

November 11, 2010

**VIA ELECTRONIC MAIL**  
[cpc@moodys.com](mailto:cpc@moodys.com)

Moody's Investors Services  
250 Greenwich Street  
New York, New York 10007

**Re: Request for Comment on Proposals for New Money Market Fund Rating Methodology and Rating Symbols**

Ladies and Gentlemen:

The American Bankers Association (ABA)<sup>1</sup> appreciates the opportunity to comment on Moody's Investors Services' (Moody's) proposals for a new methodology for rating money market funds (MMFs) and a new set of rating symbols and definitions for such funds. The new rating methodology will supersede the rating methodologies currently used by Moody's, and the new symbols will reflect that new methodology. ABA is responding on behalf of our membership, and in particular on behalf of our Corporate Trust Committee, which is comprised of banks and trust companies that provide more than 90 percent of the trustee and agency services for corporate, municipal and securitized transactions in the nation's marketplace. As discussed more fully below, our members strongly believe that adoption of the proposals will lead to substantial market disruptions for issuers, trustees and investors in MMFs. Accordingly, we urge Moody's to withdraw these proposals and develop other mechanisms to achieve its goals without the disruptions to the market attendant to these proposals.

### **Discussion**

Moody's proposals are a response to the turmoil in the capital markets in the fall of 2008 that led to principal losses for shareholders in two MMFs and ultimately prompted the government to make principal protection programs available to the industry. The proposed methodology is intended to capture better the risks facing MMFs through an assessment of factors such as liquidity and market risk, and asset quality and obligor concentration. In addition, Moody's notes its belief that the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) will require the use of rating symbols that are different from the symbols that have long been used to rate MMFs. Moody's implementation of the new methodology and symbols means the time-tested credit rating scale with regard to money market instruments would be replaced by new definitions and new symbols. Significantly, Moody's has further stated that it will not provide an equivalency chart that will provide a comparison between the existing and proposed symbology.

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<sup>1</sup> The American Bankers Association represents banks of all sizes and charters and is the voice for the nation's \$13 trillion banking industry and its 2 million employees. ABA's extensive resources enhance the success of the nation's banks and strengthen America's economy and communities.

While Moody's goal of better assessing the risks facing MMFs is understandable, the lack of an equivalency tool will cause major disruptions in the MMF market. There currently exist thousands of trust indentures, escrow, custody and other agreements that involve the investment of funds on behalf of corporate and municipal issuers into approved investments. One of the most commonly approved investments is in MMFs because they offer ready liquidity. Importantly, the contracts or other documents governing these transactions and accounts often limit investments in MMFs to funds that have received a particular stated rating from Moody's, or from Moody's and other rating agencies.

Should Moody's go forward with its proposed changes, issuers will face significant uncertainty and confusion about the impact of the changes on their existing investments in MMFs. What is to be done with investments that are bound by relevant documents to be made only in MMFs that carry a specific rating if such a rating no longer exists, replaced by a different system? Very likely, issuers and trustees will be faced first with the enormous burden of reviewing these thousands of transaction documents to determine which of them limit permissible investments in MMFs to funds rated only by Moody's under the old Moody's rating system. Where such instances are found, trustees will be required to withdraw promptly any nonconforming investments from such MMFs. Such withdrawals could, in turn, lead to market disruptions as issuers seek appropriate alternative investments for potentially large sums of money. Moreover, the costs that will be incurred for the necessary legal review – and possibly for breakage of investments – and potentially the amendment of existing documents to conform to the new system, will be significant.

The withdrawn funds will necessarily remain in alternative investments until such time as the investment guidelines and criteria in the governing documents can be amended to reflect the new symbology. While some of the less complex governing documents may be amenable to revision, trust indentures and similar agreements may either (1) not be able to be amended at all, or (2) require the approval of a specified percent of bondholders to make any changes to the documents. These efforts would be exceedingly time-consuming, expensive and disruptive to investment.

**Impact on structured finance.** While all types of debt structures would be impacted, Moody's has itself recognized that the new methodology may have a specific negative impact on structured finance transactions. As Moody's Structured Finance Group noted in its special report on the impact of the proposed changes,<sup>2</sup> substitution of the new methodology for the current one being used would make it likely that money market funds rated upon the new criteria could not be used in structured transactions where the documents require that those funds have a specific rating based upon the old system (i.e., "Aaa") for that fund to be an eligible investment. Though the report refers to structured finance, as discussed above, it is clear there will be a negative impact across products other than structured finance.

**Impact of Dodd-Frank Act.** We believe that given the potential for serious disruption as a result of the proposed changes, issuers, trustees and the broader market would be better served if Moody's holds in abeyance its proposal for a new ratings methodology until such time as the Securities and Exchange Commission develops rules on ratings symbologies to implement the Dodd-Frank Act.

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<sup>2</sup> Special Report: *Potential Impact of Moody's Proposal for New Money Market Fund Rating Methodology and Ratings Scale on Structured Finance Transaction*, October 20, 2010.

## Conclusion

For the reasons stated above, ABA and its corporate trustee members strongly urge Moody's to withdraw its proposals for a new methodology for rating money market funds and rating symbols. We believe Moody's should develop other mechanisms to achieve its goals that will not impose the enormous burdens – both in time and costs on issuers, trustees as well as the market more broadly – of the current proposals.

The ABA and the Corporate Trust Committee look forward to a continued dialogue with Moody's, as all parties have an interest in maintaining confidence of investors, issuers and other market participants in the financial markets. If you have any questions about the foregoing, please do not hesitate to contact the undersigned.

Sincerely,



Cristeena G. Naser  
Senior Counsel  
Center for Securities, Trust, & Investments  
American Bankers Association