

**STANDARD
& POOR'S**

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March 31, 2005

Mr. Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street, NW
Washington, D.C. 20549-0609

Via Electronic Mail: rule-comments@sec.gov

Re: File Number 4-497

Dear Mr. Katz,

Standard & Poor's Ratings Services ("Standard & Poor's") appreciates the opportunity to provide the Securities and Exchange Commission with comments on our experiences in evaluating the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404"). The views expressed in this letter represent Standard & Poor's Ratings Services' experiences gained in evaluating reports and other disclosures provided pursuant to Section 404 by companies we rate, and do not relate to The McGraw-Hill Companies own implementation experiences. Standard & Poor's is a division of The McGraw-Hill Companies.

Financial statements and disclosures -- and, in turn, the existing oversight of the financial reporting process and the adequacy of its controls -- are fundamental to Standard & Poor's ratings analysis. Consequently, the ability to obtain accurate financial information is an important part of our ratings process. We applaud the Commission on its on-going efforts to promote accurate and transparent financial information and in furthering the reliability of audited financial statements for use by analysts, investors, creditors and other market participants.

Issues arising out of an issuer's compliance with Section 404 have been incorporated into our ratings process. The existence of a qualified or adverse audit opinion on internal controls or an identified material weakness may precipitate further analytic evaluation. Ratings implications arising from Section 404-related discoveries are entirely fact-specific, and vary from company to company. Standard & Poor's analysts reviewed the nature of reported problems and factored the conclusions in the rating opinions, as appropriate. Timely and sufficiently detailed disclosures are accordingly important to Standard & Poor's.

To-date, we are not able to discern a trend in rating behavior related to control deficiencies. In many cases, reported internal control weaknesses have not changed. Standard & Poor's opinion

of the issuer's creditworthiness either because they were not material to the rating or had been known to us and already incorporated in Standard & Poor's rating. In some cases, ratings were placed on "credit watch" until further clarity was obtained by Standard & Poor's (for example, where companies were in the process of investigating deficiencies). In limited cases, ratings have been lowered -- predominantly when material internal control flaws were coupled with accounting and financial reporting irregularities, or other adverse business conditions. Some companies experienced credit deterioration caused by a combination of factors, including anticipated restricted access to capital, increased cost of capital, adverse reaction by business counterparties, regulatory restrictions, penalties, etc.

Standard & Poor's approach to evaluating control deficiencies is more fully described in "Credit Policy Update: Sarbanes-Oxley Section 404, and Standard & Poor's Approach to Evaluating Control Deficiencies" published November 22, 2004, and "Financial Institutions Report Few Material Weaknesses Under Sarbanes-Oxley Section 404; No Expected Ratings Implications" published March 15, 2005 on RatingsDirect, Standard & Poor's Web-based research and credit analysis system.

Uncertainties Arising from Financial Reporting Delays

Standard & Poor's believes that market transparency would be increased if companies were able to file/furnish, under certain circumstances, incomplete financial information.

Standard & Poor's has observed numerous instances in which companies delayed the filing of their annual reports due to an incomplete Section 404 implementation process -- even when the financial statement audit work was substantially complete (for example, when management's evaluation of Section 404 internal controls over financial reporting was concluded but the independent auditors were not able to timely conclude on their Section 404 attestation).

A delay in providing financial information is an undesirable outcome from the market's perspective. In our observations, in some cases, this delay has halted capital market access, hindered companies' ability to refinance maturing obligations or resulted in technical violation of debt covenants and also defaults. In our experience, creditors often have agreed to provide waivers and extensions in these circumstances. It is our view that these types of corrective actions increase the volatility of the markets and the burdens on the investors.

We have also observed that the Section 404 compliance process has often resulted in delayed filing caused by identified deficiencies or accounting errors that have been isolated to a specific financial statement line item or other areas where the impact might be clearly identified and segregated. In these circumstances, in our opinion, permitting companies to provide financial reports containing substantially complete information and accompanied by appropriate disclosures and disclaimers would be helpful and may provide incremental certainty to market participants. On the other hand, if a company is experiencing significant and pervasive control deficiencies, we would be concerned that the incomplete financial statements and related information may be misleading and the company should delay the filing.

Related to the foregoing, Standard & Poor's also believes that market transparency would be increased if auditors were able to provide an 'except for'-type opinion where the exception is related to the pending work or a specific financial statement line item(s) so long as the company

was under an obligation to disclose the matters that are the subject of further investigation and auditing procedures.

