investments	**173.4**	474.8
Accounts receivable, net of allowances of $25.7 in 2016 and $27.5 in 2015	**887.4**	802.0
Deferred tax assets, net	**—**	29.3
Other current assets	**140.8**	179.6
Total current assets	**3,253.1**	3,243.1
Property and equipment, net	**325.9**	306.4
Goodwill	**1,023.6**	976.3
Intangible assets, net	**296.4**	299.1
Deferred tax assets, net	**316.1**	137.7
Other assets	**112.2**	140.4
Total assets	**$ 5,327.3**	$ 5,103.0
LIABILITIES, NONCONTROLLING INTERESTS AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 1,444.3**	$ 566.6
Deferred tax liabilities, net	**—**	16.7
Current portion of long-term debt	**300.0**	—
Deferred revenue	**683.9**	635.2
Total current liabilities	**2,428.2**	1,218.5
Non-current portion of deferred revenue	**134.1**	132.5
Long-term debt	**3,063.0**	3,380.6
Deferred tax liabilities, net	**104.3**	83.8
Unrecognized tax benefits	**199.8**	203.4
Other liabilities	**425.2**	417.2
Total liabilities	**6,354.6**	5,436.0
Contingencies (Note 19)	**—**	—
Shareholders' (deficit) equity:		
Preferred stock, par value $.01 per share; 10,000,000 shares authorized; no shares issued and outstanding	**—**	—
Series common stock, par value $.01 per share; 10,000,000 shares authorized; no shares issued and outstanding	**—**	—
Common stock, par value $.01 per share; 1,000,000,000 shares authorized; 342,902,272 shares issued at December 31, 2016 and December 31, 2015, respectively.	**3.4**	3.4
Capital surplus	**477.2**	451.3
Retained earnings	**6,688.9**	6,709.0
Treasury stock, at cost; 152,208,231 and 146,826,744 shares of common stock at December 31, 2016 and December 31, 2015, respectively	**(8,029.6)**	(7,389.2)
Accumulated other comprehensive loss	**(364.9)**	(339.5)
Total Moody's shareholders' deficit	**(1,225.0)**	(565.0)
Noncontrolling interests	**197.7**	232.0
Total shareholders' deficit	**(1,027.3)**	(333.0)
Total liabilities, noncontrolling interests and shareholders' deficit	**$ 5,327.3**	$ 5,103.0

The accompanying notes are an integral part of the consolidated financial statements.

MOODY'S CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in millions)

	Year Ended December 31,		
	2016	**2015**	**2014**
Cash flows from operating activities			
Net income	**$ 275.8**	$ 949.6	$ 1,006.0
Reconciliation of net income to net cash provided by operating activities:			
Depreciation and amortization	**126.7**	113.5	95.6
Stock-based compensation	**98.1**	87.2	80.4
FX gain relating to liquidation and sale of subsidiaries	**(36.6)**	—	—
Deferred income taxes	**(153.1)**	18.1	29.9
Excess tax benefits from settlement of stock-based compensation awards	**(33.1)**	(44.5)	(58.7)
ICRA Gain	**—**	—	(102.8)
Legacy Tax Matters	**(1.6)**	(6.4)	(6.4)
Changes in assets and liabilities:			
Accounts receivable	**(104.8)**	(25.4)	(98.3)
Other current assets	**37.0**	(28.9)	(41.0)
Other assets	**6.6**	(13.1)	(1.7)
Accounts payable and accrued liabilities	**908.7**	51.4	59.2
Deferred revenue	**74.9**	31.6	38.4
Unrecognized tax benefits and other non-current tax liabilities	**2.2**	(10.9)	30.6
Other liabilities	**25.3**	31.4	(12.6)
Net cash provided by operating activities	**1,226.1**	1,153.6	1,018.6
Cash flows from investing activities			
Capital additions	**(115.2)**	(89.0)	(74.6)
Purchases of investments	**(379.9)**	(688.2)	(406.3)
Sales and maturities of investments	**699.5**	653.1	134.0
Cash paid for acquisitions, net of cash acquired and equity investments	**(80.8)**	(7.6)	(239.7)
Receipts from settlements of net investment hedges	**3.8**	39.7	21.7
Payments for settlements of net investment hedges	**(26.9)**	—	—
Cash received upon disposal of a subsidiary, net of cash transferred to purchaser	**1.5**	—	—
Net cash provided by (used in) investing activities	**102.0**	(92.0)	(564.9)
Cash flows from financing activities			
Issuance of notes	**—**	852.8	747.7
Repayment of notes	**—**	—	(300.0)
Proceeds from stock-based compensation plans	**77.8**	89.2	149.4
Repurchase of shares related to stock-based compensation	**(44.4)**	(59.5)	(51.4)
Excess tax benefits from settlement of stock-based compensation awards	**33.1**	44.5	58.7
Treasury shares	**(738.8)**	(1,098.1)	(1,220.5)
Dividends	**(285.1)**	(272.1)	(236.0)
Dividends to noncontrolling interests	**(6.7)**	(6.8)	(11.8)
Payment for noncontrolling interest	**(45.4)**	—	(183.8)
Contingent consideration	**(0.2)**	(1.5)	(10.3)
Debt issuance costs and related fees	**(0.1)**	(9.5)	(6.5)
Net cash used in financing activities	**(1,009.8)**	(461.0)	(1,064.5)
Effect of exchange rate changes on cash and cash equivalents	**(24.2)**	(62.7)	(89.2)
Increase (Decrease) in cash and cash equivalents	**294.1**	537.9	(700.0)
Cash and cash equivalents, beginning of period	**1,757.4**	1,219.5	1,919.5
Cash and cash equivalents, end of period	**$ 2,051.5**	$ 1,757.4	$ 1,219.5

The accompanying notes are an integral part of the consolidated financial statements

MOODY'S CORPORATION

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIT)

(Amounts in millions)

	Shareholders' of Moody's Corporation									
	Common Stock				Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total Moody's Shareholders' Equity (Deficit)	Non-Controlling Interests	Total Shareholders' Equity (Deficit)
	Shares	Amount	Capital Surplus	Retained Earnings	Shares	Amount				
Balance at December 31, 2013	**342.9**	**$ 3.4**	**$ 405.8**	**$5,302.1**	**(128.9)**	**$(5,319.7)**	**$ (54.6)**	**$ 337.0**	**$ 10.9**	**$ 347.9**
Net income				988.7				988.7	7.9	996.6
Dividends				(246.5)				(246.5)	(6.9)	(253.4)
Non-controlling interest resulting from majority acquisition of ICRA								—	218.8	218.8
Stock-based compensation			80.6					80.6		80.6
Shares issued for stock-based compensation plans at average cost, net			(58.0)		4.2	156.0		98.0		98.0
Net excess tax benefits upon settlement of stock-based compensation awards			54.7					54.7		54.7
Adjustment to redemption value of redeemable noncontrolling interest			(99.2)					(99.2)		(99.2)
Treasury shares repurchased					(13.8)	(1,220.5)		(1,220.5)		(1,220.5)
Currency translation adjustment, (net of tax of $10.7 million)							(129.3)	(129.3)		(129.3)
Net actuarial losses and prior service cost (net of tax of $37.1 million)							(56.7)	(56.7)		(56.7)
Amortization of prior service costs and actuarial losses, (net of tax of $2.8 million)							4.5	4.5		4.5
Net unrealized gain on available for sale securities							0.9	0.9		0.9
Balance at December 31, 2014	**342.9**	**$ 3.4**	**$ 383.9**	**$6,044.3**	**(138.5)**	**$(6,384.2)**	**$ (235.2)**	**$ (187.8)**	**$ 230.7**	**$ 42.9**

The accompanying notes are an integral part of the consolidated financial statements.

(continued on next page)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT) *continued*

(Amounts in millions)

	Shareholders' of Moody's Corporation									
	Common Stock				Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total Moody's Shareholders' Equity (Deficit)	Non-Controlling Interests	Total Shareholders' Equity (Deficit)
	Shares	Amount	Capital Surplus	Retained Earnings	Shares	Amount				
Balance at December 31, 2014	**342.9**	**$ 3.4**	**$ 383.9**	**$6,044.3**	**(138.5)**	**$(6,384.2)**	**$ (235.2)**	**$ (187.8)**	**$ 230.7**	**42.9**
Net income				941.3				941.3	8.3	949.6
Dividends				(276.6)				(276.6)	(7.0)	(283.6)
Stock-based compensation			87.5					87.5		87.5
Shares issued for stock-based compensation plans at average cost, net			(63.5)		2.6	93.1		29.6		29.6
Net excess tax benefits upon settlement of stock-based compensation awards			43.4					43.4		43.4
Treasury shares repurchased					(10.9)	(1,098.1)		(1,098.1)		(1,098.1)
Currency translation adjustment (net of tax of $14.7 million)							(125.3)	(125.3)		(125.3)
Net actuarial losses and prior service cost (net of tax of $7.1 million)							11.4	11.4		11.4
Amortization of prior service costs and actuarial losses, (net of tax of $5.2 million)							8.3	8.3		8.3
Net unrealized gain on available for sale securities							2.4	2.4		2.4
Net realized loss on cash flow hedges							(1.1)	(1.1)		(1.1)
Balance at December 31, 2015	**342.9**	**$ 3.4**	**$ 451.3**	**$6,709.0**	**(146.8)**	**$(7,389.2)**	**$ (339.5)**	**$ (565.0)**	**$ 232.0**	**(333.0)**

The accompanying notes are an integral part of the consolidated financial statements.

(continued on next page)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT) *continued*
(Amounts in millions)

	Shareholders' of Moody's Corporation									
	Common Stock				Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total Moody's Shareholders' Equity (Deficit)	Non-Controlling Interests	Total Shareholders' Equity
	Shares	Amount	Capital Surplus	Retained Earnings	Shares	Amount				
Balance at December 31, 2015	**342.9**	**$ 3.4**	**$ 451.3**	**$6,709.0**	**(146.8)**	**$(7,389.2)**	**$ (339.5)**	**$ (565.0)**	**$ 232.0**	**(333.0)**
Net income				266.6				266.6	9.2	275.8
Dividends				(286.7)				(286.7)	(6.7)	(293.4)
Stock-based compensation			98.4					98.4		98.4
Shares issued for stock-based compensation plans at average cost, net			(65.0)		2.3	98.4		33.4		33.4
Net excess tax benefits upon settlement of stock-based compensation awards			32.0					32.0		32.0
Purchase of noncontrolling interest			(39.5)					(39.5)	(9.6)	(49.1)
Treasury shares repurchased					(7.7)	(738.8)		(738.8)		(738.8)
Currency translation adjustment (net of tax of $5.4 million)							(34.2)	(34.2)	(30.0)	(64.2)
Net actuarial losses and prior service cost (net of tax of $0.1 million)							0.2	0.2		0.2
Amortization of prior service costs and actuarial losses, (net of tax of $3.7 million)							6.0	6.0		6.0
Net unrealized gain on available for sale securities							(0.2)	(0.2)	2.8	2.6
Net realized and unrealized gain on cash flow hedges (net of tax of $1.8 million)							2.8	2.8		2.8
Balance at December 31, 2016	**342.9**	**$ 3.4**	**$ 477.2**	**$6,688.9**	**(152.2)**	**$(8,029.6)**	**$ (364.9)**	**$ (1,225.0)**	**$ 197.7**	**$ (1,027.3)**

The accompanying notes are an integral part of the consolidated financial statements.

(tabular dollar and share amounts in millions, except per share data)

NOTE 1 DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Moody's is a provider of (i) credit ratings, (ii) credit, capital markets and economic research, data and analytical tools, (iii) software solutions and related risk management services, (iv) quantitative credit risk measures, financial services training and certification services and (v) research and analytical services. Moody's has two reportable segments: MIS and MA.

MIS, the credit rating agency, publishes credit ratings on a wide range of debt obligations and the entities that issue such obligations in markets worldwide. Revenue is primarily derived from the originators and issuers of such transactions who use MIS ratings in the distribution of their debt issues to investors. Additionally, MIS earns revenue from certain non-ratings-related operations which consist primarily of the distribution of research and financial instrument pricing services in the Asia-Pacific region as well as revenue from ICRA's non-ratings operations. The revenue from these operations is included in the MIS Other LOB and is not material to the results of the MIS segment.

The MA segment develops a wide range of products and services that support financial analysis and risk management activities of institutional participants in global financial markets. Within its RD&A business, MA distributes research and data developed by MIS as part of its ratings process, including in-depth research on major debt issuers, industry studies and commentary on topical credit-related events. The RD&A business also produces economic research as well as data and analytical tools such as quantitative credit risk scores. Within its ERS business, MA provides software solutions as well as related risk management services. The PS business provides research and analytical services along with financial training and certification programs.

In the first quarter of 2016, the Company adopted ASU No. 2015-17 "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes" on a prospective basis, and accordingly, prior year comparative periods have not been adjusted. This ASU requires the classification of all deferred income tax assets and liabilities as noncurrent on the balance sheet.

In the first quarter of 2016, the Company adopted ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs" on a retrospective basis. This ASU requires a company to present debt issuance costs in the balance sheet as a reduction of debt rather than as an asset. The impact to the Company's balance sheet as of December 31, 2016 and 2015 relating to the adoption of this ASU is set forth in the table below:

Certain reclassifications have been made to prior period amounts to conform to the current presentation.

	As reported December 31, 2015	Reclassification	December 31, 2015 As adjusted	As reported December 31, 2016	Reclassification	December 31, 2016 Under previous accounting guidance
Long-term debt	$ 3,401.0	$ (20.4)	$ 3,380.6	$ 3,063.0	$ 17.7	$ 3,080.7
Other assets	$ 160.8	$ (20.4)	$ 140.4	$ 112.2	$ 17.7	$ 129.9

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include those of Moody's Corporation and its majority- and wholly-owned subsidiaries. The effects of all intercompany transactions have been eliminated. Investments in companies for which the Company has significant influence over operating and financial policies but not a controlling interest are accounted for on an equity basis whereby the Company records its proportional share of the investment's net income or loss as part of other non-operating income (expense), net and any dividends received reduce the carrying amount of the investment. The Company applies the guidelines set forth in Topic 810 of the ASC in assessing its interests in variable interest entities to decide whether to consolidate that entity. The Company has reviewed the potential variable interest entities and determined that there are no consolidation requirements under Topic 810 of the ASC. The Company consolidates its ICRA subsidiaries on a three month lag.

Cash and Cash Equivalents

Cash equivalents principally consist of investments in money market mutual funds and money market deposit accounts as well as high-grade commercial paper and certificates of deposit with maturities of three months or less when purchased.

Short-term Investments

Short-term investments are securities with maturities greater than 90 days at the time of purchase that are available for operations in the next 12 months. The Company's short-term investments primarily consist of certificates of deposit and their cost approximates fair value due to the short-term nature of the instruments. Interest and dividends on these investments are recorded into income when earned.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives. Expenditures for maintenance and repairs that do not extend the economic useful life of the related assets are charged to expense as incurred.

Research and Development Costs

All research and development costs are expensed as incurred. These costs primarily reflect the development of credit processing software and quantitative credit risk assessment products sold by the MA segment.

Research and development costs were $40.1 million, $29.1 million, and $37.9 million for the years ended December 31, 2016, 2015 and 2014, respectively, and are included in operating expenses within the Company's consolidated statements of operations. These costs generally consist of professional services provided by third parties and compensation costs of employees.

Costs for internally developed computer software that will be sold, leased or otherwise marketed are capitalized when technological feasibility has been established. These costs primarily relate to the development or enhancement of products in the ERS business and generally consist of professional services provided by third parties and compensation costs of employees that develop the software. Judgment is required in determining when technological feasibility of a product is established and the Company believes that technological feasibility for its software products is reached after all high-risk development issues have been resolved through coding and testing. Generally, this occurs shortly before the products are released to customers. Accordingly, costs for internally developed computer software that will be sold, leased or otherwise marketed that were eligible for capitalization under Topic 985 of the ASC were immaterial for the years ended December 31, 2016, 2015 and 2014.

Computer Software Developed or Obtained for Internal Use

The Company capitalizes costs related to software developed or obtained for internal use. These assets, included in property and equipment in the consolidated balance sheets, relate to the Company's accounting, product delivery and other systems. Such costs generally consist of direct costs for third-party license fees, professional services provided by third parties and employee compensation, in each case incurred either during the application development stage or in connection with upgrades and enhancements that increase functionality. Such costs are depreciated over their estimated useful lives on a straight-line basis. Costs incurred during the preliminary project stage of development as well as maintenance costs are expensed as incurred.

Long-Lived Assets, Including Goodwill and Other Acquired Intangible Assets

Moody's evaluates its goodwill for impairment at the reporting unit level, defined as an operating segment or one level below an operating segment, annually as of July 31 or more frequently if impairment indicators arise in accordance with ASC Topic 350.

The Company evaluates the recoverability of goodwill using a three-step impairment test approach at the reporting unit level. In the first step, the Company assesses various qualitative factors to determine whether the fair value of a reporting unit may be less than its carrying amount. If a determination is made that, based on the qualitative factors, an impairment does not exist, the Company is not required to perform further testing. If the aforementioned qualitative assessment results in the Company concluding that it is more likely than not that the fair value of a reporting unit may be less than its carrying amount, the fair value of the reporting unit will be determined and compared to its carrying value including goodwill. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and the Company is not required to perform further testing. If the fair value of the reporting unit is less than the carrying value, the Company must perform a third step of the impairment test to determine the implied fair value of the reporting unit's goodwill. The implied fair value of the goodwill is determined based on the difference between the fair value of the reporting unit and the net fair value of the identifiable assets and liabilities of the reporting unit. If the implied fair value of the goodwill is less than its carrying value, the difference is recognized as an impairment charge. The Company evaluates its reporting units for impairment on an annual basis, or more frequently if there are changes in the reporting structure of the Company due to acquisitions or realignments or if there are indicators of potential impairment. For the reporting units where the Company is consistently able to conclude that an impairment does not exist using only a qualitative approach, the Company's accounting policy is to perform the second step of the aforementioned goodwill impairment assessment at least once every three years. Goodwill is assigned to a reporting unit at the date when an acquisition is integrated into one of the established reporting units, and is based on which reporting unit is expected to benefit from the synergies of the acquisition.

For purposes of assessing the recoverability of goodwill, the Company has six primary reporting units at December 31, 2016: two within the Company's ratings business (one for the ICRA business and one that encompasses all of Moody's other ratings operations) and four reporting units within MA: RD&A, ERS, FSTC and MAKS. The RD&A reporting unit encompasses the distribution of investor-oriented research and data developed by MIS as part of its ratings process, in-depth research on major debt issuers, industry studies, economic research and commentary on topical events and credit analytic tools. The ERS reporting unit consists of credit risk management and compliance software that is sold on a license or subscription basis as well as related advisory services for implementation and maintenance. The FSTC reporting unit consists of the portion of the MA business that offers both credit training as well as other professional development training and certification services. The MAKS reporting unit consists of research and analytical services.

Amortizable intangible assets are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Rent Expense

The Company records rent expense on a straight-line basis over the life of the lease. In cases where there is a free rent period or future fixed rent escalations the Company will record a deferred rent liability. Additionally, the receipt of any lease incentives will be recorded as a deferred rent liability which will be amortized over the lease term as a reduction of rent expense.

Stock-Based Compensation

The Company records compensation expense for all share-based payment award transactions granted to employees based on the fair value of the equity instrument at the time of grant. This includes shares issued under stock option and restricted stock plans. The Company has also established a pool of additional paid-in capital related to the net Excess Tax Benefits relating to employee share-based compensation, which is available to absorb any recognized tax shortfalls.

Derivative Instruments and Hedging Activities

Based on the Company's risk management policy, from time to time the Company may use derivative financial instruments to reduce exposure to changes in foreign exchange rates and interest rates. The Company does not enter into derivative financial instruments for speculative purposes. All derivative financial instruments are recorded on the balance sheet at their respective fair values. The changes in the value of derivatives that qualify as fair value hedges are recorded with a corresponding adjustment to the carrying value of the item being hedged. Changes in the derivative's fair value that qualify as cash flow hedges are recorded to other comprehensive income or loss, to the extent the hedge is effective, and such amounts are reclassified from accumulated other comprehensive income or loss to earnings in the same period or periods during which the hedged transaction affects income. Changes in the derivative's fair value that qualify as net investment hedges are recorded to other comprehensive income or loss, to the extent the hedge is effective. Any changes in the fair value of derivatives that the Company does not designate as hedging instruments under Topic 815 of the ASC are recorded in the consolidated statements of operations in the period in which they occur.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or the services have been provided and accepted by the customer when applicable, fees are determinable and the collection of resulting receivables is considered probable.

Pursuant to ASC Topic 605, when a sales arrangement contains multiple deliverables, the Company allocates revenue to each deliverable based on its relative selling price which is determined based on its vendor specific objective evidence if available, third party evidence if VSOE is not available, or estimated selling price if neither VSOE nor TPE is available.

The Company's products and services will generally qualify as separate units of accounting under ASC Topic 605. The Company evaluates each deliverable in an arrangement to determine whether it represents a separate unit of accounting. A deliverable constitutes a separate unit of accounting when it has stand-alone value to the customers and if the arrangement includes a customer refund or return right relative to the delivered item and the delivery and performance of the undelivered item is considered probable and substantially in the Company's control. In instances where the aforementioned criteria are not met, the deliverable is combined with the undelivered items and revenue recognition is determined as one single unit.

The Company determines whether its selling price in a multi-element transaction meets the VSOE criteria by using the price charged for a deliverable when sold separately or, if the deliverable is not yet being sold separately, the price established by management having the relevant authority to establish such a price. In instances where the Company is not able to establish VSOE for all deliverables in a multiple element arrangement, which may be due to the Company infrequently selling each element separately, not selling products within a reasonably narrow price range, or only having a limited sales history, the Company attempts to establish TPE for deliverables. The Company determines whether TPE exists by evaluating largely similar and interchangeable competitor products or services in standalone sales to similarly situated customers. However, due to the difficulty in obtaining third party pricing, possible differences in its market strategy from that of its peers and the potential that products and services offered by the Company may contain a significant level of differentiation and/or customization such that the comparable pricing of products with similar functionality cannot be obtained, the Company generally is unable to reliably determine TPE. Based on the selling price hierarchy established by ASC Topic 605, when the Company is unable to establish selling price using VSOE or TPE, the Company will establish an ESP. ESP is the price at which the Company would transact a sale if the product or service were sold on a stand-alone basis. The Company establishes its best estimate of ESP considering internal factors relevant to is pricing practices such as costs and margin objectives, standalone sales prices of similar products, percentage of the fee charged for a primary product or service relative to a related product or service, and customer segment and geography. Additional consideration is also given to market conditions such as competitor pricing strategies and market trend. The Company reviews its determination of VSOE, TPE and ESP on an annual basis or more frequently as needed.

