

COMMENT LETTER

March 26, 2009

ICI Comment Letter on SEC Proposed Amendments to NRSRO Rules (pdf)

March 26, 2009 Ms. Elizabeth M. Murphy Secretary U.S. Securities and Exchange Commission 100 F Street, N.E. Washington, D.C. 20549-1090 Re: Re-Proposed Rules for Nationally Recognized Statistical Rating Organizations (File No. S7-04-09) Dear Ms. Murphy: The Investment Company Institute¹ supports the Commission's continuing efforts to address longstanding concerns regarding credit ratings and the oversight of Nationally Recognized Statistical Rating Organizations ("NRSROs"). As significant investors in the securities markets,² Institute members have a keen interest in ensuring that the regulation of NRSROs is robust, particularly in light of events in the credit markets over the past year. As we have stated on a number of occasions in connection with initiatives to reform the regulation and operation of NRSROs, increasing disclosure and transparency are critical elements of reform in this area and are essential to ensuring the credibility and reliability of credit ratings.³ 1 The Investment Company Institute is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs), and unit investment trusts (UITs). ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of \$9.88 trillion and serve over 93 million shareholders. 2 Preliminary ICI calculations indicate that as of year-end 2008, registered investment companies held 27 percent of outstanding U.S. issued stock; 44 percent of outstanding commercial paper; 35 percent of tax-exempt debt; 11 percent of U.S. corporate and foreign bonds; and 10 percent of U.S. Treasury and government agency debt. 3 For an in-depth discussion of our views on reform of NRSRO regulation, see Letter from Karrie McMillan, General Counsel, Investment Company Institute, to Florence Harmon, Acting Secretary, Securities and Exchange Commission, dated July 25, 2008 ("2008 ICI Letter"). See also Statements of Paul Schott Stevens, President, Investment Company Institute, on the "Credit Rating Agency Duopoly Relief Act of 2005," before the Committee on Financial Services, U.S. House of Representatives (November 29, 2005) and on "Assessing the Current Oversight and Operation of Credit Rating Agencies," before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate (March 7, 2006) and Letter from Elizabeth Krentzman, General Counsel, Investment Company Institute, to Nancy M. Morris, Secretary, Securities and Exchange Commission, dated March 12, 2007. Ms. Elizabeth Murphy March 26, 2009 Page 2 of 11 The Commission's current proposal,⁴ which would impose additional disclosure, reporting and recordkeeping requirements on NRSROs, is another step toward the formulation of a more effective regulatory scheme for rating agencies. The Institute supports the overarching goals of the proposal. We do not believe, however, that the proposal will significantly facilitate investors' independent analysis of structured finance products that are the subject

of ratings, or an assessment of rating agencies themselves. We therefore reiterate the recommendations made in the 2008 ICI Letter on improving disclosure of information to investors by NRSROs. We also recommend that the Commission take additional steps to provide investors with increased information, including requiring increased disclosure directly by issuers to investors. Our specific comments on the Commission's proposal and our additional recommendations to increase disclosure to investors follow below.

I. Background Funds and other institutional investors employ credit ratings in a variety of ways – to help make investment decisions, to inform investment strategies, to communicate with their shareholders about credit risk, and to refine the process for valuing securities. Most significantly, funds utilize ratings issued by credit rating agencies in analyzing the credit risks of securities. As funds perform their own independent risk analysis, ratings are one of many considerations used to inform their investment decisions. As such, credit rating agencies will continue to play an important role in the investment process. For this reason, funds have a significant stake in the soundness and integrity of the credit rating system and access to information about an NRSRO's policies, procedures and other practices relating to credit rating decisions is very important to them. Significantly, investors must be able to identify the limitations of a credit rating. This requires meaningful disclosure of information about the rating and how it was determined, as well as sufficient information to enable investors to perform their own analysis of the risk associated with a particular security. Increased public disclosure of this information also would allow investors to more effectively evaluate an NRSRO's independence, objectivity, capability, and operations and would serve as an additional mechanism for ensuring the integrity and quality of credit ratings.

