

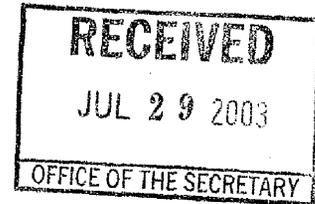
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Federated
WORLD-CLASS INVESTMENT MANAGER[®]

July 28, 2003

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



Re: *Concept Release Regarding Rating Agencies and the Use of Credit Ratings under the Federal Securities Laws (File No. S7-12-03)*

Dear Mr. Katz:

Federated Investment Management Company is a registered investment adviser which, with its affiliates (“Federated”), manages and advises mutual funds and other investment vehicles. At June 30, 2003, Federated had total assets under management of \$202.4 billion, \$151.4 billion of which was attributable to investments in money market funds. As a substantial user of information from nationally recognized statistical rating organizations (“NRSROs”), Federated is pleased to provide comment on the concept release issued by the Securities and Exchange Commission (“Commission”).

Endorsement

Federated endorses the comment letter on this subject recently submitted by the Investment Company Institute (“ICI”). Federated is substantially in accord with the comments **and** suggestions expressed in such letter. Most importantly, Federated agrees with the ICI that it **is** critical **that** credit ratings issued by NRSROs be retained as the **objective** basis for minimum credit quality standards under Rule 2a-7 under the Investment Company **Act of** 1940.

Additional Recommendations Regarding NRSROs

As a general matter, Federated believes that a greater number of NRSROs would be beneficial to the money market fund industry, because it would result in increased transparency regarding the securities in which money market funds invest. Federated uses the information provided by NRSROs as a baseline from which to **start** its own internal credit review process. Federated would expect to see more complete and accurate information regarding a security that was rated by a greater number of NRSROs. Accordingly, to the extent the Commission decides to take further action on this subject,

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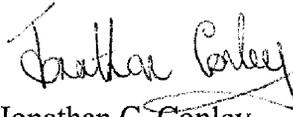
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we urge that such action not unduly impede the formation and/or designation of additional NRSROs.

In addition, Federated recommends that credit rating agencies should only **be** able to secure designation as a full purpose NRSRO. For example, for many years one rating agency was designated as an NRSRO for the limited purpose of rating debt issued by banks, bank holding companies, non-bank banks, thrifts, broker-dealers and their parent companies ("Banks"). Federated believes that in today's economy, it would be difficult for such a limited **purpose** NRSRO to provide a full and accurate assessment of the credit **risks** involved with a particular Bank unless such NRSRO also had expertise in other securities types that affect the Bank, such as asset backed commercial paper, or industries to which the Bank has **exposure** to in its loan portfolios.

We appreciate the opportunity to discuss these important issues. **If you have** any questions, or would like additional information, please contact the undersigned at 412-288-1947.

Sincerely,


Jonathan C. Conley

cc: Stephen A. Keen, Esq., Federated Investors
Charles H. Morin, Esq., Dickstein Shapiro Morin & Oshinsky LLP
Matthew G. Maloney, Esq., Dickstein Shapiro Morin & Oshinsky LLP