In the MIS segment, revenue attributed to initial ratings of issued securities is recognized when the rating is issued. Revenue attributed to monitoring of issuers or issued securities is recognized ratably over the period in which the monitoring is performed, generally one year. In the case of commercial mortgage-backed securities, structured credit, international residential mortgage-backed and asset-backed securities, issuers can elect to pay the monitoring fees upfront. These fees are deferred and recognized over the future monitoring periods based on the expected lives of the rated securities, which was approximately 25 years on a weighted average basis at December 31, 2016. At December 31, 2016, 2015 and 2014, deferred revenue related to these securities was approximately $133 million, $121 million, and $107 million, respectively.

Multiple element revenue arrangements in the MIS segment are generally comprised of an initial rating and the related monitoring service. In instances where monitoring fees are not charged for the first year monitoring effort, fees are allocated to the initial rating and monitoring services based on the relative selling price of each service to the total arrangement fees. The Company generally uses ESP in determining the selling price for its initial ratings as the Company rarely sells initial ratings separately without providing related monitoring services and thus is unable to establish VSOE or TPE for initial ratings.

MIS estimates revenue for ratings of commercial paper for which, in addition to a fixed annual monitoring fee, issuers are billed quarterly based on amounts outstanding. Revenue is accrued each quarter based on estimated amounts outstanding and is billed when actual data is available. The estimate is determined based on the issuers' most recent reported quarterly data. At December 31, 2016, 2015 and 2014, accounts receivable included approximately $25 million, $24 million, and $22 million, respectively, related to accrued commercial paper revenue. Historically, MIS has not had material differences between the estimated revenue and the actual billings. Furthermore, for certain annual monitoring services, fees are not invoiced until the end of the annual monitoring period and revenue is accrued ratably over the monitoring period. At December 31, 2016, 2015, and 2014, accounts receivable included approximately $159.1 million, $146.4 million, and $127.8 million, respectively, relating to accrued monitoring service revenue.

In the MA segment, products and services offered by the Company include software licenses and related maintenance, subscriptions, and professional services. Revenue from subscription based products, such as research and data subscriptions and certain software-based credit risk management subscription products, is recognized ratably over the related subscription period, which is principally one year. Revenue from sale of perpetual licenses of credit processing software is generally recognized at the time the product master or first copy is delivered or transferred to and accepted by the customer. If uncertainty exists regarding customer acceptance of the product or service, revenue is not recognized until acceptance occurs. Software maintenance revenue is recognized ratably over the annual maintenance period. Revenue from professional services rendered is generally recognized as the services are performed. A large portion of annual research and data subscriptions and annual software maintenance are invoiced in the months of November, December and January.

Products and services offered within the MA segment are sold either stand-alone or together in various combinations. In instances where a multiple element arrangement includes software and non-software deliverables, revenue is allocated to the non-software deliverables and to the software deliverables, as a group, using the relative selling prices of each of the deliverables in the arrangement based on the aforementioned selling price hierarchy. Revenue is recognized for each element based upon the conditions for revenue recognition noted above.

If the arrangement contains more than one software deliverable, the arrangement consideration allocated to the software deliverables as a group is allocated to each software deliverable using VSOE. In the instances where the Company is not able to determine VSOE for all of the deliverables of an arrangement, the Company allocates the revenue to the undelivered elements equal to its VSOE and the residual revenue to the delivered elements. If the Company is unable to determine VSOE for an undelivered element, the Company defers all revenue allocated to the software deliverables until the Company has delivered all of the elements or when VSOE has been determined for the undelivered elements. In cases where software implementation services are considered essential and VSOE of fair value exists for post-contract customer support ("PCS"), once the delivery criteria has been met on the standard software, license and service revenue is recognized on a percentage-of-completion basis as implementation services are performed, while PCS is recognized over the coverage period. If VSOE of fair value does not exist for PCS, once the delivery criteria has been met on the standard software, service revenue is recognized on a zero profit margin basis until essential services are complete, at which point total remaining arrangement revenue is then spread ratably over the remaining PCS coverage period. If VSOE does not exist for PCS at the beginning of an arrangement but is established during implementation, revenue not recognized due to the absence of VSOE will be recognized on a cumulative basis.

Accounts Receivable Allowances

Moody's records an allowance for estimated future adjustments to customer billings as a reduction of revenue, based on historical experience and current conditions. Such amounts are reflected as additions to the accounts receivable allowance. Additionally, estimates of uncollectible accounts are recorded as bad debt expense and are reflected as additions to the accounts receivable allowance. Actual billing adjustments and uncollectible account write-offs are recorded against the allowance. Moody's evaluates its accounts receivable allowance by reviewing and assessing historical collection and adjustment experience and the current status of customer accounts. Moody's also considers the economic environment of the customers, both from an industry and geographic perspective, in evaluating the need for allowances. Based on its analysis, Moody's adjusts its allowance as considered appropriate in the circumstances.

Contingencies

Moody's is involved in legal and tax proceedings, governmental investigations and inquiries, claims and litigation that are incidental to the Company's business, including claims based on ratings assigned by MIS. Moody's is also subject to ongoing tax audits in the normal course of business. Management periodically assesses the Company's liabilities and contingencies in connection with these matters based upon the latest information available. Moody's discloses material pending legal proceedings pursuant to SEC rules and other pending matters as it may determine to be appropriate.

For claims, litigation and proceedings and governmental investigations and inquires not related to income taxes, where it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated, the Company records liabilities in the consolidated financial statements and periodically adjusts these as appropriate. When the reasonable estimate of the loss is within a range of amounts, the minimum amount of the range is accrued unless some higher amount within the range is a better estimate than another amount within the range. In other instances, where a loss is reasonably possible, management does not record a liability because of uncertainties related to the probable outcome and/or the amount or range of loss, but discloses the contingency if significant. As additional information becomes available, the Company adjusts its assessments and estimates of such matters accordingly. In view of the inherent difficulty of predicting the outcome of litigation, regulatory, governmental investigations and inquiries, enforcement and similar matters, particularly where the claimants seek large or indeterminate damages or where the parties assert novel legal theories or the matters involve a large number of parties, the Company cannot predict what the eventual outcome of the pending matters will be or the timing of any resolution of such matters. The Company also cannot predict the impact (if any) that any such matters may have on how its business is conducted, on its competitive position or on its financial position, results of operations or cash flows. As the process to resolve any pending matters progresses, management will continue to review the latest information available and assess its ability to predict the outcome of such matters and the effects, if any, on its operations and financial condition. However, in light of the large or indeterminate damages sought in some of them, the absence of similar court rulings on the theories of law asserted and uncertainties regarding apportionment of any potential damages, an estimate of the range of possible losses cannot be made at this time.

The Company's wholly-owned insurance subsidiary insures the Company against certain risks including but not limited to deductibles for worker's compensation, employment practices litigation and employee medical claims and terrorism, for which the claims are not material to the Company. In addition, for claim years 2008 and 2009, the insurance subsidiary insured the Company for defense costs related to professional liability claims. For matters insured by the Company's insurance subsidiary, Moody's records liabilities based on the estimated total claims expected to be paid and total projected costs to defend a claim through its anticipated conclusion. The Company determines liabilities based on an assessment of management's best estimate of claims to be paid and legal defense costs as well as actuarially determined estimates. Defense costs for matters not self-insured by the Company's wholly-owned insurance subsidiary are expensed as services are provided.

For income tax matters, the Company employs the prescribed methodology of Topic 740 of the ASC which requires a company to first determine whether it is more-likely-than-not (defined as a likelihood of more than fifty percent) that a tax position will be sustained based on its technical merits as of the reporting date, assuming that taxing authorities will examine the position and have full knowledge of all relevant information. A tax position that meets this more-likely-than-not threshold is then measured and recognized at the largest amount of benefit that is greater than fifty percent likely to be realized upon effective settlement with a taxing authority.

Operating Expenses

Operating expenses include costs associated with the development and production of the Company's products and services and their delivery to customers. These expenses principally include employee compensation and benefits and travel costs that are incurred in connection with these activities. Operating expenses are charged to income as incurred, except for certain costs related to software implementation services which are deferred until related revenue is recognized. Additionally, certain costs incurred to develop internal use software are capitalized and depreciated over their estimated useful life.

Selling, General and Administrative Expenses

SG&A expenses include such items as compensation and benefits for corporate officers and staff and compensation and other expenses related to sales of products. They also include items such as office rent, business insurance, professional fees and gains and losses from sales and disposals of assets. SG&A expenses are charged to income as incurred, except for certain expenses incurred to develop internal use software are capitalized and depreciated over their estimated useful life.

Redeemable Noncontrolling Interest

The Company records its redeemable noncontrolling interest at fair value on the date of the related business combination transaction. The redeemable noncontrolling interest represents noncontrolling shareholders' interest in entities which are controlled but not wholly-owned by Moody's and for which Moody's obligation to redeem the minority shareholders' interest is governed by a put/call relationship. Subsequent to the initial measurement, the redeemable noncontrolling interest is recorded at the greater of its redemption value or its carrying value at the end of each reporting period. If the redeemable noncontrolling interest is carried at its redemption value, the difference between the redemption value and the carrying value would be adjusted through capital surplus at the end of each reporting period. The Company also performs a quarterly assessment to determine if the aforementioned redemption value exceeds the fair value of the redeemable noncontrolling interest. If the redemption value of the redeemable noncontrolling interest were to exceed its fair value, the excess would reduce the net income attributable to Moody's shareholders. The Company settled its redeemable noncontrolling interest in the fourth quarter of 2014 by exercising its call option to acquire the remaining share of Copal Amba that it did not previously own.

Foreign Currency Translation

For all operations outside the U.S. where the Company has designated the local currency as the functional currency, assets and liabilities are translated into U.S. dollars using end of year exchange rates, and revenue and expenses are translated using average exchange rates for the year. For these foreign operations, currency translation adjustments are accumulated in a separate component of shareholders' deficit.

Comprehensive Income

Comprehensive income represents the change in net assets of a business enterprise during a period due to transactions and other events and circumstances from non-owner sources including foreign currency translation impacts, net actuarial losses and net prior service costs related to pension and other retirement plans, gains and losses on derivative instruments designated as net investment hedges or cash flow hedges and unrealized gains and losses on securities designated as 'available-for-sale' under Topic 320 of the ASC. Comprehensive income items, including cumulative translation adjustments of entities that are less-than-wholly-owned subsidiaries, will be reclassified to noncontrolling interests and thereby, adjusting accumulated other comprehensive income proportionately in accordance with the percentage of ownership interest of the NCI shareholder.

Income Taxes

The Company accounts for income taxes under the asset and liability method in accordance with ASC Topic 740. Therefore, income tax expense is based on reported income before income taxes and deferred income taxes reflect the effect of temporary differences between the amounts of assets and liabilities that are recognized for financial reporting purposes and the amounts that are recognized for income tax purposes. In 2016, the Company adopted ASU No. 2015-17, "Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes" whereby all deferred income tax assets and liabilities as well as any related valuation allowances are classified as non-current on the balance sheet.

The Company classifies interest related to unrecognized tax benefits as a component of interest expense in its consolidated statements of operations. Penalties are recognized in other non-operating expenses. For uncertain tax positions ("UTPs"), the Company first determines whether it is more-likely-than-not (defined as a likelihood of more than fifty percent) that a tax position will be sustained based on its technical merits as of the reporting date, assuming that taxing authorities will examine the position and have full knowledge of all relevant information. A tax position that meets this more-likely-than-not threshold is then measured and recognized at the largest amount of benefit that is greater than fifty percent likely to be realized upon effective settlement with a taxing authority.

For certain of its non-U.S. subsidiaries, the Company has deemed the undistributed earnings relating to these subsidiaries to be indefinitely reinvested within its foreign operations. Accordingly, the Company has not provided deferred income taxes on these indefinitely reinvested earnings. It is not practicable to determine the amount of deferred taxes that might be required to be provided if such earnings were distributed in the future due to complexities in the tax laws and in the hypothetical calculations that would have to be made.

Fair Value of Financial Instruments

The Company's financial instruments include cash, cash equivalents, trade receivables and payables, all of which are short-term in nature and, accordingly, approximate fair value. Additionally, the Company invests in certain short-term investments consisting primarily of certificates of deposit that are carried at cost, which approximates fair value due to their short-term maturities.

The Company also has certain investments in closed-ended and open-ended mutual funds in India which are designated as 'available for sale' under Topic 320 of the ASC. Accordingly, unrealized gains and losses on these investments are recorded to other comprehensive income and are reclassified out of accumulated other comprehensive income to the statement of operations when the investment matures or is sold using a specific identification method.

Also, the Company uses derivative instruments, as further described in Note 5, to manage certain financial exposures that occur in the normal course of business. These derivative instruments are carried at fair value on the Company's consolidated balance sheets.

The Company also was subject to contingent consideration obligations related to certain of its acquisitions as more fully discussed in Note 10. These obligations were carried at their estimated fair value within the Company's consolidated balance sheets.

Fair value is defined by the ASC as the price that would be received from selling an asset or paid to transfer a liability (i.e., an exit price) in an orderly transaction between market participants at the measurement date. The determination of this fair value is based on the principal or most advantageous market in which the Company could commence transactions and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions and risk of nonperformance. Also, determination of fair value assumes that market participants will consider the highest and best use of the asset.

The ASC establishes a fair value hierarchy whereby the inputs contained in valuation techniques used to measure fair value are categorized into three broad levels as follows:

Level 1: quoted market prices in active markets that the reporting entity has the ability to access at the date of the fair value measurement;

Level 2: inputs other than quoted market prices described in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3: unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement of the assets or liabilities.

Concentration of Credit Risk
Financial instruments that potentially subject the Company to concentration of credit risk principally consist of cash and cash equivalents, short-term investments, trade receivables and derivatives.

The Company manages its credit risk exposure by allocating its cash equivalents among various money market mutual funds, money market deposit accounts, certificates of deposits and high-grade commercial paper. Short-term investments primarily consist of certificates of deposit as of December 31, 2016 and 2015. The Company manages its credit risk exposure on cash equivalents and short-term investments by limiting the amount it can invest with any single entity. No customer accounted for 10% or more of accounts receivable at December 31, 2016 or 2015.

Earnings (Loss) per Share of Common Stock
Basic shares outstanding is calculated based on the weighted average number of shares of common stock outstanding during the reporting period. Diluted shares outstanding is calculated giving effect to all potentially dilutive common shares, assuming that such shares were outstanding and dilutive during the reporting period.

Pension and Other Retirement Benefits
Moody's maintains various noncontributory DBPPs as well as other contributory and noncontributory retirement plans. The expense and assets/liabilities that the Company reports for its pension and other retirement benefits are dependent on many assumptions concerning the outcome of future events and circumstances. These assumptions represent the Company's best estimates and may vary by plan. The differences between the assumptions for the expected long-term rate of return on plan assets and actual experience is spread over a five-year period to the market-related value of plan assets which is used in determining the expected return on assets component of annual pension expense. All other actuarial gains and losses are generally deferred and amortized over the estimated average future working life of active plan participants.

The Company recognizes as an asset or liability in its consolidated balance sheet the funded status of its defined benefit retirement plans, measured on a plan-by-plan basis. Changes in the funded status due to actuarial gains/losses are recorded as part of other comprehensive income during the period the changes occur.

Use of Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Estimates are used for, but not limited to, revenue recognition, accounts receivable allowances, income taxes, contingencies, valuation of long-lived and intangible assets, goodwill, pension and other retirement benefits, stock-based compensation, and depreciable lives for property and equipment and computer software.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". This ASU outlines a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14 "Revenue from Contracts with Customers (Topic 606), Deferral of the Effective Date" which defers the effective date of the ASU for annual and interim reporting periods beginning after December 15, 2017, with early adoption permitted up to the original effective date of December 15, 2016. In addition, during 2016, the FASB issued additional updates clarifying the implementation guidance for the new revenue recognition standard.

The Company intends to adopt the new revenue guidance as of January 1, 2018 using the modified retrospective transition method and is currently evaluating the impact that adoption of these updates will have on its consolidated financial statements. Currently, the Company believes this ASU will have an impact on, but is not limited to: i) the accounting for certain software subscription revenue in MA whereby the license rights within the arrangement would be recognized at the inception of the contract based on estimated standalone selling price with the remainder recognized over the subscription period; ii) the accounting for certain ERS revenue arrangements where VSOE is not currently available under ASC 605 should result in the acceleration of revenue recognition and iii) the capitalization of certain contract implementation costs for its ERS business which will be expensed as incurred under the new standard.

In January 2016, the FASB issued ASU No. 2016-01 "Financial Instruments—Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities". The amendments in this ASU update various aspects of recognition, measurement, presentation and disclosures relating to financial instruments. This ASU is effective for fiscal years beginning after December 15, 2017. The Company is currently evaluating the impact of this ASU on the Company's financial statements. The Company believes that the most pertinent impact to its financial statements upon the adoption of this ASU will relate to the discontinuance of the available-for-sale classification for investments in equity securities (unrealized gains and losses were recorded through OCI). Accordingly, subsequent to adoption of this ASU, changes in the fair value of equity securities held by the Company will be recorded through earnings.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" requiring lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation of expenses and cash flows will depend on classification as either a finance or operating lease. This ASU is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. This standard must be adopted using a modified retrospective approach whereby leases will be presented in accordance with the new standard as of the earliest period presented. The Company is currently evaluating the impact of this ASU on the Company's financial statements. The Company believes that the most notable impact to its financial statements upon the adoption of this ASU will be the recognition of a material right-of-use asset and lease liability for its real estate leases.

In March 2016, the FASB issued ASU No. 2016-07, "Investments—Equity Method and Joint Ventures (Topic 323), Simplifying the Transition to the Equity Method of Accounting". This ASU amends the accounting for an investment not previously accounted for under the equity method that subsequently qualifies for the equity method of accounting. It requires a company to add the cost of the additional interest acquired to its current basis and the commencement of the equity method of accounting when the criteria are met. In addition, the unrealized gains or losses in accumulated other comprehensive related to an available for sale equity security should be recognized through earnings if the investment subsequently qualifies for the equity method of accounting. The amendments of this ASU are effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The adoption of this ASU will only impact the Company if an investment not previously accounted for under the equity method qualifies for accounting under the equity method.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation—Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting". This ASU changes various aspects related to the accounting for share-based payments including: i) accounting for Excess Tax Benefits and shortfalls; ii) the accounting for forfeitures; iii) restrictions on the value of shares retained by an entity to fund the employee's portion of payroll taxes; and iv) classification of Excess Tax Benefits in the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2016 and early adoption is permitted if all amendments are adopted in the same period. The Company expects that the most significant effect of this ASU will be the impact on its reported Net Income and Diluted EPS as Excess Tax Benefits and shortfalls will be recorded to the provision for income taxes under this ASU as compared to an adjustment to capital surplus under current GAAP. The Company will adopt this ASU in the first quarter of 2017. The Company expects that the adoption of this ASU will result in a benefit to the 2017 ETR of approximately 200 BPS, or a $0.15 benefit per diluted share. This estimated impact is subject to change based on the trading price of the Company's stock on the date that stock-based compensation awards are exercised/delivered and on the volume of employee exercises/delivery of restricted stock. Due to the sensitivity that Moody's stock price has on the value of the Excess Tax Benefit/Shortfall, the impact in a given year may not be indicative of the impact in future years.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments". The amendments in this ASU require the use of an "expected credit loss" impairment model for most financial assets reported at amortized cost which will require entities to estimate expected credit losses over the lifetime of the instrument. This may result in the earlier recognition of allowances for losses. For available-for-sale debt securities with unrealized losses, an allowance for credit losses will be recognized as a contra account to the amortized cost carrying value of the asset rather than a direct reduction to the carrying value, with changes in the allowance impacting earnings. This ASU is effective for annual and interim reporting periods beginning after December 15, 2019, with early adoption permitted in annual and interim reporting periods beginning after December 15, 2018. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first effective reporting period. The Company is currently evaluating the impact of this ASU on its financial statements. Currently, the Company believes that the most notable impact of this ASU will relate to its processes around the assessment of the adequacy of its allowance for doubtful accounts on accounts receivable.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments". This ASU adds or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows with the intent to alleviate diversity in practice for classifying various types of cash flows. This ASU is effective for annual and interim reporting periods beginning after December 15, 2017, with early adoption permitted. The Company will apply this clarification guidance in its statements of cash flows upon adoption.

In October 2016, the FASB issued ASU No. 2016-16, "Income Taxes (Topic 740), Intra-Entity Transfers of Assets Other Than Inventory". This ASU requires companies to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs, instead of deferring recognition until the asset has been sold to a third party as required under current GAAP. The ASU is effective for annual and interim reporting periods beginning after December 15, 2017, using a modified retrospective approach, with the cumulative effect recognized through retained earnings at the date of adoption. Early adoption is permitted. The Company intends to early adopt this ASU in the first quarter of 2017 and does not anticipate it will have a material impact on its financial statements.

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations (Topic 805), Clarifying the Definition of a Business". This ASU clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This ASU is effective for annual and interim reporting periods beginning after December 15, 2017 and should be applied prospectively. Early adoption is permitted. Upon adoption, the Company will apply the guidance in this ASU when evaluating whether acquired assets and activities constitute a business.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles—Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment". This ASU removes the step of the goodwill impairment assessment in which a company must measure a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Under the ASU, goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. This ASU is effective for annual and interim reporting periods beginning after December 15, 2019 and should be applied prospectively. Early adoption is permitted. The Company intends to early adopt this ASU for impairment assessments performed in 2017.

NOTE 3 **RECONCILIATION OF WEIGHTED AVERAGE SHARES OUTSTANDING**

Below is a reconciliation of basic to diluted shares outstanding:

	Year Ended December 31,		
	2016	**2015**	**2014**
Basic	**192.7**	200.1	210.7
Dilutive effect of shares issuable under stock-based compensation plans	**2.7**	3.3	4.0
Diluted	**195.4**	203.4	214.7
Antidilutive options to purchase common shares and restricted stock as well as contingently issuable restricted stock which are excluded from the table above	**0.6**	0.7	0.7

The calculation of diluted EPS requires certain assumptions regarding the use of both cash proceeds and assumed proceeds that would be received upon the exercise of stock options and vesting of restricted stock outstanding as of December 31, 2016, 2015 and 2014. These assumed proceeds include Excess Tax Benefits and any unrecognized compensation on the awards.

