

## A Comparison of Money Market Fund Ratings

IMMFA money market funds typically obtain a triple-A money market fund rating from at least one credit rating agency (“CRA”), in particular Fitch Ratings, Moody’s Investors Service and S&P Global Ratings. Each of these CRAs awards a range of fund ratings. Their assessment criteria for money market funds will also vary.

IMMFA provides this summary of the triple-A ratings criteria for money market funds in conjunction with the three named CRAs (each of which provided the information specific to their ratings). Our aim is to make comparative information on money market fund ratings more easily accessible. To our knowledge and belief, the information contained herein is correct as at the date indicated. For those who require additional information on ratings, this may be obtained directly from the relevant CRA.

Fitch Ratings	Moody’s Investors Service	S&P Global Ratings
<i>General Ratings Criteria</i>		
<b>Rating Definition</b>		
<p>An opinion on the capacity of a MMF to preserve principal and provide shareholder liquidity through limiting credit, market and liquidity risk.</p> <p>Criteria applicable to constant net asset value (NAV), variable/floating NAV, European low-volatility NAV funds and other liquidity/cash management products that have comparable investment objectives.</p> <p>The rating criteria follow a principles-based approach, rather than a strict rule-based approach, in order to be applicable to a wide range of heterogeneous liquidity products.</p>	<p>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.</p> <p>The guidelines below are purely indicative. A rating committee could decide to deviate from them, based on qualitative or other factors.</p>	<p>S&amp;P Global Ratings first introduced the principal stability fund rating (PSFR) in 1983. Its market purpose is to provide an independent opinion on a money market fund’s ability to maintain principal stability and to limit exposure to principal losses due to credit risk.</p> <p>PSFRs, or money market fund ratings, are identified by the 'm' suffix (e.g., 'AAAm') to distinguish a PSFR from an S&amp;P Global Ratings traditional issue or issuer credit rating.</p> <p>S&amp;P Global Ratings employs a weekly surveillance of all PSFR portfolios.</p>
<b>Rating Scale</b>		
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.

Source: Fitch Ratings

Source: Moody’s Investor Service

Source: S&P Global Ratings

The following criteria specifically apply to funds rated AAmmf (Fitch Ratings), Aaa-mf (Moody's Investors Service) and AAAM (S&P Global Ratings).

Fitch Ratings	Moody's Investors Service	S&P Global Ratings
<i>Interest Rate</i>		
<b>Final Maturity Restrictions</b>		
<p>Floating rate securities issued by highly rated sovereign, supranational or government agency benefiting from strong market liquidity<sup>1</sup>: 762 days.</p> <p>All other securities: 397 days</p> <p>Maximum 45 days for direct unsecured exposure to fund manager's affiliates.</p> <p>Reverse Repo with 'F2' counterparty: 7 days</p>	<p>No formal limit; scorecard-based approach.</p>	<p>397 days maximum final maturity per:</p> <ul style="list-style-type: none"> <li>• fixed rate investment;</li> <li>• non sovereign government floating-rate investment;</li> <li>• sovereign floating-rate investments rated below AA-;</li> <li>• investment with unconditional demand features (i.e. put) providing for liquidity within 397 days with an issuer rated A- 1/A+ or higher.</li> </ul> <p>762 days maximum final maturity per sovereign government (incl. "concentration-eligible" sovereign government related<sup>2</sup>/guaranteed) floating rate security rated AA- or higher.</p>
<b>WAM</b>		
<p>60 days</p>	<p>No formal limit; scorecard-based approach.</p>	<p>60 days*</p> <p>*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.</p>
<b>Interest Rate Derivatives</b>		
<p>Interest rate swaps and futures with a suitable short-term benchmark rate to limit basis risk can be used to hedge interest rate risk. Futures contracts should be cleared through a recognised futures exchange.</p> <p>Counterparties should be rated at least 'F1' or the equivalent (if no short-term rating is assigned, at least 'A' on the long-term rating scale).</p> <p>Total derivatives risk exposures should be no more than 10% of fund assets.</p>	<p>Interest rate swaps and futures can be used to manage duration or hedge interest rate risk.</p>	<p>The aggregate market value of interest rate swaps that exceed 10% of fund assets are "higher-risk investments".</p> <p>Swaps must have the following characteristics:</p> <ul style="list-style-type: none"> <li>• Entered with counterparty rated A-1 or better;</li> <li>• Priced daily;</li> <li>• Rated funds are able to unwind both sides of the swap transaction prior to maturity.</li> <li>• Rated funds have the right to sell the underlying security while the swap is in force.</li> </ul>

Source: Fitch Ratings

Source: Moody's Investor Service

Source: S&P Global Ratings

<sup>1</sup> 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.

