

Fund Finance Friday



Fitch Ratings Publishes Subscription Finance Rating Criteria Exposure Draft

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Fitch Ratings has published an **exposure draft** proposing new rating criteria for subscription facilities backed by capital commitments to private capital funds.

These criteria outline Fitch's methodology for assigning ratings to funds' obligations backed by capital call commitments. Fitch evaluates both quantitative and qualitative factors when assigning ratings to SFFs. The quantitative analysis is based on the credit quality and diversification of the LP pool, and projected losses compared to the level of overcollateralization available to the SFF. The qualitative assessment considers the fund manager, the fund's characteristics, and SFF structural terms that can materially influence LPs' incentives to meet capital calls, recoveries upon LP defaults on capital calls, and other risk factors. Fitch may also cap SFF ratings in certain circumstances. The rating framework applies globally to new ratings and surveillance of existing transactions.

You can access an on-demand replay of Fitch's recent webinar here: **[Subscription Finance Criteria Exposure Draft & Webinar](#)**.

Fitch invites feedback on the proposed criteria from market participants. Comments should be sent to **criteria.feedback@fitchratings.com** by March 19, 2023. Fitch will publish on its website any written responses it receives, in full, including the names and addresses of such respondents, unless the response is clearly marked as confidential by the respondent.