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March 2, 2010

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

Re: *Proposed Rules for Nationally Recognized Statistical Rating Organizations*
Securities Exchange Act of 1934 Rel. No. 61051 (November 23, 2009)
File No. S7-28-09

Dear Ms. Murphy:

Standard & Poor's Ratings Services ("Ratings Services"), a nationally recognized statistical rating organization ("NRSRO") registered under Section 15E of the Securities Exchange Act of 1934 (as amended, the "Exchange Act"), welcomes the opportunity to comment on the Commission's inquiries regarding structured finance products and credit ratings of structured finance products contained in the release (the "Proposing Release") referenced above.

The Proposing Release indicates that the Commission is deferring action with regard to its previously proposed rule that would have required an NRSRO either to adopt distinct ratings symbols for structured finance products, or to include, each time the NRSRO published a credit rating for a structured finance product, a report describing how the credit ratings procedures and methodologies and credit risk characteristics for structured finance products differ from those of other types of rated instruments. While deferring consideration of this rule, the Proposing Release requests comment on how to achieve the goals of promoting understanding of the distinct risks of structured finance products and encouraging independent analysis of such products. To this end, the Proposing Release poses a series of specific questions related to the differences between structured finance products and other debt instruments, the differences between credit ratings for structured finance products and credit ratings for other types of debt instruments, and possible measures to communicate such differences to investors.

1. *The Commission should provide sufficient time for current rules and practices to be effectively implemented.*

The Proposing Release recognizes that the Commission has already adopted numerous measures that will "assist investors and other users of credit ratings in understanding the different characteristics and risks of structured finance products and the credit ratings for those products." (Proposing Release at p. 62.) Ratings Services believes that, alongside the newly expanded regulatory framework, the many initiatives that Ratings Services has

launched serve to alleviate many of the Commission's concerns with respect to credit ratings for structured finance products. These initiatives are designed to promote greater understanding of the risk characteristics of our credit ratings. For example, we now publish "what-if" scenario analyses, provide more explicit discussions of the assumptions that influence our ratings, and have introduced changes to our ratings criteria for certain asset classes based on, among other things, macroeconomic developments. Consistent with the Commission's goals, by making our analytics and processes transparent, we encourage users of credit ratings to engage in an independent assessment of our judgments. We support the goal of enhancing investor understanding, but we also believe that it would be premature for the Commission to propose additional new measures before allowing already-adopted rules and practices to have an opportunity to have an impact.

2. *Ratings Services' credit ratings are crafted to reflect the risk characteristics of diverse instruments while at the same time seeking to maintain comparability across sectors and instruments.*

The Proposing Release articulates the Commission's goal of "promoting . . . understanding of the distinct risks of structured finance products" and provides a detailed discussion of the ability of investors to understand "differences in the risk characteristics" of such products. (Proposing Release at pp. 67-68.) Despite this stated goal, the Proposing Release seeks comment on "how the risk characteristics of structured finance products *and credit ratings* differ from the risk characteristics of corporate, municipality, and sovereign nation debt instruments *and their credit ratings*." (Proposing Release at 69 [emphasis supplied].) Ratings Services believes that this may inadvertently attribute the differences between classes of debt instruments to credit ratings regarding these instruments. As a result, it appears that the Proposing Release presupposes that because the risk characteristics of structured finance products differ from the risk characteristics of other debt instruments, the credit ratings associated with each type of instrument cannot be generally comparable. This is evidenced in the Proposing Release's emphasis on identifying "a more effective way to differentiate credit ratings for structured finance products." (Proposing Release at p. 67.)

Our credit ratings, which are designed primarily to provide relative rankings among issuers and obligations of overall creditworthiness, are intended to connote the same general level of creditworthiness for issuers and obligations in different sectors and at different times. Creditworthiness is a complex, multi-faceted concept. Our assessments of creditworthiness incorporate numerous factors, including, most significantly, the likelihood of default. Ratings Services takes efforts to maintain comparability of ratings in our creditworthiness judgments. For example, Ratings Services has introduced stress scenarios associated with each ratings category that are used to calibrate our ratings criteria as we seek to maintain comparability. As a result of these efforts, we believe that Ratings Services' ratings symbols correspond to the same approximate level of creditworthiness wherever they appear, whether it be in regard to an obligor, a sovereign nation, a structured finance product, or any other entity or instrument for which we determine credit ratings.

3. *The Commission should carefully consider the need for internationally coordinated and consistent regulation before adopting additional rules.*

Despite our efforts with regard to the comparability of our credit ratings, a recently effective European Union Regulation, Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on Credit Rating Agencies (the “EU Regulation”), requires in Article 10 that credit rating agencies registered under the EU Regulation “ensure that rating categories that are attributed to structured finance instruments are clearly differentiated using an additional symbol which distinguishes them from rating categories used for any other entities, financial instruments or financial obligations.” Ratings Services is in the process of implementing a structured finance identifier in accordance with our upcoming obligations under the EU Regulation. Further, we have determined that it would be most appropriate to implement this identifier on a global basis. In part, this decision resulted from our desire to avoid the potential confusion to investors that might result if credit ratings issued in the European Union were identified using a different format from ratings issued in the United States or elsewhere. Consistent with the views we express in section 2 above, the structured finance identifier will have no incremental meaning relative to our ratings, or our opinion of creditworthiness.