The decrease in the diluted shares outstanding primarily reflects treasury share repurchases under the Company's Board authorized share repurchase program.

NOTE 4 CASH EQUIVALENTS AND INVESTMENTS

The table below provides additional information on the Company's cash equivalents and investments:

	As of December 31, 2016					
				Balance sheet location		
	Cost	Gross Unrealized Gains	Fair Value	Cash and cash equivalents	Short-term investments	Other assets
Money market mutual funds	$ 189.0	$ —	$ 189.0	$ 189.0	$ —	$ —
Certificates of deposit and money market deposit accounts (1)	$1,190.5	$ —	$ 1,190.5	$ 1,017.0	$ 173.4	$ 0.1
Fixed maturity and open ended mutual funds (2)	$ 27.0	$ 5.6	$ 32.6	$ —	$ —	$32.6

	As of December 31, 2015					
				Balance sheet location		
	Cost	Gross Unrealized Gains	Fair Value	Cash and cash equivalents	Short-term investments	Other assets
Money market mutual funds	$ 188.3	$ —	$ 188.3	$ 188.3	$ —	$ —
Certificates of deposit and money market deposit accounts (1)	$1,307.3	$ —	$ 1,307.3	$ 809.4	$ 474.8	$23.1
Fixed maturity and open ended mutual funds (2)	$ 28.7	$ 3.2	$ 31.9	$ —	$ —	$31.9

(1) Consists of time deposits and money market deposit accounts. The remaining contractual maturities for the certificates of deposits classified as short-term investments were one month to 12 months at both December 31, 2016 and December 31, 2015. The remaining contractual maturities for the certificates of deposits classified in other assets are 13 months to 15 months at December 31, 2016 and one month to 27 months at December 31, 2015. Time deposits with a maturity of less than 90 days at time of purchase are classified as cash and cash equivalents.

(2) Consists of investments in fixed maturity mutual funds and open-ended mutual funds. The remaining contractual maturities for the fixed maturity instruments range from six months to 19 months and 11 months to 31 months at December 31, 2016 and December 31, 2015 respectively.

The money market mutual funds as well as the fixed maturity and open ended mutual funds in the table above are deemed to be 'available for sale' under ASC Topic 320 and the fair value of these instruments is determined using Level 1 inputs as defined in the ASC.

NOTE 5 DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to global market risks, including risks from changes in FX rates and changes in interest rates. Accordingly, the Company uses derivatives in certain instances to manage the aforementioned financial exposures that occur in the normal course of business. The Company does not hold or issue derivatives for speculative purposes.

Derivatives and non-derivative instruments designated as accounting hedges:

Interest Rate Swaps

The Company has entered into interest rate swaps to convert the fixed interest rate on certain of its long-term debt to a floating interest rate based on the 3-month LIBOR. The purpose of these hedges is to mitigate the risk associated with changes in the fair value of the long-term debt, thus the Company has designated these swaps as fair value hedges. The fair value of the swaps is adjusted quarterly with a corresponding adjustment to the carrying value of the debt. The changes in the fair value of the swaps and the underlying hedged item generally offset and the net cash settlements on the swaps are recorded each period within interest expense, net in the Company's consolidated statement of operations.

The following table summarizes the Company's interest rate swaps designated as fair value hedges:

		Notional Amount As of December 31,		
Hedged Item	Nature of Swap	2016	2015	Floating Interest Rate
$500M fixed-rate 2010 Senior Notes due 2020	Pay Floating/Receive Fixed	$ 500.0	$ 500.0	3-month LIBOR
$450M fixed-rate 2014 Senior Notes due 2019	Pay Floating/Receive Fixed	$ 450.0	$ 450.0	3-month LIBOR
$500M fixed-rate 2012 Senior Notes due 2022	Pay Floating/Receive Fixed	$ 80.0	—	3-month LIBOR

The following table summarizes the impact to the statement of operations of the Company's interest rate swaps designated as fair value hedges:

		Amount of Income Recognized in the Consolidated Statements of Operations		
		Year Ended December 31,		
		2016	**2015**	**2014**
Derivatives Designated as Fair Value Accounting Hedges	**Location on Consolidated Statement of Operations**			
Interest rate swaps	Interest expense, net	**$ 11.2**	$ 15.2	$ 11.7

Cross-currency swaps

In conjunction with the issuance of the 2015 Senior Notes, the Company entered into a cross-currency swap to exchange €100 million for U.S. dollars on the date of the settlement of the notes. The purpose of this cross-currency swap is to mitigate FX risk on the remaining principal balance on the 2015 Senior Notes that was not designated as a net investment hedge as more fully discussed below. Under the terms of the swap, the Company will pay the counterparty interest on the $110.5 million received at 3.945% per annum and the counterparty will pay the Company interest on the €100 million paid at 1.75% per annum. These interest payments will be settled in March of each year, beginning in 2016, until either the maturity of the cross-currency swap in 2027 or upon early termination at the discretion of the Company. The principal payments on this cross currency swap will be settled in 2027, concurrent with the repayment of the 2015 Senior Notes at maturity or upon early termination at the discretion of the Company. In March 2016, the Company designated these cross-currency swaps as cash flow hedges. Accordingly, changes in fair value subsequent to the date the swaps were designated as cash flow hedges will initially be recognized in OCI. Gains and losses on the swaps initially recognized in OCI will be reclassified to the statement of operations in the period in which changes in the underlying hedged item affects net income. Ineffectiveness, if any, will be recognized in other non-operating (expense) income, net in the Company's consolidated statement of operations.

Net Investment Hedges

The Company enters into foreign currency forward contracts that are designated as net investment hedges and additionally has designated €400 million of the 2015 Senior Notes as a net investment hedge. These hedges are intended to mitigate FX exposure related to non-U.S. dollar net investments in certain foreign subsidiaries against changes in foreign exchange rates. These net investment hedges are designated as accounting hedges under the applicable sections of Topic 815 of the ASC.

Hedge effectiveness is assessed based on the overall changes in the fair value of the hedge. For hedges that meet the effectiveness requirements, any change in the fair value are recorded in AOCI in the foreign currency translation account. Any change in the fair value of these hedges that is the result of ineffectiveness is recognized immediately in other non-operating (expense) income, net in the Company's consolidated statement of operations.

The following table summarizes the notional amounts of the Company's outstanding forward contracts that are designated as net investment hedges:

	December 31, 2016		December 31, 2015	
	Sell	**Buy**	**Sell**	**Buy**
Notional amount of net investment hedges:				
Contracts to sell GBP for euros	**£22.1**	**€26.4**	£ 21.2	€ 29.1
Contracts to sell Japanese yen for USD	**¥ —**	**$ —**	¥19,400.0	$161.8

The outstanding contracts to sell GBP for euros mature in June 2017. The hedge relating to the portion of the 2015 Senior Notes that was designated as a net investment hedge will end upon the repayment of the notes in 2027 unless terminated earlier at the discretion of the Company.

The following table provides information on the gains/(losses) on the Company's net investment and cash flow hedges:

Derivatives and Non-Derivative Instruments in Net Investment Hedging Relationships	Amount of Gain/(Loss) Recognized in AOCI on Derivative (Effective Portion), net of Tax			Amount of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion), net of tax		
	Year Ended December 31,			Year Ended December 31,		
	2016	2015	2014	**2016**	2015	2014
FX forwards	**$(12.0)**	$13.4	$19.4	**$ —**	$ —	$ —
Long-term debt	**7.8**	4.7	—	**—**	—	—
Total net investment hedges	**$ (4.2)**	$18.1	$19.4	**$ —**	$ —	$ —

Derivatives in Cash Flow Hedging Relationships	Year Ended December 31,			Year Ended December 31,		
	2016	2015	2014	**2016**	2015	2014
Cross currency swap	**$ (0.9)**	$ —	$ —	**$ (3.7)***	$ —	$ —
Treasury rate lock	**—**	(1.1)	—	**—**	—	—
Total cash flow hedges	**(0.9)**	(1.1)	—	**(3.7)**	—	—
Total	**$ (5.1)**	$17.0	$19.4	**$ (3.7)**	$ —	$ —

* Reflects $6 million in losses recorded in other non-operating income, net and $2.3 million relating to the tax effect of the aforementioned item.

The cumulative amount of realized and unrecognized net investment and cash flow hedge gains/(losses) recorded in AOCI is as follows:

	Cumulative Gains/(Losses), net of tax	
	December 31, 2016	December 31, 2015
Net investment hedges		
FX forwards	**$ 22.3**	$ 34.3
Long-term debt	**12.5**	4.7
Total net investment hedges	**$ 34.8**	$ 39.0
Cash flow hedges		
Treasury rate lock	**(1.1)**	(1.1)
Cross currency swap	**2.8**	—
Total losses on cash flow hedges	**1.7**	(1.1)
Total net gains in AOCI	**$ 36.5**	$ 37.9

Derivatives not designated as accounting hedges:

Foreign exchange forwards

The Company also enters into foreign exchange forwards to mitigate the change in fair value on certain assets and liabilities denominated in currencies other than a subsidiary's functional currency. These forward contracts are not designated as accounting hedges under the applicable sections of Topic 815 of the ASC. Accordingly, changes in the fair value of these contracts are recognized immediately in other non-operating income, net in the Company's consolidated statements of operations along with the FX gain or loss recognized on the assets and liabilities denominated in a currency other than the subsidiary's functional currency. These contracts have expiration dates at various times through June 2017.

The following table summarizes the notional amounts of the Company's outstanding foreign exchange forwards:

	December 31, 2016				December 31, 2015			
	Sell		Buy		Sell		Buy	
Notional Amount of Currency Pair:								
Contracts to sell USD for euros	**$**	**—**	**€**	**—**	$	70.1	€	63.4
Contracts to purchase euros with Singapore dollars	**S$**	**55.5**	**€**	**36.0**	S$	55.2	€	35.5
Contracts to sell euros for Singapore dollars	**€**	**—**	**S$**	**—**	€	1.4	S$	2.2
Contracts to sell euros for GBP	**€**	**31.0**	**£**	**25.9**	€	23.1	£	16.7

NOTE: € = Euro, £ = British pound, S$ = Singapore dollar, $ = U.S. dollar

The following table summarizes the impact to the consolidated statements of operations relating to the net losses on the Company's derivatives which are not designated as hedging instruments:

		Year Ended December 31,		
Derivatives Not Designated as Accounting Hedges	**Location on Statement of Operations**	**2016**	**2015**	**2014**
Foreign exchange forwards	Other non-operating income, net	**$ (7.2)**	$ (2.8)	$ (2.0)

The table below shows the classification between assets and liabilities on the Company's consolidated balance sheets for the fair value of the derivative instrument as well as the carrying value of its non-derivative debt instruments designated and qualifying as net investment hedges:

	Derivative and Non-derivative Instruments		
	Balance Sheet Location	**December 31, 2016**	**December 31, 2015**
Assets:			
Derivatives designated as accounting hedges:			
FX forwards on net investment in certain foreign subsidiaries	Other current assets	**$ 0.6**	$ 0.4
Interest rate swaps	Other assets	**7.0**	12.1
Total derivatives designated as accounting hedges		**7.6**	12.5
Derivatives not designated as accounting hedges:			
FX forwards on certain assets and liabilities	Other current assets	**—**	0.1
Total assets		**$ 7.6**	$ 12.6
Liabilities:			
Derivatives designated as accounting hedges:			
FX forwards on net investment in certain foreign subsidiaries	Accounts payable and accrued liabilities	**$ —**	$ 1.2
Interest rate swaps	Other non-current liabilities	**0.8**	0.3
Total derivatives designated as accounting hedges		**0.8**	1.5
Non-derivative instrument designated as accounting hedge:			
Long-term debt designated as net investment hedge	Long-term debt	**421.9**	434.5
Derivatives not designated as accounting hedges:			
Cross-currency swap	Other non-current liabilities	**3.8**	7.0
FX forwards on certain assets and liabilities	Accounts payable and. accrued liabilities	**0.8**	1.9
Total liabilities		**$ 427.3**	$ 444.9

NOTE 6 PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of:

	December 31,	
	2016	2015
Office and computer equipment (3 – 10 year estimated useful life)	**$ 189.1**	$ 172.1
Office furniture and fixtures (3 – 10 year estimated useful life)	**47.1**	45.4
Internal-use computer software (1 – 10 year estimated useful life)	**452.1**	387.0
Leasehold improvements and building (2 – 20 year estimated useful life)	**233.1**	220.8
Total property and equipment, at cost	**921.4**	825.3
Less: accumulated depreciation and amortization	**(595.5)**	(518.9)
Total property and equipment, net	**$ 325.9**	$ 306.4

Depreciation and amortization expense related to the above assets was $92.5 million, $81.6 million, and $67.2 million for the years ended December 31, 2016, 2015 and 2014, respectively.

NOTE 7 ACQUISITIONS

The business combinations described below are accounted for using the acquisition method of accounting whereby assets acquired and liabilities assumed were recognized at fair value on the date of the transaction. Any excess of the purchase price over the fair value of the assets acquired and liabilities assumed was recorded to goodwill. The Company has not presented proforma combined results because the impact on previously reported statements of operations would not have been material. Additionally, the near term impact to the Company's operations and cash flows is not material. These acquisitions are discussed below in more detail.

Korea Investor Service (KIS)

In July 2016, a subsidiary of the Company acquired the non-controlling interest of KIS and additional shares of KIS Pricing. The aggregate purchase price was not material and the near term impact to operations and cash flow is not expected to be material. KIS and KIS Pricing are a part of the MIS segment.

Gilliland Gold Young (GGY)

On March 1, 2016, subsidiaries of the Company acquired 100% of GGY, a leading provider of advanced actuarial software for the life insurance industry. The cash payments noted in the table below were funded with cash on hand. The acquisition of GGY will allow MA to provide an industry-leading enterprise risk offering for global life insurers and reinsurers.

The table below details the total consideration relating to the acquisition:

Cash paid at closing	$ 83.4
Additional consideration paid to sellers in the third quarter 2016[(1)]	3.1
Total consideration	$ 86.5

(1) Represents additional consideration paid to the sellers for amounts withheld at closing pending the completion of certain administrative matters

Shown below is the purchase price allocation, which summarizes the fair value of the assets and liabilities assumed, at the date of acquisition:

Current assets			$	11.7
Property and equipment, net				2.0
Indemnification assets				1.5
Intangible assets:				
Trade name (19 year weighted average life)	$	3.7		
Client relationships (21 year weighted average life)		13.8		
Software (7 year weighted average life)		16.6		
Total intangible assets (14 year weighted average life)				34.1
Goodwill				59.4
Liabilities				(22.2)
Net assets acquired			$	86.5

Current assets in the table above include acquired cash of $7.5 million. Additionally, current assets include accounts receivable of $2.9 million. Goodwill, which has been assigned to the MA segment, is not deductible for tax.

In connection with the acquisition, the Company assumed liabilities relating to UTBs and certain other tax exposures which are included in the liabilities assumed in the table above. The sellers have contractually indemnified the Company against any potential payments that may have to be made regarding these amounts. Accordingly, the Company carries an indemnification asset on its consolidated balance sheet at December 31, 2016.

The Company incurred $0.9 million of costs directly related to the GGY acquisition of which $0.6 million was incurred in 2015 and $0.3 million was incurred in the first quarter of 2016. These costs are recorded within selling, general and administrative expenses in the Company's consolidated statements of operations.

GGY is part of the ERS reporting unit for purposes of the Company's annual goodwill impairment assessment.

BlackBox Logic

On December 9, 2015, a subsidiary of the Company acquired the RMBS data and analytics business of BlackBox Logic. The aggregate purchase price was not material and the near term impact to the Company's operations and cash flows is not expected to be material. This business operates in the MA reportable segment and goodwill related to this acquisition has been allocated to the RD&A reporting unit.

Equilibrium

On May 21, 2015, a subsidiary of the Company acquired 100% of Equilibrium, a provider of credit rating and research services in Peru and Panama. The aggregate purchase price was not material and the near term impact to the Company's operations and cash flows is not expected to be material. Equilibrium operates in the MIS reportable segment and goodwill related to this acquisition has been allocated to the MIS reporting unit.

Lewtan Technologies

On October 27, 2014, a subsidiary of the Company acquired 100% of Lewtan Technologies, a leading provider of analytical tools and data for the global structured finance market. The acquisition of Lewtan bolstered MA's Structured Analytics and Valuations (SAV) business within its RD&A LOB, which provides an extensive data and analytics library for securitized assets. The aggregate purchase price is not material. Lewtan operates in the RD&A LOB of MA and goodwill related to this acquisition was allocated to the RD&A reporting unit.

WebEquity Solutions, LLC

On July 17, 2014, a subsidiary of the Company acquired 100% of WebEquity Solutions, LLC, a leading provider of cloud-based loan origination solutions for financial institutions. The payment of $130.5 million was funded with cash on hand. This acquisition enhanced MA's risk management product portfolio.

Shown below is the purchase price allocation, which summarizes the fair value of the assets and liabilities assumed, at the date of the acquisition:

Current assets			$	3.0
Property and equipment, net				2.3
Intangible assets:				
Client relationships (18 year weighted average life)	$	42.8		
Software (15 year weighted average life)		11.5		
Trade name (4 year weighted average life)		0.5		
Total intangible assets (17 year weighted average life)				54.8
Goodwill				77.6
Liabilities assumed				(7.2)
Net assets acquired			$	130.5

The acquired goodwill, which has been assigned to the MA segment, will be deductible for tax.

As of the date of the acquisition, WebEquity is part of the ERS reporting unit.

ICRA Limited

On June 26, 2014, a subsidiary of the Company acquired 2,154,722 additional shares of ICRA Limited, a publicly traded company in India. ICRA is a leading provider of credit ratings and research in India and extends MIS's reach in the growing domestic debt market in India as well as other emerging markets in the region. The acquisition of the additional shares increased Moody's ownership stake in ICRA from 28.5% to just over 50%, resulting in a controlling interest in ICRA. Moody's consolidates ICRA's financial statements on a three-month lag.

Prior to the acquisition of the additional shares, Moody's accounted for its investment in ICRA on an equity basis whereby the Company recorded its proportional share of the investment's net income or loss as part of other non-operating income (expense), net. The acquisition of the additional shares has resulted in the Company consolidating ICRA into its financial statements. As a result of this consolidation and in accordance with ASC 805, the carrying value of the Company's equity investment in ICRA was remeasured to fair value as of the acquisition date resulting in a pre-tax gain of $102.8 million ($78.5 million after-tax) in the second quarter of 2014. The fair value of the Company's equity investment was based on ICRA's quoted market price on the date of acquisition.

The table below details the total consideration relating to the ICRA step-acquisition:

Cash paid	$	86.0
Fair value of equity interest in ICRA prior to obtaining a controlling interest		124.9
Total consideration	$	210.9

The cash paid in the table above was funded above using Moody's non-U.S. cash on hand.

Shown below is the purchase price allocation, which summarizes the fair value of the assets and liabilities assumed, at the date of acquisition:

Current assets			$	25.4
Property and equipment, net				15.1
Intangible assets:				
Trade name (36 year weighted average life)	$	46.8		
Client relationships (19 year weighted average life)		33.8		
Other (17 year weighted average life)*		18.3		
Total intangible assets (26 year weighted average life)				98.9
Goodwill				296.7
Other assets				56.3
Liabilities				(62.7)
Fair value of non-controlling interest assumed				(218.8)
Net assets acquired			$	210.9

* Primarily consists of acquired technical know-how and ratings methodologies

Current assets include acquired cash of approximately $5 million. Additionally, current assets includes gross accounts receivable of approximately $14 million, of which an immaterial amount is not expected to be collectible. Goodwill, which has been assigned to the MIS segment, is not deductible for tax.

The fair value of the non-controlling interest was determined based on the quoted market price per share of ICRA on the date that the Company acquired the controlling stake.

ICRA operates at its own reporting unit for purposes of the Company's annual goodwill impairment assessment.

In the fourth quarter of 2016, ICRA divested its interest in ICTEAS, which is part of the MIS Other LOB, and resulted in an immaterial gain. The impact of ICTEAS's operations, financial position and cash flows were not material to Moody's.

NOTE 8 GOODWILL AND OTHER ACQUIRED INTANGIBLE ASSETS

The following table summarizes the activity in goodwill:

	Year Ended December 31, 2016								
	MIS			MA			Consolidated		
	Gross goodwill	Accumulated impairment charge	Net goodwill	Gross goodwill	Accumulated impairment charge	Net goodwill	Gross goodwill	Accumulated impairment charge	Net goodwill
Balance at beginning of year	$ 284.4	$ —	$ 284.4	$ 704.1	$ (12.2)	$ 691.9	$ 988.5	$ (12.2)	$ 976.3
Additions/adjustments	—	—	—	61.0	—	61.0	61.0	—	61.0
Goodwill derecognized upon sale of subsidiary	(3.2)	—	(3.2)	—	—	—	(3.2)	—	(3.2)
Foreign currency translation adjustments	(4.2)	—	(4.2)	(6.3)	—	(6.3)	(10.5)	—	(10.5)
Ending balance	$ 277.0	$ —	$ 277.0	$ 758.8	$ (12.2)	$ 746.6	$ 1,035.8	$ (12.2)	$ 1,023.6

	Year Ended December 31, 2015								
	MIS			MA			Consolidated		
	Gross goodwill	Accumulated impairment charge	Net goodwill	Gross goodwill	Accumulated impairment charge	Net goodwill	Gross goodwill	Accumulated impairment charge	Net goodwill
Balance at beginning of year	$ 298.7	$ —	$ 298.7	$ 734.6	$ (12.2)	$ 722.4	$ 1,033.3	$ (12.2)	$ 1,021.1
Additions/adjustments	3.7	—	3.7	5.0	—	5.0	8.7	—	8.7
Foreign currency translation adjustments	(18.0)	—	(18.0)	(35.5)	—	(35.5)	(53.5)	—	(53.5)
Ending balance	$ 284.4	$ —	$ 284.4	$ 704.1	$ (12.2)	$ 691.9	$ 988.5	$ (12.2)	$ 976.3

The 2016 goodwill derecognized for the MIS segment in the table above relates to the divestiture of ICTEAS in the fourth quarter of 2016 as more fully discussed in Note 7. The 2016 additions/adjustments for the MA segment in the table above primarily relate to the acquisition of GGY. The 2015 additions/adjustments for the MIS segment in the table above relate to the acquisition of Equilibrium. The 2015 additions/adjustments for the MA segment primarily reflect an adjustment to an indemnification asset recognized as part of the Copal acquisition, goodwill acquired from the acquisition of a business from BlackBox Logic and adjustments to deferred revenue balances and deferred tax assets recognized as part of the Lewtan acquisition.

