

# **Bond Case Briefs**

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## **Fitch Releases Exposure Draft on Adding Enhanced Recovery to U.S. Local Gov't Criteria.**

Fitch Ratings-New York-02 February 2016: Today Fitch Ratings is releasing an [exposure draft](#) for public comment that proposes the inclusion of enhanced recovery prospects in its U.S. local tax-supported ratings.

“During the comment period for our state and local government criteria, Fitch received many comments from investors, issuers and other market participants suggesting rating above the ULTGO/IDR in certain circumstances based on distinct and significantly different recovery prospects in the event of a municipal bankruptcy,” said Amy Laskey, Managing Director.

“We have identified two such circumstances: statutory liens and visibility during bankruptcy.”

Municipal securities benefiting from a substantial preferential right in a bankruptcy proceeding as a result of a statutory lien granted under state law have significantly improved bondholder protection. Fitch proposes to rate bonds backed by revenues with a statutory lien one to two notches higher than the equivalent stream without the statutory lien.

Recovery can also reasonably be estimated when there is sufficient visibility, via a plan of adjustment, into the potential recovery prospects during a bankruptcy proceeding.

Fitch invites feedback from market participants on this proposed criteria addition until Friday, February 26.

Fitch will host a conference call to discuss the proposed criteria addition on Thurs., February 11 at 2:00 PM EST. To receive dial-in details for the call, please register here:  
<http://dpre register.com/10080506>