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For Immediate Release

Comptroller of the Currency Says Moody's Proposed Rating Methodology For Money Market Funds Must Not Rely on Sponsor Support

March 30, 2011 – (Chicago, IL) – Criticism is mounting for a proposal from Moody's Investor Services that would rate money market funds based on a fund sponsor's ability and willingness to support a distressed fund. Acting Comptroller of the Currency John Walsh expressed the regulator's opposition [in a letter to Congressman Gregory Meeks](#), stating, "...we are opposed to any policy that creates an expectation that a national bank will be relied upon to provide support to a sponsored fund."

Last November, [Treasury Strategies expressed its concern](#) that the Moody's methodology would create unreliable ratings and undue scrutiny regarding the integrity of MMFs.

After receiving input from Treasury Strategies and other market participants including [comments from Federal Reserve Chairman Ben Bernanke](#), Moody's revised its original proposal. The new methodology states "...our expectation [is] that funds rated in the top category (Aaa-mf) would be sponsored by firms having an investment grade or equivalent credit profile."

Comptroller Walsh's comments are in reaction to Moody's revised rating methodology for money market mutual funds (MMFs) in which the rating agency states, "the quality of a fund's sponsor will continue to be a factor in our ratings."

"Moody's recent modification of its proposed ratings methodology does not clearly and fully focus on a fund's own characteristics separate from a fund's sponsor," says Anthony Carfang, a Partner of Treasury Strategies. "We continue to believe that Moody's rating methodology must be consistent with current regulation and never assert pressure on fund sponsors to expressly or tacitly undertake to support their funds as a condition to receiving the highest credit rating," added Carfang.

In a separate letter to Congressman Gregory Meeks, [Federal Reserve Chairman Ben Bernanke has recently reiterated his view](#) that it is important to address sponsor support of money market funds in the broader context of reform efforts that can make the funds less vulnerable.

A wide variety of MMF investors rely on the soundness of the ratings to make their fund selections. If ratings are inaccurate or unreliable, the integrity of the funds will be questioned and their role in the larger financial system can be undermined.

As a market participant, you are invited to email your comments on this matter to Moody's at cpc@moodys.com.

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Note to Editors, Reporters: Anthony Carfang, Partner of Treasury Strategies, is available for commentary on this matter.

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