4 See Re-Proposed Rules for Nationally Recognized Statistical Rating Organizations, SEC Release No. 34-59343 (February 2, 2009), 74 FR 6485 (February 9, 2009) ("Release"). In a companion release, the Commission adopted amendments to its rules governing the conduct of NRSROs. See SEC Release No. 34-59342 (February 2, 2009), 74 FR 6456 (February 9, 2009) ("Adopting Release"). Ms. Elizabeth Murphy March 26, 2009 Page 3 of 11

II. Re-Proposed Rules for NRSROs In the Release, the Commission proposes amendments requiring the public disclosure of credit rating histories for all outstanding issuer-paid credit ratings issued by an NRSRO. The Commission also requests comment on issues surrounding the application of a disclosure requirement to subscriber- paid credit ratings. Finally, the Commission re-proposes for comment an amendment to its conflict of interest rule that would prohibit an NRSRO from issuing an issuer-paid rating for a structured finance product unless the information about the product provided to the NRSRO also is made available to certain other persons.

A. Credit Rating Histories The proposal would require public disclosure of credit rating histories, 12 months after a credit rating action is taken, for all issuer-paid credit ratings determined by an NRSRO on or after June 26, 2007.⁵ The purpose of this disclosure is to provide users of ratings, including investors, with raw data to compare rating actions by an NRSRO and to develop performance measurement statistics to supplement those required to be published by the NRSROs themselves. The disclosure also is intended to permit the comparison of how NRSROs initially rated an obligor or security and, subsequently, adjusted those ratings, including the timing of the adjustments. Credit rating histories can provide investors with useful information regarding the performance of an NRSRO's credit rating for a particular security and the quality and accuracy of an NRSRO's ratings as compared with those of other NRSROs. Requiring disclosure of this information also may encourage NRSROs to maintain, and follow, robust policies, procedures, and methodologies to produce their ratings which, in turn, could improve the quality of the ratings. We therefore support disclosure of rating action histories by NRSROs. We question, however, whether the proposal, as currently structured, will provide investors with timely and sufficient information that will allow them to develop meaningful performance measurement statistics

to supplement the information provided by NRSROs and assist in their investment decisions.

1. 12-Month Delay is Too Long The proposed amendment would provide that a rating action need not be made publicly available until 12 months after the date of the rating action. The Release states that the Commission made this decision in recognition that releasing information on all rating actions in a shorter timeframe could cause financial loss for some NRSROs. 5 Proposed Rule 17g-2(d)(3). In the Adopting Release, the Commission adopted a requirement that an NRSRO make publicly available, on a six-month delayed basis, a random sample of 10 percent of its issuer-paid ratings and their histories for each class of credit rating for which the NRSRO is registered and has issued 500 or more issuer-paid ratings. As originally proposed, NRSROs would have been required to make the full ratings histories publicly available six months after the date of the rating action. Ms. Elizabeth Murphy March 26, 2009 Page 4 of 11 We recognize concerns by NRSROs that failure to limit the rule in this manner could impact their current business models. The Commission, however, must weigh the potential impact of the proposal on NRSROs against the need by current and prospective investors for timely information on ratings. The value of information on credit rating histories diminishes over the course of time. This phenomenon is even more pronounced in the current market environment in which ratings are changing at a more frequent pace than in the past. The proposed 12-month time lag for making information publicly available from NRSROs would not meet the stated goal of the proposal to make it easier for persons to analyze the actual performance and accuracy of the NRSRO's credit ratings. In the 2008 ICI Letter, we supported enhanced transparency surrounding rating histories information, particularly when combined with the requirements for greater specificity about how credit rating performance statistics must be generated. Together, this information, if provided on a timely basis, has the potential to aid investors in assessing the capability, accuracy, and operations of an NRSRO. We opposed, however, the proposal to provide a six-month delay before requiring disclosure of rating actions and noted that such a lengthy delay would largely defeat the purpose of the proposal and make such information stale and ineffectual for users of ratings. Certainly, the 12-month delay for publication of this information under the proposal would exacerbate these concerns. We therefore urge the Commission to require the public dissemination of credit rating histories in a more timely manner that would be beneficial to investors, e.g., three months after the date of the rating action.

