

A comparison of money market fund ratings

All IMMFA money market funds have obtained a triple-A money market fund rating from at least one of the following credit rating agencies: Fitch Ratings, Moody's Investors Service and Standard & Poor's.

Although all three credit rating agencies award triple-A ratings, the criteria which they use to assess a money market fund may vary. In conjunction with the three credit rating agencies, IMMFA has updated this summary of the key ratings criteria for triple-A money market fund ratings. All information contained herein is correct as at the date indicated above. Further information on the specific criteria used can be obtained directly from the relevant credit rating agency.

Fitch Ratings	Moody's Investors Services	Standard & Poor's
	General Ratings Criteria	
Rating Definition		
An opinion on the capacity of a MMF to preserve principal and provide shareholder liquidity.	Moody's money market fund ratings are opinions on a money market fund's ability to meet the dual objectives of providing liquidity and preserving capital. The guidelines below are purely indicative. A rating committee could decide to deviate from them, based on qualitative or other factors.	A principal stability fund rating addresses a fund's capacity to maintain principal stability and to limit exposure to principal losses due to credit risk.
Rating Scale		
AAAmmf to Bmmf	Aaa-mf to C-mf	AAAm to BBm, and Dm The ratings (except AAAm & Dm) may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

Definitions: ABCP – asset backed commercial paper; ABS – asset backed security; AUM – assets under management; CNAV – constant net asset value; FRN – floating rate note; GMRA – global master repurchase agreement; MBS – mortgage backed security; MMF – money market fund; MRA – master repurchase agreement; NAV – net asset value; SPV – special purpose vehicle; VNAV – variable net asset value; WAFM – weighted average final maturity, which is also referred to as weighted average life (WAL); WAM – weighted average maturity.

The following criteria specifically apply to funds rated AAAmmf (Fitch Ratings), Aaa-mf (Moody's Investors Service) and AAAm (Standard & Poor's).

Fitch Ratings	Moody's Investors Services	Standard & Poor's
	Interest Rate	
Final maturity restrictions		
Floating rate securities issued by highly rated sovereign, supranational or government agency benefiting from strong market liquidity ¹ : 2 years. All other securities: 397 days	No formal limit; scorecard-based approach.	 397 days maximum final maturity per: fixed rate investment; non sovereign government floating-rate investment; sovereign floating-rate investments rated below AA-; investment with unconditional demand features (i.e. put) providing for liquidity within 397 days with an issuer rated A- 1/A+ or higher. 762 days maximum final maturity per sovereign government (incl. sovereign government related/guaranteed) floating rate security rated AA- or higher.
WAM	•	
60 days	No formal limit; scorecard-based approach.	60 days* *May be adjusted lower for funds with more volatile shareholder characteristics such as start-up funds or funds with limited operating history, small asset size, a concentrated shareholder base, or a new shareholder base with uncertain liquidity needs.
Interest rate derivatives		
Interest rate swaps and futures with a suitable short-term index reference rate can be used to manage duration or hedge interest rate risk. Counterparties should be rated at least 'A' and/or 'F1' or the equivalent.	Interest rate swaps and futures can be used to manage duration or hedge interest rate risk.	 The aggregate market value of interest rate swaps that exceed 10% of fund assets are "higher-risk investments". Swaps must have the following characteristics; Entered with counterparty rated A-1 or better; Priced daily; Rated funds are able to unwind both sides of the swap transaction prior to maturity. Rated funds have the right to sell the underlying security while the swap is in force.

¹ Applied to sovereign securities issued in the fund's base currency rated in the 'AA' category or higher (or equivalent) and benefiting from strong market liquidity.

