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September 13, 2011

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

Re**:** *Comments on Solicitation of Comment*
To Assist in Study on Assigned Credit Ratings
(Release No. 34-64456; File No. 4-629) (May 16, 2011)

Dear Ms. Murphy,

Standard & Poor's Ratings Services ("Ratings Services") submits this comment letter in response to the Securities and Exchange Commission's (the "Commission") solicitation of comment ("Solicitation") to assist it in its study on "assigned credit ratings", as required by Section 939F of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act). We understand and appreciate the concerns regarding conflicts of interest and "ratings shopping". Ratings Services also supports actions that promote more competition which we believe will provide investors and other market participants with more and diverse views on creditworthiness. However, as explained below, Ratings Services has significant concerns that the proposed Section 15E(w) system for assigning credit ratings on structured finance products (the "Section 15E(w) System"), and other proposals designed to reduce potential conflicts of interest attendant to the "issuer-pays" business model, may ultimately result in lower quality credit ratings and a reduction in the amount of useful information provided to investors and market participants, while at the same time creating new potential conflicts that do not currently exist. We believe a viable alternative to the Section 15E(w) System for the Commission to consider is an enhanced Rule 17g-5 Program, as discussed below. We also believe that all ratings firms should compete on the quality and performance of their credit ratings. Our concerns — relating specifically to quality, innovation and competition, consistency, and continuing conflicts — are summarized briefly below and are further incorporated into our responses to the Commission's specific questions, which follow.

Quality

The Section 15E(w) System would effectively treat ratings as a commodity, presuming that all ratings on structured finance products of all Nationally Recognized Statistical Rating Organizations ("NRSROs") are of equal quality and utility. While this would have been harmful under the regulatory regime in effect before the adoption of the 2006 Credit Rating Agency Reform Act ("CRARA"), it is even more troubling now, under a regime that (quite deliberately) makes it easier for a credit rating agency to become an NRSRO. By removing the issuers' choice to select the most qualified, experienced NRSRO for a particular rating, the proposal would ultimately reduce the amount of useful information available to investors and other market participants.

The Section 15E(w) System, as a U.S. government credit rating assignment body, also runs the serious risk of putting the CRA Board in the position of appearing to endorse each NRSRO assigned to issue credit ratings.

Under this proposal, if one NRSRO has greater experience and provides higher quality analysis relative to other NRSROs in a particular area of structured finance, issuers and investors would nevertheless be deprived of ratings from that NRSRO unless it happens to be selected by the government-established CRA Board.

Even if the CRA Board attempts to consider NRSROs' particular qualities and experience in making assignments, it is not at all clear that it could do so effectively. Among other things, the CRA Board would have to obtain, update and apply a detailed understanding of each NRSRO's qualities in order to make that determination for each of the thousands of securities to be rated at any given time. By taking such decisions out of the hands of issuers and investors who have a superior understanding of each NRSRO's qualities and experience, the proposal runs the risk of depriving the market of the best available rating opinions.

Nor is it clear that the assignment body could make assignment decisions with respect to thousands of securities in a timely fashion — thus not delaying issuers' access to capital — and without additional cost to the market. Inefficiencies associated with the ratings assignment process could disadvantage U.S. markets by providing issuers with incentives to issue securities abroad.

Innovation and Competition

While Ratings Services welcomes competition among all NRSROs, the Section 15E(w) System would create little incentive for NRSROs to compete with one another and to develop special proficiency with particular kinds of ratings. Among other things, NRSROs would have a reduced incentive to strengthen their existing practice groups and pursue innovation and development of their models, criteria and methodology. Indeed, the system may create negative incentives, leading some NRSROs to conclude that they need only do the bare minimum required to remain designated by the CRA Board to issue initial ratings.

These reduced incentives would ultimately deprive investors of the benefits of NRSROs' knowledge and ongoing improvements, leading ultimately to more homogenized rating opinions. That result would be inconsistent with the intent of CRARA which specifically sought to increase the number of NRSROs, thus promoting the dissemination of more diverse views on credit risk.

Similarly, NRSROs would have little incentive to engage in thought leadership, investor outreach and the like. Ratings Services, for example, publishes numerous commentaries on various industries and asset classes, and its analysts make many presentations to roundtables, investor conferences, business school classes and industry conferences. One major goal of these activities is to raise awareness about Ratings Services' approach and analytical views. If the free market system for ratings were abolished and rating work was simply handed out by an assignment body, there would be far less incentive for Ratings Services and other NRSROs to engage in these types of activities -- again to the ultimate detriment of the market.

Consistency

As the financial markets have become increasingly global, investors have expressed the desire for a consistent global regulatory approach. The Section 15E(w) proposal would have the opposite effect and could lead to the unintended consequence of creating uncertainty and confusion among worldwide investors.

Moreover, it is not clear under this proposal whether an issuer would be required to utilize a U.S. assignment body for securities traded in both domestic and foreign markets. The proposal may, therefore, provide global issuers with a disincentive to issue securities in U.S. markets, particularly if they wish to select a particular NRSRO with unique qualities and experience to rate the securities and not be required to accept a second rating from an assigned NRSRO.

Continuing Conflicts

Finally, the Section 15E(w) proposal, the purpose of which is to minimize conflicts of interest, would instead create new conflicts.

Conflicts would still exist because, among other things, those ultimately responsible for selecting NRSROs to perform work may have their own biases: if the CRA Board is paid by the government, for example, it may have an incentive to select NRSROs that issue relatively high ratings on U.S. sovereign, state or municipal debt, or would otherwise help meet the government's objectives. At a minimum, this model could create the appearance that NRSROs are beholden to the government and thus not independent and objective in their analysis. On the other hand, if the CRA Board were paid by investors, it may have an incentive to select NRSROs that are more likely to issue low initial ratings.

In short, no business model is without the potential for conflicts of interest. Ratings Services believes that the Section 15E(w) System would have a negative effect on the quality of ratings, would result in less information to investors and reduced competition, all while creating new conflicts of interest in the ratings industry. Ratings Services respectfully submits that the Section 15E(w) System is not a workable or appropriate substitute for the existing free-market that currently exists for credit ratings.

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<u>A. The Credit Rating Process for Structured Finance Products and the Conflicts of Interest Associated with the Issuer-Pay and The Subscriber-Pay Models</u>

1. Describe the processes by which an NRSRO determines an initial credit rating for a structured finance product and, thereafter, monitors that credit rating. If the processes differ based on the type of structured finance product (e.g., a residential mortgage backed security ("RMBS"), a commercial mortgage-backed security ("CMBS"), a collateralized debt obligation ("CDO"), a collateralized loan obligation ("CLO"), an asset backed security collateralized by credit card receivables, auto loans, auto leases, dealer floor plan financing, student loans, consumer loans, consumer leases, equipment loans, equipment leases, or other similar financial assets ("other ABS"), an issuance by an asset-backed commercial paper conduit ("ABCP"), or any other structured finance product), describe the different processes and provide any supporting data and analysis. In describing the processes for these asset classes, interested parties are encouraged to describe any strengths or weaknesses of such processes. Responses should include:

a. A description of the process by which NRSROs are compensated for determining initial credit ratings for structured finance products and for ongoing monitoring of those ratings.

b. A description of the data collection phase of the process for determining and monitoring credit ratings for structured finance products, including: the types of data collected; the sources from which the data *is obtained; whether, and, if so how, the data is validated; whether the data is public or non-public; and how, if at all, the data is captured in the NRSRO's systems.*

c. *A description of the analytical phase of the process for determining and monitoring credit ratings for structured finance products, including the types of analyses performed (e.g., cash flow, sensitivity, loss, and stress analysis).*

d. *A description of the process for approving and publishing a credit rating for a structured finance product, including the steps that could lead to the modification of the credit rating before it is published (e.g., an issuer "appeal" process).*

e. *A description of how the processes identified above and any other processes relating to determining and monitoring of structured finance products (including, absent or missing process steps or other process-related weaknesses) contributed, if at all, to the performance of credit ratings for structured finance products leading up and during the financial crisis. If process-related weaknesses contributed to the poor performance of credit ratings for structured finance products, describe whether and, if so, how those weaknesses have been addressed.*

Response:

Credit rating agencies typically receive payment for their services either from the issuer that requests the rating or from subscribers who receive the published ratings and related credit reports. Under the issuer-pays model, which is used by Ratings Services, rating agencies charge issuers a fee for providing a ratings opinion and for ongoing surveillance.

Generally, the general rating process in structured finance starts with an inquiry from the originator of the assets to be securitized or from the arranger of the transaction. While a Ratings Services' analytical team member may occasionally receive a request directly, all ratings requests are typically referred to a Ratings Services' client business manager (CBM), who handles commercial matters. The CBM responds to the rating inquiry and generates the ratings engagement letter. To protect against potential conflicts of interest, Ratings Services maintains a clear separation between those employees who negotiate the business terms for the ratings assignment and the analysts who conduct the credit analysis and provide the ratings opinions.

A ratings analyst is assigned as the primary analyst (PA), who coordinates all analytical matters. Typically, the PA starts with a review of the preliminary information provided by the originator or arranger regarding the assets it proposes to securitize and the proposed terms and conditions of the securities to be issued. The PA typically discusses with the originator or arranger the transaction type and parameters, criteria applicable to the transaction, timing of receipt of transaction documents, and cash-flow models when appropriate. Ratings Services' ratings analysts do not structure transactions and do not advise an arranger about how to do so.