2. The Proposal Should Apply to All Credit Ratings The proposal would apply only to issuer-paid NRSROs in recognition of the claim by some commenters that mandated disclosure of credit rating histories information would impinge upon NRSROs' revenues in a way that could prove anti-competitive. Specifically, subscriber-paid NRSROs stated that they would need a significant delay (e.g., as long as two years) before issuing rating histories so as to avoid undercutting their business model. The Institute recommends that the proposal be applied to all credit ratings, including those issued by subscriber-paid NRSROs. Investors should be provided with tools to assess the value of all ratings, whether issued by issuer-paid NRSROs or subscriber-paid NRSROs. While subscriber-paid ratings may, as the Release notes, currently account for only a small percentage of the credit ratings issued by NRSROs, this segment of the industry may become more significant in the future (particularly if the Commission's actions result in increased competition among NRSROs). In addition, we believe that the Commission's role should be to ensure that all NRSRO models are transparent about their conflicts of interest and their policies and procedures to the greatest extent possible and that subscriber-paid NRSROs are held to the same standards as issuer-paid NRSROs. Ms. Elizabeth Murphy March 26, 2009 Page 5 of 11

B. Disclosure of Rating Information to Other NRSROs The Commission's proposal would prohibit an NRSRO from issuing a rating for a structured finance product unless the information provided to the NRSRO to determine the rating, and thereafter to monitor the rating, is made available to other NRSROs. Specifically, an NRSRO

would need to disclose to other NRSROs (and only to other NRSROs) the deals it was in the process of rating by listing each deal on a password-protected website.⁶ The NRSRO would be required to post the requisite information no later than when the issuer first transmits it to the NRSRO.⁷ The proposal also would require that an issuer provide an NRSRO it hires to rate a structured finance product with certain representations regarding providing this information to other NRSROs.⁸

1. Increase Disclosure of Information to Investors The Institute has long favored increased competition among NRSROs. We therefore support requiring the dissemination of increased information to other NRSROs to support the issuance of additional credit ratings. At the same time, by proposing to limit disclosure to NRSROs only, the Commission reinforces the current system in which investors must rely on NRSROs for much of the data regarding a structured finance product.⁹ To address these concerns, we reiterate our recommendation in the 2008 ICI Letter that the Commission require that information made available to NRSROs also be made available to investors. As we have stated on numerous occasions in the past, more rigorous disclosure requirements are needed.

6 An NRSRO would be required to list each deal it has been hired to rate in chronological order, identifying the type of security or money market instrument, the name of the issuer, the date the rating process was initiated, and the website address where the issuer represents that the information required by the proposed amendment can be accessed.

7 The proposed amendment would apply only to written information provided to the hired NRSRO. The Commission stated in the Release that it would review whether issuers started providing information orally to avoid having to disclose it on their websites. We believe it is important that the Commission follow through with this review to ensure that issuers are not evading the requirements of the rules.

8 The issuer would agree to represent that it would: maintain the requisite information on an identified password-protected website indicating which information currently should be relied on to determine or monitor the credit rating, and which information is final and should be used by the NRSRO to determine the credit rating that is published; make all of the information available to any other NRSRO at the same time as the hired NRSRO, including posting new information contemporaneously with providing it to the hired NRSRO; provide access during the applicable calendar year to any NRSRO that provides it with a copy of its annual certification; and post all written information it provides to the NRSRO for the purpose of undertaking credit rating surveillance, including information about the characteristics and performance of the assets underlying or referenced by the security or money market instrument at the same time such information is provided to the hired NRSRO.

9 The “free” rating provided by the NRSRO is of limited value to institutional investors, providing only a floor from which to begin their own analysis. Most of the information used for this analysis is gathered from the NRSROs through a paid subscription service. Ms. Elizabeth Murphy

March 26, 2009 Page 6 of 11 for offerings of structured finance products (as well as for other types of products) to ensure that investors are able to formulate their own informed investment decisions at the time of initial purchases and on an ongoing basis.

