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December 8, 2009

Ms. Elizabeth M. Murphy, Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Re: *References to Ratings of Nationally Recognized Statistical Rating Organizations*,  
Securities Act of 1933 Release No. 9069; Securities Exchange Act of 1934 Release  
No. 60790; Investment Advisers Act of 1940 Release No. 2932; Investment Company  
Act of 1940 Release No. 28940  
(October 5, 2009)  
Files No. S7-17-08, S7-18-08 and S7-19-08

Dear Ms. Murphy:

Standard & Poor's Ratings Services ("Ratings Services"), a nationally recognized statistical rating organization ("NRSRO") registered under Section 15E of the Securities Exchange Act of 1934 (as amended, the "Exchange Act"), welcomes the opportunity to comment on the re-proposed rule and form amendments contained in the release referenced above. In summary, Ratings Services has not advocated and does not advocate retaining references to NRSRO ratings in regulations. We are committed to providing analytical insights and benchmarks on credit risk. We believe investors will continue to view credit ratings as providing valuable analytical insight and transparency even if they are not referred to in the various rules, statutes and forms where they appear today.

The proposals, originally set forth on July 1, 2008, would remove references to NRSRO ratings from a series of Commission rules and forms that are used primarily by broker-dealers, investment advisers and corporate issuers. While the rules and forms themselves do not obligate investors to make any particular use of NRSRO ratings, the Commission proposed these amendments, "among other reasons, to address the risk that the reference to and use of NRSRO ratings in Commission rules could be interpreted by investors as an endorsement of the quality of the credit ratings issued by NRSROs, and may encourage investors to place undue reliance on NRSRO ratings." (Release at p. 3.)

As the Commission and many market participants are aware, Ratings Services did not ask the Commission to include NRSRO ratings in its rules and forms. Indeed, while the staff of the Commission on its own recognized Ratings Services as an NRSRO over thirty years ago, we only first sought to be an NRSRO in June 2007 – long after the rules and forms under review came into existence – pursuant to the Credit Rating Agency Reform Act of 2006 (the "Reform Act") and the Commission's rules thereunder.

We agree with the Commission that investors should not rely uncritically or inappropriately on credit ratings. We also believe that, given the expanding number of NRSROs since Congress enacted the Reform Act and the increasing diversity in rating scales, terminologies and methods of, and market familiarity with, these NRSROs, it no longer makes sense for the Commission to maintain a set of rules and forms that treat credit ratings issued by one NRSRO as interchangeable or fungible with credit ratings issued by each other NRSRO. Therefore, we believe the Commission should rewrite its rules and forms and remove references to NRSRO ratings on a case-by-case basis. The process of removing ratings should avoid potential market disruption and confusion.

If the Commission nevertheless decides to retain some NRSRO references, revisions will be necessary to some rules and forms to take account of the increasing diversity of NRSROs. In addition, we believe it would make sense to consider whether benchmarks in addition to NRSRO ratings should in some cases be incorporated into the Commission's rules and forms. Because while NRSRO ratings can provide an independent and effective tool for the market's evaluation and assessment of credit risk – indeed, we believe our opinions on credit risk have established our reputation in the market more so than any regulatory framework or NRSRO recognition – investors need more tools to determine the suitability of a particular investment, and regulators may need to know more about a security than its credit risk characteristics to make the security eligible for meeting a regulatory requirement.

- *If NRSRO references nevertheless remain, revisions to the Commission's rules and forms will be needed.*

If the Commission decides to preserve the use of NRSRO ratings in some cases, then given the ongoing expansion in the number of NRSROs underway and the diversity among them since Congress enacted the Reform Act, some modifications to the current system would be necessary in order to ensure that the Commission's rules are consistent in meaning and application. The current use of NRSRO ratings in Commission rules and forms presupposes a degree of uniformity among NRSRO rating scales. For example, rule 15c3-1(c)(2)(vi)(F) under the Exchange Act specifies net-capital haircuts for securities that, among other things, "are rated in one of the four highest rating categories by at least two of the nationally recognized statistical rating organizations," effectively treating the ratings of one NRSRO as interchangeable with the ratings of every other NRSRO. For the reasons stated above, the implicit premise of uniformity is no longer valid. Therefore, if NRSRO ratings remain in some of the Commission's rules and forms, then the Commission will need to review these references on a case-by-case basis in order to adapt them to the new dynamics of the NRSRO marketplace.

