



*Insight beyond the rating.*

Filed Electronically

February 7, 2011

Ms. Elizabeth M. Murphy, Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-1090

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***Re: Credit Rating Standardization Study, File No. 4-622***

Dear Ms. Murphy:

DBRS<sup>1</sup> appreciates the opportunity to provide its comments on the Credit Rating Standardization Study that the Securities and Exchange Commission (“Commission”) is required to undertake pursuant to Section 939(h) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”).<sup>2</sup> This provision requires the Commission to study the feasibility and desirability of standardizing credit rating terminology and standardizing and streamlining certain quantitative measures under four broad topics.<sup>3</sup> Within one year of enactment of the Dodd-Frank Act, the Commission must submit to Congress a report containing the findings of the study and the Commission’s recommendations, if any, with respect to the study.

DBRS suggests that credit rating standardization is neither desirable nor feasible. In short, DBRS endorses the views expressed by the American Securitization Forum on this matter.<sup>4</sup>

Investors, regulators and other market participants benefit from a diversity of rating opinions and ratings information. Among other things, rating opinions are based on a combination of subjective qualitative and quantitative factors that by their very nature would be difficult to standardize. Moreover, the Dodd-Frank Act imposes significant new public disclosure

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<sup>1</sup> DBRS is registered with the Commission as a Nationally Recognized Statistical Rating Organization (NRSRO).

<sup>2</sup> SEC Release No. 34-63573 (December 17, 2010), 75 Fed. Reg. 80866 (December 23, 2010).

<sup>3</sup> The four broad areas are: (1) standardizing credit ratings terminology, so that all credit rating agencies issue credit ratings using identical terms; (2) standardizing the market stress conditions under which ratings are evaluated; (3) requiring a quantitative correspondence between credit ratings and a range of default probabilities and loss expectations under standardized conditions of economic stress; and (4) standardizing credit rating terminology across asset classes, so that named ratings correspond to a standard range of default probabilities and expected losses independent of asset class and issuing entity.

<sup>4</sup> Letter from Tom Deutsch, Executive Director, American Securitization Forum to the Securities and Exchange Commission (February 4, 2011) available at: [http://asf.informz.net/ASF/data/images/emailattachments/advocacy/asf\\_letter\\_re\\_nrsro\\_standardization-2-4-11.pdf](http://asf.informz.net/ASF/data/images/emailattachments/advocacy/asf_letter_re_nrsro_standardization-2-4-11.pdf)

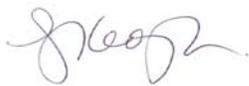
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requirements on NRSROs that are designed to increase ratings transparency and comparability, while maintaining ratings diversity and competition among NRSROs.<sup>5</sup> DBRS submits that such robust disclosure obviates the need for credit rating standardization.

Finally, DBRS is concerned that standardizing credit rating terminology (across rating agencies and asset classes), standardizing the market stress conditions under which credit ratings are evaluated, and requiring a quantitative correspondence between ratings and a range of default probabilities and loss expectations under standardized conditions of economic stress could violate one of the fundamental principles of NRSRO regulation: that the Commission may not regulate either the substance of credit ratings or the procedures and methodologies by which NRSROs determine credit ratings.<sup>6</sup>

DBRS would be happy to supply the Commission or the staff with additional information regarding its views. Please direct any questions about these comments to the undersigned or to our outside counsel, Mari-Anne Pisarri of Pickard and Djinis LLP. She can be reached at 202-223-4418.

Very truly yours,



Mary Keogh  
Managing Director, Regulatory Affairs  
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cc: The Honorable Mary L. Schapiro  
The Honorable Kathleen L. Casey  
The Honorable Elisse B. Walter  
The Honorable Luis A. Aguilar  
The Honorable Troy A. Paredes  
Randall W. Roy  
Alan A. Dunetz  
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<sup>5</sup> Section 932 of the Dodd-Frank Act requires the Commission to adopt rules obliging NRSROs to prescribe a form to accompany the publication of each credit rating. This form must include, among other things: main assumptions (including correlation of defaults across SF assets), potential limitations and risks excluded, disclosure of uncertainties, description of data used including reliability or limitations, extent of third party due diligence services used, overall assessment of data, conflicts of interest, potential volatility of the rating, historical performance of the rating, expected probability of default, expected loss in the event of default and sensitivity of the rating including five assumptions used in the ratings process using specific examples.

<sup>6</sup> Section 15E(c)(2) of the Securities Exchange Act of 1934 (15 U.S.C. 78o-7(c)(2) (2010)).

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