In light of the EU Regulation, we believe that the Commission should carefully consider the costs associated with additional proposals in this area. We note, in this regard, that the G20 Finance Ministers and Central Bank Governors, in their September 2009 statement, called for a “consistent and coordinated implementation of international standards,” particularly with regard to oversight of credit ratings agencies. Ratings Services believes that a key aspect of such coordinated efforts is the need to minimize unnecessary costs, both to NRSROs and to investors, associated with the adoption of inconsistent regulatory regimes.

4. *The Commission should carefully consider whether certain suggested disclosure requirements accurately reflect the nature of credit ratings and the credit rating process.*

The Proposing Release requests comment regarding whether NRSROs should be required to disclose certain information about credit ratings for structured finance products. We are concerned that certain types of information that the Commission includes in its queries do not capture the actual nature of credit ratings. To the extent that disclosure of such types of information is mandated, this disclosure would potentially confuse investors as to what credit ratings mean. For example, the Proposing Release suggests disclosure by NRSROs of “additional information relating to default probability . . . associated with each class of credit ratings.” (Proposing Release at p. 80). The credit ratings issued by Ratings Services do not represent specific probabilities of default. Rather, our ratings aim to provide a rank ordering of creditworthiness. While higher ratings on issuers and obligations reflect our expectation that the rated issuer or obligation should default less frequently than issuers and

obligations with lower ratings, such relative ratings do not correspond to a numeric “probability of default” that could be disclosed. We are further concerned that disclosure requirements that suggest greater certainty in credit ratings than actually exists would, contrary to the Commission’s intent, encourage over-reliance on credit ratings by investors and other market participants.

Ratings Services publishes detailed information to promote understanding of our credit ratings and to help investors attribute clearer meanings to different rating categories. We believe that our initiatives to foster greater transparency are consistent with the Commission’s goals regarding investor comprehension. The goal of promoting investor understanding, however, will be best served only by disclosure that is accurate and meaningful. To this end, the Commission should take care to ensure that any additional proposed disclosure about the content of credit ratings accurately captures the nature of such ratings.

- 5 *Additional disclosure requirements with respect to structured finance products should apply primarily to the party with direct access to the relevant information.*

The Proposing Release also requests comment regarding whether NRSROs should be required to disclose certain information about structured finance products themselves. Ratings Services is fully committed to the principle of transparency, but believes that it is important that the Commission not reorder the roles and responsibilities of parties involved in the development, issuance and offering of structured finance products. Ratings Services, while supporting the Commission’s goal of providing greater transparency, requests that the Commission give pause before placing on NRSROs additional disclosure obligations that would more appropriately be placed on issuers, arrangers and underwriters. In particular, we note that, in developing a structured finance product, it is the arranger, rather than the NRSRO, that conducts the due diligence and thus has the most complete information regarding the structured finance product, the assets underlying this product, and the level of due diligence that has been performed. Ratings Services believes that significantly more meaningful disclosure could be made available to investors through the Commission’s adoption of disclosure requirements for arrangers and other parties directly involved in structuring the transactions. If the Commission’s goal is to ensure that investors receive the most complete and accurate information about structured finance products, we believe that it would be most prudent to require direct disclosure from the source of that information rather than have an NRSRO relay the information that it has been provided. Furthermore, we believe that requiring additional disclosure from arrangers and others, rather than NRSROs, would further the Commission’s goal to “spur investors to perform more rigorous internal risk analysis on such products so that they would not overly rely on NRSRO credit ratings in making investment decisions,” and reduce any risk of an investor incorrectly assuming that information received in the credit rating process has been independently verified by the NRSRO. (Proposing Release at p. 64.)

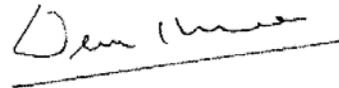
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Ratings Services recognizes the importance of assisting investors in understanding structured finance products and their credit ratings. We believe that it is appropriate to require NRSROs to provide disclosure regarding the credit rating process and the meaning of credit ratings and, as noted above, we have undertaken numerous initiatives in this respect. We believe, however, that the goal of promoting investor understanding will be most effectively promoted when disclosure is made by the party that is in the best position to make such disclosure. With respect to specific characteristics of structured finance products and the level of due diligence performed by their arrangers, this will be the issuers, arrangers and underwriters who actually structure such products.

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We at Ratings Services appreciate the opportunity to comment on the questions posed in the Proposing Release. Please feel free to contact me 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,



Deven Sharma
President
Standard & Poor's

cc: Hon. Mary L. Schapiro, Chairman
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