The analytical process continues when the PA is notified by his or her analytical manager that the CBM has received a signed engagement letter. The analyst completes his or her evaluation of the principal analytical considerations, which include both the use of quantitative models and consideration of qualitative factors. For a typical transaction, the analytical process includes the following steps:

1. Review of the originator and/or servicer/manager of the assets, or confirm that a prior review has taken place
2. Collateral analysis

3. Cash flow analysis
4. Review of legal documents
5. Rating committee recommendation

Typically, the PA conducts the evaluation, often with a backup analyst and others who have previously evaluated similar assets or transactions, including collateral and quantitative analysts where appropriate.

The PA forms an initial view as to the credit quality of the security and makes a recommendation to the rating committee. Consistent with Ratings Services' Code of Conduct and policies, rating committees, and not individual analysts, determine credit ratings. Under certain circumstances, however, Ratings Services issues credit ratings that are derived either in whole or in part from other credit ratings that are determined by a rating committee. Ratings committees are comprised of ratings analysts who are charged with reviewing the transaction in accordance with the criteria for the type of asset or product being rated. The specific composition of a rating committee and the processes it follows depend on the nature and complexity of the rating action being considered. A rating committee has a designated chairperson who is responsible for ensuring that the committee: is properly constituted; appropriately applies the relevant criteria; reviews all relevant information and materials; complies with the relevant policies, guidelines and procedures; and reaches a rating decision.

Once the rating committee has reached a rating decision the issuer is typically notified of the decision and of the key rationale for it. Ratings Services will also publish the credit rating and disseminate it to the media, except in the case of confidential and private credit ratings. Ratings Services will, when so required by applicable regulations or may, as a courtesy, provide an advance copy of its rationale for the credit rating to the issuer for purposes of confirming factual accuracy and to remove any inadvertent inclusion of confidential information.

Ratings Services may accept a request from an issuer to appeal a rating decision, provided that meaningful new information is presented. When this occurs, a rating committee will convene to review the additional information and vote. The rating committee may stand by the original rating decision or issue a new rating.

After issuing a credit rating, Ratings Services typically tracks the performance of rated securities and other factors pursuant to its surveillance criteria and procedures for the product type. The goal of this surveillance is to identify matters that may result in either an upgrade or a downgrade of the rating. Such matters could include changing industry trends, issuer performance, credit enhancements, or other credit risk factors. When appropriate, surveillance analysts present recommendations for ratings changes to a rating committee for a possible action.

The frequency and type of surveillance monitoring may depend on specific risk considerations that are relevant to an individual, a group, or a class of rated entities. In addition, surveillance monitoring may be related to the timing and availability of financial and regulatory reporting, transaction-specific performance information, and other new information from various sources.

Ratings Services' surveillance activities may lead it to: 1) place ratings on CreditWatch. This occurs when there is a one-in-two likelihood of a rating change in the near term as a result of an event, a significant and unexpected deviation from anticipated performance, or a change in criteria has been adopted that necessitates a review of an entire sector or multiple issues; or 2) raise, lower or withdraw a rating.

Ratings Services discloses changes to public ratings, generally with a short explanation, and makes them available on its Web site.

While the above description is a high-level summary of the rating process in structured finance, we refer the Commission to our published criteria, policies and procedures, which are available on our Web site, www.standardandpoors.com, and which provide greater detail on the specific criteria that Ratings Services uses to determine ratings on distinct classes of structured finance products, such as collateralized debt obligations and asset backed securities.

In response to the Commission's question, Ratings Services does not believe that the disappointing performance of some of its recent ratings of U.S. residential mortgage-backed securities was due to "process-related weaknesses." Nevertheless, since 2008, we have taken a number of significant steps (discussed below) to enhance our ratings processes.

2. Provide data on the number of credit ratings for structured finance products initially determined by each NRSRO each year for the last ten years or identify sources of information where that data can be located. If possible, provide data for each asset class of structured finance products identified above.

Response: We refer the Commission to our most recent default study for structured finance products, "Global Structured Finance Default Study - 1978-2010: Credit Trends Started To Improve In 2010, But U.S. RMBS Faces Challenges," published on March 28, 2011, which can be accessed at: http://www.standardandpoors.com/prot/ratings/articles/en/us/?assetID=1245301718990 (See, in particular, Table 9 on page 24).

3. Describe the potential conflicts of interest in the issuer-pay model in rating structured finance products. For example, in what ways, if any, does the issuer, underwriter, or sponsor ("arranger") of the structured finance product paying the NRSRO to determine the credit rating create conflicts of interest? What are the potential impacts on the NRSRO and the credit ratings issued from these conflicts of interest? Also, compare the potential conflicts in rating structured finance products with the potential conflicts in rating other classes of obligors, securities, or money market instruments, such as issuers that are financial institutions, non-financial corporations, insurance companies, and governments and municipalities. In this regard, does the concentration of underwriters and sponsors of structured finance products potentially make any conflicts more acute in this class of credit ratings? Does having a large number of clients reduce risk that a single client could unduly influence the NRSRO? In addition, are the potential conflicts of interest more acute in terms of rating certain types of structured finance products as compared with other types of structured finance products? For example, do certain types of structured finance products account for a larger percentage of revenues to NRSROs than other types of products in today's market and the market as it existed prior to the credit crisis?

Response: Any credit rating business model, including the issuer-pays model utilized by Ratings Services, raises the potential for conflicts of interest. The more relevant consideration, in our view, is how an NRSRO manages such potential conflicts. We refer to our answers to question A.5, below, for a description of steps undertaken by Ratings Services in this regard. We believe the evidence overall confirms the effectiveness of our efforts to guard our independence against potential conflicts of interest.

We continue to believe that the "issuer-pays" model offers significant benefits to the market and is superior to other approaches. Above all, the issuer-pays model is the only one that enables us to make our ratings widely available to the market and public, free of charge, in real time. Today, anyone in the world can access and evaluate our ratings. The volume and easy accessibility of this information creates a level playing field and a common basis for analyzing risk. Our business model also enables us to publish a large volume of credit-related analysis, on a range of subjects, for which we are not paid, but which we provide to the marketplace at no charge. The whole market benefits from the broad distribution of this data.

Furthermore, the transparency associated with Ratings Services' issuer-pays model itself acts as a rigorous check against any potential conflict. Our ratings, and the analysis that goes into them, can be scrutinized by anyone who wants to examine them, for any reason: investors, regulators, journalists, institutions and individuals, experts and lay persons, professionals and others.

4. Is there empirical data, studies, or other information that the issuer-pay conflict of interest influenced credit ratings issued by NRSROs? If so, identify and describe any such data, studies, or other information. For example, is there empirical data, studies, or other information that initial credit ratings for structured finance products determined by NRSROs operating under the issuer-pay model are higher than initial credit ratings determined by NRSROs operating under the subscriber-pay model? If so, identify and describe any such data, studies, or other information. In addition, if it can be demonstrated that conflicts influenced the credit ratings for structured finance products, is there empirical data, studies, or other information that market participants understood the impact, by for example, pricing structured finance products differently than other types of securities or money market instruments with identical ratings? If so, identify and describe any such data, studies, or other information.

Response: We are not aware of any reliable empirical data or studies demonstrating the existence of actual conflicts of interest attendant to the issuer-pays model. To the contrary, Ratings Services has been utilizing an issuer-pays model for over 30 years and our default and transition studies have clearly demonstrated strong correlations between ratings levels and the likelihood of default. This suggests that, taken as a whole, our ratings have performed well in providing insight into the likelihood of future events. See, for example, our Global Structured Finance Default Study – 1978-2010 (published March 28, 2011), which can be accessed at:
http://www.standardandpoors.com/prot/ratings/articles/en/us/?assetID=1245301718990.

5. Describe any actions that NRSROs have taken or internal controls that NRSROs have in place, or could take or put in place, to mitigate conflicts of interests in the issuer-pay model.

Response: Ratings Services actively seeks to address and manage potential conflicts of interest on an ongoing basis. We maintain rigorous policies and procedures designed to ensure the integrity of our analytical processes. For example, ratings are determined by committees, not individual credit rating analysts, in accordance with Ratings Services' policies. The committee process requires agreement between multiple analysts before a rating is assigned and necessarily reduces the potential that non-analytical concerns could drive ratings decisions.

We also make our criteria transparent and available to the market, which allows for an additional check on our processes. Moreover, credit rating analysts are not compensated based upon the amount of revenue they generate. Nor are credit rating analysts involved in negotiating fees. Furthermore, under our policies, employees in an analytical role are prohibited from participating in commercial activities, and employees in a commercial role are prohibited from participating in credit rating activities.

More recently, we have undertaken several initiatives specifically designed to further strengthen our policies with regard to potential conflicts of interest. Among these initiatives is our "look-back" review policy, in place since 2008. We recognized at that time, and continue to believe, that the movement of analysts between the ratings industry and the financial services and other business sectors presented a potential conflict that warranted consideration in our ratings processes.

Pursuant to our look-back policy, when we learn that a Ratings Services' analyst accepts employment with a rated entity or a related third-party (such as an underwriter or an arranger), we conduct a review to determine whether the analyst participated in any capacity in determining a credit rating for the rated entity or the related-third party. If the analyst did participate in such ratings, we undertake a review to determine whether a conflict of interest may have influenced such ratings.