<sup>2</sup> Sovereign government-related entity with a rating at the same level or higher than the rating on its related sovereign, with likelihood of support from the sovereign of at least "very high".

Fitch Ratings	Moody's Investors Service	S&P Global Ratings
<b>Credit</b>		
<b>Minimum Credit Quality</b>		
100% in F1 (or equivalent) or higher, excluding repo as described below.  Matrix-based approach using asset maturity and credit quality (Fitch's Portfolio Credit Factor – PCF – with a maximum of 1.5).	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%
<b>Diversification</b>		
Maximum on-going group level direct exposure:  <ul style="list-style-type: none"> <li>F1+ or F1 rated: 10%, of which &gt; 7 days: 5%;</li> <li>Per highly rated, liquid government agency: 35%;</li> <li>Highly rated sovereign benefiting from strong market liquidity<sup>1</sup>: 100%.</li> </ul> Maximum direct and indirect exposure per institution, including all exposure via ABCP conduits, sponsored SPVs and provided letter of credit or standby purchase agreement: 15%  Maximum per affiliated company (subject to other eligibility and diversification guidelines as detailed above), combined direct and collateralised exposure: 15%	Scorecard-based approach.  In calculating obligor concentration, Moody's aggregate affiliated obligors of the same corporate family.  Moody's excludes: <ul style="list-style-type: none"> <li>Aa2 or better rated government securities;</li> <li>Aa2 or better rated government agency securities;</li> <li>repurchase agreements, collateralised by Aa2 or better rated sovereign and /or agency assets with maturities of 7 days or less; and</li> <li>Aa2 or better rated supranational securities (e.g. IMF, EBRD).</li> </ul>	5% exposure per issuer but greater allowance for: <ul style="list-style-type: none"> <li>Sovereign entities;</li> <li>"Concentration-eligible" sovereign government-related<sup>2</sup>/guaranteed entities rated AA- or higher;</li> <li>Overnight bank deposits (incl. uninvested cash);</li> <li>Instruments that are at least 100% collateralized;</li> <li>Investments in another fund.</li> </ul> Maximum exposure per group, excluding overnight bank deposits and collateralised repos: 15%
<b>WAFM</b>		
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 "concentration-eligible" <sup>2</sup> /guaranteed 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.
<b>Counterparty Credit Risk</b>		
Minimum counterparty rating of F1 (if no short-term rating is assigned, at least 'A' on the long-term rating scale), or equivalent. Repo counterparties may be rated F2 provided additional criteria detailed below are met.	No formal limit; scorecard-based approach.	Counterparty must be explicitly rated A-1 or better, except for overnight collateralised repo transactions that can utilise 'A-2' counterparties.

Source: Fitch Ratings

Source: Moody's Investor Service

Source: S&P Global Ratings

<sup>1</sup> 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.

<sup>2</sup> Sovereign government-related entity with a rating at the same level or higher than the rating on its related sovereign, with likelihood of support from the sovereign of at least "very high".

