

FUND FINANCE FRIDAY

Fitch Proposal for Enhanced Transparency for Private Equity CFO Ratings

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Fitch has published an Exposure Draft with respect to Private Equity Collateralized Fund Obligations (or “PE CFOs”). PE CFOs are a form of financing for portfolios of private equity funds and generally take the form of a simple securitization whereby different tranches of securities are issued by the owner of the private equity portfolio that provide one or more tranches of rated debt ahead of the equity holders. PE CFOs are often used to obtain longer-term financing on an investment portfolio than can be obtained from a traditional lender, or to access capital from non-bank lenders such as insurance companies. The Fitch Ratings criteria also can be applied in the context of loans and issuances of preferred equity.

The Exposure Draft provides additional detail with respect to Fitch Ratings' methodology for analyzing obligations backed by portfolios of interests in private equity funds and other alternative investment funds. The Draft is intended to enhance transparency with respect to Fitch Ratings' criteria. It does not propose substantive changes to Fitch's existing ratings criteria, and is not expected to impact outstanding PE CFOs.

A copy of the Draft can be accessed [here](#). Fitch is inviting feedback from market participants, with comments to be submitted by October 30.