Other actions Ratings Services has taken in this regard include:

- the enhancement of our global compliance training with new online training courses to reinforce key policies for analysts including policies related to management of potential conflicts and protection of confidential information;
- the implementation of an analyst rotation policy;
- protections against "ratings shopping," requiring that issuers now pay fees at the time Ratings Services first undertakes to review loan level RMBS data, as well as additional fees for RMBS ratings are incurred at several stages of the rating process, regardless of whether Ratings Services ultimately is selected to rate the transaction;
- the establishment of an independent Policy Governance Group with a mandate to develop and approve all new ratings policies and procedures; and
- the establishment of an Enterprise Risk Oversight Committee which oversees the process for identifying, measuring, controlling and monitoring risks. Members on this Committee include senior leaders from Ratings Services.

6. Describe the potential conflicts of interest in the subscriber-pay model in rating structured finance products. Subscriber-paid credit ratings commonly are not made available for free (and, consequently, not broadly disseminated to the marketplace). What impact, if any, does this have on market participants' ability to detect conflicts of interest? In addition, address how the interests of subscribers may create potential incentives to unduly influence an NRSRO in determining a credit rating? For example, does a subscriber's investing limitations (e.g., a subscriber may only invest in structured finance products that are rated above a certain level in the rating scale of an NRSRO or may have a long or short position that could produce gains or losses depending on how a product is rated) create conflicts of interests? If so, in what manner and to what extent? Also, do subscriber-paid NRSROs have individual subscribers that account for a material portion of their annual revenues? For example, a subscriber could be a large financial institution that purchases multiple data feeds (subscriptions) to the NRSRO's credit ratings and analysis. If so, does this create a concentrated revenue source that may make the subscriber-paid conflict more acute, similar to the concentration of structured finance sponsors in the issuer-paid context? Also address whether the diversity of interest among the subscribers mitigates the possibility that a single subscriber can unduly influence ratings? For example, is this conflict mitigated to the extent that different subscribers may have different interests with respect to how a particular security is rated?

Response: Under the subscriber- pays model, a credit rating agency's revenues are derived from institutions or individuals who pay a fee to receive access to credit ratings. We believe the model, which was previously employed by Ratings Services, generally worked well, given the market conditions at the time. Times, however, have changed. For decades, credit markets were dominated by debt issues from large companies: utilities, railroads, banks and other large corporations. Most of this debt was “investment grade” and those who bought it – primarily insurance companies and pension funds – were generally “buy and hold” investors.

In the 1970s, a number of factors rendered the subscriber model insufficient. First, in June 1970, the Penn Central Transportation Company filed for what was then the largest ever bankruptcy in American history and defaulted on its commercial paper, sending shockwaves throughout the financial markets. The Penn Central bankruptcy, together with the default of New York City’s short-term debt in 1975, resulted in a surge in demand for credit ratings, requiring credit rating agencies to commit significantly more resources to rating the growing number of corporate and government securities. Second, around this time companies of lesser credit quality began to issue debt in large amounts for the first time. This debt tended to be more illiquid and required more – and increasingly complex – research and analysis. Third, the capital markets were becoming increasingly global, creating a far greater need for U.S. investors to understand the credit quality of companies and countries all around the world. Our customers – at that time, investors – demanded sophisticated new analysis but were reluctant to shoulder the considerable costs that it would entail.

It soon became clear that a subscriber-pays model could not effectively serve a changing – and rapidly expanding – marketplace: credit rating agencies needed to add resources and subscribers would not pay for them. As such, the move to an issuer-pays model was based on the simple premise that in order to deliver the quality and scope of ratings the market now demanded, we needed to employ a business model that better funded the rapidly growing resources needed to provide such analysis and surveillance.

While some continue to focus on the subscriber- pays model, we think it is important to note that there are significant disadvantages inherent in that model. First, under a subscriber-pays model, the total volume of information available to the market drastically declines, limiting transparency and introducing new levels of uncertainty. If subscribers are required to bear the costs of generating the ratings, they will understandably object to the dissemination of those ratings to other, non-paying market participants. Accordingly, credit rating agencies that rely on this model must strictly limit access to their opinions, depriving the wider market and, in particular, smaller investors, of potentially valuable information. This approach presents problems in a market clamoring for more – not less – information and transparency. In addition, a subscriber-pays model does not generally allow for broad market scrutiny of ratings, which serves as an important quality check. Put simply, the growth of the capital markets is inevitably hindered by a ratings business model that limits the dissemination of so much information about the creditworthiness of issues and issuers. Furthermore, because subscriber model ratings are not widely disseminated to the market, it may be more difficult for market participants to detect conflicts of interest that may have affected the rating.

Second, while some commentators have suggested that the subscriber-pays model is preferable — notwithstanding the lack of transparency inherent in the model— because it generates fewer potential conflicts of interest than the issuer-pays model, we do not believe this is the case. The subscriber-pays model has its own inherent potential conflicts. Just as, all things being equal, issuers would prefer higher ratings, investors may prefer lower ratings in order to seek a higher risk premium. Thus, the “investor- pays” model would be subject to a similar potential conflict of interest, albeit from the other direction. A subscriber paying for a rating could also benefit from a rating higher than it might otherwise be (e.g., a broker-dealer subject to net capital rules or a money market fund subject to investment quality standards could benefit from holding lower quality securities whose ratings are too high). Thus, the subscriber-pays model would simply replace the potential for pressure on ratings from those selling securities with potential pressure from those buying securities. In either case, these potential conflicts would need to be managed.

7. Is there empirical data, studies, or other information that the subscriber-pay conflict of interest influenced credit ratings issued by NRSROs? If so, identify and describe any such data, studies, or other information.

Response: We are not aware of any such empirical data or studies of this nature. We refer to our response to Question A.6.

8. Describe any actions that NRSROs have taken or internal controls that NRSROs have in place, or could take or put in place, to mitigate the conflicts of interests in the subscriber-pay model.

Response: Ratings Services primarily operates with an issuer-pays business model, although we maintain some subscription services. Our policies and procedures to protect against conflicts of interest attendant to our ratings process are described herein is response to Question A.5.

9. Compare the types and degree of conflicts of interest presented by the issuer-pay and subscriber-pay models.

Response: We refer to our responses to Questions A.3, A.5 and A.6.

10. Does reputational risk mitigate potential conflicts of interest in the credit rating industry? If so, describe how? If not, describe why? In responding to these questions concerning reputational risk, identify and describe any supporting empirical data, studies, or other information.

Response: While we are not aware of specific empirical data on this point, we believe that reputational risk is an important mitigating factor with regard to potential conflicts of interest. In our view, an NRSRO's most critical asset is its reputation. At Ratings Services, our reputation has been built-up over many decades, during which time our credit ratings have achieved widespread market recognition and acceptance. This has resulted from our excellent overall track record as well as the market's recognition of the independence, integrity and quality of our rating process and reputation. NRSROs have every incentive to protect their reputations by putting procedures and controls in place to guard against potential conflicts of interest. Put differently, if a substantial number of market participants were to lose faith in an NRSRO's integrity and the robust nature of its processes and analytics, the NRSRO would simply not succeed.

11. NRSROs as such did not become subject to registration and oversight requirements until June 2007. Given that much of the activity relating to the rating of RMBS and CDOs linked to subprime mortgages occurred prior to that date, describe if, and how the registration and oversight requirements have mitigated potential conflicts of interest in the rating of structured finance products? For example, Section 15E of the Exchange Act and the Commission's rules require NRSROs, among other things, to disclose and manage conflicts of interest and, in some cases, establish absolute prohibitions against having certain conflicts of interest. In addition, the goal of the Credit Rating Agency Reform Act of 2006 – which established a registration and oversight program for NRSROs through self-executing provisions added to the Exchange Act and implementing rules adopted by the Commission under the Exchange Act as amended by the Rating Agency Act of 2006 – was to improve ratings quality by fostering accountability, transparency, and competition in the credit rating industry. Is there empirical data, *studies, or other information that the measures in Section 15E of the Exchange Act and the Commission's rules have or have not mitigated conflicts of interest in rating structured finance products? If so, identify and describe any such data, studies, or other information.*

Response: Ratings Services supported, and continues to support, the goals behind CRARA and we share the general view that through greater disclosure, oversight and accountability, confidence in ratings can be restored. As discussed above, even before the registration and disclosure framework of CRARA was in place, Ratings Services sought to increase transparency of the ratings process and took steps to manage potential conflicts of interest. We are not aware of any empirical data regarding the impact of CRARA on mitigating potential conflicts of interest.

12. Would government efforts to reduce investor reliance on credit ratings such as through provisions in Sections 939 and 939A of the Dodd-Frank Act mitigate the potential conflicts of interest in the rating of structured finance products? If so, how? Would the Section 15E(w) System have the potential to increase or mitigate the impact of other efforts to reduce investor reliance on credit ratings?

Response: Ratings Services has long supported the objective of reducing the potential for undue reliance on rating opinions. Reducing undue reliance will help avoid misperceptions that Congress and the Commission have approved NRSROs' ratings by including them in laws, rules and regulations, or that ratings should be looked upon as the sole input to an investment decision. We are not aware of any basis for concluding that the removal of ratings from rules and regulations would mitigate conflicts of interest.

We do not believe the proposed Section 15E(w) System would reduce investor reliance on credit ratings. To the contrary, because the system would create a government-sanctioned body (the CRA Board) to determine which NRSROs are deemed to be "qualified" to issue initial ratings on structured finance products, and would then assign specific NRSROs to provide each rating, the system would potentially give investors the impression that any rating produced under the CRA Board's authority has a government "seal of approval". This misimpression could easily extend beyond structured finance ratings as well. Such a result would run directly counter to Congress' goal of reducing investor reliance on ratings.