The accumulated impairment charge in the table above reflects an impairment charge recognized in 2012 relating to the FSTC reporting unit within MA. This impairment charge reflected a contraction in spending for training and certification services for many individuals and global financial institutions in 2012 due to macroeconomic uncertainties at the time. The fair value of the FSTC reporting unit utilized in this impairment assessment was estimated using a discounted cash flow methodology and comparable public company and precedent transaction multiples.

Acquired intangible assets and related amortization consisted of:

	December 31,	
	2016	**2015**
Customer relationships	**$ 310.1**	$ 298.4
Accumulated amortization	**(124.4)**	(110.0)
Net customer relationships	**185.7**	188.4
Trade secrets	**29.9**	29.7
Accumulated amortization	**(25.6)**	(23.1)
Net trade secrets	**4.3**	6.6
Software	**87.7**	74.7
Accumulated amortization	**(54.9)**	(47.7)
Net software	**32.8**	27.0
Trade names	**75.3**	72.4
Accumulated amortization	**(19.9)**	(16.2)
Net trade names	**55.4**	56.2
Other (1)	**43.5**	44.3
Accumulated amortization	**(25.3)**	(23.4)
Net other	**18.2**	20.9
Total	**$ 296.4**	$ 299.1

(1) Other intangible assets primarily consist of databases, covenants not to compete, and acquired ratings methodologies and models.

Amortization expense relating to acquired intangible assets is as follows:

	Year Ended December 31,		
	2016	**2015**	**2014**
Amortization expense	**$ 34.2**	$ 31.9	$ 28.4

Estimated future annual amortization expense for intangible assets subject to amortization is as follows:

Year Ending December 31,	
2017	$ 31.4
2018	26.0
2019	22.9
2020	21.2
2021	20.5
Thereafter	174.4
Total estimated future amortization	$ 296.4

Amortizable intangible assets are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For all intangible assets, there were no such events or changes during 2016, 2015 or 2014 that would indicate that the carrying amount of amortizable intangible assets in any of the Company's reporting units may not be recoverable.

NOTE 9 **RESTRUCTURING**

In September 2016, the Company approved a restructuring plan relating to cost management initiatives in the MIS segment as well as in certain corporate overhead functions. This restructuring plan consists solely of headcount reductions, which when combined with an immaterial restructuring in the first half of 2016, represented approximately 1% of the Company's workforce. The entire charge for these actions will result in cash outlays that will be paid out over the next nine months. The cumulative amount of expense incurred from inception through December 31, 2016 for these actions was $12.0 million. Actions under these plans were substantially complete at September 30, 2016.

Total expenses included in the accompanying consolidated statements of operations are as follows:

	Year Ended December 31,		
	2016	2015	2014
Restructuring	$ 12.0	$ —	$ —

Changes to the restructuring liability during the first twelve months of 2016 were as follows:

	Employee Termination Costs
	Severance
Balance at January 1, 2016	$ —
Cost incurred and adjustments	12.0
Cash payments	(5.7)
Balance at December 31, 2016	$ 6.3

As of December 31, 2016 the remaining restructuring liability of $6.3 million relating to severance is expected to be paid out during the year ending December 31, 2017. This liability is recorded within accounts payable and accrued liabilities in the Company's consolidated balance sheet at December 31, 2016.

NOTE 10 **FAIR VALUE**

The table below presents information about items which are carried at fair value on a recurring basis at December 31, 2016 and December 31, 2015:

		Fair Value Measurement as of December 31, 2016		
	Description	Balance	Level 1	Level 2
Assets:				
	Derivatives [a]	$ 7.6	$ —	$ 7.6
	Money market mutual funds	189.0	189.0	—
	Fixed maturity and open ended mutual funds	32.6	32.6	—
	Total	$ 229.2	$ 221.6	$ 7.6
Liabilities:				
	Derivatives [a]	$ 5.4	**$ —**	**$ 5.4**
	Total	$ 5.4	$ —	$ 5.4

		Fair Value Measurement as of December 31, 2015		
	Description	Balance	Level 1	Level 2
Assets:				
	Derivatives [a]	$ 12.6	$ —	$ 12.6
	Money market mutual funds	188.3	188.3	—
	Fixed maturity and open ended mutual funds	31.9	31.9	—
	Total	$ 232.8	$ 220.2	$ 12.6
Liabilities:				
	Derivatives [a]	$ 10.4	$ —	$ 10.4
	Total	$ 10.4	$ —	$ 10.4

(a) Represents FX forwards on certain assets and liabilities and on net investments in certain foreign subsidiaries as well as interest rate swaps and cross-currency swaps as more fully described in Note 5 to the financial statements.

The following table summarizes the changes in the fair value of the Company's Level 3 liabilities:

	Changes in Contingent Consideration for Years Ended December 31,	
	2015	2014
Balance as of January 1	$ 2.1	$ 17.5
Contingent consideration payments	(1.9)	(16.5)
Losses included in earnings	—	1.3
Foreign currency translation adjustments	(0.2)	(0.2)
Balance as of December 31	$ —	$ 2.1

The following are descriptions of the methodologies utilized by the Company to estimate the fair value of its derivative contracts, fixed maturity plans, money market mutual funds, and contingent consideration obligations:

Derivatives:
In determining the fair value of the derivative contracts in the table above, the Company utilizes industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using spot rates, forward points, currency volatilities, interest rates as well as the risk of non-performance of the Company and the counterparties with whom it has derivative contracts. The Company established strict counterparty credit guidelines and only enters into transactions with financial institutions that adhere to these guidelines. Accordingly, the risk of counterparty default is deemed to be minimal.

Fixed maturity and open ended mutual funds:
The fixed maturity mutual funds and open ended mutual funds primarily represent exchange traded funds in India and are classified as securities available-for-sale. Accordingly, any unrealized gains and losses are recognized through OCI until the instruments mature or are sold.

Money market mutual funds:
The money market mutual funds represent publicly traded funds with a stable $1 net asset value.

Contingent Consideration:
During the third quarter of 2015, the Company settled a contingent consideration obligation of 2.5 million Canadian dollars related to the acquisition of CSI that was based on certain non-financial metrics set forth in the acquisition agreement. Prior to the settlement of this obligation, the Company utilized a discounted cash flow methodology to value this obligation. These obligations were measured using Level 3 inputs as defined in the ASC.

For certain of the contingent consideration obligations relating to the acquisition of Copal, a portion of the contingent cash payments were based on revenue and EBITDA growth for certain of the Copal entities. This growth was calculated by comparing revenue and EBITDA in the year immediately prior to the exercise of the put/call option to acquire the remaining 33% ownership interest of Copal Partners Limited, to revenue and EBITDA in Copal's fiscal year ended March 31, 2011. Payments of $12.2 million under this arrangement were made in the fourth quarter of 2014 pursuant to the Company exercising its call option to acquire the remaining shares of Copal Amba. The Company had utilized discounted cash flow methodologies to value these obligations prior to their settlement in 2014. The expected future cash flows for these obligations were discounted using a risk-free interest rate plus a credit spread based on the option adjusted spread of the Company's publicly traded debt as of the valuation date plus sovereign and size risk premiums. The most significant unobservable input involved in the measurement of these obligations were the projected future financial results of the applicable Copal Amba entities.

For the contingent consideration obligations relating to the acquisition of Amba, the payment was based on the acquired entity achieving a revenue target for its fiscal year ended March 31, 2014 which was met resulting in a $4.3 million payment in 2014.

NOTE 11 **DETAIL OF CERTAIN BALANCE SHEET INFORMATION**

The following tables contain additional detail related to certain balance sheet captions:

	December 31, 2016	December 31, 2015
Other current assets:		
Prepaid taxes	**$ 47.0**	$ 83.3
Prepaid expenses	**65.7**	66.9
Other	**28.1**	29.4
Total other current assets	**$ 140.8**	$ 179.6

	December 31, 2016	December 31, 2015
Other assets:		
Investments in joint ventures	**$ 26.3**	$ 28.7
Deposits for real-estate leases	**10.8**	11.4
Indemnification assets related to acquisitions	**16.5**	19.2
Mutual funds and fixed deposits	**32.7**	55.0
Other	**25.9**	26.1
Total other assets	**$ 112.2**	$ 140.4

	December 31, 2016	December 31, 2015
Accounts payable and accrued liabilities:		
Salaries and benefits	**$ 89.3**	$ 83.0
Incentive compensation	**151.1**	137.2
Accrued Settlement Charge	**863.8**	-
Customer credits, advanced payments and advanced billings	**28.4**	24.6
Self-insurance reserves	**11.1**	19.7
Dividends	**78.5**	78.2
Professional service fees	**40.4**	54.5
Interest accrued on debt	**59.2**	59.4
Accounts payable	**28.4**	22.2
Income taxes (see Note 15)	**16.8**	11.5
Restructuring (see Note 9)	**6.3**	—
Pension and other retirement employee benefits (see Note 13)	**6.1**	6.2
Other	**64.9**	70.1
Total accounts payable and accrued liabilities	**$ 1,444.3**	$ 566.6

	December 31, 2016	December 31, 2015
Other liabilities:		
Pension and other retirement employee benefits (see Note 13)	**$ 264.1**	$ 261.7
Deferred rent-non-current portion	**98.3**	98.4
Interest accrued on UTPs	**34.1**	27.9
Legacy and other tax matters	**1.2**	1.7
Other	**27.5**	27.5
Total other liabilities	**$ 425.2**	$ 417.2

Changes in the Company's self-insurance reserves for claims insured by the Company's wholly-owned insurance subsidiary, which primarily relate to legal defense costs for claims from prior years, are as follows:

	Year Ended December 31,		
	2016	**2015**	**2014**
Balance January 1,	**$ 19.7**	$ 21.5	$ 27.6
Accruals (reversals), net	**12.1**	22.2	5.8
Payments	**(20.7)**	(24.0)	(11.9)
Balance December 31,	**$ 11.1**	$ 19.7	$ 21.5

Redeemable Noncontrolling Interest:

In connection with the acquisition of Copal, the Company and the non-controlling shareholders entered into a put/call option agreement whereby the Company had the option to purchase from the non-controlling shareholders and the non-controlling shareholders had the option to sell to the Company the remaining 33% ownership interest of Copal Partners Limited based on a strike price to be calculated on pre-determined formulas using a combination of revenue and EBITDA multiples when exercised. The value of the estimated put/call option strike price on the date of acquisition was based on a Monte Carlo simulation model. This model contemplated multiple scenarios which simulated certain of Copal's revenue, EBITDA margins and equity values to estimate the present value of the expected strike price of the option. In connection with the acquisition of Amba in December 2013, which was combined with Copal to form the Copal Amba operating segment and reporting unit, the aforementioned revenue and EBITDA multiples set forth in the put/call option agreement were modified to include the results of Amba. The option was subject to a minimum exercise price of $46 million. There was no limit as to the maximum amount of the strike price on the put/call option.

In the fourth quarter of 2014, the Company exercised its call option to acquire the remaining interest of Copal Amba.

The following table shows changes in the redeemable noncontrolling interest related to the acquisition of Copal Amba:

	Year Ended December 31,
	2014
	Redeemable Noncontrolling Interest
Balance January 1,	$ 80.0
Net earnings	9.3
Dividends	(4.9)
Redemption of noncontrolling interest	(183.8)
Adjustment to redemption value [(1)]	99.4
Balance December 31,	$ —

(1) The adjustment to the redemption value in the year ended December 31, 2014 reflects the aforementioned revisions to the revenue and EBITDA multiples pursuant to the amendment of the put/call agreement which occurred contemporaneously with the acquisition of Amba coupled with growth in the Copal Amba reporting unit. These adjustments were recorded with a corresponding reduction to capital surplus.

NOTE 12. COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table provides details about the reclassifications out of AOCI:

	Year Ended December 31,			Affected line in the consolidated statement of operations
	2016	2015	2014	
Gains (losses) on currency translation adjustments				
Liquidation/sale of foreign subsidiary	**$ 36.6**	$ 0.1	$ —	Other non-operating income (expense), net
Loss on foreign currency translation adjustment pursuant to ICRA step-acquisition	**—**	—	(4.4)	ICRA Gain
Total gains (losses) on currency translation adjustments	**36.6**	0.1	(4.4)	
Losses on cash flow hedges				
Cross-currency swap	**(6.0)**	—	—	Other non-operating income (expense), net
Income tax effect of item above	**2.3**	—	—	Provision for income taxes
Losses on cash flow hedges	**(3.7)**	—	—	
Gains on available for sale securities:				
Gains on available for sale securities	**—**	0.9	0.1	Other income
Income tax effect of item above	**—**	—	—	Provision for income taxes
Total gains on available for sale securities	—	0.9	0.1	
Pension and other retirement benefits				
Amortization of actuarial losses and prior service costs included in net income	**(5.8)**	(8.5)	(4.7)	Operating expense
Amortization of actuarial losses and prior service costs included in net income	**(3.9)**	(5.0)	(2.6)	SG&A expense
Total before income taxes	**(9.7)**	(13.5)	(7.3)	
Income tax effect of item above	**3.7**	5.2	2.8	Provision for income taxes
Total pension and other retirement benefits	**(6.0)**	**(8.3)**	**(4.5)**	
Total losses included in Net Income attributable to reclassifications out of AOCI	**$ 26.9**	**$ (7.3)**	**$ (8.8)**	

The following table shows changes in AOCI by component (net of tax):

	Pension and Other Retirement Benefits	Gains / (Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments	Gains on Available for Sale Securities	Total
	Year Ended December 31, 2016				
Balance December 31, 2015	$ (85.7)	$ (1.1)	$ (256.0)	$ 3.3	$ (339.5)
Other comprehensive income/(loss) before reclassifications	0.2	(0.9)	2.4	(0.2)	1.5
Amounts reclassified from AOCI	6.0	3.7	(36.6)	—	(26.9)
Other comprehensive income/(loss)	6.2	2.8	(34.2)	(0.2)	(25.4)
Balance December 31, 2016	$ (79.5)	$ 1.7	$ (290.2)	$ 3.1	$ (364.9)
	Year Ended December 31, 2015				
Balance December 31, 2014	$ (105.4)	$ —	$ (130.7)	$ 0.9	$ (235.2)
Other comprehensive income/(loss) before reclassifications	11.4	(1.1)	(125.2)	3.3	(111.6)
Amounts reclassified from AOCI	8.3	—	(0.1)	(0.9)	7.3
Other comprehensive income/(loss)	19.7	(1.1)	(125.3)	2.4	(104.3)
Balance December 31, 2015	$ (85.7)	$ (1.1)	$ (256.0)	$ 3.3	$ (339.5)
	Year Ended December 31, 2014				
Balance December 31, 2013	$ (53.2)	$ —	$ (1.4)	$ —	$ (54.6)
Other comprehensive income/(loss) before reclassifications	(56.7)	—	(133.7)	1.0	(189.4)
Amounts reclassified from AOCI	4.5	—	4.4	(0.1)	8.8
Other comprehensive income/(loss)	(52.2)	—	(129.3)	0.9	(180.6)
Balance December 31, 2014	$ (105.4)	$ —	$ (130.7)	$ 0.9	$ (235.2)

NOTE 13 PENSION AND OTHER RETIREMENT BENEFITS

U.S. Plans

Moody's maintains funded and unfunded noncontributory Defined Benefit Pension Plans. The U.S. plans provide defined benefits using a cash balance formula based on years of service and career average salary or final average pay for selected executives. The Company also provides certain healthcare and life insurance benefits for retired U.S. employees. The retirement healthcare plans are contributory; the life insurance plans are noncontributory. Moody's funded and unfunded U.S. pension plans, the U.S. retirement healthcare plans and the U.S. retirement life insurance plans are collectively referred to herein as the "Retirement Plans". The U.S. retirement healthcare plans and the U.S. retirement life insurance plans are collectively referred to herein as the "Other Retirement Plans". Effective at the Distribution Date, Moody's assumed responsibility for the pension and other retirement benefits relating to its active employees. New D&B has assumed responsibility for the Company's retirees and vested terminated employees as of the Distribution Date.

Through 2007, substantially all U.S. employees were eligible to participate in the Company's DBPPs. Effective January 1, 2008, the Company no longer offers DBPPs to U.S. employees hired or rehired on or after January 1, 2008 and new hires in the U.S. instead will receive a retirement contribution in similar benefit value under the Company's Profit Participation Plan. Current participants of the Company's Retirement Plans and Other Retirement Plans continue to accrue benefits based on existing plan benefit formulas.

Following is a summary of changes in benefit obligations and fair value of plan assets for the Retirement Plans for the years ended December 31:

	Pension Plans		Other Retirement Plans	
	2016	2015	2016	2015
Change in benefit obligation:				
Benefit obligation, beginning of the period	**$ (459.2)**	$ (461.8)	**$ (27.0)**	$ (26.7)
Service cost	**(20.1)**	(21.6)	**(2.2)**	(2.2)
Interest cost	**(18.2)**	(16.9)	**(1.0)**	(1.0)
Plan participants' contributions	**—**	—	**(0.4)**	(0.4)
Plan amendments	**—**	6.4	**—**	1.2
Benefits paid	**9.9**	7.5	**0.9**	0.8
Actuarial gain (loss)	**4.2**	1.9	**0.7**	(0.1)
Assumption changes	**(6.1)**	25.3	**(0.5)**	1.4
Benefit obligation, end of the period	**$ (489.5)**	$ (459.2)	**$ (29.5)**	$ (27.0)
Change in plan assets:				
Fair value of plan assets, beginning of the period	**$ 260.9**	$ 248.4	**$ —**	$ —
Actual return on plan assets	**19.7**	(4.5)	**—**	—
Benefits paid	**(9.9)**	(7.4)	**(0.9)**	(0.8)
Employer contributions	**26.4**	24.4	**0.5**	0.4
Plan participants' contributions	**—**	—	**0.4**	0.4
Fair value of plan assets, end of the period	**$ 297.1**	$ 260.9	$ —	$ —
Funded Status of the plans	**$ (192.4)**	$ (198.3)	**$ (29.5)**	$ (27.0)
Amounts recorded on the consolidated balance sheets:				
Pension and retirement benefits liability — current	**$ (5.1)**	$ (4.4)	**$ (1.0)**	$ (1.0)
Pension and retirement benefits liability — non current	**(187.3)**	(193.9)	**(28.5)**	(26.0)
Net amount recognized	**$ (192.4)**	$ (198.3)	**$ (29.5)**	$ (27.0)
Accumulated benefit obligation, end of the period	**$ (433.1)**	$ (405.3)		

The following information is for those pension plans with an accumulated benefit obligation in excess of plan assets:

	December 31,	
	2016	2015
Aggregate projected benefit obligation	**$ 489.5**	$ 459.2
Aggregate accumulated benefit obligation	**$ 433.1**	$ 405.3
Aggregate fair value of plan assets	**$ 297.1**	$ 260.9

The following table summarizes the pre-tax net actuarial losses and prior service cost recognized in AOCI for the Company's Retirement Plans as of December 31:

	Pension Plans		Other Retirement Plans	
	2016	2015	2016	2015
Net actuarial losses	**$ (133.9)**	$ (144.6)	**$ (4.0)**	$ (4.4)
Net prior service costs	**4.5**	4.5	**0.9**	1.2
Total recognized in AOCI-pretax	**$ (129.4)**	$ (140.1)	**$ (3.1)**	$ (3.2)

The following table summarizes the estimated pre-tax net actuarial losses and prior service cost for the Company's Retirement Plans that will be amortized from AOCI and recognized as components of net periodic expense during the next fiscal year:

	Pension Plans	Other Retirement Plans
Net actuarial losses	**$ 9.7**	$ 0.1
Net prior service costs	**—**	(0.3)
Total to be recognized as components of net periodic expense	**$ 9.7**	$ (0.2)

Net periodic benefit expenses recognized for the Retirement Plans for years ended December 31:

	Pension Plans			Other Retirement Plans		
	2016	2015	2014	**2016**	2015	2014
Components of net periodic expense						
Service cost	**$ 20.1**	$ 21.6	$ 18.4	**$ 2.2**	$ 2.2	$ 1.7
Interest cost	**18.2**	16.9	16.5	**1.0**	1.0	0.9
Expected return on plan assets	**(17.0)**	(14.4)	(14.3)	**—**	—	—
Amortization of net actuarial loss from earlier periods	**9.8**	12.5	6.6	**0.2**	0.3	—
Amortization of net prior service costs from earlier periods	**0.1**	0.7	0.7	**(0.3)**	—	—
Net periodic expense	**$ 31.2**	$ 37.3	$ 27.9	**$ 3.1**	$ 3.5	$ 2.6

The following table summarizes the pre-tax amounts recorded in OCI related to the Company's Retirement Plans for the years ended December 31:

	Pension Plans			Other Retirement Plans		
	2016	2015	2014	**2016**	2015	2014
Amortization of net actuarial losses	**$ 9.8**	$12.5	$ 6.6	**$0.2**	$ 0.3	$ —
Amortization of prior service costs	**0.1**	0.7	0.7	**(0.3)**	—	—
Prior service costs	**—**	6.5	—	**—**	1.2	—
Net actuarial gain (loss) arising during the period	**0.8**	8.4	(87.5)	**0.2**	1.3	(3.7)
Total recognized in OCI – pre-tax	**$10.7**	$28.1	$(80.2)	**$0.1**	$ 2.8	$(3.7)

ADDITIONAL INFORMATION:

Assumptions – Retirement Plans

Weighted-average assumptions used to determine benefit obligations at December 31:

	Pension Plans		Other Retirement Plans	
	2016	2015	**2016**	2015
Discount rate	**3.89%**	4.04%	**3.85%**	4.00%
Rate of compensation increase	**3.72%**	3.74%	**—**	—

Weighted-average assumptions used to determine net periodic benefit expense for years ended December 31:

	Pension Plans			Other Retirement Plans		
	2016	2015	2014	**2016**	2015	2014
Discount rate	**4.04%**	3.78%	4.71%	**4.00%**	3.65%	4.45%
Expected return on plan assets	**6.10%**	5.80%	6.80%	**—**	—	—
Rate of compensation increase	**3.74%**	3.76%	4.00%	**—**	—	—

The expected rate of return on plan assets represents the Company's best estimate of the long-term return on plan assets and is determined by using a building block approach, which generally weighs the underlying long-term expected rate of return for each major asset class based on their respective allocation target within the plan portfolio, net of plan paid expenses. As the assumption reflects a long-term time horizon, the plan performance in any one particular year does not, by itself, significantly influence the Company's evaluation. For 2016, the expected rate of return used in calculating the net periodic benefit costs was 6.10%. For 2017, the Company's expected rate of return assumption was 5.40% to reflect the Company's current view of long-term capital market outlook. In addition, the Company has updated its mortality assumption by adopting the newly released mortality improvement scale MP-2016 to accompany the RP-2014 mortality tables to reflect the latest information regarding future mortality expectations by the Society of Actuaries. Additionally, the assumed healthcare cost trend rate assumption is not material to the valuation of the other retirement plans.