Fitch Ratings	Moody's Investors Services	Standard & Poor's
	Credit	
Minimum credit quality		
100% in F1 (or equivalent) or higher, plus matrix-based approach using asset maturity and credit quality.	No formal limit; Credit Profile will be calculated based on the securities' ratings and maturities.	Min A-1+ & A-1 <= 5 days; 50% Max A-1 > 5 days; 50%
Diversification		L
 Maximum on-going group level direct exposure: F1+ or F1 rated: 10%, of which > 7 days: 5%; Per government agency: 35%; Highly rated sovereign benefiting from strong market liquidity¹: 100%. Maximum direct and indirect exposure per financial group, including all exposure via ABCP conduits and sponsored SPVs: 15% Maximum per sponsor/parent company (if rated F1+ or F1, subject to other diversification guidelines as detailed above): Combined direct and collateralised exposure: 15% 	Maximum 10% exposure per issuer is expected for Aaa-mf rating; Aaa, Aa1 or Aa2 sovereign issuers are exempted. Otherwise scorecard-based approach.	 5% exposure per issuer but greater allowance for Sovereign entities; Sovereign government-related entities; Overnight bank deposits (incl. uninvested cash); Instruments that are at least 100% collateralized; Investments in another fund.
WAFM		
120 days	No formal limit; asset final maturity is captured in the Credit Profile and in the Stability Profile (exposure to market risk).	90 days* *May increase to 120 days if a fund invests in floating rate sovereigns or government-sponsored entities rated AA- or higher. The maximum WAM is based on a weighted average of the percentage exposure to each type of floating-rate instruments.
Counterparty credit risk	·	
Minimum counterparty rating of A and/or F1, or equivalent.	No formal limit; the portfolio Credit Profile will be calculated based on the securities' long term ratings, which may be affected based on the counterparty's rating.	Counterparty must be explicitly rated A-1 or better.

¹ Applied to sovereign securities issued in the fund's base currency rated in the 'AA' category or higher (or equivalent) and benefiting from strong market liquidity.

Fitch Ratings	Moody's Investors Services	Standard & Poor's
	Credit	
Reverse repo guidelinesSingle repurchase agreementcounterparty exposure limit of 25% offund's assets provided thecounterparty is rated at least 'A'and/or 'F1' or the equivalent and therepurchase agreement is fullycollateralised by securities of highlyrated sovereign governments,supranationals or government agenciesrated in the 'AA' category or higher,that benefit from strong marketliquidity and are denominated in thefund's base currency.Maximum per repo counterparty (iffully collateralised by sovereign,supranational or government agencysecurities rated in the 'AA' category orhigher and benefiting from strongmarket liquidity, with appropriatemargining policies): 25%May enter into reverse repo withunrated counterparties that arewholly-owned subsidiaries of ratedfinancial institutions. Provided the levelof integration and support is deemedsufficient, Fitch will look to the ratingof the parent company.	 Traditional reverse repo (overnight, 102% over-collateralization, Aaa/Aa1/Aa2 Govt securities, standard docs) – look through to the collateral. For traditional reverse repo, maximum exposures per repo counterparty are as follows: Max 20% for P-1 rated counterparties Max 10% for non P-1 rated counterparties, with a sum 20% in aggregate maximum for non P-1 counterparties repo. Non-traditional reverse repos – treated as unsecured exposure to the counterparty. 	Maximum per rated repo counterparty fully collateralized with traditional collateral • A-1+ rated: overnight: 50% 2-5 business days: 10% >5 business days: 5% Aggregate exposure: 25% • A-1 rated: overnight: 25% 2-5 business days: 10% >5 business days: 5% Aggregate exposure: 25% Maximum per rated repo counterparty with non-traditional collateral: 5%
	Liquidity	
Liquidity guidelines Generally targeted at: Overnight and other eligible assets: 10% < 7 days and other eligible assets: 25% Baseline liquidity may be adjusted to	No formal limit; scorecard-based approach measuring: (i) overnight liquidity/largest 3 investors, and (ii) overnight liquidity/fund AUM.	No formal minimums, but maximum WAM limit may be adjusted downwards based on high shareholder concentrations. Additionally, rating assessment includes review of fund management's strategy to meet liquidity needs/expectations of shareholders.
take into consideration unique aspects of fund's investor base, the overall level of concentration/redemption risk facing the fund, the results of any stress testing undertaken by the fund manager, and any other backup liquidity arrangements.		

