

State of Connecticut

RICHARD BLUMENTHAL
ATTORNEY GENERAL



Hartford

December 16, 2009

Mary L. Schapiro, Chairman
Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

**RE: Proposed Amendments to Rules Affecting Credit Rating Agencies
(File Nos. S7-24-09 and S7-21-09)**

Dear Chairman Schapiro and Secretary Murphy:

The Big Three credit rating agencies (Moody's, Standard & Poor's, and Fitch) bear significant blame and responsibility for the recent national financial meltdown and the subsequent national recession. Every government agency, organization, and academic study has reached this inescapable conclusion. It is time that credit rating agencies, Nationally Recognized Statistical Reporting Organizations ("NRSRO's"), are subject to the same regulatory regime, scrutiny and rules as every other participant in our securities market. Protection of the investing public who depend on accurate and timely credit ratings, demands it.

"Pay-to-rate" is an inherent conflict of interest that deceives investors who rely on the credit rating agencies to provide unbiased expert analysis. Inadequate disclosure of methodologies and preliminary or so-called "shadow" ratings prevent investors from truly assessing the risk of arcane, complex, and opaque financial practices and products. Unwarranted and undeserved exemptions from the federal rules further encourage reckless behavior and allow raters to evade accountability for poor performance. Rating agencies' poor performance is not a recent phenomena: the Big Three missed Enron, WorldCom, and other busts in the late 1990's.

Against this backdrop of failure, I write to offer my strong support for the proposed amendments and concept release recently announced by the Securities and Exchange Commission. The amendments will (1) require disclosure of vital information

regarding credit ratings for securities registrations and (2) impose legal liability on credit rating agencies allowing investors to hold rating agencies accountable.

Greater disclosure of information will provide investors a better understanding of the credit ratings on which they rely to make investment decisions. Therefore, I support the proposed amendments enabling investors to assess credit ratings in the appropriate context. Specifically, the proposed amendments would require disclosures that inform investors of (a) material limitations on the scope of the credit rating, (b) potential conflicts of interest that could affect the quality of the credit rating, and (c) preliminary credit ratings that shed light on the credit ratings process and whether the registrant engaged in "ratings shopping."

Credit rating agencies are subject to liability under state consumer protection laws, and I have already taken action against the Big Three credit raters for falsely representing municipal bond ratings. Under federal law, however, those credit rating agencies that qualify as NRSROs have enjoyed an exemption from liability under Section 11 of the Securities Act of 1933, by operation of Rule 436(g). The exemption from federal liability should be rescinded to increase the quality and accuracy of credit ratings. Like other experts whose reports, opinions, and valuations are used in the preparation of registration statements (including non-NRSRO credit rating agencies), the NRSROs should also be subject to the liability scheme set forth in Section 11. The risk of liability will enhance the accountability of NRSROs and will help to address concerns about credit rating quality.

The Credit Rating Agency Reform Act of 2006 expressly recognizes that the ratings issued by the NRSRO's are intended to protect the "public interest," not to enrich investment bank underwriters or bond issuers. The major credit rating agencies have been entrusted by Congress with tremendous powers -- which, not coincidentally, make these entities extremely profitable. Despite their power, the major credit rating agencies claim they have no responsibility whatsoever to investors when an NRSRO's rating is wrong, even wildly so. Making NRSRO's liable for poor work, like other securities professionals, will improve the quality of credit ratings and help protect investors who rely on credit ratings when making investment decisions and clearly consider NRSROs experts.

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In short, I support the Commission's recent proposed amendments requiring disclosure of vital information on credit ratings and the concept release proposal imposing federal statutory liability on the NRSRO credit ratings agencies. I urge the Commission to implement the final provisions in a manner that will best protect investors.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'Richard Blumenthal', written in a cursive style.

RICHARD BLUMENTHAL

RB/pas