IMMFA
INSTITUTIONAL MONEY MARKET FUNDS ASSOCIATION

7 February 2011

Elizabeth M. Murphy
Securities & Exchange Commission
100 F Street, NE
Washington DC 20549-1090

Dear Ms. Murphy

Credit Rating Standardisation Study

The Institutional Money Market Funds Association (IMMFA) are grateful for the opportunity to comment on the credit rating standardisation study.

IMMFA is the trade association which represents the European triple-A rated money market funds industry. Triple-A money market funds are managed according to rigid and transparent guidelines, in order to offer safety of principal, liquidity and competitive money market returns. Increasingly, these funds are used by institutional investors to manage liquidity and act as important alternatives to cash accounts. Since its inception in 2000, IMMFA's funds in Europe have grown from around $50 billion to over $630 billion (as at December 2010). Further information on the association and triple-A rated funds are available on the IMMFA website, www.immfa.org.

Our members' funds have all attained a triple-A rating from one or more of Fitch Ratings, Moody's Investors Service or Standard & Poor's. Consequent with holding such a rating, these funds may purchase only high quality instruments which normally have been granted a credit rating. As credit rating agencies (CRAs) operate with global models, the outcome of the study that is currently being performed pursuant to the Dodd Frank Act is likely to have consequences for our members. We therefore consider it relevant to comment upon the matters raised in the request for comment.

Standardisation of credit rating terminology

We do not consider that the complete standardisation of credit rating terminology is a necessity, particularly in relation to the symbologies which each CRA adopts. The utilisation of different symbologies for rating presentation allows users, such as money market funds purchasing short-term debt instruments, to identify the CRA which has issued the rating. We consider this provides a valid contribution to the assessment of credit quality, and for this reason we consider that variance in the symbologies used (such as A1/P1/F1) should be retained.

We must also highlight that many users of ratings have existing rating symbologies within investment policies. If wholesale changes were to be introduced to ratings, many investors would simply be unable to use any product whose rating had changed. As an example, countless investors in money market funds have investment policies which prescribe that investment may only be placed in a money market fund which has been awarded a triple-A rating. If the rating symbology of these funds were to change, monies from these investors could not be placed in such money market fund. The impact of this loss of investment upon the money markets in general could be severe. Alterations to existing rating symbologies cannot therefore be instigated without material impacts upon the broader economy, and standardisation of ratings symbologies is not therefore a necessity insomuch as it could negatively impact economic activity.

However, we do consider that rating differentiators should be retained, as is currently the example for money market fund ratings (e.g. AAAm). These differentiators allow users, such as investors in money market funds, to ascertain the bespoke nature of specific ratings, and thereby to identify the variance between these ratings and the more 'traditional' rating scale. There is a fundamental necessity to present information to users in a manner which allows the users to identify the exact nature of the rating which is being presented. The use of differentiators facilitates this presentation and should therefore be retained.

We would welcome the introduction of consistent levels of granularity in the ratings which are awarded. As an example, both Fitch Ratings and Standard & Poor's utilise a plus ('+') designation in their highest category for short-term fixed income ratings whereas Moody's Investors Service does not. Any discrepancy in the granularity of ratings can result in some users making a determination of, for example, what constitutes the highest two rating categories, which is different from another user, or potentially, a regulator. This cannot result in uniform application of standards or rules. We therefore support the introduction of consistent levels of granularity across all CRAs.

Standardisation of rating criteria

In general, we do not welcome the concept of standardisation of rating criteria or a qualitative correspondence between ratings and a range of default probabilities and loss expectations. Such standardisation would negate the need for more than one CRA. The absence of a competitive market could then result in a subsequent lowering of standards and potentially market failure. Having differentiation in the ratings and competition between the CRAs is a viable mechanism through which to continually raise standards and to improve the robustness and integrity of CRAs and the rating process. This competition, combined with a maturity of the regulatory framework within which CRAs operate, should provide a suitable mechanism to ensure that ratings are sufficiently resilient without the need for any standardisation of the process.

Furthermore any development of minimum standards which CRAs have to adopt and which are enshrined in regulation could result in undue reliance being placed upon regulatory requirement as being the sole input into any rating. The establishment of minimum standards and the reliance upon such as the input into a rating decision would provide insufficient flexibility to the rating process, which would be unable to adapt and reflect changes in markets, instruments and criteria.

Where differences exist in the rating process, the criteria considered or the quantitative definition of the rating, greater benefit can be provided to the market and the users of ratings via further enhancements to the transparency and clarity of the rating process. Each CRA must ensure that the information which is published is sufficiently clear to allow any reader to determine the factors which have been considered and the process conducted when awarding a rating. This transparency and clarity must therefore accept that all users of ratings do not have the same level of financial understanding, and should be suitably tailored to allow all users to benefit from its publication. Once *any* user of a rating is then able to determine the scope of that rating and the meaning of any individual award, the market will function more effectively without any information asymmetry.

If you have any questions, please do not hesitate to contact me.

Yours sincerely

Gail Le Coz
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