13. Describe the benefits of the current process for determining credit ratings for structured finance products. For example, what are the incentives under the current processes to produce accurate credit ratings? In addition, are there benefits in allowing the arranger to select the NRSRO to determine a credit rating for a structured finance product? For example, do arrangers select NRSROs based on their knowledge of which NRSROs investors will accept as issuing credible credit ratings? In addition, do arrangers select NRSROs based on their knowledge of which NRSROs have the resources, capacity, and technical competence to determine credit ratings for the structured finance product they are intending to bring to market, or, do arrangers select an NRSRO because they believe it will give them the highest rating?

Response: As a threshold matter, Ratings Services rejects the notion that credit ratings can be "accurate" or "inaccurate." As courts and commentators have frequently recognized, ratings are forward-looking statements of opinion. They are not statements of fact that can be proven true or false.

In response to the Commission's question, we believe existing processes for determining credit ratings offer a number of significant benefits, both with respect to the expedience of obtaining quality ratings and, as noted, the enhanced availability of information that is useful to investors. Specifically, we believe that issuers and arrangers are aware of, and care about, the relative resources and areas of strength and knowledge of the credit rating agencies they select. By selecting a capable, well-regarded rating agency with a reputation for independence and objectivity, issuers can increase the marketability of their securities. By contrast, investors may be wary of, and less likely to invest in, securities that have been rated by less well-established rating agencies that lack relative experience. We believe issuers should remain free to select the rating agency of their choice, *e.g.*, the one they consider to be the most qualified and experienced for a particular rating. This will result, ultimately, in better information for investors.

We also note that the existing system, in which issuers and arrangers have a choice to select specific rating agencies, creates a natural incentive for innovation and improvement in ratings criteria, process and procedure. Alternatively, in a system where a government body selects from a pool of rating agencies, there will be little or no competition-driven incentive for improvement, which will ultimately reduce the broad range of opinions in the market and limit innovation and development in ratings processes.

14. The Section 15E(w) System would apply only to structured finance products. What are the differences, if any, between structured finance products and other products NRSROs rate? Do these differences warrant a separate system for assigning credit ratings to NRSROs? If so, why?

Response: For the reasons explained above, we do not believe an assignment system for initial credit ratings is warranted for structured finance products or any other types of securities. Nor do we think there are any relevant differences between structured finance and other products that would render such a system more appropriate for one versus the other.

B. The Section 15E(w) System

1. Identify and describe the benefits of implementing the Section 15E(w) System.

Response: We are unaware of any meaningful benefits of this proposed system.

2. Identify and describe the costs of implementing the Section 15E(w) System.

Response: It is difficult to quantify the precise costs of implementing the 15E(w) System without additional detail about how it would function. However, it does seem clear, as noted above, that the system would create a new, expansive federal bureaucracy that could negatively affect the usefulness of credit ratings, prove to be a disservice to investors, and likely cause a disruption in the structured finance markets that have been a driving force in economic growth and recovery around the globe.

3. Evaluate the Section 15E(w) System using the GAO Framework by addressing the following factors:

a. Independence – Address the ability of the Section 15E(w) System to mitigate conflicts of interest between the entity paying for the rating and the NRSRO. To what extent, if any, would the Section 15E(w) System influence the relationship between the NRSRO and the entity paying for the rating? Would the Section 15E(w) System eliminate or mitigate conflict of interests between the entity paying for the rating and the NRSRO? If so, in what ways and to what extent? In addition, what potential conflicts would be created by such a system? What controls, if any would need to be implemented to mitigate these conflicts? In addition, how would the system limit conflicts of interest between users of ratings and the NRSRO, and between issuers and the NRSRO?

Response: Even if the Section 15E(w) System could reduce some potential conflicts of interest between the entity paying for ratings and the NRSRO (and we do not believe that it would), the system would not eliminate all potential conflicts. One reason is that nothing in the proposal prohibits an issuer from seeking ratings from other NRSROs or non-NRSRO credit rating agencies that are not subject to that payment system. Moreover, any conflicts theoretically reduced by virtue of the Section 15E(w) System would be replaced by new potential conflicts.

In our view, as noted, all credit rating business models will necessarily create potential conflicts of interest. For example, in the proposed Section 15E(w) System, the CRA Board would presumably be paid by the government, which could create a strong incentive for it to select NRSROs that issue relatively high ratings on U.S. sovereign and other government debt, or will otherwise help meet the government's objectives. The better alternative, we believe, is to permit NRSROs to employ the business model of their choice subject to effective regulatory oversight, thus allowing market participants to choose the firms that best serve their particular needs and the needs of investors in connection with each class of security.

b. Accountability – Address the ability of the Section 15E(w) System to promote NRSRO responsibility for the accuracy and timeliness of credit ratings. Specifically:
i. How would the system create or distort economic incentives for NRSROs to produce quality ratings over the life of a security?
ii. To what extent, if any, would the system create political or other influences that potentially could cause an NRSRO to consider factors other than the credit characteristics of the structured finance product when determining a credit rating for the product?
iii. How would NRSRO performance be evaluated and by whom under the system? For example, would the system rely on market forces or third parties to evaluate performance? Would the system rely on evaluations of performance by the CRA Board that assigns NRSROs to provide ratings? How would "quality" credit ratings be defined and what criteria would be used to assess ratings performance?
iv. When an NRSRO demonstrates poor performance, what would be the economic consequences under the system and who would determine those consequences? For example, how would an NRSRO's compensation or opportunity for future ratings business be linked to ratings performance?

Response: The Section 15E(w) System could potentially distort economic incentives for NRSROs to produce quality ratings. Under this system, NRSROs would have limited incentive to compete with one another to develop special skills with particular kinds of ratings. Among other things, NRSROs would also have a reduced incentive to strengthen their existing practice groups and pursue innovation and development of their models, criteria and methodologies. Indeed, some NRSROs could refuse any improvement and innovation unless they deemed it necessary to retain the minimum standard necessary for designation under the proposed system. These reduced incentives would ultimately deprive investors of the benefits of NRSROs' skills and ongoing improvements, leading ultimately to more homogenized ratings opinions. Similarly, NRSROs would have little incentive to engage in thought leadership, investor outreach and other important educational activities, again, to the ultimate detriment of the market.

It is unclear how NRSROs' performance would be evaluated under the system. Similarly, the system provides no detail on how ratings "quality" would be determined. As noted, credit ratings are forward-looking opinions and are not facts that can be proven "true" or "false." As such, it should always be expected that some number of ratings in every category (including "AAA" ratings) will default at some point in time. It would therefore be difficult, if not impossible, to establish any sort of reliable benchmark for what constitutes a "quality" rating. As Ratings Services noted in previous comment letters to the Commission, most recently in connection with the "Proposed Rules for Nationally Recognized Statistical Rating Organizations" (Release No. 34-64514, File No. S7-18-11), each of the three large global credit rating agencies defines its rating system primarily as a system for relative rankings of creditworthiness, and there are numerous ways in which their performance can be measured.

In this regard, see the discussion in Section E of Ratings Services' letter (August 8, 2011), available at: http://www.sec.gov/comments/s7-18-11/s71811-32.pdf.

Moreover, any system aimed at defining "quality" ratings would potentially run afoul of Section 15E(c)(2) of the Exchange Act, which provides that the Commission may not "regulate the substance of credit ratings or the procedures and methodologies by which any [NRSRO] determines credit ratings." Any decision by the Commission that an NRSRO's ratings (and, by extension, the criteria and methodologies by which those ratings were formed) lack "quality" and therefore must be changed in order to maintain participation in the proposed system, could well violate this provision. Such a result would also raise serious questions under the First Amendment to the U.S. Constitution.

c. Competition – Address the extent to which the Section 15E(w) System would create an environment in which NRSROs compete for customers by producing higher-quality ratings at competitive prices. Specifically:
i. In which ways would the system encourage NRSROs to compete? To what extent would the system encourage competition around the quality of ratings, ratings fees, and product innovation? To what extent would NRSROs with higher-quality ratings be rewarded with additional ratings business? For example, once an NRSRO is deemed a qualified NRSRO would it be entitled to a pro rata share to all deals brought to the CRA Board based solely on its capacity? Alternatively, would the CRA Board assess the quality of the NRSRO and assign business based on qualitative metrics?
ii. To what extent would the system encourage new entrants and reduce barriers to entry in the industry? Alternatively, to what extent would the system discourage new entrants and increase barriers to entry?
iii. To what extent would the system allow for flexibility in the differing sizes, resources, and specialties of NRSROs?
iv. To what extent would market forces impact ratings fees under the system?
v. To what extent, if any, would the system incentivize NRSROs to compete other than on the basis of the accuracy and quality of their ratings?

Response: As noted, we do not believe the proposed system would encourage competition. Instead, we believe it would likely decrease competitive incentives among NRSROs.

For the reasons previously stated, Ratings Services does not believe it is practical or in any way advisable to place the CRA Board established under Section 15E(w) in the position of assigning ratings to NRSROs based on the CRA Board's determination (or the Commission's determination) of the quality of each NRSRO's ratings.

In response to the Commission's further question, while we support more competition in the credit rating industry from new entrants, we do not believe issuers and arrangers who might otherwise choose to seek a rating from an established, well-qualified NRSRO that may have a specific type of skill relevant to the security at issue, should effectively be "forced" to accept ratings from new entrants that may lack such track record and knowledge. We believe that such a result could harm investors and the markets as a whole, as noted above.

