Moody's Sector Reclassification Impact Analysis and Recovery Guide

Category: Guides | **Model:** BDWP-002

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1. Introduction

This document serves as a comprehensive guide for analyzing the impact of Moody's sector reclassification on existing security mappings, with a focus on the reclassification event dated 2025-08-25 affecting EMEA ETFs. It provides step-by-step procedures to identify affected records, interpret relevant reclassification codes (notably MDY-SEC-24xx series), perform corrective actions, and document the procedural lineage for audit and compliance purposes.

The guide is intended for Data Stewards, Analysts, and System

Administrators involved in maintaining and validating the integrity of security data within the Master Data Management (MDM) environment. It integrates operational procedures, validation checklists, and troubleshooting frameworks relevant to the impacted modules, including ADR mapping and ETF reconciliation.

Fundamentally, this document ensures that data is accurately realigned to reflect sector changes, minimizes lineage gaps, and upholds regulatory and internal compliance standards.

2. Overview of Moody's Sector Reclassification (2025-08-25)

On August 25, 2025, Moody's Investor Service implemented a comprehensive reclassification of certain sector classifications affecting equities and ETF securities across the EMEA region. This reclassification involves updating sector codes to reflect the latest industry segmentation standards and operational classifications.

The key changes include:

- Reassignment of securities to new sector codes based on Moody's updated taxonomy.
- Introduction of new sector codes with prefix `MDY-SEC-24xx`, denoting reclassified entities.
- Alterations in existing mappings for ETFs, particularly affecting holdings reconciliation and index classifications.

Specific examples include:

Old Sector Code	New Sector Code	Description
Banking	MDY-SEC-2410	Financial Institutions - Banking
Technology	MDY-SEC-2420	Information Technology - Software
Utilities	MDY-SEC-2430	Utilities (Electric, Gas, Water)

This reclassification impacts the way securities are mapped within the Vendor Taxonomy and RMA systems, requiring precise updates and

validations.

3. Impact Assessment Procedures

Impact assessment is critical to ensure data consistency across all affected modules. The following process outlines the risk evaluation steps:

1. Identify all securities, ETFs, or derivatives assigned to sectors affected by **MDY-SEC-24xx** codes.
2. Verify existing mappings against the Moody's updated classification schema.
3. Assess lineage gaps arising from missing or outdated mappings.
4. Determine the scope of updates needed to realign affected records.
5. Prepare a change plan documenting affected entities, proposed corrections, and validation checkpoints.

Key considerations include:

- Ensuring no adversarial impacts on index constituents or ETF holdings.
- Maintaining traceability from source data to final mapped records.
- Minimizing operational downtime during updates.

4. Identifying Affected Records

4.1 Data Sources and Extraction

Sources for affected data include:

- Vendor Taxonomy Files (e.g., Bloomberg schema updates from 2025-08-19)
- FactSet Concordance Rules for CUSIP, ISIN, and SEDOL mappings
- Internal Reclassification Logs and Audit Trails

Step-by-step extraction process:

1. Access the central database containing security attributes.
2. Filter records where *sector_code* matches any of the *MDY-SEC-24xx* codes introduced after reclassification date.
3. Generate a list of security identifiers (e.g., CUSIP, ISIN) associated with these sector codes.
4. Verify that records are current and properly tagged within the latest schema version.

4.2 Example SQL Query

```sql
SELECT security_id, sector_code, name, asset_class
FROM securities
WHERE sector_code LIKE 'MDY-SEC-24%'
  AND last_updated >= '2025-08-25';
```

This query retrieves all impacted securities post-reclassification date with relevant sector codes.

5. Interpreting Reclassification Codes (MDY-SEC-24xx)

5.1 Code Structure

Reclassification codes follow a standardized pattern:

- **MDY-SEC-24xx**: Indicates Moody's sector reclassification, where *24xx* is a 4-digit numerical code specifying a particular sector or sub-sector.

5.2 Examples of Codes

Code	Meaning	Description
MDY-SEC-2410	Financial Institutions - Banking	Securities classified under banking sector after reclassification
MDY-SEC-2420	Information Technology - Software	Software industry classification
MDY-SEC-2430	Utilities	Electric, Gas, and Water utilities

5.3 Interpretation Guidelines

- Check the code against the latest Moody's taxonomy document.
- Consult the Moody's sector code glossary for detailed descriptions.

