

## Fitch Implements New Money Market Fund Criteria; Revises Ratings

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Fitch Ratings-New York/London-20 January 2010: Fitch Ratings has revised its ratings on money market funds globally following the implementation of its new global money market funds rating criteria and rating scale. Additional information is available in Fitch's Oct. 5 2009 criteria report, 'Global Money Market Fund Ratings Criteria', which is available at [www.fitchratings.com](http://www.fitchratings.com).

Collectively, the 69 U.S. and European money market funds included in the review held more than US\$1 trillion of assets under management as of December 2009.

In all cases, money market funds that were previously rated 'AAA/V1+' and one 'AAA/V1' rated fund, have had their ratings revised to 'AAAmf'. This represents Fitch's highest rating under its new rating criteria and scale for money market funds. The 'AAAmf' ratings reflect the funds' conservative investment profiles, which are in line with Fitch's revised rating criteria, and take into consideration the proactive steps taken by fund managers to reduce their funds' risk profiles during a period of heightened market uncertainty. One fund's rating has been revised to 'AAAmf' from 'AA/V1+', reflecting its limited exposure to US municipal securities rated 'F2' alongside conservative investment guidelines that emphasize liquidity and capital preservation.

Fitch defines a 'AAAmf' money market fund rating as having an 'extremely strong capacity to achieve its investment objective of preserving principal and providing shareholder liquidity through limiting credit, market, and liquidity risk.'

The new criteria revised important elements of how Fitch assesses credit, market and liquidity risk and introduced a stand-alone ratings scale for money market funds to differentiate their ratings from other ratings assigned under Fitch's traditional rating scale. Reflecting on the stresses the industry faced during late 2008, the updated criteria seek to strengthen the safety and stability of rated money market funds and coincide with recent regulatory and industry proposals.

Among the key changes are new measures of portfolio liquidity to address shareholder redemption risk in times of stress and the introduction of a Portfolio Credit Factor (PCF) matrix that measures credit risk on two dimensions - credit quality and maturity. Fitch has also introduced enhanced diversification criteria for direct, indirect (i.e. asset-backed commercial paper sponsors, variable rate demand obligation liquidity providers) and repurchase agreement counterparty exposures and guidelines to limit risk from yield-enhancing leverage strategies such as reverse repurchase agreements and securities lending. In addition, the criteria contain a new 'spread risk' metric (weighted average final maturity or WAMf) to complement the existing interest-rate sensitivity metric (weighted average maturity to reset date or WAMr) and more in-depth consideration of the sponsor's multi-faceted role, including operational set-up and financial standing.

In instances where there is an absence of large operations or of a financially-sound sponsor, Fitch acknowledges that sufficiently conservative investment management practices with respect to the portfolio credit quality, market risk and liquidity may be considered as satisfactory mitigants for funds to be assigned a 'AAAmf' rating. As such, Fitch has revised the ratings of the following funds to 'AAAmf' from 'AAA/V1+':

--Alpine Municipal Money Market Fund; --Henderson Liquid Assets Sterling Fund; --Ignis Asset Management Euro Liquidity Fund; --Ignis Asset Management Sterling Liquidity Fund; --Prime Rate Capital Management - Euro Liquidity Fund; --Prime Rate Capital Management - Sterling Liquidity Fund; --Prime Rate Capital Management - US Dollar Liquidity Fund.

For such funds and as part of its regular surveillance process, Fitch will monitor any deviation from their current conservative profiles that may notably result from a change in market conditions and/or as the funds grow in size.

See the attached spreadsheet for the full list of Fitch-rated money market funds, and associated rating actions. The spreadsheet can be accessed by copying the URL address into a web browser:

[www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=495938](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=495938)

Applicable criteria available at 'www.fitchratings.com':

--'Global Money Market Fund Rating Criteria' (Oct. 5, 2009)

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