We have no comment on whether the proposed system, if adopted, should "allow for flexibility" regarding the size, resources and specialties of NRSROs. Nor do we have any comment on whether market forces could, or should, impact ratings fees under the system.

d. Transparency – Address the accessibility, usability, and clarity of the Section 15E(w) System and the dissemination of information on the program to market participants. Specifically, how clear would the mechanics of the system be to market participants? For example, describe the level of transparency that would exist under the system with respect to: (1) how the NRSRO would obtain ratings business; (2) how *ratings fees would be determined; (3) how NRSROs would be compensated; and (4) how the program would link ratings performance to NRSRO compensation or the award of additional business.*

Response: As noted, we believe the proposed system has the potential to confuse market participants, instill a misperception that the government has "sanctioned" ratings and may ultimately harm ratings quality and the broad flow of information to the markets. While Ratings Services has consistently advocated for increased transparency with respect to the credit rating process, including with respect to ratings performance, we do not believe that any amount of transparency regarding the proposed Section 15E(w) System can remedy these concerns.

e. Feasibility – Address the simplicity and ease with which the Section 15E(w) System could be implemented in the securities market. Specifically:
i. Would the system be easily implemented? If not, how difficult would implementing the system be?
ii. Could the system be instituted through existing regulatory or statutory authority or is additional authority needed?
iii. What would be the costs to implement the system and who would fund them?
iv. Which body would administer the system, and would this be an established body? If not, how would it be created?
v. What, if any, infrastructure would be needed to implement the system? What information technology would be required? Which body would be responsible for developing and maintaining it?
vi. What impact would the system have on bringing new issuances to market and trading on the secondary market?
vii. How many NRSROs would be required for the system to function as intended? How would the exit of an NRSRO from the ratings industry affect the system's feasibility? What impact would the system have on the financial viability of an NRSRO?

Response: Ratings Services believes there would likely be significant resistance to implementation of any system that deprives issuers of the ability to select NRSROs at their own discretion. Such resistance may also come from investors and other market participants who may oppose the forced selection of NRSROs to provide ratings on the securities they purchase. Moreover, the proposed structure will require considerable staffing and resources in order to effectuate the ratings assignment process in the most rational and effective manner possible in order to limit potential market disruption.

Among other things, the CRA Board will be responsible for obtaining, updating and applying a detailed understanding of each NRSRO's qualities with respect to thousands of securities to be rated.

As noted elsewhere in these responses, the proposed system would likely cause significant delays in providing ratings assignments to NRSROs, which in turn could lead to a bottleneck on new issuances.

Ratings Services has no comment on the number of NRSRO participants that may be necessary to make the system function as intended.

f. Market acceptance and choice – Address the willingness of the securities market to accept the Section 15E(w) System, the credit ratings produced under such a system, and any new market players established by the system. Specifically:
i. What role, if any, would market participants have in selecting NRSROs to produce credit ratings, assessing the quality of credit ratings, and determining NRSRO compensation? More specifically, what would the roles of issuers and investors be in these processes? Where would these roles differ between the Section 15E(w) System and other potential programs and what would be the trade-offs? Would all market participants be likely to accept the credit ratings produced under the Section 15E(w) System? If not, what would be the potential consequences for the securitization market?

ii. What impact, if any, would the system have on each market participant using the credit ratings?
iii. Would market participation need to be mandated, and if so, for which participants?
iv. To what extent, if any, might market participants discount the quality and reliability of a credit rating based on the system's approach to selecting which Qualified NRSRO would rate a structured finance product?

Response: The Section 15E(w) System does not appear to provide any role for issuers or market participants to select NRSROs to produce or assess the quality of credit ratings or determine NRSROs' compensation. This is, of course, fundamentally different from existing processes in which issuers are free to select one or more rating agencies to provide ratings and NRSRO fees are driven by market forces.

Whether investors and other market participants accept credit ratings produced under the proposed system may depend on the NRSRO to which individual ratings are assigned. If investors perceive that the system in effect requires an issuer, against its better judgment, to seek a rating from an NRSRO that lacks the experience and resources needed to rate specific securities, then investors may well not accept the rating and, as a result, refuse to invest in the security.

g. Oversight: Address how the Section 15E(w) System would be evaluated to help ensure that it works as intended. Specifically:

i. Would the system provide for an independent internal control function?
ii. What external oversight (from a regulator or third-party auditor) would the system provide to ensure it is working as intended? In what ways would the CRA Board be held accountable for its decisions?
iii. If third-party auditors would provide external oversight with respect to the system, how would they be selected, what would be their reporting responsibilities, and to whom would they report?
iv. Who would compensate the regulatory or third-party auditor for auditing the system? How would the compensation for the regulator/auditor be determined? How would it be funded?
v. To what extent would a third-party auditor allow flexibility in oversight to accommodate NRSROs of different sizes?

Response: The terms of the proposed system provide little detail on the actual scope and nature of oversight of the proposed CRA Board. As written, the proposal only requires that the Commission must submit a report and recommendations to Congress within five years of implementation of the system. Clearly, if a decision is made to implement the proposal, more layers of oversight will be necessary to ensure that the system works as well as possible, is administered fairly and results in assignments of ratings to NRSROs with the relevant level of experience and skill for each rating. We agree that, at a minimum, internal and external auditors would be necessary. Given the vast number of ratings that would need to be assigned on a prompt and regular basis, the resources necessary to implement such oversight would likely be exorbitant

Ratings Services has no comment on the remaining portions of this Question.

4. Assessment of potential mechanisms for determining fees for NRSROs.

Section 939F(b)(2)(A) requires that the Commission's study address the feasibility of establishing a system in which a CRA Board assigns NRSROs to determine the credit ratings for structured finance products, including an assessment of the potential mechanisms for determining fees for NRSROs. Consequently, to the extent not addressed in responses to the questions above with respect to the GAO Framework, the Commission requests comment, proposals, data, and analysis on the following:

a. Under the Section 15E(w) System, the CRA Board would be required to assign which NRSRO (from a pool of Qualified NRSROs) is employed to determine the initial credit rating for a structured finance product. Consequently, would the fee a Qualified NRSRO could charge the arranger need to be set by rule? For example, each Qualified NRSRO would be assured of being assigned a percentage of the credit rating business brought to the CRA Board by issuers. Depending on capacity, certain NRSROs may be assigned to determine more credit ratings than other NRSROs. Therefore, in the absence of competitive market forces, would Qualified NRSROs charge unreasonably high fees? If so, what mechanism could be used to determine the reasonable fee? Should, for example, arrangers be able to reject a Qualified NRSRO that charges above market fees? Moreover, would the amount of the fee need to depend on the type of structured finance product being rated or the complexity of the structured finance product? For example, do NRSROs typically charge different fees depending on whether the structured finance product is, for example, an RMBS, a CMBS, a CDO, a CLO, other ABS, an issuance of ABCP, or another type of structured finance product? If so, would it be appropriate to set different fees on each type of structured finance product? In addition, how would fees be determined for new product types? Furthermore, do the fees charged by NRSROs depend on their business models? If so, how would this impact the determination of what constitutes a reasonable fee? In addition, would the amount of the fee need to depend on the complexity of a structured finance product, independently of its type? Finally, do the fees charged by NRSROs depend on the policies and procedures they use to determine credit ratings? If so, how would this impact the determination of what constitutes a reasonable fee?

b. In determining the reasonableness of fees, could the fees charged by NRSROs and other credit rating agencies to rate structured finance products outside the context of the assignment process serve as a benchmark? For example, under the Section 15E(w) system, the issuer, after obtaining an initial credit rating through the assignment process, would be able to obtain additional credit ratings not assigned by the CRA Board. Would the fee charged for these unassigned credit ratings for structured finance products provide a basis to set the fees used for assigned credit ratings? Alternatively, would the fees NRSROs charge to determine other classes of credit ratings such as for financial institutions, corporate issuers, insurance companies, and government issuers provide a basis to set the fees used for the assignment process? How do the fees charged to rate these types of obligors, securities, and money market instruments differ from the fees charged to rate structured finance products?

c. How could the fee setter determine and, thereafter, monitor whether the fee established by rule constitutes an "above market fee" that over-compensates the Qualified NRSRO (potentially imposing unfair costs on issuers that might be passed on to investors) or under-compensates the NRSRO (potentially causing it to devote less resources to determining the credit rating with possible consequences in terms of the quality of the credit rating)?

d. What would be the impact if the fee set by rule was viewed as too low by NRSROs? For example, would NRSROs refuse to apply to be Qualified NRSROs? Or, would too few NRSROs apply to be Qualified NRSROs to implement the program? How would the fee setter determine the appropriate level of fee to attract a sufficient number of NRSROs to the program without imposing greater costs on issuers than would be the case when fees are determined through a competitive process?

e. Could setting fees by rule have negative impacts on the quality of credit ratings? For example, could it reduce incentives for NRSROs to compete based on producing accurate credit ratings?

f. Are there instances where SROs, public utilities, or private utilities set fees between a company and an entity providing a service to the company that could serve as models for how to set reasonable fees for purposes of assigning credit ratings business? If so, describe how the mechanisms these entities use to set reasonable fees could apply in the assigned credit rating context.

g. Provide any other comments, proposals, data, or analysis that could assist in assessing potential mechanisms determining how to set reasonable fees for assigned structured finance credit ratings.

Response: NRSROs are currently free to establish their own fee schedules for credit rating services. These fees are, of course, subject to market acceptance and if an issuer or arranger does not believe the fees to be reasonable and appropriate, it may seek a rating from another rating agency. We believe that NRSROs should, like any other financial services companies, continue to have such discretion to establish their own fee schedules. In our view, the market, not the Commission, should decide whether such fees are reasonable and commensurate with the services provided.

