



**Announcement: Moody's updates money market fund ratings based on revised methodology**

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Global Credit Research - 23 May 2011

New York, May 23, 2011 -- Moody's announced today that its revised methodology for money market fund (MMF) ratings is now effective and has been applied to the 291 money market funds the agency rates (a link to the rating list is provided below). These actions conclude a process initiated in September 2010 when Moody's published a Request for Comment proposing a new methodology for money market funds and follows the publication of Moody's revised methodology on March 10, 2011 entitled, "Moody's Revised Money Market Fund Ratings and Symbols".

Moody's revised money fund methodology incorporates the following changes: 1) Ratings determination based on two distinct analytic assessments -- the Portfolio Credit Profile (based on the credit quality of the fund's assets), and Portfolio Stability Profile (including market and liquidity risks) -- and consideration of sponsor quality; 2) Introduction of a new set of rating symbols to reflect the distinct meaning of Moody's money market fund ratings compared to Moody's credit ratings on long-term bonds.

#### REVISED SYMBOLS AND DEFINITIONS

Introduced as part of the revised rating methodology are the following revised symbols and definitions that are unique to money market funds:

**Aaa-mf:** Money market funds rated Aaa-mf have very strong ability to meet the dual objectives of providing liquidity and preserving capital.

**Aa-mf:** Money market funds rated Aa-mf have strong ability to meet the dual objectives of providing liquidity and preserving capital.

**A-mf:** Money market funds rated A-mf have moderate ability to meet the dual objectives of providing liquidity and preserving capital.

**Baa-mf:** Money market funds rated Baa-mf have marginal ability to meet the dual objectives of providing liquidity and preserving capital.

**B-mf:** Money market funds rated B-mf are unable to meet the objective of providing liquidity and have marginal ability to meet the objective of preserving capital.

**C-mf:** Money market funds rated C-mf are unable to meet either objective of providing liquidity or preserving capital.

#### SHIFTS IN MONEY MARKET FUND PORTFOLIO QUALITY

Since September 2008, when money markets were severely disrupted by the default of Lehman Brothers and The Reserve Primary Fund "breaking the buck", money market funds have become more conservatively managed. While some of this increased conservatism was a response to events in 2008, tougher standards imposed on US funds by the Securities and Exchange Commission (SEC) and on member European Funds by the Institutional Money Market Funds Association (IMMFA) also played a role. Shortened weighted average maturities, reduced obligor concentrations and elevated liquidity are the most prominent examples of this conservative shift.

Moody's notes that more than a year after the SEC's revisions to Rule 2a-7, money market fund portfolios have continued their conservative positioning. Moody's estimates that based on their portfolios as of September 2010, fewer than 80% of rated funds would have met the current Moody's Aaa-mf standards. Since then, the rating agency has observed improvements in portfolio stability, such that by March 2011 more than 90% of rated money market funds would have met Moody's Aaa-mf standards. These improvements have continued at a number of money market funds since March, and the resulting changes in risk profile and strategy are reflected in the updated ratings.

Additional regulatory reforms are currently under consideration, and such reforms might further alter the landscape of the MMF sector. Moody's will continue to monitor these developments and communicate with the market in the event that regulatory changes affect the MMF ratings or ratings approach in this sector.

## MOODY'S UPDATED MONEY MARKET FUND RATINGS

A detailed listing of Moody's updated money market fund ratings is available on Moody's website at the following address:  
[http://www.moody.com/viewresearchdoc.aspx?docid=PBC\\_133314](http://www.moody.com/viewresearchdoc.aspx?docid=PBC_133314)

Moody's updated rating methodology for money market funds, entitled "Moody's Revised Money Market Fund Ratings and Symbols" and dated March 10, 2011, is available on Moody's website at the following address:  
[http://www.moody.com/viewresearchdoc.aspx?docid=PBC\\_131303](http://www.moody.com/viewresearchdoc.aspx?docid=PBC_131303)

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