- Use code mappings to determine affected security attributes and modules.

6. Corrective Actions and Data Realignment

6.1 Prerequisites

- Access to the latest Moody's sector reclassification schema.
- System privileges to update security records and mappings.
- Backup of current data to prevent loss during updates.

6.2 Step-by-Step Procedure

1. Identify all affected records using the extraction methodology described above.
2. Review each record to confirm current sector classification.
3. Determine the new sector code assignment based on Moody's updated taxonomy.
4. Update the security's sector_code attribute in the system:

```
UPDATE securities
SET sector_code = ''
WHERE security_id = ''
  AND sector_code LIKE 'MDY-SEC-24%';
```

Repeat for all affected securities.

6.3 Validation and Verification

- Run validation scripts to confirm that no securities remain with legacy sector codes.
- Cross-reference with Moody's official classification list.
- Audit a sample of records manually for correctness.

6.4 Handling Complex Cases

For securities with ambiguous or conflicting data:

- Consult the Steward Override Procedures (see section 10).
- Capture override comments and approval details.
- Document all corrections per lineage documentation templates.

7. Documenting Lineage Gaps and Steward Commentary

7.1 Lineage Gap Identification

Lineage gaps occur when the history of security attribute changes is incomplete or inconsistent, often due to missing or delayed reclassification updates.

- Use lineage documentation templates for tracking.
- Mark records with known lineage gaps during reconciliation efforts.

7.2 Steward Override Procedure

Stewards can add comments to clarify reclassification decisions, especially in complex or disputed cases. The approval matrix defines who can authorize overrides:

Override Level	Authorized Steward Role	Approval Threshold
Level 1	Data Analyst	Up to 50 records
Level 2	Senior Steward	Up to 200 records
Level 3	Data Governance Lead	Unlimited

7.3 Documentation Templates

Use the standardized lineage documentation template to record:

- Record identifiers
- Original sector code
- Reclassified sector code
- Impact description
- Override comments and steward approval signatures

8. Validation Checklists and Troubleshooting

8.1 Reclassification Impact Validation Checklist

1. Verify all affected securities are identified via extraction queries.

2. Confirm sector codes have been updated correctly according to Moody's taxonomy.
3. Check for lineage gaps by reviewing change logs and lineage documentation.
4. Ensure ETF holdings are realigned and indices recalculated where applicable.
5. Run reconciliation reports to spot inconsistencies.
6. Document verification results and flag unresolved discrepancies.

8.2 Troubleshooting Flowchart Summary

Use the following decision flow for common issues:

Issue	Possible Cause	Resolution Steps
Security with legacy sector code persists	Update not applied or failed validation	Re-apply update, review logs, verify permissions
Lineage gap detected during audit	Missing historical data or delayed updates	Apply steward override if necessary, document gap
ETF component mismatch after reclassification	Holdings not refreshed	Re-import ETF holdings, run reconciliation

9. Common Error Codes and Resolutions

Error Code	Symptoms	Root Cause	Resolution
MDM-ID-3102	Identifier conflict during update	Duplicate security IDs or concurrent updates	Check for duplicates, reconcile identifiers, re-execute updates

MDM-LIN-2207	Detected lineage gap during reconciliation	Missing historical attribute change records	Insert missing lineage data, escalate for steward review
MDM-COM-1905	Commentary required before proceeding	Override or sensitive change detected	Add steward commentary, obtain approval, proceed with change

Notes:

- Always review error logs in detail before corrective action.
- Maintain audit trails for all data corrections.

10. Affected Modules and Reconciliation Processes

10.1 ADR Mapping Module

The ADR (American Depository Receipt) mapping module aligns securities to underlying assets. Post-reclassification:

- Ensure ADR mappings reflect new sector classifications.
- Run ADR consistency validation reports.

10.2 ETF Constituent Reconciliation

Modifications in sector codes impact ETF holdings reconciliation:

- Re-import ETF holdings data.
- Recalculate ETF indices
- Verify total holdings and sector exposures

10.3 FactSet Concordance Rules

FactSet rules for mapping CUSIP/ISIN/SEDOL are sensitive to sector code changes. Ensure:

- Concordance rules are updated to incorporate MDY-SEC-24xx codes.
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