Ratings Services is not aware of the detailed fee structures of other NRSROs and, therefore, has no comment on whether such schedules could serve as effective benchmarks under the proposed system. Ratings Services believes that using other existing mechanisms to set NRSROs' fees is inappropriate.

5. Appropriate methods for paying fees to the NRSRO.

Section 939F(b)(2)(B) requires the Commission's study to address the feasibility of establishing a system in which a CRA Board assigns NRSROs to determine the credit ratings for structured finance products, including, an assessment of appropriate methods for paying fees to the NRSROs. Consequently, to the extent not addressed in responses to the questions above with respect to the GAO Framework, the Commission requests comment, proposals, data, and analysis on the following:

a. Under the 15E(w) System, how should a fee be provided to the Qualified NRSRO selected to determine an initial credit rating for an arranger? For example, should the arranger provide the fee to the CRA Board, which, in turn, would provide the funds to the NRSRO? Would it be appropriate for the CRA Board to receive and disburse funds in this manner? For example, the CRA Board acting as a conduit for the funds could create potential risk in terms of appropriately maintaining custody of the funds, accounting for the funds, and allocating the funds to the Qualified NRSROs. In addition, it would require the CRA Board to have sophisticated operational capabilities in terms of having access to systems to process financial transactions involving hundreds of thousands of dollars between potentially hundreds of arrangers of structured finance products and the Qualified NRSROs. For these reasons, having the CRA Board serve as temporary custodian of the funds paid by arrangers to Qualified NRSROs could substantially increase the costs of operating the CRA Board. Furthermore, if the CRA Board became insolvent, would the arranger or the Qualified NRSRO have a claim for the funds? Would this depend on how much work the NRSRO had performed in terms of determining the initial credit rating? In this regard, should the CRA Board provide the funds to the Qualified NRSRO when the Qualified NRSRO is selected to determine the credit rating or when the Qualified NRSRO issues the initial credit rating? What is the current practice in terms of the timing when arrangers pay NRSROs for determining initial credit ratings? In addition, how long is the period between the time an NRSRO is hired to determine an initial credit rating and the time the credit rating is issued? Does the length of time depend on the type of structured finance product being rated? If so, describe the different time periods.

b. Alternatively, should the arranger pay the fee directly to the selected Qualified NRSRO? If so, would this potentially negatively impact the goal of the Section 15E(w) System to address the conflict of interest arising from the issuer-pay model?

c. Should the CRA Board allocate the fee to determine the initial credit rating to the selected Qualified NRSRO over the term of the structured finance product? For example, should 50% of the fee be paid up-front and the balance of the fee be distributed periodically until all the principal and interest *outstanding on the structured finance product is paid? Moreover, if the structured finance product goes into default, would it be appropriate to withhold the unpaid balance of the fee from the NRSRO? Would the appropriateness of withholding the fee depend on the initial rating? For example, if the initial rating is in one of the highest categories (e.g., AAA or AA) and the bond defaults, would it be more appropriate to withhold the fee from the NRSRO than if the initial rating were in a lower category (e.g., BB or CCC)? If it would be appropriate to withhold the unpaid balance of the fee in the case of default, what entity would be legally entitled to the unpaid balance of the fee? Would it be appropriate to return the unpaid balance to the issuer, underwriter, or sponsor of the structured finance product? Would it be appropriate to provide the unpaid balance to investors in the structured finance product? The Commission notes that the fees paid to rate structured finance products are a small fraction of the principal amount invested in an issuance of a structured finance product. Consequently, would a requirement to return the unpaid amount to investors create an expectation that the investors would be compensated for losses suffered if the structured finance product defaults? The Commission notes that a program of allocating the fee over the term of the structured finance product might require the CRA Board to serve as the conduit for the funds transferred from the arrangers to the Qualified NRSROs, raising the issues about custodial responsibility and attendant costs discussed above.*

d. How should fees for performing surveillance of credit ratings be addressed under the Section 15E(w) System? For example, should the Qualified NRSRO selected to determine the initial credit rating be allowed to negotiate a surveillance fee directly with the arranger and receive such a fee directly from the arranger? Alternatively, should the fee to determine the initial credit rating include an amount to cover the cost of surveillance? If so, should the CRA Board disburse the surveillance fee to the Qualified NRSRO? If so, when should that distribution take place? In addition, if the Section 15E(w) System only applies to the fee for the initial credit rating, what issues would arise in terms of finding an NRSRO to provide surveillance? For example, if the selected Qualified NRSRO only agreed to provide the initial credit rating, what would happen if the arranger could not find an NRSRO to perform surveillance for a reasonable fee?

e. Provide any other comments, proposals, data, or analysis that could assist in assessing appropriate methods for paying fees to NRSROs.

Response: Ratings Services agrees that requiring the CRA Board to serve as custodian for fees prior to their disbursement to participating NRSROs would add significant expense to an already costly system, as proposed. We do not believe that permitting fees to be disbursed directly to NRSROs would create any new, insurmountable conflicts of interest. As noted above, Ratings Services and likely other NRSROs already have rigorous procedures in place — overseen by the Commission — which protect against potential conflicts interest.

We do not believe it would be appropriate to withhold fees from NRSROs in the event that a rated security defaults. As explained above, credit ratings are forward-looking expressions of opinion and not a guaranty of payment or other form or insurance. Accordingly, it is inappropriate to assume that all rated securities (even highly- rated securities) will always remain creditworthy or be paid in full and on time. To the contrary, the creditworthiness of a rated security can change based on any number of potentially unforeseen events that were not anticipated at the time of the original rating.

For the same reasons, we also believe it would be inappropriate to "return" ratings fees to investors in the event that a highly- rated security defaults. Such a system would effectively transform NRSROs into guarantors of rated securities, which is not, and should not, be their role.

Ratings Services otherwise refers to our response to Question B.4. above and has no further comments on this Question.

6. Extent to which the creation of such a system would be viewed as the creation of moral hazard by the Federal Government.

Section 939F(b)(2)(C) requires the Commission's study to address the feasibility of establishing a system in which a CRA Board assigns NRSROs to determine the credit ratings for structured finance products, including, an assessment of the extent to which the creation of such a system would be viewed as the creation of moral hazard by the Federal Government. Consequently, to the extent not addressed in responses to the questions above with respect to the GAO Framework, the Commission requests comment, proposals, data, and analysis on the following:

a. Would investors and other users of credit ratings view credit ratings for structured finance products determined through the CRA Board assignment process as more reliable than other credit ratings and, consequently, perform less analysis themselves before investing in a structured finance product? For example, under the Section 15E(w) System, the CRA Board would determine whether an NRSRO is qualified to issue initial credit ratings with respect to one or more categories of structured finance products. In addition, the CRA Board would be required to conduct an annual evaluation of a Qualified NRSRO to consider, among other things, (1) the surveillance of credit ratings conducted by the Qualified NRSRO after the credit ratings are issued, including, how the rated instruments perform; (2) the accuracy of the ratings as compared to the other NRSROs; and (3) the effectiveness of the methodologies used by the Qualified NRSRO. Would investors view the CRA Board as providing a "stamp of approval" on, or an endorsement of, the credit ratings determined through the assignment process? If the Section 15E(w) System would increase investor reliance on credit ratings, what potential impact would such a consequence have on government efforts to reduce investor reliance on credit ratings such as through provisions in Sections 939 and 939A of the Dodd-Frank Act? For example, would the system cause investors and other users of credit ratings to increase their reliance credit ratings for structured finance products? If so, how much do investors and other users of credit ratings currently rely on credit ratings for structured finance products and how might that level of reliance change if the Section 15E(w) System was implemented?

b. Would the CRA Board, as a governmental or quasi-governmental entity, be susceptible to political pressure in terms of its assignment of credit ratings to Qualified NRSROs or its other responsibilities? In addition, would a Qualified NRSRO assigned to determine a credit rating be susceptible to political pressure to issue a credit rating at a level favored by the CRA Board in order to obtain additional assignments from the CRA Board?

c. Provide any other comments, proposals, data, or analysis that could assist in assessing the extent to which the creation of such a system would be viewed as the creation of moral hazard by the Federal Government.

Response: As noted above, we believe that the Section 15E(w) System could create a misimpression that ratings produced under the CRA Board's authority have a government "seal of approval". We believe this presents a significant moral hazard as it could result in increased undue reliance on credit ratings, contrary to an important goal of the Dodd-Frank Act. In fact, ratings speak to a relatively narrow issue (creditworthiness) and should be viewed by investors as only one of many sources of information potentially relevant to an investment decision.

We also believe it would be inappropriate — and also inconsistent with CRARA and the First Amendment — for the CRA Board to evaluate the "accuracy" of an NRSRO's ratings and "the effectiveness of the methodologies used by the . . . NRSRO." As noted, CRARA expressly prohibits the Commission from regulating "the substance of credit ratings or the procedures and methodologies by which any [NRSRO] determines credit ratings." This prohibition was designed to ensure that the government will not substitute its analytical judgment for that of NRSROs, to avoid a potential chilling effect on NRSROs' analytical processes and to avoid a misimpression of government approval of ratings opinions. The First Amendment similarly protects against government pressure over the formation and publication of NRSROs' rating opinions.