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2. Impose Due Diligence Requirements for NRSROs While an increased number of ratings may be desirable, this alone does not ensure increased information to investors or the accuracy or robustness of such information. Unsolicited NRSRO ratings will have access only to written communications between the issuer and the paid NRSRO. Likewise, the proposal does nothing to assure that the information received by an NRSRO from an issuer is accurate. Currently, a user of a rating cannot gauge the accuracy of the information being analyzed by the NRSRO and, thus, the NRSRO’s ability to assess the creditworthiness of the structured finance product. NRSROs also are not required to verify the information underlying a structured finance product or to compel issuers to perform due diligence or to obtain reports concerning the level of due diligence performed by issuers. To address these concerns, we believe that NRSROs must be held to basic standards regarding conducting

due diligence on the information they review to issue ratings. They should be required to have policies and procedures in place to reasonably assess the credibility of this information, and to disclose these policies and procedures to facilitate understanding of an NRSRO's actions. Further, NRSROs should provide disclosure regarding the limitations of the available information or data, any decisions they make to compensate for any missing information or data, and any risks involved with the assumptions and methodologies they use in providing a rating. We therefore reiterate our recommendation in the 2008 ICI Letter that the Commission require NRSROs to have policies and procedures to assess the credibility of information they receive and to disclose the steps (and results of the steps) undertaken to verify information about the assets underlying a security.

C. Create a Standardized NRSRO Term Sheet While the amount and quality of information disclosed by NRSROs is critical to investors, presenting this information in a standardized format may be just as important. Some rating agencies currently create a set of information – a presale report – that they provide to investors during the offering process for structured finance products. These presale reports, however, currently are not provided by all NRSROs or on all rated securities. The timing of distribution of the report also varies, driven by the issuers and underwriters and their provision of information to the NRSROs. To address these concerns, the Institute recommends that the Commission require that NRSROs, as a condition 10

While our comments are limited to the impact of the proposal on structured finance products, we believe that more also must be done to increase disclosure and transparency with respect to other debt securities, particularly municipal securities. We therefore reiterate our recommendation in the 2008 ICI Letter that the Commission expand many of the new NRSRO disclosure requirements to these types of securities and support legislation that would extend many of the NRSRO requirements aimed at increased disclosure and accountability to the issuers of these instruments.

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of rating a security, provide investors with a presale report¹¹ providing a specific set of standardized information for each sector of structured finance products.¹² The information to be included in the presale report could be based on a subset of information provided to the NRSRO.

III. Increase Disclosure by Issuers to Investors We believe that both NRSROs and issuers have a role to play in the dissemination of increased information about structured finance products. While the Commission's initiatives focus primarily on increased disclosure of information by NRSROs, we believe it is critical that issuers also work toward improving transparency and disclosure with regard to these instruments. As discussed above, under the proposal, an issuer would be required to provide access to, or make available, information that it provides to a hired NRSRO to any other NRSRO at the same time. The proposal would limit access to this information only to other NRSROs. The Release states that limiting the dissemination of information by issuers in this manner would address concerns that disclosing this information on a broader scale, e.g., to investors, would implicate disclosure requirements under the Securities Act of 1933. While the Release acknowledges that investors and other market participants may benefit from greater disclosure of this information, it states that the Commission believes that the more appropriate mechanism to enhance such disclosure would be to amend rules under the Securities Act.

A. Amend the Securities Act to Require Increased Disclosure to Investors To enhance disclosure for structured finance products, we recommend that the Commission amend the existing disclosure regime for issuers of those products set out in the Securities Act, particularly Regulation AB.¹³ Specifically, we recommend that the Commission: (1) expand the scope of Regulation AB and (2) increase the disclosure required under Regulation AB.

11 In a recent report, the SIFMA Credit Rating Agency Task Force recommended that rating agencies provide greater disclosure with respect to their ratings processes in the form of a presale report (rather than disclosing large quantities of raw information). The presale report would include information about the rating process such as

