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March 12, 2007

BY ELECTRONIC MAIL

Ms. Nancy M. Morris
Secretary
United States Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: *File No. S7-04-07*
Proposed Rule: Oversight of Credit Rating Agencies Registered as
Nationally Recognized Statistical Rating Organizations

Dear Ms. Morris:

This letter is submitted by Fitch, Inc. (“Fitch”) in response to the request for comments of the Securities and Exchange Commission (“SEC” or the “Commission”) to the rules proposed in *Oversight of Credit Rating Agencies Registered as Nationally Recognized Statistical Rating Organizations* (Release No. 34-55231; File No. S7-04-07, the “Proposed Rules”). Fitch was first recognized as a nationally recognized statistical rating organization (a so-called “NRSRO”) by the SEC in 1975, and is currently one of the five NRSROs.

Set forth below are our comments on the Proposed Rules, other than Proposed Rule 17g-6(a)(4) that prohibits the practice commonly known as “notching,” which we address in a separate comment letter, and answers to those questions raised by the Commission for which we believe we have useful observations and comments. For the convenience of the Commission, we have set forth our comments below in order of impact on Fitch’s business.

1. Issues Relating to Prohibited Acts and Practices Concerning Unsolicited Ratings

Relevant Proposed Rule: 17g-6(a)(5)

We understand, and agree with the underlying principle, that the Credit Rating Agency Reform Act of 2006 (the “Credit Rating Act”) makes it unlawful for a rating organization to coerce a person, with respect to whom an unsolicited credit rating has been issued by such rating organization, into paying for the unsolicited credit rating or other service.¹ We also understand

¹ We understand an “unsolicited credit rating” to be a rating of an entity that has not assented to the issuance of the rating. Under Fitch’s policy, the decision to issue these ratings must meet the same standards for information

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Ms. Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

Re: *File No. S7-04-07*
Proposed Rule: Oversight of Credit Rating Agencies Registered as
Nationally Recognized Statistical Rating Organizations

Dear Ms. Morris:

We write to comment on the Securities and Exchange Commission's ("Commission") proposed rules implementing the provisions of the Credit Rating Agency Reform Act of 2006 (the "Act") concerning unfair, coercive and abusive conduct. In particular, this letter addresses Proposed Rule 17g-6(a)(4), which prohibits the practice commonly known as "notching." This is the practice by which rating agencies such as Moody's Investor Services, Inc. ("Moody's") and Standard & Poor's, Inc. ("S&P"), as a condition of rating securities or money market instruments issued by an asset pool (such as a money market mutual fund or a pooled investment vehicle), or as part of any asset-backed or mortgage-backed securities transaction (such as a collateralized debt obligation or structured investment vehicle) (collectively, a "Portfolio Product"), insist on rating most, if not all, of the assets underlying the portfolio, and on reducing ratings that other NRSROs have assigned to collateral in the portfolio that they themselves have not rated. We are separately submitting comments on the Commission's proposed rules implementing other provisions of the Act.

We believe that Proposed Rule 17g-6(a)(4) is critical to achieving the Act's objective of greater accountability, transparency, and competition in the credit ratings market. We also believe it has wide-ranging implications for the capital markets. Among its other pernicious effects, notching:

- distorts capital flows and risk-adjusted returns;
- impedes the issuer community's ability to structure transactions freely;