7. Constitutional or other issues concerning the establishment of such a system.

Section 939F(b)(2)(D) requires the Commission's study to address the feasibility of establishing a system in which a CRA Board assigns NRSROs to determine the credit ratings for structured finance products, including, an assessment of any constitutional or other issues concerning the establishment of such a system. Consequently, to the extent not addressed in responses to the questions above with respect to the GAO Framework, the Commission requests comment, proposals, data, and analysis on the following:

a. In terms of operational feasibility, what is the likelihood that the number of NRSROs applying to be treated as Qualified NRSROs would be sufficient to achieve the goals of the Section 15E(w) System? For example, how many NRSROs would need to be determined to be Qualified NRSROs for the system to operate as envisioned? What would be the metric or process for measuring or determining the number of NRSROs necessary for the system to function? For example, how would the system match the number of structured finance product issuances with the necessary capacity, resources, and expertise to rate the products in a competent and timely manner? What would be the implications for the securitization markets if an insufficient number of NRSROs are determined to be Qualified NRSROs (either because not enough applied or because the applicants did not satisfy the criteria to be treated as Qualified NRSROs)?

Response: Ratings Services believes that it would be extremely difficult if not impossible for the Commission and CRA Board to manage the proposed system effectively for the reasons set forth in our responses, including that it will be difficult, costly and time consuming to "match" specific securities with NRSROs possessing the requisite capacity, resources, and skills to rate them timely and effectively. As stated, we believe that market participants are in the best position to make such decisions with competence and efficiency.

b. In terms of operational feasibility, what level of staffing would be necessary for the CRA Board to carry out its responsibilities? In addition, what would be the necessary expertise and qualifications of the CRA Board members and staff to carry out the CRA Board's responsibilities? How could the CRA Board ensure that it has the necessary staffing and that its staff has the necessary expertise and qualifications?

Response: See our response to Question 7(a).

c. In terms of operational feasibility, could the process by which the CRA Board selects a Qualified NRSRO materially delay the issuance of a structured finance product and diminish the quality of the credit ratings determined through the assignment process? For example, how would the CRA Board monitor which Qualified NRSROs have current capacity to undertake the determination of a credit rating sought by an arranger? If the CRA Board selects a Qualified NRSRO that refuses to rate the structured finance product because, for example, it has reached its capacity to determine initial credit ratings, how long would it take for the CRA Board to select another Qualified NRSRO? In addition, how would the CRA Board address situations where a Qualified NRSRO misjudges its ability to undertake the assignment to determine an initial credit rating? For example, the Qualified NRSRO, in order to increase revenues, might agree to more assignments than it is capable of handling or to an assignment *to rate a type of structured finance product it does not have the technical expertise to rate. Could this circumstance potentially put the arranger in a situation where it must wait far longer to obtain a credit rating than would normally be the case because the Qualified NRSRO spends time attempting to determine the initial credit rating before ultimately refusing the assignment? Moreover, could the quality of the credit ratings determined through the assignment process be compromised because the Qualified NRSRO devotes fewer resources to rating structured finance products in order to accept more assignments or accepts an assignment to rate a type of structured finance product for which it lacks adequate technical expertise? If so, how could these issues be addressed?*

Response: Ratings Services refers to our responses above regarding the extensive time and resources that the proposed system would require and the risks that the system would disrupt capital markets and limit the flow of quality ratings information to investors and other market participants. We agree that there may be instances where Qualified NRSROs misjudge their ability to handle assigned ratings. Such situations would inevitably delay the issuance of securities to the market and/or result in ratings of lesser quality than would have otherwise been assigned had the issuers and arrangers of the securities retained the qualified, experienced NRSRO of their choice.

d. In terms of operational feasibility, how would the CRA Board under the Section 15E(w) System perform the annual evaluation of each qualified NRSRO? Would an annual evaluation be sufficient to determine which Qualified NRSROs are selected on an on-going basis to determine initial credit ratings? For example, what if a Qualified NRSRO undergoes material changes between evaluations that would impact its ability to determine credit ratings? How would this be brought to the CRA Board's attention?

Response: We refer to our responses to Questions B.3(b) and B.6 regarding concerns over regulatory assessments of the "quality" or "accuracy" of credit ratings.

e. In terms of market effects, how would the Section 15E(w) System impact the securitization markets? For example, how would it impact the origination of residential mortgages, commercial mortgages, commercial loans, credit card receivables, auto loans, auto leases, dealer floor-plans, student loans, consumer loans, consumer leases, equipment loans, equipment leases, asset-backed commercial paper, or any other financial assets that are securitized? For example, would the uncertainty over which Qualified NRSRO would be selected to determine the initial credit rating or when the initial credit rating might be issued cause originators to finance the origination of these assets through means other than securitizing them? If so, what would be the implications for these markets? For example, would it cause originators to extend less credit? If so, how would this impact the economy? Alternatively, would the 15E(w) System give investors greater confidence in the integrity of credit ratings for structured finance products? Would that increased confidence facilitate the flow of credit?

Response: Ratings Services agrees that as a result of uncertainty stemming from the ratings assignment process, originators may refrain from using securitizations as a means of financing and investors may refrain from investing. As a result, the proposed system could well lead to a decline in securitizations, thereby restraining the capital markets.

f. In terms of legal feasibility, would the establishment of a CRA Board to assign credit ratings for structured finance products raise legal issues under the U.S. Constitution? Please provide legal analysis explaining any such issues.

Response: We refer to our responses to Questions B.3(b) and B.6 regarding concerns over the constitutionality of government assessments of the "quality" or "accuracy" of credit ratings.

g. In terms of legal feasibility, would the role of the Commission in overseeing the CRA Board raise legal issues? Please provide legal analysis explaining any such issues?

Response: Ratings Services refers to our response to Question B.7(f).

h. In terms of legal feasibility, do the securities laws provide the Commission with authority to implement the Section 15E(w) System? Interested parties who believe existing authority is sufficient to implement such a system should provide legal analysis supporting their conclusions, including identifying relevant statutory authority. Interested parties who believe existing authority is not sufficient to implement such a system should provide legal analysis supporting their conclusions. In addition, interested parties are encouraged to recommend statutory amendments that could provide the authority necessary for the Commission to implement such a system.

Response: Ratings Services has no comment in response to this Question.

i. In terms of the potential to mitigate conflicts, would a Qualified NRSRO assigned to determine a credit rating for a structured finance product under the Section 15E(w) System potentially have the incentive to provide a favorable credit rating to obtain future business from arrangers to determine credit ratings outside the process of the Section 15E(w) System? The Commission notes that under the Section 15E(w) System an arranger can obtain additional credit ratings from NRSROs after obtaining an initial credit rating through the CRA Board selection process. If this potential conflict would be in the Section 15E(w) System, how could it be addressed? Would the annual evaluations of the Qualified NRSROs by the CRA Board, as required under the Section 15E(w) Provisions, identify an NRSRO that was unduly influenced by this conflict?

Response: As noted, Ratings Services believes that the proposed system will not eliminate all potential conflicts of interest. We believe that NRSROs should be permitted to select the business model of their choice and that NRSROs, with Commission oversight, should take rigorous steps to manage potential conflicts.

j. In terms of the potential to mitigate conflicts, would an arranger be able to select more favorable credit ratings ("rating shop") notwithstanding the implementation of the Section 15E(w) System? If so, how?

Response: Ratings Services refers to our response to Question B.7(i).

k. In terms of the potential to mitigate conflicts, to what extent, if any, might market participants be able to create securities or money market instruments, or otherwise finance the assets underlying or linked to a structured finance product, so that the transaction does not fit within the definition of "structure finance product" and thereby avoid having to submit the deal to Section 15E(w) System? In addition, how would it be determined whether products fall within the definition of "structured finance product"?

Response: Ratings Services has no comment in response to this Question.

l. Provide any other comments, proposals, data, or analysis that could assist in assessing Constitutional or other issues concerning the establishment of such a system.

Response: Ratings Services has no additional comments and refers to our other responses herein.

8. Range of metrics that could be used to determine the accuracy of credit ratings. Section 939F(b)(3) requires that the Commission's study address the range of metrics that could be used to determine the *accuracy of credit ratings. Consequently, to the extent not addressed in responses to the questions above with respect to the GAO Framework, the Commission requests comment, proposals, data, and analysis on the following:*

a. How should the performance of credit ratings be measured in terms of accuracy?

b. Section 3(a)(60) of the Exchange Act defines the term "credit rating" to mean "an assessment of the creditworthiness of an obligor as an entity or with respect to specific securities or money market instruments." How should the term "accuracy" as applied to credit ratings be defined? For example, could there be a standard definition of "accuracy" that could be applied across all credit rating agencies that determine credit ratings for structured finance products? How feasible is such a definition given the differences in the procedures and methodologies NRSROs use to determine credit ratings and the ratings scales they use to denote relative creditworthiness? For example, some NRSROs may employ highly quantitative models under which the credit ratings are particularly sensitive to real-time information and, therefore, adjust frequently. Other NRSROs may employ qualitative approaches that result in credit ratings that remain more stable.

c. Could the definition of "accuracy" be based on whether the structured finance product goes into default? For example, defaults may be very rare for some classes of structured finance products. For these classes, how would a definition of "accuracy" based on default work?

d. Depending on how an interested party defines "accuracy," what metrics could be used to measure accuracy? For example, could transition and default rates be used to measure accuracy? With respect to transition and default rates, how would their effectiveness in measuring the "accuracy" of the credit ratings be impacted by favorable or benign economic conditions? For example, in favorable economic conditions the ratings for structured finance products may remain stable and the number of defaults may be statistically insignificant.

e. Over what time horizons should the accuracy of credit ratings be measured? For example, should it be measured over a period of years, or the life of the securities? Should ratings be evaluated for accuracy at specific points in time? If accuracy should be evaluated at specific points in time, should those times relate to events experienced by the security, or be unrelated to the security (e.g., calendar-related only)? Could using a specific time horizon distort how Qualified NRSROs determine credit ratings? For example, if the time horizon is longer, could Qualified NRSROs determine credit ratings at lower levels in the their rating scales in order to lessen the chance that the credit rating would be downgraded during the period? Alternatively, if the time horizon is short, could Qualified NRSROs be more prone to determine credit ratings at higher levels in their rating scales?

f. Could the method of measuring accuracy create disincentives for Qualified NRSROs to determine credit ratings for certain types of products? For example, could Qualified NRSROs refuse to rate structured finance products that are inherently more volatile in terms of potential credit risk? If so, how could this impact capital formation?

g. Provide any other comments, proposals, data, or analysis that could assist in assessing the range of metrics that could be used to determine the accuracy of credit ratings.

