

# Fitch Ratings

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**BY ELECTRONIC MAIL**

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

**Re: *File No. S7-18-11***  
***Proposed Rules for Nationally***  
***Recognized Statistical Rating Organizations***

Dear Ms. Murphy:

Fitch, Inc. (“Fitch”) submits this letter in response to the request for comments from the United States Securities and Exchange Commission (the “SEC” or “Commission”) on the Proposed Rules for Nationally Recognized Statistical Rating Organizations (Release No. 34-64514; File No.S7-18-11, the “Proposed Rules”). Fitch is a nationally recognized statistical rating organization (an “NRSRO”).

Set forth below are our comments on the Proposed Rules. For the convenience of the Commission, we have followed the order used by the SEC in its commentary accompanying the Proposed Rules. Please note that we have only discussed those aspects of the Proposed Rules about which we have questions or comments.

**1. Issues relating to Conflicts of Interest- Recommendation**

Relevant Proposed Rule: 17g-5(f)

Fitch strongly supports the Commission’s goals of reducing conflicts of interest and increasing transparency in the credit ratings industry. As a result, Fitch recommends that any NRSRO that is granted an exemption from the sales and marketing conflict of interest under Rule 17g-5(f) (the “Exemption”) be required to indicate, on a prominent place on its homepage, the fact that it is the recipient of the Exemption. Issuers and

investors should know whether an NRSRO has received the Exemption before engaging and evaluating the NRSRO.

**2. Issues relating to Disclosure of Ratings History**

Relevant Proposed Rule: 17g-7(b)(1)(i)

Fitch believes that each NRSRO should maintain a record of its rating actions and make such record public. We currently make our credit ratings on public debt obligations and public debt issuers freely available on our website. In addition, Fitch publishes and posts on its website various statistical ratings performance reports some of which Fitch incorporates by reference into our Form NRSRO.

In addition, Fitch invests significant resources in both developing and maintaining data products, including ratings, and analytical tools (“Analytical Products”) that are derived from our historical data. These Analytical Products can provide important insight into numerous aspects of the credit markets.

As a result, we believe that requiring NRSROs to disclose their entire credit ratings history as of June 26, 2007, even on a time-delayed basis, will be harmful to NRSROs, and ultimately to investors. We recognize that third parties may be able to track Fitch’s rating actions and construct their own databases. It is, however, a time-consuming and costly effort. Therefore, many third parties, including many large financial institutions and investors, subscribe to Fitch’s Analytical Products. While the majority of Fitch’s revenues come from fees paid by issuers, we also derive substantial revenue from subscriptions to our Analytical Products. Subscription revenues may provide an even larger portion of the total revenue of other NRSROs.

Compelling NRSROs to first compile and maintain their historical data, and then to provide such data for free, imposes significant costs on NRSROs while undermining the commercial value of their historical data. The revenue lost to the NRSROs from the cheapening of their historical data will limit the abilities of the NRSROs to innovate and provide new products and services to the marketplace. More importantly, however, industry competition will be undermined by limiting the subscription revenues of smaller NRSROs who may be more dependent on subscription fees than the larger, more established credit rating agencies.

**3. Issues relating to the information disclosure form- Recommendation**

Relevant Proposed Rule: 17g-7(a)(1)

We recommend that consistent with the temporary conditional exemption that the Commission has provided to NRSROs from complying with Rule 17g-5(a)(3), the Commission should exempt NRSROs from following Rule 17g-7(a)(1) where the credit

rating action involves either (i) a non-U.S. person or (ii) (a) the issuer of a security is a non-U.S. person and (b) the NRSRO has a reasonable basis to conclude that transactions concerning the security after its issuance will occur outside of the United States. Many issuers domiciled outside of the U.S. do not have the infrastructure in place to provide the level of disclosure required by the credit rating information disclosure form (the "Form"). Therefore, if the Commission does not grant such an exemption, in many cases NRSROs either might be unable to issue a credit rating on non-U.S. securities or must withdraw as an NRSRO in order to continue rating certain non-U.S. securities. The extraterritorial application of this Rule could result in the disruption of non-U.S. securities markets and limit the ability of non-U.S. entities to raise capital.

4. **Issues relating to Standards of Training- Recommendation**

Relevant Proposed Rule: 17g-9(c) (1)

Fitch recommends that the Commission exempt from the periodic testing requirement those individuals ("Exempt Individuals") employed by an NRSRO who have both the relevant professional qualifications and professional designations based on examination (e.g., certified public accountants, chartered financial analysts, chartered life underwriters and attorneys). Fitch believes that NRSROs that require their Exempt Individuals to both pass professional examinations and complete the related continuing education requirements following a professional examination should be able to use the satisfactory fulfillment of such requirements to satisfy the periodic testing requirement.

Thank you for giving us the opportunity to provide our comments. We hope that you find them useful, and that you give them due consideration. Please call me at (212) 908-0626 with any questions that you might have on our comments or to discuss this matter further at your convenience.

Very truly yours,



Charles D. Brown  
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