- *If NRSRO references nevertheless remain, the Commission should consider complementing them with other relevant benchmarks.*

If the Commission determines to maintain NRSRO references in some of its rules and forms, then the use of additional benchmarks in these rules and forms may also be warranted. Ratings address creditworthiness. While important, creditworthiness is only one of many factors that a debt investor would ordinarily consider in making an investment decision. Other factors such as market price, volatility and liquidity can play significant roles in an investment decision, and may also be relevant for regulatory purposes. Therefore, if NRSRO references remain in the net-capital rule or in the money-market fund rule, for example, the Commission should consider adding complementary standards to these rules that screen for security attributes other than the issuer's creditworthiness, such as the ability of the holder to liquidate the security at carrying value within a short period of time.

- *It is not clear that NRSRO references in Commission rules and forms have led to undue reliance by investors on credit ratings, and in any case there are other effective ways to ensure that the Commission's regulatory program does not foster undue reliance on credit ratings.*

While we agree for the reasons stated above that the Commission should remove NRSRO references from its rules and forms, the Commission should not automatically assume that the references themselves have led to undue reliance by investors on credit ratings. Indeed, the Commission has not cited evidence that investors in general are even aware that the term "NRSRO" has for decades been used in the Commission's net capital, money-market fund, shelf eligibility and other rules and forms. But if investors interpret the term "nationally recognized statistical rating organization" to mean that a credit rating assigned by an NRSRO carries an official endorsement of quality, this seems more likely because of the Commission's (and Congress's) use of the term "nationally recognized" to label credit rating agencies that are registered under the Exchange Act, rather than because the term is used in a series of regulations to which the great majority of investors have little or no direct exposure.

As the Commission moves forward in implementing the regulatory authority that Congress gave it in the Reform Act, we believe the Commission should carefully consider whether any elements of its proposed regulatory program may have the unintended side effect of fostering the very undue reliance on credit ratings that the Commission seeks to discourage. A long-term approach to this objective should include efforts to minimize any implication that investors are justified in relying upon credit ratings in, say, the same manner they are justified in relying upon audited financial statements. As we intend to discuss more fully in our comment letter responding to the Commission's *Concept Release on Possible Rescission of Rule 436(g) Under the Securities Act of 1933*, Securities Act Rel. No. 9071 (October 7, 2009), rescinding rule 436(g), and requiring registrants to identify NRSROs in registration statements as "experts," would suggest to investors that credit ratings are, or ought to be, as

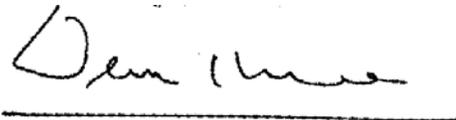
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reliable as historical financial statements, and thereby directly undermine the Commission's goal of discouraging undue reliance on credit ratings.

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We at Ratings Services appreciate the opportunity to comment on the proposals and look forward to working with the Commission in moving towards final rulemaking. Please feel free to contact me or Rita Bolger, Senior Vice President and Associate General Counsel, Global Regulatory Affairs, at (212) 438-6602, with any questions regarding our comments.

Sincerely yours,



Deven Sharma  
President  
Standard & Poor's

cc: Hon. Mary L. Schapiro, Chairman  
Hon. Kathleen L. Casey, Commissioner  
Hon. Elisse B. Walter, Commissioner  
Hon. Luis A. Aguilar, Commissioner  
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U.S. Securities and Exchange Commission

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