Response: Ratings Services refers to our other responses herein, including, to Questions A.13, B.3(b), B.5 and B.6.

C. Alternative means for compensating NRSROs that would create incentives for accurate credit ratings

1. The Rule 17g-5 Program

1. Interested parties are asked to provide a comparative evaluation of the Section 15E(w) System with the Rule 17g-5 Program using the GAO Framework.

Response: We believe the Rule 17g-5 Program, which is relatively new and has yet to take hold, is superior to the proposed Section 15E(w) System. Among other things, the Rule 17g-5 Program was intended to encourage competition and innovation among NRSROs, while the Section 15E(w) System, as noted, will result in a closed, non-competitive environment where NRSROs have little or no incentive to improve their ratings processes, criteria and methodology.

2. If an interested party believes the Rule 17g-5 Program would not be a reasonable alternative to the Section 15E(w) System in terms of objectives and goals, could the Rule 17g-5 Program be modified to bridge the gap? If so, describe how? In addition, identify any additional benefits and costs that would result from such modifications.

Response: Ratings Services has no comment in response to this Question.

3. To the extent not addressed in responding to the questions above, describe how the Rule 17g-5 Program currently is being used to determine credit ratings for structured finance products. For example, is there sufficient time between when information about a pending transaction is posted on the arranger's Internet website and the transaction closes for an NRSRO not hired to rate the structured finance product to determine an initial credit rating? If not, how could this issue be addressed to provide a sufficient amount of time? For example, should there be a mandatory time period before a credit rating can be issued by the hired NRSRO? In addition, are NRSROs seeking to determine unsolicited credit ratings using the Rule 17g-5 Program being asked to agree to terms and conditions that are not required of the hired NRSROs? If so, what is the rationale for requiring such different terms and conditions?

Response: Ratings Services and other NRSROs have not extensively utilized the Rule 17g-5 Program because of several concerns arising from the program. Thus far, we have observed that issuers often comply with the information posting requirements of the program by designating all information as confidential, without distinguishing information that is already public, such as information that has previously been included in public filings or will become public when the hired NRSRO publishes its reports. As a result, NRSROs using the program will need to take steps to ensure that the information they refer to in any ratings rationale generated under the program is, in fact, public. We are also concerned that issuers, as part of their efforts to comply with the program, may choose to include all e-mails and other communications with employees of retained NRSROs among the information made available to non-retained NRSROs through Rule 17g-5 web sites. The broadcast of such communications, even if limited to the universe of NRSROs, could cause issuers and NRSRO analysts to be more inhibited and less open and transparent in their communications. Finally, we have observed that certain issuers are directing trustees not to answer questions or give information to NRSROs about rated transactions for fear of running afoul of Rule 17g-5. This could result in less information being made available to NRSROs. This chilling effect during the rating and surveillance process could ultimately result in less information being made available to investors.

2. Investor-Owned Credit Rating Agency Model

1. Interested parties are asked to provide a comparative evaluation of the Section 15E(w) System with the Investor-Owned Credit Rating Agency Model using the GAO Framework.

Response: As a threshold matter, the Solicitation of Comment does not explain, and it remains unclear to Ratings Services, how an "investor-owned" credit rating agency would accumulate the extensive resources necessary to form quality credit rating opinions on all or virtually all asset-backed securitizations, as the proposal anticipates. Moreover, we do not believe, for reasons stated above, that such a model would eliminate potential conflicts of interest. In particular, an investor-owned rating agency could face pressure to issue lower ratings, generally benefiting investors by increasing the risk premium that investors can demand from issuers. As noted, we believe market participants should be permitted to select the rating agency of their choice and that potential conflicts of interest should be managed with rigorous policies and procedures overseen by the Commission.

2. If an interested party believes the Investor-Owned Credit Rating Agency Model would be a reasonable alternative to the Section 15E(w) System in terms of objectives and goals, explain how such a program could be implemented by the Commission. Could investors be required to participate? Should they be required to participate? In addition, analyze whether the Commission could implement such a program using existing authority in the securities laws or whether statutory amendments would be necessary. Finally, identify the benefits and costs of implementing such a program.

Response: Ratings Services has no comment in response to this Question.

3. Stand-Alone Model

1. Interested parties are asked to provide a comparative evaluation of the Section 15E(w) System with the Stand-Alone Model using the GAO Framework.

Response: The "Stand-Alone Model," as described briefly in the Solicitation of Comment, would require a complicated payment system whereby issuers and investors each contribute to an NRSRO's fees. It is unclear to Ratings Services how this system would function and who would be responsible for managing it. In particular, it is not clear how fees would be assessed to investors who purchase securities in the primary and secondary markets, or how such fees would be collected by and/or provided to credit rating agencies. In any event, we believe such a system would likely impose significant burdens and require extensive resources in order to limit market disruption as much as possible.

Moreover, under the "Stand-Alone Model" system, NRSROs would, at the time of their initial ratings, continue to face potential conflicts of interest attendant to the issuer-pays model. It is not at all clear that such conflicts would be reduced by the fact that a portion of the NRSROs' fees would *later* come from investors at the time the rated security is ultimately purchased. In addition, since the amount of investor-paid fees would depend upon the success of the offering, it is difficult to see how such contingent fees could be factored into pricing decisions in a way that provides adequate assurance that the NRSRO will earn an appropriate return for its work.

As noted, we believe that market participants should be permitted to select the rating agency of their choice and that potential conflicts of interest should be managed with rigorous policies and procedures overseen by the Commission.

2. If an interested party believes the Stand-Alone Model would be a reasonable alternative to the Section 15E(w) System in terms of objectives and goals, explain how such a program could be implemented by the Commission. In addition, analyze whether the Commission could implement such a program using existing authority in the securities laws or whether statutory amendments would be necessary. Finally, identify the benefits and costs of implementing such a program.

Response: Ratings Services has no comment in response to this Question.

4. Designation Model

1. Interested parties are asked to provide a comparative evaluation of the Section 15E(w) System with the Designation Model using the GAO Framework.

Response: The "Designation Model," as described briefly in the Solicitation of Comment, would require a complicated payment system. It is unclear how this system would function and who would be responsible for managing it. Moreover, the system would not eliminate conflicts of interest. Because investors would be required to "designate" which NRSRO would receive fees, NRSROs operating under this model could face pressure to issue lower ratings which generally benefit investors by increasing the risk premium that investors can demand.

As noted, we believe that market participants should be permitted to select the rating agency of their choice and that potential conflicts of interest should be managed with rigorous policies and procedures overseen by the Commission.

2. If an interested party believes the Designation Model would be a reasonable alternative to the Section 15E(w) System in terms of objectives and goals, explain how such a program could be implemented by the Commission. In addition, analyze whether the Commission could implement such a program using existing authority in the securities laws or whether statutory amendments would be necessary. Finally, identify the benefits and costs of implementing such a program.

Response: Ratings Services has no comment in response to this Question.

5. User-Pay Model

1. Interested parties are asked to provide a comparative evaluation of the Section 15E(w) System with the User-Pay Model using the GAO Framework.

Response: Ratings Services refers to our responses to Questions C.2-4.

2. If an interested party believes the User-Pay Model would be a reasonable alternative to the Section 15E(w) System in terms of objectives and goals, explain how such a program could be implemented by the Commission. In addition, analyze whether the Commission could implement such a program using existing authority in the securities laws or whether statutory amendments would be necessary. Finally, identify the benefits and costs of implementing such a program.

Response: Ratings Services has no comment in response to this Question.

6. Other Alternative Models

1. Interested parties are asked to provide a comparative evaluation of the Section 15E(w) System with the other model(s).

Response: Ratings Services has no comment in response to this Question.

2. If an interested party believes the other model would be a reasonable alternative to the Section 15E(w) System in terms of objectives and goals, explain how such a program could be implemented by the Commission. In addition, analyze whether the Commission could implement such a program using *existing authority in the securities laws or whether statutory amendments would be necessary. Finally, identify the benefits and costs of implementing such a program.*

Response: Ratings Services has no comment in response to this Question.

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We at Ratings Services appreciate the opportunity to comment on the matters addressed in the Solicitation and look forward to working with the Commission in moving towards its final study. Please feel free to contact me, Adam Schuman, Executive Managing Director and Chief Legal Officer, at (212) 438-5412, 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,

Patrick Milano
Executive Vice President
Standard & Poor's Operations

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Hon. Elisse B. Walter, Commissioner
Hon. Luis A. Aguilar. Commissioner
Hon. Troy A. Paredes, Commissioner
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