Plan Assets

Moody's investment objective for the assets in the funded pension plan is to earn total returns that will minimize future contribution requirements over the long-term within a prudent level of risk. The Company works with its independent investment consultants to determine asset allocation targets for its pension plan investment portfolio based on its assessment of business and financial conditions, demographic and actuarial data, funding characteristics, and related risk factors. Other relevant factors, including historical and forward looking views of inflation and capital market returns, are also considered. Risk management practices include monitoring plan asset performance, diversification across asset classes and investment styles, and periodic rebalancing toward asset allocation targets. The Company's Asset Management Committee is responsible for overseeing the investment activities of the plan, which includes selecting acceptable asset classes, defining allowable ranges of holdings by asset class and by individual investment managers, defining acceptable securities within each asset class, and establishing investment performance expectations. Ongoing monitoring of the plan includes reviews of investment performance and managers on a regular basis, annual liability measurements, and periodic asset/liability studies.

In 2014, the Company implemented a revised investment policy, which uses risk-controlled investment strategies by increasing the plan's asset allocation to fixed income securities and specifying ranges of acceptable target allocation by asset class based on different levels of the plan's accounting funded status. In addition, the investment policy also requires the investment-grade fixed income asset be rebalanced between shorter and longer duration bonds as the interest rate environment changes. This revised investment policy is designed to help protect the plan's funded status and to limit volatility of the Company's contributions. Based on the revised policy, the Company's current target asset allocation is approximately 53% (range of 48% to 58%) in equity securities, 40% (range of 35% to 45%) in fixed income securities and 7% (range of 4% to 10%) in other investments and the plan will use a combination of active and passive investment strategies and different investment styles for its investment portfolios within each asset class. The plan's equity investments are diversified across U.S. and non-U.S. stocks of small, medium and large capitalization. The plan's fixed income investments are diversified principally across U.S. and non-U.S. government and corporate bonds which are expected to help reduce plan exposure to interest rate variation and to better align assets with obligations. The plan also invests in other fixed income investments such debts rated below investment grade, emerging market debt, and convertible securities. The plan's other investment, which is made through a private real estate debt fund, is expected to provide additional diversification benefits and absolute return enhancement to the plan assets.

Fair value of the assets in the Company's funded pension plan by asset category at December 31, 2016 and 2015 are as follows:

	Fair Value Measurement as of December 31, 2016				
Asset Category	**Balance**	**Level 1**	**Level 2**	**Measured using NAV practical expedient (a)**	**% of total assets**
Cash and cash equivalent	$ 1.2	$ —	$ 1.2	$ —	—
Common/collective trust funds — equity securities					
U.S. large-cap	130.1	—	130.1	—	44%
U.S. small and mid-cap	19.7	—	19.7	—	7%
Emerging markets	20.8	—	20.8	—	7%
Total equity investments	170.6	—	170.6	—	57%
Emerging markets bond fund	11.4	11.4	—	—	4%
Common/collective trust funds — fixed income securities					
Intermediate-term investment grade U.S. government/ corporate bonds	74.3	—	74.3	—	25%
U.S. Treasury Inflation-Protected Securities (TIPs)	13.1	—	13.1	—	4%
Private investment fund — convertible securities	9.1	—	—	9.1	3%
Private investment fund — high yield securities	9.0	—	—	9.0	3%
Total fixed-income investments	116.9	11.4	87.4	18.1	39%
Other investment — private real estate debt fund	8.4	—	—	8.4	3%
Total Assets	$ 297.1	$ 11.4	$ 259.2	$ 26.5	100%

	Fair Value Measurement as of December 31, 2015				
Asset Category	**Balance**	**Level 1**	**Level 2**	**Measured using NAV practical expedient (a)**	**% of total assets**
Cash and cash equivalent	$ 0.5	$ —	$ 0.5	$ —	—
Common/collective trust funds — equity securities					
Global large-cap	99.9	—	99.9	—	38%
U.S. small and mid-cap	16.0	—	16.0	—	6%
Emerging markets	16.5	—	16.5	—	6%
Total equity investments	132.4	—	132.4	—	51%
Emerging markets bond fund	10.6	10.6	—	—	4%
Common/collective trust funds — fixed income securities					
Intermediate-term investment grade U.S. government/ corporate bonds	69.8	—	69.8	—	27%
U.S. Treasury Inflation-Protected Securities (TIPs)	12.5	—	12.5	—	5%
Private investment fund — convertible securities	7.3	—	—	7.3	3%
Private investment fund — high yield securities	7.4	—	—	7.4	3%
Total fixed-income investments	107.6	10.6	82.3	14.7	41%
Other investment — private real estate fund	20.4	—	—	20.4	8%
Total Assets	$ 260.9	$ 10.6	$ 215.2	$ 35.1	100%

(a) Investments are measured using the net asset value per share (or its equivalent) practical expedient and have not been categorized in the fair value hierarchy. The fair value amounts presented in the table are intended to permit a reconciliation of the fair value hierarchy to the value of the total plan assets.

Cash and cash equivalents are primarily comprised of investment in money market mutual funds. In determining fair value, Level 1 investments are valued based on quoted market prices in active markets. Investments in common/collective trust funds are valued using the net asset value (NAV) per unit in each fund. The NAV is based on the value of the underlying investments owned by each trust, minus its liabilities, and then divided by the number of shares outstanding. Common/collective trust funds are categorized in Level 2 to the extent that they are considered to have a readily determinable fair value. Investments for which fair value is estimated by using the NAV per share (or its equivalent) as a practical expedient are not categorized in the fair value hierarchy.

Except for the Company's U.S. funded pension plan, all of Moody's Retirement Plans are unfunded and therefore have no plan assets.

Cash Flows

The Company contributed $22.4 million and $21.6 million to its U.S. funded pension plan during the years ended December 31, 2016 and 2015, respectively. The Company made payments of $4.0 million and $2.7 million related to its U.S. unfunded pension plan obligations during the years ended December 31, 2016 and 2015, respectively. The Company made payments of $0.5 million and $0.4 million to its Other Retirement Plans during the years ended December 31, 2016 and 2015, respectively. The Company presently anticipates making contributions of $10.4 million to its funded pension plan, and anticipates making payments of $5.1 million related to its unfunded U.S. pension plans and $1.0 million related to its Other Retirement Plans during the year ended December 31, 2017.

Estimated Future Benefits Payable

Estimated future benefits payments for the Retirement Plans are as follows as of year ended December 31, 2016:

Year Ending December 31,	Pension Plans	Other Retirement Plans
2017	$ 12.2	$ 1.0
2018	42.8	1.1
2019	15.3	1.3
2020	17.1	1.5
2021	25.9	1.6
2022 – 2026	$ 134.5	$ 11.3

Defined Contribution Plans

Moody's has a Profit Participation Plan covering substantially all U.S. employees. The Profit Participation Plan provides for an employee salary deferral and the Company matches employee contributions, equal to 50% of employee contribution up to a maximum of 3% of the employee's pay. Moody's also makes additional contributions to the Profit Participation Plan based on year-to-year growth in the Company's EPS. Effective January 1, 2008, all new hires are automatically enrolled in the Profit Participation Plan when they meet eligibility requirements unless they decline participation. As the Company's U.S. DBPPs are closed to new entrants effective January 1, 2008, all eligible new hires will instead receive a retirement contribution into the Profit Participation Plan in value similar to the pension benefits. Additionally, effective January 1, 2008, the Company implemented a deferred compensation plan in the U.S., which is unfunded and provides for employee deferral of compensation and Company matching contributions related to compensation in excess of the IRS limitations on benefits and contributions under qualified retirement plans. Total expenses associated with U.S. defined contribution plans were $28.3 million, $21.1 million and $26.8 million in 2016, 2015, and 2014, respectively.

Effective January 1, 2008, Moody's has designated the Moody's Stock Fund, an investment option under the Profit Participation Plan, as an Employee Stock Ownership Plan and, as a result, participants in the Moody's Stock Fund may receive dividends in cash or may reinvest such dividends into the Moody's Stock Fund. Moody's paid approximately $0.7 million, $0.7 million and $0.6 million in dividends during the years ended December 31, 2016, 2015 and 2014, respectively, for the Company's common shares held by the Moody's Stock Fund. The Company records the dividends as a reduction of retained earnings in the Consolidated Statements of Shareholders' Equity (Deficit). The Moody's Stock Fund held approximately 471,000 and 488,000 shares of Moody's common stock at December 31, 2016 and 2015, respectively.

International Plans

Certain of the Company's international operations provide pension benefits to their employees. The non-U.S. defined benefit pension plans are immaterial. For defined contribution plans, company contributions are primarily determined as a percentage of employees' eligible compensation. Moody's also makes contributions to non-U.S. employees under a profit sharing plan which is based on year-to-year growth in the Company's diluted EPS. Expenses related to these defined contribution plans for the years ended December 31, 2016, 2015 and 2014 were $24.5 million, $26.7 million and $30.6 million, respectively.

NOTE 14 STOCK-BASED COMPENSATION PLANS

Under the 1998 Plan, 33.0 million shares of the Company's common stock have been reserved for issuance. The 2001 Plan, which is shareholder approved, permits the granting of up to 50.6 million shares, of which not more than 14.0 million shares are available for grants of awards other than stock options. The Stock Plans also provide for the granting of restricted stock. The Stock Plans provide that options are exercisable not later than ten years from the grant date. The vesting period for awards under the Stock Plans is generally determined by the Board at the date of the grant and has been four years except for employees who are at or near retirement eligibility, as defined, for which vesting is between one and four years. Additionally, the vesting period is three years for certain performance-based restricted stock that contain a condition whereby the number of shares that ultimately vest are based on the achievement of certain non-market based performance metrics of the Company. Options may not be granted at less than the fair market value of the Company's common stock at the date of grant.

The Company maintains the Directors' Plan for its Board, which permits the granting of awards in the form of non-qualified stock options, restricted stock or performance shares. The Directors' Plan provides that options are exercisable not later than ten years from the grant date. The vesting period is determined by the Board at the date of the grant and is generally one year for both options and restricted stock. Under the Directors' Plan, 1.7 million shares of common stock were reserved for issuance. Any director of the Company who is not an employee of the Company or any of its subsidiaries as of the date that an award is granted is eligible to participate in the Directors' Plan.

Presented below is a summary of the stock-based compensation expense and associated tax benefit in the accompanying Consolidated Statements of Operations:

	Year Ended December 31,		
	2016	2015	2014
Stock-based compensation expense	**$ 98.1**	$ 87.2	$ 80.4
Tax benefit	**$ 31.9**	$ 28.6	$ 27.5

The fair value of each employee stock option award is estimated on the date of grant using the Black-Scholes option-pricing model that uses the assumptions noted below. The expected dividend yield is derived from the annual dividend rate on the date of grant. The expected stock volatility is based on an assessment of historical weekly stock prices of the Company as well as implied volatility from Moody's traded options. The risk-free interest rate is based on U.S. government zero coupon bonds with maturities similar to the expected holding period. The expected holding period was determined by examining historical and projected post-vesting exercise behavior activity.

The following weighted average assumptions were used for options granted:

	Year Ended December 31,		
	2016	2015	2014
Expected dividend yield	**1.83%**	1.39%	1.41%
Expected stock volatility	**32%**	39%	41%
Risk-free interest rate	**1.60%**	1.88%	2.30%
Expected holding period	**6.8 years**	6.9 years	7.2 years
Grant date fair value	**$ 22.98**	$ 36.08	$ 31.53

A summary of option activity as of December 31, 2016 and changes during the year then ended is presented below:

Options	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, December 31, 2015	4.8	$ 46.47		
Granted	0.5	$ 81.02		
Exercised	(1.4)	$ 50.10		
Outstanding, December 31, 2016	**3.9**	**$ 49.68**	**4.5 years**	**$ 172.2**
Vested and expected to vest, December 31, 2016	**3.7**	**$ 48.81**	**4.4 years**	**$ 171.0**
Exercisable, December 31, 2016	**2.8**	**$ 38.68**	**3.2 years**	**$ 157.6**

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between Moody's closing stock price on the last trading day of the year ended December 31, 2016 and the exercise prices, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options as of December 31, 2016. This amount varies based on the fair value of Moody's stock. As of December 31, 2016 there was $7.5 million of total unrecognized compensation expense related to options. The expense is expected to be recognized over a weighted average period of 1.5 years.

The following table summarizes information relating to stock option exercises:

	Year Ended December 31,		
	2016	**2015**	**2014**
Proceeds from stock option exercises	**$ 71.8**	$ 83.9	$ 145.5
Aggregate intrinsic value	**$ 71.3**	$ 72.9	$ 122.3
Tax benefit realized upon exercise	**$ 24.3**	$ 26.0	$ 43.2

A summary of the status of the Company's nonvested restricted stock as of December 31, 2016 and changes during the year then ended is presented below:

Nonvested Restricted Stock	**Shares**	**Weighted Average Grant Date Fair Value Per Share**
Balance, December 31, 2015	2.3	$ 75.33
Granted	1.2	$ 80.92
Vested	(1.0)	$ 91.70
Forfeited	(0.1)	$ 81.01
Balance, December 31, 2016	**2.4**	**$ 81.17**

As of December 31, 2016, there was $109.7 million of total unrecognized compensation expense related to nonvested restricted stock. The expense is expected to be recognized over a weighted average period of 1.6 years.

The following table summarizes information relating to the vesting of restricted stock awards:

	Year Ended December 31,		
	2016	**2015**	**2014**
Fair value of shares vested	**$ 92.9**	$ 111.9	$ 92.4
Tax benefit realized upon vesting	**$ 29.4**	$ 38.1	$ 31.2

A summary of the status of the Company's performance-based restricted stock as of December 31, 2016 and changes during the year then ended is presented below:

Performance-based restricted stock	**Shares**	**Weighted Average Grant Date Fair Value Per Share**
Balance, December 31, 2015	0.6	$ 64.46
Granted	0.2	$ 76.66
Vested	(0.3)	$ 44.07
Balance, December 31, 2016	**0.5**	**$ 80.70**

The following table summarizes information relating to the vesting of the Company's performance-based restricted stock awards:

	Year Ended December 31,		
	2016	**2015**	**2014**
Fair value of shares vested	**$ 23.6**	$ 43.1	$ 38.0
Tax benefit realized upon vesting	**$ 8.4**	$ 15.6	$ 14.4

As of December 31, 2016, there was $13.7 million of total unrecognized compensation expense related to this plan. The expense is expected to be recognized over a weighted average period of 0.9 years.

The Company has a policy of issuing treasury stock to satisfy shares issued under stock-based compensation plans.

In addition, the Company also sponsors the ESPP. Under the ESPP, 6.0 million shares of common stock were reserved for issuance. The ESPP allows eligible employees to purchase common stock of the Company on a monthly basis at a discount to the average of the high and the low trading prices on the New York Stock Exchange on the last trading day of each month. This discount was 5% in 2016, 2015 and 2014 resulting in the ESPP qualifying for non-compensatory status under Topic 718 of the ASC. Accordingly, no compensation expense was recognized for the ESPP in 2016, 2015, and 2014. The employee purchases are funded through after-tax payroll deductions, which plan participants can elect from one percent to ten percent of compensation, subject to the annual federal limit.

NOTE 15 **INCOME TAXES**

Components of the Company's provision for income taxes are as follows:

	Year Ended December 31,		
	2016	**2015**	**2014**
Current:			
Federal	**$ 292.9**	$ 278.2	$ 252.8
State and Local	**39.5**	40.1	70.2
Non-U.S.	**102.9**	93.6	102.1
Total current	**435.3**	411.9	425.1
Deferred:			
Federal	**(125.8)**	14.7	0.9
State and Local	**(20.3)**	7.6	4.9
Non-U.S.	**(7.0)**	(4.2)	24.1
Total deferred	**(153.1)**	18.1	29.9
Total provision for income taxes	**$ 282.2**	$ 430.0	$ 455.0

A reconciliation of the U.S. federal statutory tax rate to the Company's effective tax rate on income before provision for income taxes is as follows:

	Year Ended December 31,		
	2016	**2015**	**2014**
U.S. statutory tax rate	**35.0%**	35.0%	35.0%
State and local taxes, net of federal tax benefit	**2.2**	3.0	3.6
Benefit of foreign operations	**(13.3)**	(5.8)	(7.4)
Settlement charge	**27.4**	—	—
Legacy tax items	**(0.1)**	(0.2)	(0.2)
Other	**(0.6)**	(0.8)	0.1
Effective tax rate	**50.6%**	31.2%	31.1%
Income tax paid	**$ 355.7**	397.4	$ 369.4

The source of income before provision for income taxes is as follows:

	Year Ended December 31,		
	2016	**2015**	**2014**
United States	**$ 37.2**	$ 913.9	$ 912.6
International	**520.8**	465.7	548.4
Income before provision for income taxes	**$ 558.0**	$ 1,379.6	$ 1,461.0

The components of deferred tax assets and liabilities are as follows:

	December 31,	
	2016	**2015**
Deferred tax assets:		
Current:		
Account receivable allowances	$ —	$ 6.6
Accrued compensation and benefits	—	12.5
Deferred revenue	—	8.0
Legal and professional fees	—	10.7
Restructuring	—	1.2
Other	—	3.0
Total current	—	42.0
Non-current:		
Account receivable allowances	**6.0**	—
Accumulated depreciation and amortization	**1.3**	0.9
Stock-based compensation	**54.4**	56.1
Accrued compensation and benefits	**119.3**	101.6
Deferred rent and construction allowance	**30.1**	28.5
Deferred revenue	**46.2**	35.8
Foreign net operating loss (1)	**3.7**	3.7
Settlement Charge	**163.2**	—
Legal and professional fees	**4.2**	—
Restructuring	**2.2**	—
Uncertain tax positions	**37.3**	38.2
Self-insured related reserves	**15.1**	22.7
Other	**4.5**	4.4
Total non-current	**487.5**	291.9
Total deferred tax assets	**$ 487.5**	$ 333.9
Deferred tax liabilities:		
Current:		
Compensation and benefits	$ —	$ (3.0)
Unrealized gain on net investment hedges - OCI	—	(24.2)
Other	—	(1.5)
Total Current	—	(28.7)
Non-current:		
Accumulated depreciation and amortization of intangible assets and capitalized software	**$ (189.8)**	$ (178.3)
Foreign earnings to be repatriated	**(7.5)**	(2.9)
Capital Gains	**(24.1)**	(24.7)
Self-insured related income	**(15.1)**	(22.7)
Stock based compensation	**(2.9)**	—
Unrealized gain on net investment hedges - OCI	**(21.0)**	—
Other liabilities	**(12.1)**	(5.8)
Total non-current	**(272.5)**	(234.4)
Total deferred tax liabilities	**(272.5)**	(263.1)
Net deferred tax asset	**215.0**	70.8
Valuation allowance	**(3.2)**	(4.3)
Total net deferred tax assets	**$ 211.8**	$ 66.5

(1) Amounts are primarily set to expire beginning in 2018, if unused.

On November 20, 2015, the FASB issued Accounting Standards Update 2015-17, "Balance Sheet Classification of Deferred Taxes", which required that all deferred tax assets and liabilities be classified as non-current on the balance sheet. The guidance is effective for fiscal years beginning after December 15th, 2016. Early adoption is permitted. The Company has adopted this guidance as of January 1st, 2016 on a prospective basis. Prior periods were not retrospectively adjusted.

As of December 31, 2016, the Company had $2,902.5 million of undistributed earnings of foreign subsidiaries that it intends to indefinitely reinvest in foreign operations. The Company has not provided deferred income taxes on these indefinitely reinvested earnings. It is not practicable to determine the amount of deferred taxes that might be required to be provided if such earnings were distributed in the future, due to complexities in the tax laws and in the hypothetical calculations that would have to be made.

The Company had valuation allowances of $3.2 million and $4.3 million at December 31, 2016 and 2015, respectively, related to foreign net operating losses for which realization is uncertain.

As of December 31, 2016 the Company had $199.8 million of UTBs of which $157.4 million represents the amount that, if recognized, would impact the effective tax rate in future periods.

A reconciliation of the beginning and ending amount of UTBs is as follows:

	Year Ended December 31,		
	2016	**2015**	**2014**
Balance as of January 1	**$ 203.4**	$ 220.3	$ 195.6
Additions for tax positions related to the current year	**21.9**	24.1	52.5
Additions for tax positions of prior years	**12.4**	14.0	8.7
Reductions for tax positions of prior years	**(27.6)**	(41.6)	(31.4)
Settlements with taxing authorities	**(8.3)**	(7.8)	(1.8)
Lapse of statute of limitations	**(2.0)**	(5.6)	(3.3)
Balance as of December 31	**$ 199.8**	$ 203.4	$ 220.3

The Company classifies interest related to UTBs in interest expense in its consolidated statements of operations. Penalties, if incurred, would be recognized in other non-operating expenses. During the years ended December 31, 2016 and 2015, the Company incurred a net interest expense of $6.2 million and $7.2 million respectively, related to UTBs. As of December 31, 2016 and 2015, the amount of accrued interest recorded in the Company's consolidated balance sheet related to UTB's was $34.1 million and $27.9 million, respectively.

