CORPORATE GOVERNANCE

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE Washington, DC 20549-0609

October 18, 2010

Via e-mail to: rule-comments@sec.gov

Subject: DF Title IX – Credit Rating Agencies

Dear Ms. Murphy:

By way of background, I am an individual investor and frequent commentator on corporate governance matters. Since 1995, I have published one of the Internet's most comprehensive sites on the subject at http://corpgov.net, getting as many as 700,000 "hits" a month. The site has resulted in dialog and cooperative initiatives with pension funds, corporate directors, labor leaders, proxy advisors, money managers, authors, academics, and hundreds of individual investors.

A 1998 *Pensions & Investments* article credited CorpGov.net with being "huge" in "helping shareholders win increasing control over America's corporate boardrooms."[1] My 2002 petition with Les Greenberg "re-energized" the debate over shareowner access to the proxy with respect to nominating corporate directors, according to the Council of Institutional Investors.[2] I was named in 2010 by Directorship 100[3] on a "short list of movers and shakers who merit serious attention as potential boardroom influentials… who, by virtue of what they do and how they do it, bear watching."

This letter responds to the SEC's request for comments with respect to regulations needed because of the enactment of H.R. 4173, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank).

I write in support of the recommendations made by CalPERS in their October 4, 2004 letter on this subject calling on Credit Rating Agency (CRA) revenues to be pooled and allocated to CRAs based on periodic voting by 'customers' – investor constituents.[4] This is a market-based solution to resolving conflicts of interest currently faced by the CRAs. Although I also favor strong regulatory oversight, allocation of pooled CRA revenues by investors would greatly reduce current conflicts of interest and would give the tools to

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[1] Internet Helps Link Shareholders, http://www.pionline.com/apps/pbcs.dll/article?AID=/19980727/PRINTSUB/807270732/1031/TOC
[2] http:/www.concernedshareholders.com/CalPERS_EqualAccess.pdf
[3] http://www.directorship.com/media/2010/09/2010-DIRECTORSHIP-100.pdf
[4] http://www.sec.gov/comments/df-title-ix/credit-rating-agencies/creditratingagencies-10.pdf

investors that would allow us to hold CRAs accountable.

For more information on this type of approach, see Mark Latham's 2007 article "Proxy Voting Brand Competition" (available at votermedia.org/publications), where he suggested that organizations hired by investors in this way could also provide other services such as compensation consulting, finding potential candidates for board seats, and auditing financial statements. Like these services, the determination of credit ratings would be more trustworthy and effective if performed by organizations loyal to investors rather than to corporate management.

Please adopt the recommended changes and do not hesitate to contact me concerning this request to provide clarification, additional examples, etc.

Sincerely,

James McRitchie, Publisher Corporate Governance (CorpGov.net)
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