

**Principal**

**Global  
Investors<sup>SM</sup>**

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March 9, 2007

Nancy M. Morris  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090



Ref: File Number S7-04-07

Dear Ms. Morris:

Principal Global Investors submits this letter in response to the SEC's request for comment on Proposed Rule 17g-6 implementing the provisions of the Credit Rating Agency Reform Act of 2006 (the "Act") prohibiting unfair, coercive, or abusive practices. Principal Global Investors has expertise in equities, fixed income and real estate investments and manages over \$200 billion in assets for retirement plans and other institutional clients. We are frequent issuers of structured finance products and also actively invest in structured finance products on behalf of our clients.

We fully support the Commission's preliminary determination that it is unfair, coercive, or abusive for a NRSRO to issue or threaten to issue a lower credit rating, lower or threaten to lower an existing credit rating, refuse to issue a credit rating, or to withdraw a credit rating with respect to a structured finance product unless a portion of the assets underlying the structured product also are rated by the NRSRO. Prohibiting such practices, known as "notching" within the structured finance community, will increase competition within the credit ratings market. It will also provide investors in structured finance products increased choice among investment opportunities.

Although we generally support the proposed prohibition, we are very concerned about subparagraph 17g-6(a)(4), which provides that an NRSRO may refuse to initiate a rating or withdraw an existing rating if the NRSRO has rated less than 85% of the market value of the assets underlying the structured product. Based on our initial assessment, the 85% threshold appears to be too high and we are concerned that such a threshold would create an uncompetitive marketplace and a barrier to entry inconsistent with the Act. Specifically, it allows the largest credit agencies to suppress competition by compelling issuers of structured finance products to buy securities that carry their ratings. We believe issuers of structured finance products should be free to choose among securities rated by all NRSROs without fear or uncertainty as whether or not a rating agency will agree to rate their product. Investors also benefit by having all NRSROs compete to rate structured finance product.

We urge you to foster such competition by eliminating the proposed exception to the prohibition set out in Proposed Rule 17g-6. If this proposed exception is not eliminated, we recommend lowering the 85% to 66% or less. We also encourage the Commission to

modify the proposed rule expressly to prohibit NRSRSOs from arbitrarily reducing or “notching” other agencies’ ratings, and from using any other direct or indirect means to require that more than the maximum threshold of an investment vehicles’ portfolio be rated by them.

We would be happy to discuss out comments with you in greater detail at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Pat G. Halter". The signature is written in a cursive style with a large initial "P".

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