Fitch Ratings	Moody's Investors Service	S&P Global Ratings
<b>Credit</b>		
<b>Reverse Repo Guidelines</b>		
<p>Maximum per repo counterparty:</p> <ul style="list-style-type: none"> <li>25% per repo counterparty rated at least 'F1' with full collateralisation by high quality securities from sovereign governments, supranationals or agencies that benefit from strong market liquidity.</li> <li>10% per repo counterparty rated F2, with at least 102% collateralised by high quality collateral, exhibiting low volatility, viewed as a flight to quality security and benefiting from strong liquidity.</li> </ul> <p>Maximum aggregate exposure to repo with F2 counterparties: 25%.</p> <p>All other repo transactions are viewed as unsecured exposures and subject to direct credit exposure criteria.</p> <p>May enter into reverse repo with unrated counterparties that are wholly-owned subsidiaries of rated financial institutions. Provided the level of integration and support is deemed sufficient, Fitch will look to the rating of the parent company.</p>	<p>Depending on the legal treatment of the transaction in a jurisdiction, we treat repurchase agreements as direct investments in the underlying collateral or as exposure to the repurchase agreement counterparty.</p> <p>Where the repurchase agreement is treated as a true sale (i.e., the repurchase agreement transfers legal title to the collateral from the seller to the buyer by means of an outright sale), we look through to the repurchase agreement collateral.</p> <p>Otherwise, we treat it as exposure to the counterparty and use the counterparty's Counterparty Risk Rating (CRR) or its issuer rating.</p>	<p>Maximum per rated repo counterparty fully collateralised with traditional collateral:</p> <ul style="list-style-type: none"> <li>A-1+ rated: <ul style="list-style-type: none"> <li>overnight: 50%</li> <li>2-5 business days: 10%</li> <li>&gt;5 business days: 5%</li> </ul> </li> <li>A-1 rated: <ul style="list-style-type: none"> <li>overnight: 25%</li> <li>2-5 business days: 10%</li> <li>&gt;5 business days: 5%</li> </ul> </li> <li>A-2 rated: <ul style="list-style-type: none"> <li>Overnight only: 5%</li> <li>Aggregate exposure: 10%</li> </ul> </li> </ul> <p>Maximum per rated repo counterparty with non-traditional collateral: 5%</p> <p>Non-traditional repos with 'A-2' counterparties are "higher-risk investments".</p>
<b>Liquidity</b>		
<b>Liquidity Guidelines</b>		
<p>Generally targeted at:</p> <ul style="list-style-type: none"> <li>Overnight and other eligible assets: 10%</li> <li>&lt; 7 days and other eligible assets: 30%</li> </ul> <p>Baseline liquidity may be adjusted to 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.</p>	<p>No formal limit; scorecard-based approach measuring:</p> <ul style="list-style-type: none"> <li>overnight liquidity/largest 3 investors, and</li> <li>overnight liquidity/fund AUM.</li> </ul> <p>Moody's overnight liquidity includes:</p> <ul style="list-style-type: none"> <li>overnight liquidity, plus</li> <li>Aa2 or higher rated direct government obligations maturing within 18 months, plus</li> <li>committed undrawn liquidity lines from P-1 counterparties</li> <li>daily variable-rate demand notes and call accounts with one-day irrevocable mandatory redemption features</li> </ul>	<p>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.</p>

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Source: Moody's Investor Service

Source: S&P Global Ratings

Fitch Ratings	Moody's Investors Service	S&P Global Ratings
<b>Liquidity</b>		
<b>Illiquid Asset Restrictions</b>		
<p>Maximum in less liquid assets: 10%</p> <p>This includes:</p> <ul style="list-style-type: none"> <li>• non-callable time deposits maturing in more than 7 days;</li> <li>• non-callable repo maturing in more than 7 days;</li> </ul> <p>Non-tradeable assets' maturity limit of 120 days.</p>	<p>No formal limit.</p>	<p>Maximum in illiquid/limited liquidity securities: 10%</p> <p>Includes non-marketable and historically less liquid instruments with maturities &gt; 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.</p>
<b>Risk Controls</b>		
<b>NAV Thresholds</b>		
<p>Fund's marked-to-market NAV assessed during rating committee.</p>	<p>No formal limit. Portfolio Stability Profile includes NAV stress test.</p> <p>A rating committee would consider the fund's NAV, as well as its recent trend.</p>	<p>0.25% negative deviation (i.e. 0.9975).</p> <p>Daily mark-to-market pricing if NAV reduces by 0.15% (i.e. 0.9985).</p>
<b>Sponsor Assessment</b>		
<p>To rate a money market fund, Fitch performs an assessment of the asset manager and fund sponsor, which typically is the ultimate parent of the asset manager.</p> <p>The agency seeks to establish that the asset manager is suitably qualified, competent and capable of managing the portfolio, and together with the sponsor has sufficient resources and expertise to support the fund operationally.</p>	<p>The fund rating reflects the fund's own characteristics, and thus, strong sponsorship will not enhance a fund's rating.</p> <p>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.</p>	<p>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.</p> <p>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.</p>
<b>Stress Testing</b>		
<p>Conducted as part of internal policies to assess the impact on the funds from stress scenarios, such as credit downgrade, outflow, yield curve or credit spread shift.</p>	<p>Scorecard approach using a NAV stress test simulating:</p> <ul style="list-style-type: none"> <li>• a yield curve shift,</li> <li>• a credit spread shift, and</li> <li>• outflows.</li> </ul> <p>Where jurisdictions require MMFs to hold weekly liquidity, we assume those can be liquidated at par and apply the NAV stress to remaining assets only.</p>	<p>Stress tests are required monthly and must show the impact of each of the following scenarios:</p> <ul style="list-style-type: none"> <li>• Parallel interest-rate shifts of +/- 200bp in 25bp increments;</li> <li>• Asset decreases (i.e. redemptions) of 10%, 15%, 20%, 25% including the percentage of the largest historical 5-business day net redemptions;</li> <li>• A downgrade on the largest sovereign, sovereign government-related entity, and non-sovereign (excluding overnight investments);</li> <li>• The widening and narrowing of credit spreads.</li> </ul>