Control Related Disclosures

Standard & Poor's believes that the market would be best served by integrated control disclosures detailing both financial and operational controls, as well as identification of significant deficiencies having a greater likelihood of becoming a material weakness.

Standard & Poor's regards the Section 404 disclosures of actual and potential internal control deficiencies provided by companies through early warnings and in annual and interim reports as increasing market transparency about credit matters. We believe disclosures about significant deficiencies requiring substantial costs to remedy, lengthy remediation processes, or considerable allocation of resources, would add to transparency by allowing analysts, investors and others to assess the potential impact and severity. In particular, we have noticed some uncertainties around the interpretation of existing disclosure requirements in Item 9A of the Form 10-K as they apply to remediation processes. Further, some of the disclosures filed with the Commission do not provide any detailed information about the specific nature of the deficiency and its potential consequences. We quote from one such disclosure:

“The Company has identified an internal control deficiency that constituted a ‘material weakness,’ as defined by the Public Company Accounting Oversight Board’s Auditing Standard No. 2, as of December 31, 2004. The weakness concerned the interpretation and implementation of various complex accounting principles, primarily in the area of non-routine business transactions, and resulted from the fact that the Company needed additional personnel and outside consulting expertise with respect to the application of some of these more complex accounting principles to its financial statements.”

Integrated disclosures of overall control risks to an organization that encompass financial and operational risks would be particularly meaningful. Under current SEC regulations, registrants are required to provide disclosure of certain risk factors and their assessment of them in their financial reports; however, we believe there is room for expanded disclosure, pursuant to which, companies would be providing an overall assessment of their internal control environment pertaining to financial as well as non-financial controls impacting other business risks, beyond financial reporting. Greater disclosure is likely to help market participants conduct an independent overall assessment of a company’s internal control environment pertaining to financial as well as non-financial controls impacting other business risks, beyond financial reporting.

Cost/Benefit Considerations

Complying with Section 404 requires companies to engage in intensive preparation and diagnostic processes and undergo substantial modifications to their internal control systems and related processes, often at a significant cost. Any increased costs must be considered together with any associated benefits. These include enhanced investor confidence, improved financial reporting process, better safeguarding of corporate resources and potential efficiency gains. Costs can be measured more precisely, while benefits are often intangible and generated over time; assessing the benefits is a challenging undertaking.

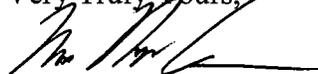
Our experience to date seems to indicate that many companies were not fully prepared for Section 404 reviews, and in general, many financial statement irregularities were discovered. This, together with the multiple financial restatements that have occurred during the past three years support the original premise that further transparency should be added to enhance the financial reporting of public companies. This also supports the premise that the Section 404 process will improve financial reporting over time.

We are confident that based on the experiences gained during the first stage of implementation, the input received from this comment process, and roundtable discussions, the Commission will be able to refine further the guidance under Section 404. We also hope that the Commission will further address the potential hardship to smaller entities and foreign private issuers, with the objective of optimizing transparency and disclosure in the market.

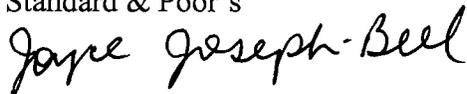
We also support the Commission's efforts in exploring 'size appropriate' compliance measures by establishing an advisory committee to examine further the impact of the Sarbanes-Oxley Act on smaller companies. We believe that transition periods providing a temporary extension for non-accelerated filers and foreign private issuers that facilitate market stability are important, and we look forward to the outcome of the newly announced COSO project on a control framework in smaller businesses to provide further, much needed guidance by the summer of 2005. These initiatives should be helpful in providing measures enabling small businesses to implement Section 404 in a manner that is more appropriate to them, while not compromising their obligations, as public companies, to provide complete, timely and accurate financial information.

We thank you for the opportunity to provide our input on Section 404 and would be pleased to discuss our comments further with any member of the Commission staff. If you have any questions, or require additional information please contact Neri Bukspan, chief accountant at (212) 438-1792 (neri_bukspan@standardandpoors.com) or Joyce Joseph-Bell, director of financial reporting analysis at (212) 438-1217 (joyce_joseph-bell@standardandpoors.com).

Very Truly Yours,



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