Moody's Corporation and subsidiaries are subject to U.S. federal income tax as well as income tax in various state, local and foreign jurisdictions. The Company settled U.S. tax audit years 2008 through 2010 in the fourth quarter of 2015. The Company's U.S. federal income tax returns for the years 2011 and 2012 are under examination and its 2013, 2014 and 2015 returns remain open to examination. The Company's New York State income tax returns for 2011 to 2014 are under examination. The Company's New York City tax returns for 2014 and 2015 remain open to examination. The Company's U.K. tax return for 2012 is under examination. Tax filings in the U.K. remain open to examination for 2013 through 2015.

For current ongoing audits related to open tax years, the Company estimates that it is possible that the balance of UTPs could decrease in the next twelve months as a result of the effective settlement of these audits, which might involve the payment of additional taxes, the adjustment of certain deferred taxes and/or the recognition of tax benefits. It is also possible that new issues might be raised by tax authorities which might necessitate increases to the balance of UTPs. As the Company is unable to predict the timing of conclusion of these audits, the Company is unable to estimate the amount of changes to the balance of UTPs at this time.

NOTE 16 **INDEBTEDNESS**

The following table summarizes total indebtedness:

	December 31, 2016				
	Principal Amount	Fair Value of Interest Rate Swaps (1)	Unamortized (Discount) Premium	Unamortized Debt Issuance Costs (2)	Carrying Value
Notes Payable:					
6.06% Series 2007-1 Notes due 2017	$ 300.0	$ —	$ —	$ —	$ 300.0
5.50% 2010 Senior Notes, due 2020	500.0	5.5	(1.3)	(1.6)	502.6
4.50% 2012 Senior Notes, due 2022	500.0	(0.2)	(2.4)	(2.1)	495.3
4.875% 2013 Senior Notes, due 2024	500.0	—	(2.1)	(2.7)	495.2
2.75% 2014 Senior Notes (5-Year), due 2019	450.0	0.9	(0.4)	(1.7)	448.8
5.25% 2014 Senior Notes (30-Year), due 2044	600.0	—	3.3	(5.9)	597.4
1.75% 2015 Senior Notes, due 2027	527.4	—	—	(3.7)	523.7
Total debt	$3,377.4	$ 6.2	$ (2.9)	$ (17.7)	$3,363.0
Current portion					(300.0)
Total long-term debt					$3,063.0

	December 31, 2015				
	Principal Amount	Fair Value of Interest Rate Swaps (1)	Unamortized (Discount) Premium	Unamortized Debt Issuance Costs (2)	Carrying Value
Notes Payable:					
6.06% Series 2007-1 Notes due 2017	$ 300.0	$ —	$ —	$ (0.2)	$ 299.8
5.50% 2010 Senior Notes, due 2020	500.0	9.4	(1.6)	(2.0)	505.8
4.50% 2012 Senior Notes, due 2022	500.0	—	(2.8)	(2.5)	494.7
4.875% 2013 Senior Notes, due 2024	500.0	—	(2.3)	(3.1)	494.6
2.75% 2014 Senior Notes (5-Year), due 2019	450.0	2.3	(0.5)	(2.4)	449.4
5.25% 2014 Senior Notes (30-Year), due 2044	600.0	—	3.4	(6.2)	597.2
1.75% 2015 Senior Notes, due 2027	543.1	—	—	(4.0)	539.1
Total long-term debt	$3,393.1	$ 11.7	$ (3.8)	$ (20.4)	$3,380.6

(1) The Company has entered into interest rate swaps on the 2010 Senior Notes, the 2012 Senior Notes and the 2014 Senior Notes (5-Year) which are more fully discussed in Note 5 above.

(2) Pursuant to ASU No. 2015-03, unamortized debt issuance costs are presented as a reduction to the carrying value of the notes payable. See Note 1 for additional discussion.

Credit Facility

On May 11, 2015, the Company entered into a five-year senior, unsecured revolving credit facility with the capacity to borrow up to $1 billion. This replaces the $1 billion five-year 2012 Facility that was scheduled to expire in April 2017. Interest on borrowings under the facility is payable at rates that are based on the LIBOR plus a premium that can range from 79.5 basis points to 120 basis points per annum depending on the Company's ratio of total debt to EBITDA. The Company also pays quarterly facility fees, regardless of borrowing activity under the 2015 Facility. The quarterly fees for the 2015 Facility can range from 8 basis points of the facility amount to 17.5 basis points, depending on the Company's Debt/ EBITDA ratio. The 2015 Facility contains covenants that, among other things, restrict the ability of the Company and its subsidiaries, without the approval of lenders, to engage in mergers, consolidations, asset sales, transactions with affiliates, sale and leaseback transactions or to incur liens, as set forth in the facility agreement. The 2015 Facility also contains a financial covenant that requires the Company to maintain a Debt/EBITDA ratio of not more than 4 to 1 at the end of any fiscal quarter. Upon the occurrence of certain financial or economic events, significant corporate events or certain other events of default constituting a default under the 2015 Facility, all loans outstanding under the 2015 Facility (including accrued interest and fees payable thereunder) may be declared immediately due and payable and all lending commitments under the 2015 Facility may be terminated. In addition, certain other events of default under the 2015 Facility would automatically result in amounts outstanding becoming immediately due and payable and the termination of all lending commitments.

Commercial Paper

On August 3, 2016, the Company entered into a private placement commercial paper program under which the Company may issue CP notes up to a maximum amount of $1.0 billion. Borrowings under the CP Program are backstopped by the 2015 Facility. Amounts under the CP Program may be re-borrowed. The maturity of the CP Notes will vary, but may not exceed 397 days from the date of issue. The CP Notes are sold at a discount from par, or alternatively, sold at par and bear interest at rates that will vary based upon market conditions. The rates of interest will depend on whether the CP Notes will be a fixed or floating rate. The interest on a floating rate may be based on the following: (a) certificate of deposit rate; (b) commercial paper rate; (c) the federal funds rate; (d) the LIBOR; (e) prime rate; (f) Treasury rate; or (g) such other base rate as may be specified in a supplement to the private placement agreement. The CP Program contains certain events of default including, among other things: non-payment of principal, interest or fees; entrance into any form of moratorium; and bankruptcy and insolvency events, subject in certain instances to cure periods. The Company has not borrowed under this program through December 31, 2016. Through February 22, 2017, the Company has CP borrowings outstanding of $566.0 million with a weighted average maturity and interest rate of 63 days and 1.18%, respectively.

Notes Payable

On September 7, 2007, the Company issued and sold through a private placement transaction, $300.0 million aggregate principal amount of its 6.06% Series 2007-1 Senior Unsecured Notes due 2017 pursuant to the 2007 Agreement. The Series 2007-1 Notes have a ten-year term and bear interest at an annual rate of 6.06%, payable semi-annually on March 7 and September 7. The Company may prepay the Series 2007-1 Notes, in whole or in part, at any time at a price equal to 100% of the principal amount being prepaid, plus accrued and unpaid interest and a Make Whole Amount. The 2007 Agreement contains covenants that limit the ability of the Company, and certain of its subsidiaries to, among other things: enter into transactions with affiliates, dispose of assets, incur or create liens, enter into any sale-leaseback transactions, or merge with any other corporation or convey, transfer or lease substantially all of its assets. The Company must also not permit its Debt/EBITDA ratio to exceed 4.0 to 1.0 at the end of any fiscal quarter.

On August 19, 2010, the Company issued $500 million aggregate principal amount of senior unsecured notes in a public offering. The 2010 Senior Notes bear interest at a fixed rate of 5.50% and mature on September 1, 2020. Interest on the 2010 Senior Notes will be due semi-annually on September 1 and March 1 of each year, commencing March 1, 2011. The Company may prepay the 2010 Senior Notes, in whole or in part, at any time at a price equal to 100% of the principal amount being prepaid, plus accrued and unpaid interest and a Make-Whole Amount. Additionally, at the option of the holders of the notes, the Company may be required to purchase all or a portion of the notes upon occurrence of a "Change of Control Triggering Event," as defined in the 2010 Indenture, at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase. The 2010 Indenture contains covenants that limit the ability of the Company and certain of its subsidiaries to, among other things, incur or create liens and enter into sale and leaseback transactions. In addition, the 2010 Indenture contains a covenant that limits the ability of the Company to consolidate or merge with another entity or to sell all or substantially all of its assets to another entity. The 2010 Indenture contains customary default provisions. In addition, an event of default will occur if the Company or certain of its subsidiaries fail to pay the principal of any indebtedness (as defined in the 2010 Indenture) when due at maturity in an aggregate amount of $50 million or more, or a default occurs that results in the acceleration of the maturity of the Company's or certain of its subsidiaries' indebtedness in an aggregate amount of $50 million or more. Upon the occurrence and during the continuation of an event of default under the 2010 Indenture, the notes may become immediately due and payable either automatically or by the vote of the holders of more than 25% of the aggregate principal amount of all of the notes then outstanding.

On November 4, 2011, in connection with the acquisition of Copal, a subsidiary of the Company issued a $14.2 million non-interest bearing note to the sellers which represented a portion of the consideration transferred to acquire the Copal entities. If a seller subsequently transfers to the Company all of its shares, the Company must repay the seller its proportion of the principal on the later of (i) the fourth anniversary date of the note or (ii) within a time frame set forth in the acquisition agreement relating to the resolution of certain income tax uncertainties pertaining to the transaction. The Company has the right to offset payment of the note against certain indemnification assets associated with UTPs related to the acquisition. Accordingly, the Company has offset the liability for this note against the indemnification asset, thus no balance for this note is carried on the Company's consolidated balance sheet at December 31, 2016 and 2015. In the event that the Company would not be required to settle amounts related to the UTPs, the Company would be required to pay the sellers the principal in accordance with the note agreement. The Company may prepay the note in accordance with certain terms set forth in the acquisition agreement.

On August 20, 2012, the Company issued $500 million aggregate principal amount of unsecured notes in a public offering. The 2012 Senior Notes bear interest at a fixed rate of 4.50% and mature on September 1, 2022. The 2012 Senior Notes also bear interest at a fixed rate of 4.5% and mature on September 1, 2022. Interest on the 2012 Senior Notes will be due semi-annually on September 1 and March 1 of each year, commencing March 1, 2013. The Company may prepay the 2012 Senior Notes, in whole or in part, at any time at a price equal to 100% of the principal amount being prepaid, plus accrued and unpaid interest and a Make-Whole Amount. Additionally, at the option of the holders of the notes, the Company may be required to purchase all or a portion of the notes upon occurrence of a "Change of Control Triggering Event," as defined in the 2012 Indenture, at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase. The 2012 Indenture contains covenants that limit the ability of the Company and certain of its subsidiaries to, among other things, incur or create liens and enter into sale and leaseback transactions. In addition, the 2012 Indenture contains a covenant that limits the ability of the Company to consolidate or merge with another entity or to sell all or substantially all of its assets to another entity. The 2012 Indenture contains customary default provisions. In addition, an event of default will occur if the Company or certain of its subsidiaries fail to pay the principal of any indebtedness (as defined in the 2012 Indenture) when due at maturity in an aggregate amount of $50 million or more, or a default occurs that results in the acceleration of the maturity of the Company's or certain of its subsidiaries' indebtedness in an aggregate amount of $50 million or more. Upon the occurrence and during the continuation of an event of default under the 2012 Indenture, the 2012 Senior notes may become immediately due and payable either automatically or by the vote of the holders of more than 25% of the aggregate principal amount of all of the notes then outstanding.

On August 12, 2013, the Company issued $500 million aggregate principal amount of senior unsecured notes in a public offering. The 2013 Senior Notes bear interest at a fixed rate of 4.875% and mature on February 15, 2024. Interest on the 2013 Senior Notes will be due semi-annually on February 15 and August 15 of each year, commencing February 15, 2014. The Company may prepay the 2013 Senior Notes, in whole or in part, at any time at a price equal to 100% of the principal amount being prepaid, plus accrued and unpaid interest and a Make-Whole Amount. Notwithstanding the immediately preceding sentence, the Company may redeem the 2013 Senior Notes, in whole or in part, at any time or from time to time on or after November 15, 2023 (three months prior to their maturity), at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding the redemption date. Additionally, at the option of the holders of the notes, the Company may be required to purchase all or a portion of the notes upon occurrence of a "Change of Control Triggering Event," as defined in the 2013 Indenture, at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase. The 2013 Indenture contains covenants that limit the ability of the Company and certain of its subsidiaries to, among other things, incur or create liens and enter into sale and leaseback transactions. In addition, the 2013 Indenture contains a covenant that limits the ability of the Company to consolidate or merge with another entity or to sell all or substantially all of its assets to another entity. The 2013 Indenture contains customary default provisions. In addition, an event of default will occur if the Company or certain of its subsidiaries fail to pay the principal of any indebtedness (as defined in the 2013 Indenture) when due at maturity in an aggregate amount of $50 million or more, or a default occurs that results in the acceleration of the maturity of the Company's or certain of its subsidiaries' indebtedness in an aggregate amount of $50 million or more. Upon the occurrence and during the continuation of an event of default under the 2013 Indenture, the 2013 Senior Notes may become immediately due and payable either automatically or by the vote of the holders of more than 25% of the aggregate principal amount of all of the notes then outstanding.

On July 16, 2014, the Company issued $300 million aggregate principal amount of senior unsecured notes in a public offering. The 2014 Senior Notes (30-year) bear interest at a fixed rate of 5.25% and mature on July 15, 2044. Interest on the 2014 Senior Notes (30-year) will be due semi-annually on January 15 and July 15 of each year, commencing January 15, 2015. The Company may prepay the 2014 Senior Notes (30-year), in whole or in part, at any time at a price equal to 100% of the principal amount being prepaid, plus accrued and unpaid interest and a Make-Whole Amount. Additionally, at the option of the holders of the notes, the Company may be required to purchase all or a portion of the notes upon occurrence of a "Change of Control Triggering Event," as defined in the 2014 Indenture, at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase. The 2014 Indenture contains covenants that limit the ability of the Company and certain of its subsidiaries to, among other things, incur or create liens and enter into sale and leaseback transactions. In addition, the 2014 Indenture contains a covenant that limits the ability of the Company to consolidate or merge with another entity or to sell all or substantially all of its assets to another entity. The 2014 Indenture contains customary default provisions. In addition, an event of default will occur if the Company or certain of its subsidiaries fail to pay the principal of any indebtedness (as defined in the 2014 Indenture) when due at maturity in an aggregate amount of $50 million or more, or a default occurs that results in the acceleration of the maturity of the Company's or certain of its subsidiaries' indebtedness in an aggregate amount of $50 million or more. Upon the occurrence and during the continuation of an event of default under the 2014 Indenture, the 2014 Senior Notes (30-year) may become immediately due and payable either automatically or by the vote of the holders of more than 25% of the aggregate principal amount of all of the notes then outstanding. On November 13, 2015, the Company issued an additional $300 million aggregate principal amount of the 2014 Senior Notes (30-year) in a public offering. This issuance constitutes an additional issuance of, and a single series with, the $300 million 2014 Senior Notes (30-year) issued on July 16, 2014 and have the same terms as the 2014 Senior Notes (30-year).

On July 16, 2014, the Company issued $450 million aggregate principal amount of senior unsecured notes in a public offering. The 2014 Senior Notes (5-year) bear interest at a fixed rate of 2.75% and mature July 15, 2019. Interest on the 2014 Senior Notes (5-year) will be due semi-annually on January 15 and July 15 of each year, commencing January 15, 2015. The Company may prepay the 2014 Senior Notes (5-year), in whole or in part, at any time at a price prior to June 15, 2019, equal to 100% of the principal amount being prepaid, plus accrued and unpaid interest and a Make-Whole Amount. Notwithstanding the immediately preceding sentence, the Company may redeem the 2014 Senior Notes (5-year), in whole or in part, at any time or from time to time on or after June 15, 2019 (one month prior to their maturity), at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding the redemption date. Additionally, at the option of the holders of the notes, the Company may be required to purchase all or a portion of the notes upon occurrence of a "Change of Control Triggering Event," as defined in the 2014 Indenture, at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase. The 2014 Indenture contains covenants that limit the ability of the Company and certain of its subsidiaries to, among other things, incur or create liens and enter into sale and leaseback transactions. In addition, the 2014 Indenture contains a covenant that limits the ability of the Company to consolidate or merge with another entity or to sell all or substantially all of its assets to another entity. The 2014 Indenture contains customary default provisions. In addition, an event of default will occur if the Company or certain of its subsidiaries fail to pay the principal of any indebtedness (as defined in the 2014 Indenture) when due at maturity in an aggregate amount of $50 million or more, or a default occurs that results in the acceleration of the maturity of the Company's or certain of its subsidiaries' indebtedness in an aggregate amount of $50 million or more. Upon the occurrence and during the continuation of an event of default under the 2014 Indenture, the 2014 Senior Notes (5-year) may become immediately due and payable either automatically or by the vote of the holders of more than 25% of the aggregate principal amount of all of the notes then outstanding.

On March 9, 2015, the Company issued €500 million aggregate principal amount of senior unsecured notes in a public offering. The 2015 Senior Notes bear interest at a fixed rate of 1.75% and mature on March 9, 2027. Interest on the 2015 Senior Notes is due annually on March 9 of each year, commencing March 9, 2016. The Company may prepay the 2015 Senior Notes, in whole or in part, at any time at a price equal to 100% of the principal amount being prepaid, plus accrued and unpaid interest and a Make-Whole Amount. Additionally, at the option of the holders of the notes, the Company may be required to purchase all or a portion of the notes upon occurrence of a "Change of Control Triggering Event," as defined in the 2015 Indenture, at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase. The 2015 Indenture contains covenants that limit the ability of the Company and certain of its subsidiaries to, among other things, incur or create liens and enter into sale and leaseback transactions. In addition, the 2015 Indenture contains a covenant that limits the ability of the Company to consolidate or merge with another entity or to sell all or substantially all of its assets to another entity. The 2015 Indenture contains customary default provisions. In addition, an event of default will occur if the Company or certain of its subsidiaries fail to pay the principal of any indebtedness (as defined in the 2015 Indenture) when due at maturity in an aggregate amount of $50 million or more, or a default occurs that results in the acceleration of the maturity of the Company's or certain of its subsidiaries' indebtedness in an aggregate amount of $50 million or more. Upon the occurrence and during the continuation of an event of default under the 2015 Indenture, the 2015 Senior Notes may become immediately due and payable either automatically or by the vote of the holders of more than 25% of the aggregate principal amount of all of the notes then outstanding. The Company has designated €400 million of the 2015 Senior Notes as a net investment hedge as more fully discussed in Note 5.

The principal payments due on the Company's long-term borrowings outstanding at December 31, 2016 for each of the next five years are presented in the table below:

Year Ending December 31,	Series 2007-1 Notes	2010 Senior Notes	2012 Senior Notes	2013 Senior Notes	2014 Senior Notes (5-year)	2014 Senior Notes (30-year)	2015 Senior Notes	Total
2017 (1)	$ 300.0	$ —	$ —	$ —	$ —	$ —	$ —	$ 300.0
2018	—	—	—	—	—	—	—	—
2019	—	—	—	—	450.0	—	—	450.0
2020	—	500.0	—	—	—	—	—	500.0
2021	—	—	—	—	—	—	—	—
Thereafter	—	—	500.0	500.0	—	600.0	527.4	2,127.4
Total	$ 300.0	$ 500.0	$ 500.0	$ 500.0	$ 450.0	$ 600.0	$ 527.4	$ 3,377.4

(1) As more fully described in Note 25, the Company notified holders of these notes that it intends to prepay the notes on March 20, 2017.

The Company entered into interest rate swaps on the 2010 Senior Notes, 2012 Senior Notes and the 2014 Senior Notes (5-year), which are more fully discussed in Note 5.

At December 31, 2016, the Company was in compliance with all covenants contained within all of the debt agreements. In addition to the covenants described above, the 2015 Facility, 2015 Senior Notes, 2014 Senior Notes (5-year), 2014 Senior Notes (30-year), the Series 2007-1 Notes, the 2010 Senior Notes, the 2012 Senior Notes and the 2013 Senior Notes contain cross default provisions. These provisions state that default under one of the aforementioned debt instruments could in turn permit lenders under other debt instruments to declare borrowings outstanding under those instruments to be immediately due and payable. As of December 31, 2016, there are no such cross defaults.

INTEREST EXPENSE, NET

The following table summarizes the components of interest as presented in the consolidated statements of operations:

	Year Ended December 31,		
	2016	**2015**	**2014**
Income	**$ 10.9**	$ 9.7	$ 6.7
Expense on borrowings [(a)]	**(141.9)**	(120.6)	(118.4)
Expense on UTPs and other tax related liabilities [(b)]	**(7.8)**	(5.3)	(5.8)
Legacy Tax [(c)]	**0.2**	0.7	0.7
Capitalized	**0.8**	0.4	—
Total	**$ (137.8)**	$ (115.1)	$ (116.8)
Interest paid [(d)]	**$ 136.7**	$ 108.3	$ 113.7

(a) Includes approximately $11 million in 2014 in net costs related to the prepayment of the Series 2005-1 Notes.

(b) The 2015 amount includes approximately $2 million in interest income on a tax refund and a $4 million interest reversal relating to the favorable resolution of a tax audit and an international tax audit. The 2014 amount includes a $2.0 million relating to a reversal of an interest accrual relating to the favorable resolution of an international tax matter.

(c) Represents a reduction of accrued interest related to the favorable resolution of Legacy Tax Matters.

(d) Interest paid includes net settlements on interest rate swaps more fully discussed in Note 5.

The Company's long-term debt is recorded at its carrying amount, which represents the issuance amount plus or minus any issuance premium or discount, except for the 2010 Senior Notes, the 2014 Senior Notes (5-Year) and the 2012 Senior Notes which are recorded at the carrying amount adjusted for the fair value of an interest rate swap used to hedge the fair value of the note. The fair value and carrying value of the Company's long-term debt as of December 31, 2016 and 2015 are as follows:

	December 31, 2016		December 31, 2015	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Series 2007-1 Notes	**$ 300.0**	**$ 308.9**	$ 299.8	$ 320.6
2010 Senior Notes	**502.6**	**548.3**	505.8	551.2
2012 Senior Notes	**495.3**	**535.3**	494.7	530.0
2013 Senior Notes	**495.2**	**539.9**	494.6	533.8
2014 Senior Notes (5-Year)	**448.8**	**456.2**	449.4	454.3
2014 Senior Notes (30-Year)	**597.4**	**661.5**	597.2	617.7
2015 Senior Notes	**523.7**	**534.8**	539.1	520.2
Total	**$ 3,363.0**	**$ 3,584.9**	$ 3,380.6	$ 3,527.8

The fair value of the Company's debt is estimated based on quoted market prices for similar instruments. Accordingly, the inputs used to estimate the fair value of the Company's long-term debt are classified as Level 2 inputs within the fair value hierarchy.