a description of the rating agency model and model outputs, a description of material deviations from the rating, a description of any adjustment to the model and a description of the risks and sensitivities of the rating to changes in key variables. The presale report also would include information regarding the due diligence performed by rating agencies relating to confirming the accuracy of underlying data and asset origination standards relating to a security. While we support the Task Force's recommendation, our recommendation would go further and would require that the disclosure focus on the characteristics of the particular structured finance product being rated and not solely on information related to the rating and how it was derived. 12 The NRSRO would need to obtain a representation from the issuer, as part of its engagement contract, that the issuer would provide the NRSRO with the necessary information in a timely manner to populate the report. This requirement would be similar to the process followed by issuers today in providing information to NRSROs, and would not necessarily require additional disclosure by issuers. 13 Regulation AB sets forth the disclosure requirements for the registration of the sale of "asset-backed securities" under the Securities Act, as well as the disclosures pursuant to the reporting requirements imposed under the Securities Exchange Act of 1934 for those securities sold in public offerings. The disclosure for other structured finance products is not specifically Ms. Elizabeth Murphy March 26, 2009 Page 8 of 11 1. Expand the Scope of Regulation AB We recommend that the Commission address the current disparity in disclosure requirements between "asset-backed securities" and instruments that fall outside that definition by expanding the scope of Regulation AB.14 Specifically, we recommend that the scope of Regulation AB be expanded to include the various collateralized and pooled products that fall within the Commission's definition of "structured finance product" under the NRSRO rules.15 In the Release, the Commission utilizes the definition of structured finance product broadly to cover all structured finance products to "not limit the rule's scope to structured finance products that meet narrower definitions such as the one in Section 3(a)(62)(B)(iv) of the Exchange Act" i.e., the definition of asset-backed security provided in Regulation AB.16 Given the broad scope of structured finance products subject to the NRSRO rules, we believe that issuer disclosure for structured finance products also should be expanded in this manner. In particular, we believe there should be corresponding disclosure requirements for structured finance products that fall within the scope of the Commission's NRSRO definition so that investors receive, at a minimum, disclosure equivalent to that required of asset-backed securities under Regulation AB.17 We therefore urge the Commission to reevaluate the line-drawing exercise that it undertook in formulating the definition of "asset-backed security" in light of market and product developments since the adoption of Regulation AB. addressed in Commission rules or regulations (other than to the extent that they are subject to general rules about antifraud and material information) because the vast majority of those products are sold in transactions that are exempt from registration. 14 We recognize that expanding the scope of Regulation AB will increase the categories of structured finance securities that are available for public sale. We understand that the Commission may not believe that all structured finance products are appropriate for public sale to retail investors due to their complexity. Nevertheless, there is a significant need for the Commission to articulate and standardize the appropriate disclosure for a greater range of structured finance products than currently exists. 15 In the Adopting Release, the Commission adopted the phrase "any security or money market instrument issued by an asset pool or as part of any asset-backed or mortgage-backed securities transaction" to define the scope of structured finance products subject to certain provisions in the NRSRO rules. In the Release, the Commission has proposed the use of this definition of structured finance product for additional provisions in the NRSRO rules. 16 See Release, *supra* note 4 at page 35. 17 Our members report that they do not receive the same amount of information from issuers as is