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Source: Moody's Investor Service

Source: S&P Global Ratings

Fitch Ratings	Moody's Investors Service	S&P Global Ratings
<b>Other Quantitative Criteria</b>		
<p>Repo (fund pledging assets and borrowing money) not to exceed 10% of fund's total assets, and should be used only as an occasional liquidity measure if permitted under applicable regulation.</p> <p>Short grace periods are applied to remedy deviations from portfolio attributes outlined in criteria, provided the remediation plan is credible, achievable and does not put investors at risk.</p>	<p>(1) Moody's Credit Matrix tool calculates the portfolio's weighted average credit rating, based on the underlying securities' long-term ratings and maturities, assuming a continuing rollover of the securities up to 12 months;</p> <p>(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).</p>	<p>Cure periods are applied when there is a breach of a quantitative metric including:</p> <ul style="list-style-type: none"> <li>• NAV (up to 5 business days)</li> <li>• Diversification (20 business days)</li> <li>• 10% illiquid/limited liquidity (10 business days)</li> <li>• Overall credit quality (10 business days)</li> <li>• Issuer downgrades, cure period depends on exposure:</li> </ul> <p>0 to &lt;0.5% = 397 calendar days  0.5% to 1.0% = 120* calendar days  1.0% to &lt;5.0% = 60* calendar days  &gt;5% = 14 calendar days</p> <p>*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 fourteen calendar days.</p> <p>All cure periods are based on a fund's NAV remaining within the 0.25% range for AAAm.</p>
<b>Other Qualitative Criteria</b>		
<p>Floating-rate notes should reset based upon a short-term index.</p> <p>Robust internal policies and procedures to govern the mark-to-market process.</p> <p>Money market investment process, resources, credit research, control, risk management and key operational procedures are assessed during the annual fund rating process.</p>	<p>Rating committee will consider various qualitative factors, including:</p> <ul style="list-style-type: none"> <li>• fund manager's attributes (credit process, investment process, control environment, operations quality, and corporate governance);</li> <li>• legal documentation;</li> <li>• fund's stated objectives and investment guidelines;</li> <li>• quality of data; and</li> <li>• 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.</li> </ul>	<p>The qualitative review includes: fund's history, investment objectives and strategy, management's investment philosophy, fund management team's depth, experience and adequacy, past breaches, 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.</p>

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Source: Moody's Investor Service

Source: S&P Global Ratings

Fitch Ratings	Moody's Investors Service	S&P Global Ratings
<b>Monitoring Mode &amp; Frequency</b>		
<p>Receipt of bi-monthly information, including portfolio holdings, mark-to-market NAV, WAM, WAFM, yield, derivatives, repo, shareholders concentration and total assets.</p> <p>In case of market developments that might have impact on the rating, additional data will be requested.</p> <p>At least annual management review meeting.</p>	<p>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 relevant portfolio information, as may be required. At least one annual review.</p>	<p>Weekly portfolio holdings and summary statistics.</p> <p>Annual onsite management review meeting.</p>
<b>Communications</b>		
<p>Press releases, monthly research (MMF Compare), quarterly (European Commercial Paper Monitor) and ad hoc research.</p> <p>For further information, please visit <a href="http://www.fitchratings.com">www.fitchratings.com</a></p>	<p>For further information, please refer to Money Market Funds dated 7 January 2019. Also visit <a href="http://www.moodys.com">www.moodys.com</a></p>	<p>For further information, please visit <a href="http://www.spglobal.com">www.spglobal.com</a></p>

Source: Fitch Ratings

Source: Moody's Investor Service

Source: S&P Global Ratings

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## VERSION

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