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**Bulletin:**

# Customer Asset Protection Co. Ratings Unaffected By Liquidity Issues At Bear Stearns

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NEW YORK (Standard & Poor's) March 19, 2008--Standard & Poor's Ratings Services said today that its ratings on Customer Asset Protection Co. (CAPCO; A+/Stable/--) are unaffected by the recent, substantial deterioration in the liquidity of Bear Stearns Cos. Inc. (BBB/Watch Dev/A-3) and its plans for acquisition by JP Morgan Chase & Co. (JPM; AA-/A-1+/Stable). CAPCO provides excess SIPC (Securities Investors Protection Corp.) coverage for its members, which are broker/dealers. Bear Stearns is a member of CAPCO. In addition, the ratings are unaffected by the recent issues affecting the financial guaranty sector.

SIPC aids most customers of failed broker/dealer firms when certain assets are missing from customer accounts. Broker/dealers are regulated entities where customer assets are required to be segregated from the firm's assets and may not be used in the ongoing business of the firm or affected by a broker/dealer's own trading losses or own subprime-related losses. For an excess SIPC claim to occur, all of the following must happen: client assets must be found to be missing, lost or stolen, and customer property, SIPC advances, fidelity bond proceeds, if any, and distributions from the general estate of the member, if any, to customers are insufficient to satisfy customer account obligations. Neither SIPC nor excess SIPC cover a decline in the market value of a client's investments.

Standard & Poor's believes CAPCO would still be able to satisfy its

policyholder obligations following an extreme event, such as a broker/dealer insolvency coupled with a misappropriation of 20 basis points of aggregate client assets. A broker's loss of capital or lack of liquidity would hurt CAPCO's performance under these tests because a broker/dealer's capital (and sometimes even that of its parents) is a resource to pay claims. In the event of an excess SIPC claim related to Bear Stearns, CAPCO should benefit from a guarantee provided by JP Morgan Chase for Bear Stearns's obligations. In addition, clients withdrawing funds from their personal accounts actually reduces CAPCO's potential maximum loss. Standard & Poor's would consider it a modest weakness for CAPCO if Bear Stearns were to withdraw from CAPCO next year. However, that by itself is unlikely to cause a rating action on CAPCO.

Standard & Poor's also reviewed the strength of CAPCO's reinsurers, and the issues affecting the financial guaranty sector have not affected CAPCO's ability to satisfy its policyholder obligations. Standard & Poor's believes the reinsurers' claims-paying ability will remain excellent during the timeframe in which a claim would come due. Both reinsurers are currently rated 'AAA'.

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