NOTE 17 CAPITAL STOCK

Authorized Capital Stock

The total number of shares of all classes of stock that the Company has authority to issue under its Restated Certificate of Incorporation is 1.02 billion shares with a par value of $0.01, of which 1.0 billion are shares of common stock, 10.0 million are shares of preferred stock and 10.0 million are shares of series common stock. The preferred stock and series common stock can be issued with varying terms, as determined by the Board.

Share Repurchase Program

The Company implemented a systematic share repurchase program in the third quarter of 2005 through an SEC Rule 10b5-1 program. Moody's may also purchase opportunistically when conditions warrant. As a result, Moody's share repurchase activity will continue to vary from quarter to quarter. The table below summarizes the Company's remaining authority under its share repurchase program as of December 31, 2016:

Date Authorized	Amount Authorized	Remaining Authority
December 15, 2015	**$ 1,000.0**	**$ 726.8**

During 2016, Moody's repurchased 7.7 million shares of its common stock under its share repurchase program and issued 2.8 million shares under employee stock-based compensation plans.

Dividends

The Company's cash dividends were:

	Dividends Per Share					
	Year ended December 31,					
	2016		2015		2014	
	Declared	Paid	Declared	Paid	Declared	Paid
First quarter	**$ —**	**$ 0.37**	$ —	$ 0.34	$ —	$ 0.28
Second quarter	**0.37**	**0.37**	0.34	0.34	0.28	0.28
Third quarter	**0.37**	**0.37**	0.34	0.34	0.28	0.28
Fourth quarter	**0.75**	**0.37**	0.71	0.34	0.62	0.28
Total	**$ 1.49**	**$ 1.48**	$ 1.39	$ 1.36	$ 1.18	$ 1.12

On December 20, 2016, the Board approved the declaration of a quarterly dividend of $0.38 per share of Moody's common stock, payable on March 10, 2017 to shareholders of record at the close of business on February 20, 2017. The continued payment of dividends at the rate noted above, or at all, is subject to the discretion of the Board.

NOTE 18 LEASE COMMITMENTS

Moody's operates its business from various leased facilities, which are under operating leases that expire over the next 11 years. Moody's also leases certain computer and other equipment under operating leases that expire over the next four years. Rent expense, including lease incentives, is amortized on a straight-line basis over the related lease term. Rent expense under operating leases for the years ended December 31, 2016, 2015 and 2014 was $95.4 million, $87.6 million and $83.9 million, respectively.

The 21-year operating lease for the Company's headquarters at 7WTC which commenced on October 20, 2006 contains a total of 20 years of renewal options. These renewal options apply to both the original lease as well as additional floors leased by the Company beginning in 2014. Additionally, the 17.5 year operating lease for the Company's London, England office which commenced on February 6, 2008 contains a total of 15 years of renewal options.

The minimum rent for operating leases at December 31, 2016 is as follows:

Year Ending December 31,	Operating Leases
2017	**$ 101.9**
2018	**85.9**
2019	**75.1**
2020	**70.0**
2021	**67.2**
Thereafter	**343.8**
Total minimum lease payments	**$ 743.9**

NOTE 19 **CONTINGENCIES**

Moody's is involved in legal and tax proceedings, governmental investigations and inquiries, claims and litigation that are incidental to the Company's business, including claims based on ratings assigned by MIS. Moody's is also subject to ongoing tax audits in the normal course of business. Management periodically assesses the Company's liabilities and contingencies in connection with these matters based upon the latest information available. Moody's discloses material pending legal proceedings pursuant to SEC rules and other pending matters as it may determine to be appropriate.

Following the global credit crisis of 2008, MIS and other credit rating agencies have been the subject of intense scrutiny, increased regulation, ongoing inquiry and governmental investigations, and civil litigation. Legislative, regulatory and enforcement entities around the world are considering additional legislation, regulation and enforcement actions, including with respect to MIS's compliance with regulatory standards. Moody's periodically receives and is continuing to address subpoenas and inquiries from various governmental authorities and is responding to such investigations and inquiries.

In a letter dated September 29, 2016, the United States Department of Justice ("DOJ") stated that it was preparing a civil complaint to be filed against Moody's and MIS in the U.S. District Court for the District of New Jersey alleging certain violations of the Financial Institutions Reform, Recovery, and Enforcement Act in connection with the ratings MIS assigned to residential mortgage-backed securities and collateralized debt obligations in the period leading up to the 2008 financial crisis. On January 13, 2017, the Company, along with its subsidiaries MIS and MA, announced that it had entered into a settlement agreement with the United States, acting through the DOJ and the United States Attorney's Office for the District of New Jersey, along with the States of Arizona, California, Connecticut, Delaware, Idaho, Illinois, Indiana, Iowa, Kansas, Maine, Maryland, Massachusetts, Mississippi, Missouri, New Hampshire, New Jersey, North Carolina, Oregon, Pennsylvania, South Carolina, and Washington, and the District of Columbia (collectively, the "States"), acting through their respective Attorneys General or state securities regulator, as applicable, to resolve pending and potential civil claims related to credit ratings that MIS assigned to certain structured finance instruments in the financial crisis era. The agreement also related to certain statements made in connection with Moody's structured finance rating methodologies and procedures during the same period. Under the terms of the Settlement Agreement, the Company agreed to pay $437.5 million to the United States as a civil monetary penalty and $426.3 million in aggregate to the States. The Company also agreed to maintain a number of existing compliance measures and to implement and maintain certain additional compliance measures over the next five years. The Settlement Agreement contained no findings of violations of law by Moody's, MIS or MA nor any admission of liability, and is final and not conditioned on court approval. The complete terms of the settlement are reflected in the settlement agreement attached as Exhibit 10.1 to the Form 8-K filed by the Company on January 17, 2017.

In addition, the Company is facing litigation from market participants relating to the performance of MIS-rated securities. Although Moody's in the normal course experiences such litigation, the volume and cost of defending such litigation has significantly increased following the events in the U.S. subprime residential mortgage sector and global credit markets more broadly over the last decade.

For claims, litigation and proceedings and governmental investigations and inquiries not related to income taxes, where it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated, the Company records liabilities in the consolidated financial statements and periodically adjusts these as appropriate. When the reasonable estimate of the loss is within a range of amounts, the minimum amount of the range is accrued unless some higher amount within the range is a better estimate than another amount within the range. In other instances, where a loss is reasonably possible, management does not record a liability because of uncertainties related to the probable outcome and/or the amount or range of loss, but discloses the contingency if significant. As additional information becomes available, the Company adjusts its assessments and estimates of such matters accordingly. In view of the inherent difficulty of predicting the outcome of litigation, regulatory, governmental investigations and inquiries, enforcement and similar matters and contingencies, particularly where the claimants seek large or indeterminate damages or where the parties assert novel legal theories or the matters involve a large number of parties, the Company cannot predict what the eventual outcome of the pending matters will be or the timing of any resolution of such matters. The Company also cannot predict the impact (if any) that any such matters may have on how its business is conducted, on its competitive position or on its financial position, results of operations or cash flows. As the process to resolve any pending matters progresses, management will continue to review the latest information available and assess its ability to predict the outcome of such matters and the effects, if any, on its operations and financial condition. However, in light of the large or indeterminate damages sought in some such matters, the absence of similar court rulings on the theories of law asserted and uncertainties regarding apportionment of any potential damages, an estimate of the range of possible losses cannot be made at this time.

NOTE 20 SEGMENT INFORMATION

The Company is organized into three operating segments: (i) MIS, (ii) MA and (iii) Moody's Analytics Knowledge Services. The MAKS operating segment has been aggregated with the MA operating segment based on the fact that it has similar economic characteristics to MA. Accordingly, the Company reports in two reportable segments: MIS and MA.

In January 2014, the Company revised its operating segments to create the new Copal Amba operating segment. The new operating segment consists of all operations from Copal and the operations of Amba which was acquired in December 2013. In December 2016, the Copal Amba operating segment was rebranded as MAKS. The MAKS operating segment provides research and analytic services to the global financial and corporate sectors. The Company has determined that the MAKS and MA operating segments have similar economic characteristics as set forth in ASC 280. As such, MAKS has been combined with MA to form the MA reportable segment and revenue from MAKS is reported in the PS LOB.

The MIS segment consists of five LOBs. The CFG, SFG, FIG and PPIF LOBs generate revenue principally from fees for the assignment and ongoing monitoring of credit ratings on debt obligations and the entities that issue such obligations in markets worldwide. The MIS Other LOB primarily consists of the distribution of research and financial instruments pricing services in the Asia-Pacific region as well as ICRA non-ratings revenue.

The MA segment develops a wide range of products and services that support the risk management activities of institutional participants in global financial markets. The MA segment consists of three LOBs - RD&A, ERS and PS.

Revenue for MIS and expenses for MA include an intersegment royalty charged to MA for the rights to use and distribute content, data and products developed by MIS. The royalty rate charged by MIS approximates the fair value of the aforementioned content, data and products and is generally based on comparable market transactions. Also, revenue for MA and expenses for MIS include an intersegment fee charged to MIS from MA for certain MA products and services utilized in MIS's ratings process. These fees charged by MA are generally equal to the costs incurred by MA to produce these products and services. Additionally, overhead costs and corporate expenses of the Company that exclusively benefit only one segment are fully charged to that segment. Overhead costs and corporate expenses of the Company that benefit both segments are allocated to each segment based on a revenue-split methodology. Accordingly, a reportable segment's share of these costs will increase as its proportion of revenue relative to Moody's total revenue increases. Overhead expenses include costs such as rent and occupancy, information technology and support staff such as finance, human resources and information technology. "Eliminations" in the table below represent intersegment revenue/expense. Moody's does not report the Company's assets by reportable segment, as this metric is not used by the chief operating decision maker to allocate resources to the segments. Consequently, it is not practical to show assets by reportable segment.

FINANCIAL INFORMATION BY SEGMENT:

The table below shows revenue, Adjusted Operating Income and operating income by reportable segment. Adjusted Operating Income is a financial metric utilized by the Company's chief operating decision maker to assess the profitability of each reportable segment.

	Year Ended December 31,							
	2016				2015			
	MIS	MA	Eliminations	Consolidated	MIS	MA	Eliminations	Consolidated
Revenue	**$2,471.0**	**$1,246.9**	**$ (113.7)**	**$ 3,604.2**	$2,427.7	$1,163.4	$ (106.6)	$ 3,484.5
Operating, SG&A	**1,115.6**	**961.1**	**(113.7)**	**1,963.0**	1,120.3	883.9	(106.6)	1,897.6
Adjusted Operating Income	**1,355.4**	**285.8**	**—**	**1,641.2**	1,307.4	279.5	—	1,586.9
Less:								
Depreciation and amortization	**73.8**	**52.9**	**—**	**126.7**	66.0	47.5	—	113.5
Restructuring	**10.2**	**1.8**	**—**	**12.0**	—	—	—	—
Settlement Charge	**863.8**	**—**	**—**	**863.8**	—	—	—	—
Operating income	**$ 407.6**	**$ 231.1**	**$ —**	**$ 638.7**	$1,241.4	$ 232.0	$ —	$ 1,473.4

	Year Ended December 31,			
	2014			
	MIS	MA	Eliminations	Consolidated
Revenue	$2,353.4	$1,081.8	$ (100.9)	$ 3,334.3
Operating, SG&A	1,076.2	824.3	(100.9)	1,799.6
Adjusted Operating Income	1,277.2	257.5	—	1,534.7
Less:				
Depreciation and amortization	49.4	46.2	—	95.6
Operating income	$1,227.8	$ 211.3	$ —	$ 1,439.1

The cumulative restructuring charges relating to actions taken in 2016 as more fully discussed in Note 9 for the MIS and MA reportable segments are $10.2 million and $1.8 million, respectively. The charge in MA reflects cost management initiatives in certain corporate overhead functions of which a portion is allocated to MA based on a revenue-split methodology.

MIS AND MA REVENUE BY LINE OF BUSINESS

The tables below present revenue by LOB:

	Year Ended December 31,		
	2016	2015	2014
MIS:			
Corporate finance (CFG)	**$ 1,122.3**	$ 1,112.7	$ 1,109.3
Structured finance (SFG)	**436.8**	449.1	426.5
Financial institutions (FIG)	**368.9**	365.6	354.7
Public, project and infrastructure finance (PPIF)	**412.2**	376.4	357.3
Total ratings revenue	**2,340.2**	2,303.8	2,247.8
MIS Other	**30.6**	30.4	18.0
Total external revenue	**2,370.8**	2,334.2	2,265.8
Intersegment royalty	**100.2**	93.5	87.6
Total	**2,471.0**	2,427.7	2,353.4
MA:			
Research, data and analytics (RD&A)	**667.6**	626.4	571.8
Enterprise risk solutions (ERS)	**418.8**	374.0	328.5
Professional services (PS)	**147.0**	149.9	168.2
Total external revenue	**1,233.4**	1,150.3	1,068.5
Intersegment revenue	**13.5**	13.1	13.3
Total	**1,246.9**	1,163.4	1,081.8
Eliminations	**(113.7)**	(106.6)	(100.9)
Total MCO	**$ 3,604.2**	$ 3,484.5	$ 3,334.3

CONSOLIDATED REVENUE AND LONG-LIVED ASSETS INFORMATION BY GEOGRAPHIC AREA

	Year Ended December 31,		
	2016	**2015**	**2014**
Revenue:			
U.S.	**$ 2,105.5**	$ 2,009.0	$ 1,814.5
International:			
EMEA	**904.4**	882.3	952.8
Asia-Pacific	**373.2**	364.2	338.3
Americas	**221.1**	229.0	228.7
Total International	**1,498.7**	1,475.5	1,519.8
Total	**$ 3,604.2**	$ 3,484.5	$ 3,334.3
Long-lived assets at December 31:			
United States	**$ 681.9**	$ 657.5	$ 657.6
International	**964.0**	924.3	1,011.3
Total	**$ 1,645.9**	$ 1,581.8	$ 1,668.9

NOTE 21 VALUATION AND QUALIFYING ACCOUNTS

Accounts receivable allowances primarily represent adjustments to customer billings that are estimated when the related revenue is recognized and also represents an estimate for uncollectible accounts. Below is a summary of activity:

Year Ended December 31,	Balance at Beginning of the Year	Charged to costs and expenses	Deductions[1]	Balance at End of the Year
2016				
Accounts receivable allowance	**$ (27.5)**	**$ (6.2)**	**$ 8.0**	**$ (25.7)**
2015				
Accounts receivable allowance	$ (29.4)	$ (9.0)	$ 10.9	$ (27.5)
2014				
Accounts receivable allowance	$ (28.9)	$ (8.9)	$ 8.4	$ (29.4)

(1) Reflects uncollectible amounts written off.

NOTE 22 OTHER NON-OPERATING INCOME, NET

The following table summarizes the components of other non-operating income (expense), net as presented in the consolidated statements of operations:

	Year Ended December 31,		
	2016	**2015**	**2014**
FX gain [a]	**$ 50.1**	$ 1.1	$ 20.3
Legacy Tax [b]	**1.6**	6.4	6.4
Joint venture income	**11.4**	11.8	9.6
Other	**(6.0)**	2.0	(0.4)
Total	**$ 57.1**	$ 21.3	$ 35.9

(a) The FX gain in 2016 includes an approximate $35 million net gain relating to the substantial liquidation/sale of certain non-U.S. subsidiaries. Pursuant to ASC 830, cumulative translation gains relating to these subsidiaries were reclassified to other non-operating income, net in the consolidated statement of operations.

(b) The 2016, 2015 and 2014 amount relate to the expiration of a statute of limitations for Legacy Tax Matters.

NOTE 23 **RELATED PARTY TRANSACTIONS**

Moody's Corporation made grants of $4 million to The Moody's Foundation during each of the years ended December 31, 2016 and 2014. The Company did not make a grant to the Foundation in 2015. The Foundation carries out philanthropic activities primarily in the areas of education and health and human services. Certain members of Moody's senior management are on the board of the Foundation.

NOTE 24 **QUARTERLY FINANCIAL DATA (UNAUDITED)**

	Three Months Ended			
(amounts in millions, except EPS)	**March 31**	**June 30**	**September 30**	**December 31**
2016				
Revenue	**$ 816.1**	**$928.9**	**$ 917.1**	**$ 942.1**
Operating income (loss)	**$ 304.1**	**$410.2**	**$ 397.5**	**$ (473.1)**
Net income (loss) attributable to Moody's	**$ 184.4**	**$255.5**	**$ 255.3**	**$ (428.6)**
EPS:				
Basic	**$ 0.95**	**$ 1.32**	**$ 1.33**	**$ (2.25)**
Diluted	**$ 0.93**	**$ 1.30**	**$ 1.31**	**$ (2.25)**
2015				
Revenue	$ 865.6	$ 918.1	$ 834.9	$ 865.9
Operating income	$ 371.3	$ 419.3	$ 349.7	$ 333.1
Net income attributable to Moody's	$ 230.1	$ 261.7	$ 231.6	$ 217.9
EPS:				
Basic	$ 1.14	$ 1.30	$ 1.16	$ 1.11
Diluted	$ 1.11	$ 1.28	$ 1.14	$ 1.09

Basic and diluted EPS are computed for each of the periods presented. The number of weighted average shares outstanding changes as common shares are issued pursuant to employee stock-based compensation plans and for other purposes or as shares are repurchased. Therefore, the sum of basic and diluted EPS for each of the four quarters may not equal the full year basic and diluted EPS.

Both the operating loss and the net loss attributable to Moody's in the three months ended December 31, 2016 primarily reflect the Settlement Charge of $863.8 million ($700.7 million, net-of-tax) as more fully discussed in Note 19. There were benefits of $1.6 million and $6.4 million to net income related to the resolution of Legacy Tax Matters for year ended December 31, 2016 and 2015. Additionally, the net loss attributable to Moody's for the three months ended December 31, 2016 includes an approximate $35 million FX gain related to the liquidation of a subsidiary.

NOTE 25 **SUBSEQUENT EVENT**

On February 16, 2017, the Company notified the holders of the Series 2007-1 Notes that it intends to prepay the notes on March 20, 2017 in accordance with provisions set forth in the 2007 Agreement. Accordingly, the Company will make cash payments to the holders of the Series 2007-1 Notes totaling approximately $316 million in the first quarter of 2017 (payment consists of $300 million of principal, approximately $8 million in accrued interest, and approximately $8 million in pre-payment penalties).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company carried out an evaluation, as required by Rule 13a-15(b) under the Exchange Act, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, as of the end of the period covered by this report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the times periods specified in the communication to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes In Internal Control Over Financial Reporting

Information in response to this Item is set forth under the caption "Management's Report on Internal Control Over Financial Reporting", in Part II, Item 8 of this annual report on Form 10-K.

In addition, the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, has determined that there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, these internal controls over financial reporting during the period covered by this report.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

Except for the information relating to the executive officers of the Company set forth in Part I of this annual report on Form 10-K, the information called for by Items 10-14 is contained in the Company's definitive proxy statement for use in connection with its annual meeting of stockholders scheduled to be held on April 25, 2017, and is incorporated herein by reference.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

ITEM 11. EXECUTIVE COMPENSATION

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

LIST OF DOCUMENTS FILED AS PART OF THIS REPORT.

(1) Financial Statements.
See Index to Financial Statements on page 57, in Part II. Item 8 of this Form 10-K.

(2) Financial Statement Schedules.
None.

(3) Exhibits.
See Index to Exhibits on pages 116-119 of this Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MOODY'S CORPORATION
(Registrant)

By: /s/ RAYMOND W. MCDANIEL, JR.

Raymond W. McDaniel, Jr.
President and Chief Executive Officer

Date: February 23, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ RAYMOND W. MCDANIEL, JR.

Raymond W. McDaniel, Jr.,
President and Chief Executive Officer
(principal executive officer)

/s/ LINDA S. HUBER

Linda S. Huber,
Executive Vice President and Chief Financial Officer
(principal financial officer)

/s/ MICHAEL S. CRIMMINS

Michael S. Crimmins,
Senior Vice President and Corporate
Controller (principal accounting officer)

/s/ BASIL L. ANDERSON

Basil L. Anderson,
Director

/s/ JORGE A. BERMUDEZ

Jorge A. Bermudez,
Director

/s/ DARRELL DUFFIE

Darrell Duffie,
Director

/s/ KATHRYN M. HILL

Kathryn M. Hill,
Director

/s/ EWALD KIST

Ewald Kist,
Director

/s/ HENRY A. MCKINNELL, JR.