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	Liquidity	
Illiquid asset restrictions		
No formal limit.	No formal limit.	Max in illiquid/limited liquidity securities: 10%
		Includes non-marketable and historically less liquid instruments with maturities > 5 business days (unless the fund holds an unconditional put providing for liquidity within 5 business days or an ability to redeem within 5 business days at no loss of principal) and securities not in fund's base currency.
	Risk Controls	
NAV thresholds		
Fund's marked-to-market NAV assessed during rating committee.	No formal limit. Portfolio Stability Profile includes NAV stress test. A rating committee would consider the fund's NAV, as well as its recent trend.	0.25% deviation (i.e. 0.9975 to 1.0025). Daily mark-to-market pricing if NAV moves more than 0.15% (i.e. below 0.9985 or above 1.0015).
		May be placed on Credit Watch at a 0.20% deviation (i.e. 0.9980 or 1.0020).
Sponsor assessment		
Rating analysis also considers the roles of the fund sponsor and investment advisor. The fund sponsor's role takes on several dimensions, such as developing and maintaining internal	The fund rating reflects the fund's own characteristics, and thus, strong sponsorship will not enhance a fund's rating.	The fund rating is based on a fund's independent ability to maintain principal stability and does not include a fund sponsor's willingness and/or ability to support the fund's NAV.
controls and decision-making processes, providing operational support, infrastructure capabilities, and acting as a potential source of stability to the fund during periods of stress.	However, Aaa-mf rated money market funds are expected to be managed by firms with investment-grade or equivalent credit profile, as indication of stable operating environment and minimal incremental risk stemming from the sponsor's own operational, market or funding challenges.	However, the rating does not include the measures a sponsor takes or has committed to implement within a 5 business day cure period to support the fund's NAV or liquidity.
Strace testing	market of funding chanenges.	
Should be conducted as part of internal policies to govern the mark-to-market process.	Scorecard approach using a NAV stress test simulating: (i) a yield curve shift, (ii) a credit spread shift, and (iii) outflows.	 Stress tests are required monthly and must show the impact of each of the following scenarios: Parallel interest-rate shifts of +/-200bp in 25bp increments; Asset decreases (i.e. redemptions) of 10%, 15%, 20%, 25% including the percentage of the largest historical 5-business day net redemptions; A downgrade on the largest issuer exposure; The widening and narrowing of

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	Other Quantitative Criteria	
Repo (fund pledging assets and borrowing money) not to exceed 10% of fund's total assets.	 (1) Moody's Credit Matrix tool calculates the portfolio's weighted average credit rating, based on the underlying securities' ratings and maturities, assuming a continuing rollover of the securities up to 12 months; (2) Moody's MMF Scorecard captures the fund's asset profile (including WAM and concentration of obligor exposure), the portfolio's liquidity position (measuring daily liquidity relative to investor concentration and AUM), and its sensitivity to market risk (by estimating the fund's net asset value or NAV under stress conditions). 	Cure periods are applied when there is a breach of a quantitative metric including: • NAV (up to 5 business days) • Diversification (10 business days) • 10% illiquid/limited liquidity (10 business days) • Overall credit quality (10 business days) • Issuer downgrades, cure period depends on exposure: 0 to <0.5% = 397 calendar days 0.5% to 1.0% = 120* calendar days 1.0% to <5.0% = 60* calendar days 5% = 7 calendar days *Regardless of the short-term rating, if the long-term rating is 'BBB+' and on CreditWatch negative or 'BBB' or lower, the cure period drops to seven calendar days. All cure periods are based on a fund's NAV remaining within the 0.25% range for AAAm.
	Other Qualitative Criteria	
Floating-rate notes should reset based upon a short-term index, e.g. three- and six-month US Treasury bill rates, one-, three- and six-month LIBOR. Robust internal policies and procedures to govern the mark-to- market process. Money market investment process, resources, credit research, control, risk management and key operational procedures are assessed during the annual fund rating process.	 Rating committee will consider various qualitative factors, including: (i) fund manager's attributes (credit process, investment process, control environment, operations quality, and corporate governance); (ii) legal documentation; (iii) fund's stated objectives and investment guidelines; (iv) quality of data; and (v) poor financial performance of the fund's sponsor, legal issues or similar conditions that could result in weakening of fund management and/or significant redemptions. 	The qualitative review includes: fund's history, investment objectives and strategy, management's investment philosophy, fund management team's depth, experience and adequacy, credit research and analysis, pricing and NAV deviation policy, risk preferences including use of leverage, operating policies, internal controls including fund management oversight and disaster recovery.

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	Monitoring Mode & Frequency	
Receipt of weekly information, including portfolio holdings, mark-to- market NAV, WAM, WAFM, yield, derivatives, repo, shareholders concentration and total assets. At least annual management review	Monthly monitoring report. In case of a market turmoil or other developments that might have an impact on the rating, additional data will be requested on a weekly or daily basis: inflows/outflows, overnight liquidity, mark-to-market NAV and any other	Weekly portfolio holdings and summary statistics. Annual onsite management review meeting.
meeting.	relevant portfolio information, as may be required. At least one annual review.	
	Communications	
Press releases, monthly MMF factsheets, monthly MMF snapshot. For further information, please visit <u>www.fitchratings.com</u>	For further information, please refer to Moody's Revised Money Market Rating Methodology and Symbols dated 10 th March 2011. Also visit www.moodys.com/managedinvestments	For further information, please visit www.standardandpoors.com

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