Henry A. McKinnell, Jr. Ph.D.,
Chairman

/s/ LESLIE F. SEIDMAN

Leslie F. Seidman,
Director

/s/ BRUCE VAN SAUN

Bruce Van Saun,
Director

Date: February 23, 2017

INDEX TO EXHIBITS

S-K EXHIBIT NUMBER		
3	**Articles Of Incorporation And By-laws**	
	.1	Restated Certificate of Incorporation of the Registrant, effective April 17, 2013 (incorporated by reference to Exhibit 3.2 to the Report on Form 8-K of the Registrant, file number 1-14037, filed April 22, 2013).
	.2	Amended and Restated By-laws of Moody's Corporation, effective April 17, 2013 (incorporated by reference to Exhibit 3.2 to the Report on Form 8-K of the Registrant, file number 1-14037, filed April 22, 2013).
4	**Instruments Defining The Rights Of Security Holders, Including Indentures**	
	.1	Specimen Common Stock certificate (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed October 4, 2000)
	.2	Note Purchase Agreement, dated as of September 7, 2007, by and among Moody's Corporation and the note purchasers party thereto, including the form of the 6.06% Series 2007-1 Senior Unsecured Note due 2017 (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed September 13, 2007)
	.3	Five-Year Credit Agreement dated as of May 11, 2015, among Moody's Corporation, the Borrowing Subsidiaries Party Thereto, the Lenders Party Thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A. and Citibank, N.A. as Co-Syndication Agents, and TD Bank, N.A., The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Barclays Bank as Co-Documentation Agents (incorporated by reference to Exhibit 4.2 to the Report on Form 8-K of the Registrant, file number 1-14037, filed May 14, 2015)
	.4	Indenture, dated as of August 19, 2010, between Moody's Corporation and Wells Fargo, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed August 19, 2010)
	.5	Supplemental Indenture, dated as of August 19, 2010, between Moody's Corporation and Wells Fargo, National Association, as trustee, including the form of the 5.50% Senior Notes due 2020 (incorporated by reference to Exhibit 4.2 to the Report on Form 8-K of the Registrant, file number 1-14037, filed August 19, 2010)
	.6	Second Supplemental Indenture, dated as of August 20, 2012, between Moody's Corporation and Wells Fargo, National Association, as trustee, including the form of the 4.50% Senior Notes due 2022 (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed August 20, 2012)
	.7	Third Supplemental Indenture, dated as of August 12, 2013, between Moody's Corporation and Wells Fargo, National Association, as trustee, including the form of the 4.875% Senior Notes due 2023 (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed August 20, 2013)
	.8	Fourth Supplemental Indenture, dated July 16, 2014, between the Company and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed July 16, 2014).
	.9	Fifth Supplemental Indenture, dated March 9, 2015, between the Company, Wells Fargo Bank, National Association, as trustee and Elavon Financial Services Limited, UK Branch as paying agent and transfer agent and Elavon Financial Services Limited as registrar (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed March 9, 2015).
10	**Material Contracts**	
	.1	Distribution Agreement, dated as of September 30, 2000, between the Registrant and The Dun & Bradstreet Corporation (f.k.a. The New D&B Corporation) (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed October 4, 2000)
	.2	Tax Allocation Agreement, dated as of September 30, 2000, between the Registrant and The Dun & Bradstreet Corporation (f.k.a. The New D&B Corporation) (incorporated by reference to Exhibit 10.2 to the Report on Form 8-K of the Registrant, file number 1-14037, filed October 4, 2000)

.3†	The Moody's Corporation Nonfunded Deferred Compensation Plan for Non-Employee Directors (as amended and restated October 20, 2015) (incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 24, 2016)
.4†	1998 Moody's Corporation Non-Employee Directors' Stock Incentive Plan (Adopted September 8, 2000; Amended and Restated as of December 11, 2012, October 20, 2015 and December 14, 2015) (incorporated by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 24, 2016)
.5†	1998 Moody's Corporation Key Employees' Stock Incentive Plan (incorporated by reference to Exhibit 10.16 to the Registrant's Quarterly Report on Form 10-Q, file number 1-14037, filed November 14, 2000)
.6	Distribution Agreement, dated as of June 30, 1998, between R.H. Donnelley Corporation (f.k.a. The Dun & Bradstreet Corporation) and the Registrant (f.k.a. The New Dun & Bradstreet Corporation) (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q, file number 1-14037, filed August 14, 1998)
.7†	Moody's Corporation Deferred Compensation Plan, effective as of January 1, 2008 (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed October 26, 2007)
.8	Form of Separation Agreement and General Release used by the Registrant with its Career Transition Plan. (incorporated by reference to Exhibit 99.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed November 20, 2007)
.9†	Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan (as amended, December 11, 2012) (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed April 22, 2013)
.10	Tax Allocation Agreement, dated as of June 30, 1998, between R.H. Donnelley Corporation (f.k.a. The Dun & Bradstreet Corporation) and the Registrant (f.k.a. The New Dun & Bradstreet Corporation) (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q, file number 1-14037, filed August 14, 1998)
.11	Distribution Agreement, dated as of October 28, 1996, among R.H. Donnelley Corporation (f.k.a. The Dun & Bradstreet Corporation), Cognizant Corporation and ACNielsen Corporation (incorporated by reference to Exhibit 10(x) to R.H. Donnelley Corporation's (f.k.a. The Dun & Bradstreet Corporation) Annual Report on Form 10-K, file number 1-7155, filed March 27, 1997)
.12	Tax Allocation Agreement, dated as of October 28, 1996, among R.H. Donnelley Corporation (f.k.a. The Dun & Bradstreet Corporation), Cognizant Corporation and ACNielsen Corporation (incorporated by reference to Exhibit 10(y) to R.H. Donnelley Corporation's (f.k.a. The Dun & Bradstreet Corporation) Annual Report on Form 10-K, file number 1-7155, filed March 27, 1997)
.13†	Form of Employee Non-Qualified Stock Option and Restricted Stock Grant Agreement (for awards granted prior to 2017) for the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q, file number 1-14037, filed November 3, 2004)
.14†	Form of Non-Employee Director Restricted Stock Grant Agreement for the 1998 Moody's Corporation Non-Employee Directors' Stock Incentive Plan (as amended on April 23, 2001) (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q, file number 1-14037, filed November 3, 2004)
.15†	Form of Performance Share Award Letter (for awards granted prior to 2017) for the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan (incorporated by reference to Exhibit 10.48 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 28, 2011)
.16†*	Form of Employee Non-Qualified Stock Option Grant Agreement for the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan.
.17†*	Form of Performance Share Award Letter for the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan.
.18†*	Form of Restricted Stock Unit Grant Agreement for the Amended and Restated 2001 Moody's Corporation Key Employees' Stock Incentive Plan.
.19†	2004 Moody's Corporation Covered Employee Cash Incentive Plan (as amended on February 10, 2015) (incorporated by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 26, 2015)

.20†	Description of Bonus Terms under the 2004 Moody's Corporation Covered Employee Cash Incentive Plan (as amended, December 15, 2009) (incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q, file number 1-14037, filed November 3, 2004)
.21	Agreement of Lease, dated September 7, 2006, between Moody's Corporation and 7 World Trade Center, LLC (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, file number 1-14037, filed November 2, 2006)
.22	Agreement for Lease, dated February 6, 2008, among CWCB Properties (DS7) Limited, CWCB Properties (DS7) Limited and CW Leasing DS7F Limited, Canary Wharf Holdings Limited, Moody's Investors Service Limited, and Moody's Corporation (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed February 12, 2008)
.23	Agreement for Lease, dated February 6, 2008, among Canary Wharf (Car Parks) Limited, Canary Wharf Holdings Limited, Canary Wharf Management Limited, Moody's Investors Service Limited, and Moody's Corporation (incorporated by reference to Exhibit 10.2 to the Report on Form 8-K of the Registrant, file number 1-14037, filed February 12, 2008)
.24	Storage Agreement for Lease dated February 6, 2008 among Canary Wharf (Car Parks) Limited, Canary Wharf Holdings Limited, Canary Wharf Management Limited, Moody's Investors Service Limited, and Moody's Corporation (incorporated by reference to Exhibit 10.2 to the Report on Form 8-K of the Registrant file number 1-14037, filed February 12, 2008)
.25	Moody's Corporation 1999 Employee Stock Purchase Plan (as amended and restated December 15, 2008) (formerly, The Dun & Bradstreet Corporation 1999 Employee Stock Purchase Plan) (incorporated by reference to Exhibit 10.38 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 27, 2009)
.26†	Supplemental Executive Benefit Plan of Moody's Corporation, amended and restated as of January 1, 2008 (incorporated by reference to Exhibit 10.38 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February, 29, 2008)
.27†	Pension Benefit Equalization Plan of Moody's Corporation, amended and restated as of January 1, 2008 (incorporated by reference to Exhibit 10.39 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February, 29, 2008)
.28†	Moody's Corporation Retirement Account, amended and restated as of December 18,2013 (incorporated by reference to Exhibit 10.25 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 27, 2014)
.29†	First Amendment to the Moody's Corporation Retirement Account, amended and restated as of December 18, 2013 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, file number 1-14037, filed July 30, 2015)
.30†	Profit Participation Plan of Moody's Corporation (amended and restated as of January 1, 2014) (incorporated by reference to Exhibit 10.26 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 26, 2015)
.31†	First Amendment to the Profit Participation Plan of Moody's Corporation (amended and restated as of January 1, 2014) (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on form 10-Q, file number 1-14037, filed May 4, 2015)
.32†	Second Amendment to the Profit Participation Plan of Moody's Corporation (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, file number 1-14037, filed May 3, 2016)
.33†*	Amended and Restated Moody's Corporation Career Transition Plan.
.34†	Moody's Corporation Cafeteria Plan, effective January 1, 2008 (incorporated by reference to Exhibit 10.46 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 27, 2009)
.35†	First Amendment to the Moody's Corporation Cafeteria Plan (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on form 10-Q, file number 1-14037, filed July 31, 2014)
.36†	Second Amendment to the Moody's Corporation Cafeteria Plan (incorporated by reference to Exhibit 10.33 to the Registrant's Annual Report on Form 10-K, file number 1-14037, filed February 26, 2015)
.37†	Separation Agreement and general release between the Company and Brian M. Clarkson, dated May 7, 2008 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, file number 1-14037, filed August 4, 2008)

S-K EXHIBIT NUMBER		
38†		Moody's Corporation Change in Control Severance Plan (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed December 20, 2010)
39†		Form Commercial Paper Dealer Agreement between Moody's Corporation, as Issuer, and the Dealer party thereto (incorporated by reference to Exhibit 10.1 to the Registrants Quarterly Report on From 10-Q, file number 1-14037, filed August 3, 2016)
40		Settlement Agreement dated January 13, 2017 between (1) Moody's Corporation, Moody's Investors Service, Inc. and Moody's Analytics, Inc., and (2) the United States, acting through the United States Department of Justice and the United States Attorney's Office for the District of New Jersey, along with various States and the District of Columbia, acting through their respective Attorneys General (incorporated by reference to the Report on Form 8-K of the Registrant, file number 1-14037, filed January 17, 2017)
12*		Statement of Computation of Ratios of Earnings to Fixed Charges
21*		SUBSIDIARIES OF THE REGISTRANT List of Active Subsidiaries as of December 31, 2016
23		CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
	.1*	Consent of KPMG LLP
31		CERTIFICATIONS 302 OF THE SARBANES-OXLEY ACT OF 2002
	.1*	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
	.2*	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32		CERTIFICATIONS PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
	.1*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (The Company has furnished this certification and does not intend for it to be considered filed under the Securities Exchange Act of 1934 or incorporated by reference into future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934)
	.2*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (The Company has furnished this certification and does not intend for it to be considered filed under the Securities Exchange Act of 1934 or incorporated by reference into future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934)
101	.DEF*	XBRL Definitions Linkbase Document
101	.INS*	XBRL Instance Document
101	.SCH*	XBRL Taxonomy Extension Schema Document
101	.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101	.LAB*	XBRL Taxonomy Extension Labels Linkbase Document
101	.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

† Management contract of compensatory plan or arrangement

EXHIBIT 21

SUBSIDIARIES OF MOODY'S CORPORATION

The following is a list of active, majority-owned subsidiaries of Moody's Corporation as of December 31, 2016.

U.S. Entities

CSI Global Education, US, Inc.	Delaware
Foundation for Fiduciary Studies, Inc.	Delaware
GGYAXIS, Inc.	Delaware
Lewtan Technologies, Inc.	Massachusetts
MIS Asset Holdings, Inc.	Delaware
MIS Quality Management Corp.	Delaware
Moody's Advisors Inc.	Delaware
Moody's Analytics, Inc.	Delaware
Moody's Analytics Knowledge Services Analysis (US) Inc.	Delaware
Moody's Analytics Knowledge Services Solutions (US) Inc.	Delaware
Moody's Analytics Knowledge Services (US) Inc.	Delaware
Moody's Analytics Solutions, LLC	Delaware
Moody's Assurance Company, Inc.	New York
Moody's Assureco, Inc.	Delaware
Moody's Capital Markets Research, Inc.	Delaware
Moody's Credit Assessment Holdings, LLC	Delaware
Moody's Credit Assessment, Inc.	Delaware
Moody's Holdings LLC	Delaware
Moody's International LLC	Delaware
Moody's Investors Service, Inc.	Delaware
Moody's Overseas Holdings, Inc.	Delaware
Moody's Risk Services Corporation	Delaware
Moody's Shared Services, Inc.	Delaware
The Moody's Foundation	New York

Non-US Entities

Administración de Calificadoras, S.A. de C.V.	Mexico
Amba Research (India) Pvt Ltd	India
Amba Research UK Ltd	United Kingdom
Copal Business Consulting (Beijing) Co. Limited	China
Equilibrium Clasificadora de Riesgo S.A.	Peru
Equilibrium Calificadora de Riesgo S.A.	Republic of Panama
Fermat Finance SPRL	Belgium
Fermat GmbH	Germany
Fermat International SA	Belgium
Gilliland Gold Young Consulting	Canada
ICRA Lanka Limited	Sri Lanka
ICRA Limited	India
ICRA Management Consulting Services Limited	India
ICRA Nepal Limited	Nepal
ICRA Online Limited	India
KIS Pricing, Inc.	Korea
Korea Investors Service, Inc.	Korea
Lewtan Australia Pty. Ltd.	Australia
MA Knowledge Services Research (India) Private Limited	India
MA KS Solutions (India) Private Limited	India

Midroog Ltd	Israel
MIS Support Center Private Limited	India
Moody’s America Latina Ltda.	Brazil
Moody’s Analytics Australia Pty. Ltd.	Australia
Moody’s Analytics Canada Inc.	Canada
Moody’s Analytics Czech Republic s.r.o.	Czech Republic
Moody’s Analytics Deutschland GmbH	Germany
Moody’s Analytics (DIFC) Limited	UAE (Dubai International Financial Center)
Moody’s Analytics do Brasil Solucoes para Gerenciamento de Risco de Credito Ltda.	Brazil
Moody’s Analytics Global Education (Canada) Inc.	Canada
Moody’s Analytics Holdings (UK) Limited	United Kingdom
Moody’s Analytics Hong Kong Ltd.	Hong Kong
Moody’s Analytics International Licensing GmbH	Switzerland
Moody’s Analytics Ireland Ltd	Ireland
Moody’s Analytics Japan KK	Japan
Moody’s Analytics Knowledge Services (BVI) Limited	British Virgin Islands
Moody’s Analytics Knowledge Services Costa Rica Sociedad Anonima	Costa Rica
Moody’s Analytics Knowledge Services Holdings (Mauritius) Limited	Mauritius
Moody’s Analytics Knowledge Services (Hong Kong) Limited	Hong Kong
Moody’s Analytics Knowledge Services (Jersey) Limited	Jersey
Moody’s Analytics Knowledge Services Lanka (Private) Limited	Sri Lanka
Moody’s Analytics Knowledge Services (Mauritius) Limited	Mauritius
Moody’s Analytics Knowledge Services Research (Mauritius) Limited	Mauritius
Moody’s Analytics Knowledge Services (Singapore) Pte. Ltd.	Singapore
Moody’s Analytics Knowledge Services (UK) Limited	United Kingdom
Moody’s Analytics Korea Co. Ltd.	Korea
Moody’s Analytics (Malaysia) Sdn. Bhd.	Malaysia
Moody’s Analytics SAS	France
Moody’s Analytics Singapore Pte. Ltd.	Singapore
Moody’s Analytics Technical Services (Hong Kong) Ltd.	Hong Kong
Moody’s Analytics Technical Services (UK) Limited	United Kingdom
Moody’s Analytics (Thailand) Co. Ltd.	Thailand
Moody’s Analytics UK Limited	United Kingdom
Moody’s Asia-Pacific Group (Singapore) Pte. Ltd.	Singapore
Moody’s Asia Pacific Limited	Hong Kong
Moody’s Canada Inc.	Canada
Moody’s Canada LP	Canada
Moody’s China (B.V.I.) Limited	British Virgin Islands
Moody’s Company Hong Kong Limited	Hong Kong
Moody’s de Mexico S.A. de C.V. Institución Calificadora de Valores	Mexico
Moody’s Deutschland GmbH	Germany
Moody’s Eastern Europe LLC	Russia
Moody’s EMEA Financing (Cyprus) Ltd.	Cyprus
Moody’s EMEA Holdings Limited	United Kingdom
Moody’s Equilibrium I (BVI) Holding Corporation	British Virgin Islands
Moody’s Equilibrium II (BVI) Holding Corporation	British Virgin Islands
Moody’s Finance Company Limited	United Kingdom
Moody’s France SAS	France
Moody’s Financing (Cyprus) Ltd.	Cyprus
Moody’s Group Australia Pty Ltd	Australia
Moody’s Group Cyprus Ltd	Cyprus
Moody’s Group Deutschland GmbH	Germany
Moody’s Group Finance Limited	United Kingdom
Moody’s Group France SAS	France
Moody’s Group Japan G.K.	Japan
Moody’s Group UK Ltd	United Kingdom

Moody's Group (Holdings) Unlimited	United Kingdom
Moody's Holdings (BVI) Limited	British Virgin Islands
Moody's Holdings Limited	United Kingdom
Moody's Indonesia (B.V.I.) Limited	British Virgin Islands
Moody's Information Consulting (Shenzhen) Co. Ltd.	China
Moody's Interfax Rating Agency Ltd	Russia
Moody's International Holdings (Cyprus) Limited	Cyprus
Moody's International Holdings (UK) Limited	United Kingdom
Moody's International (UK) Limited	United Kingdom
Moody's Investment Company India Private Limited	India
Moody's Investors Service (Beijing), Ltd.	China
Moody's Investors Service (BVI) Limited	British Virgin Islands
Moody's Investors Service Cyprus Limited	Cyprus
Moody's Investors Service EMEA Limited	United Kingdom
Moody's Investors Service Espana SA	Spain
Moody's Investors Service Hong Kong Limited	Hong Kong
Moody's Investors Service India Private Limited	India
Moody's Investors Service (Korea) Inc.	Korea
Moody's Investors Service Limited	United Kingdom
Moody's Investors Service Middle East Limited	UAE (Dubai International Financial Center)
Moody's Investors Service Pty Limited	Australia
Moody's Investors Service Singapore Pte. Ltd.	Singapore
Moody's Investors Service South Africa (Pty) Limited	South Africa
Moody's Italia s.r.l.	Italy
Moody's Israel Holdings Inc.	British Virgin Islands
Moody's (Japan) K.K.	Japan
Moody's Latin America Agente de Calificacion de Riesgo SA	Argentina
Moody's Latin America Holding Corp	British Virgin Islands
Moody's Mauritius Holdings Limited	Mauritius
Moody's SF Japan K.K.	Japan
Moody's Shared Services India Private Limited	India
Moody's Shared Services UK Limited	United Kingdom
Moody's Singapore Pte Ltd	Singapore
Moody's South Africa (BVI) Limited	British Virgin Islands
Moody's (UK) Limited	United Kingdom
Pragati Development Consulting Services Limited	India
PT ICRA Indonesia	Indonesia
PT Moody's Indonesia	Indonesia

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Moody's Corporation:

We consent to the incorporation by reference in the registration statements on Forms S-8 (No. 333-170727, No. 333-170753, No. 333-145127, No. 333-126564, No. 333-103496, No. 333-47848, No. 333-81121, No. 333-68555, No. 333-64653, No. 333-60737, No. 333-57915, No. 333-57267, No. 333-192333, No. 333-192334) of Moody's Corporation of our report dated February 23, 2017, with respect to the consolidated balance sheets of Moody's Corporation as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, shareholders' equity (deficit), and cash flows, for each of the years in the three-year period ended December 31, 2016 and the effectiveness of internal control over financial reporting as of December 31, 2016, which report appears in the December 31, 2016 annual report on Form 10-K of Moody's Corporation.

/s/ KPMG LLP

New York, New York
February 23, 2017

EXHIBIT 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Raymond W. McDaniel, Jr., President and Chief Executive Officer of Moody's Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Moody's Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ RAYMOND W. MCDANIEL, JR.

Raymond W. McDaniel, Jr.
President and Chief Executive Officer

February 23, 2017

EXHIBIT 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Linda S. Huber, Executive Vice President and Chief Financial Officer of Moody's Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Moody's Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ LINDA S. HUBER

Linda S. Huber
Executive Vice President and Chief Financial Officer

February 23, 2017

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Moody's Corporation on Form 10-K for the year ended December 31, 2016 as filed with the SEC on the date hereof (the "Report"), I, Raymond W. McDaniel, Jr., President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ RAYMOND W. MCDANIEL, JR.

Raymond W. McDaniel, Jr.
President and Chief Executive Officer

February 23, 2017

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Moody's Corporation on Form 10-K for the year ended December 31, 2016 as filed with the SEC on the date hereof (the "Report"), I, Linda S. Huber, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ LINDA S. HUBER

Linda S. Huber
Executive Vice President and Chief Financial Officer

February 23, 2017

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Moody's Corporate Information

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TRANSFER AGENT, REGISTRAR

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Outside the U.S.: +1.718.921.8124
Hearing impaired: +1.866.703.9077

Online Shareholder Account Information
amstock.com
info@amstock.com

INDEPENDENT ACCOUNTANTS

KPMG LLP
345 Park Avenue
New York, NY 10154

CORPORATE GOVERNANCE

The Company has filed its annual report on Form 10-K for the year ended December 31, 2016 with the Securities and Exchange Commission.

The Form 10-K, along with other Moody's SEC filings and corporate governance documents, are available, without charge, upon request to the Investor Relations Department at the Corporate Office or on ir.moodys.com.

The Company has submitted to the New York Stock Exchange the Chief Executive Officer's certification that he is unaware of any violation by the Company of the NYSE's corporate governance listing standards. The Company has filed with the SEC the Chief Executive Officer and Chief Financial Officer certifications as exhibits to the most recently filed Form 10-K, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

COMMON STOCK INFORMATION

The Company's common stock trades on the New York Stock Exchange under the symbol "MCO".

INVESTOR RELATIONS

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ir.moodys.com

MOODY'S ENVIRONMENTAL POLICY

Moody's Corporation is committed to doing our part to protect and care for the environments in which we live and work including compliance with the letter and spirit of all relevant environmental legislation.

This commitment is demonstrated by the continuous development and implementation of practical and effective corporate policies and programs that support the more efficient use of natural resources and reduce the impact of our businesses on the environment. These programs and policies include reducing and eliminating waste, where feasible, through re-use, recovery and recycling.

Using various channels, the policy is available for public review and is communicated to employees to increase their awareness of environmental concerns and to further encourage them to minimize the impact they have on the environment.

All paper in this report is certified to the Forest Stewardship Council® (FSC®) standards. The 10-K of this report is printed on paper that contains recycled fiber.

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