received by NRSROs, regardless of whether the offering is subject to Regulation AB, and despite the fact that the Commission has indicated that a determination to provide information to a credit rating agency should be considered in determining whether such information is material to investors. Ms. Elizabeth Murphy March 26, 2009 Page 9 of 11 2. Expand the Disclosure Required Under Regulation AB In addition to expanding the scope of Regulation AB, we recommend that the Commission require that additional information be disclosed pursuant to Regulation AB. This information should be standardized for each category of structured finance product and disseminated in a manner that provides sufficient specificity to be meaningful. This standardized information also would need to be regularly evaluated and updated to account for newly developed structured finance products that might raise new risks. At the very least, we urge the Commission to provide guidance on the disclosure that issuers should provide because a reasonable investor would consider the information important to its decision-making process. Further, we recommend that the Commission require that disclosure under Regulation AB be ongoing. Currently, Section 15(d) of the Securities Act allows for the suspension of disclosure after one year, which happens with many asset-backed securities sold in registered offerings. Several initiatives have already been undertaken to develop and publish industry-developed recommendations with regard to, among other things, additional disclosure that should be required by issuers and reporting standardization. For example, Project RESTART, an initiative of the American Securitization Forum ("ASF") aimed at providing more information to investors in mortgage-backed securities, provides a detailed standardized format for loan-level data disclosure in residential mortgage-backed security ("RMBS") transactions.¹⁸ Similarly, the European Securitisation Forum has published the "Combined Uniform CRA Reporting Templates for UK Non-Conforming RMBS." Our members report the need for much of the same information identified by these groups.¹⁹ We therefore believe the information identified in these proposals can be used as a starting point for any increased disclosure requirements.²⁰ 18 In its most recent iteration, the ASF's disclosure package includes 196 data fields divided into the following categories: general information, loan type, mortgage lien information, loan term and amortization type, adjustable rate mortgage, negative amortization, prepayment penalties, borrower, borrower qualifications, subject property, loan-to-value, mortgage insurance, loan modifications, and manufactured housing. See American Securitization Forum, ASF Project RESTART: Revised ASF RMBS Disclosure Package And Initial ASF RMBS Reporting Package – Request For Comment (February 9, 2009). 19 For example, these initiatives recommended comprehensive, standardized disclosure by issuers of certain information in public deals, including disclosure about: the structure of the transaction and performance data for each asset in the asset pool; all pertinent representations and warranties, as well as servicer and trustee reports prepared after the issuance of the transaction; the aggregate number and dollar amount of accounts that have been modified, extended or repurchased from the pool, broken out separately to identify the basis for the modification, extension or removal; standardization of disclosure of the due diligence process undertaken by the issuer on each securitization; standardization of initial or periodic disclosure of collateral characteristics, on an asset-class basis; historical performance of similarly underwritten pools, if relevant; disclosure of additional data elements in standardized periodic remittance reports to enhance transparency and risk assessment of structured finance securities on an ongoing basis; standardization of remittance reports by asset class, to facilitate greater transparency in the market; and standardization of commonly used definitions, to the extent feasible. 20 The Institute, in its letter on proposed Regulation AB, recommended that the Commission require that certain additional disclosures be included in term sheets to help ensure that investors receive the information they need to effectively analyze the terms of an ABS offering. Among the required disclosures that we recommended were: (1)

information in a matrix-style Ms. Elizabeth Murphy March 26, 2009 Page 10 of 11 In addition to providing investors with more information regarding an offering, these disclosures can provide insights on the development and meaning of an assigned rating, and the limitations of a rating. This, in turn, would allow investors, as well as other market participants and competing NRSROs, to evaluate in greater detail the analysis and assumptions of the hired NRSRO, and to perform a more thorough analysis of their own. B. Create an Issuer Term Sheet of Select Information Provided to NRSROs While we believe that it would be beneficial for investors to receive much of the same information that issuers provide to NRSROs, we are cognizant of concerns that such disclosure may, among other things, have a chilling effect on information that an issuer is willing to provide to an NRSRO. NRSROs currently receive information categorized as business proprietary information or information subject to confidentiality agreements. Issuers have expressed reluctance to release this information to NRSROs if it also will be publicly available.²¹ To address these issues, the Commission could require public disclosure of a subset of certain standardized items provided by issuers to NRSROs in the form of a term sheet or other document, similar to the “informational and computational materials” permitted under Regulation AB.²² This would create a two-tier disclosure regime in which issuers would provide information to NRSROs as they currently do and issuers would distribute to investors standardized information of a more summary nature. or graphical format about the pool of assets, such as the weighted average coupon, the annual percentage rate, the loan-to- value ratio, and credit scores; (2) the extent to which the sponsor relies on securitization as a funding source; (3) the size, growth and composition of the servicer's portfolio; (4) the ratings or if not known, the expected ratings, of the servicer's portfolio (e.g., investment grade vs. unrated); (5) any material changes to the servicer's policies and procedures in servicing assets of the same type in the past three years; (6) a list of the significant investment risks associated with the particular ABS offering; and (7) a description of the total credit enhancement (qualified as a percentage of the amount of each of the tranches to be credit enhanced) and a summary of the different attributes of the credit enhancement. See Letter from Amy B.R. Lancellotta, Senior Counsel, Investment Company Institute, to Jonathan G. Katz, Secretary, SEC, dated July 12, 2004. ²¹ For example, issuers claim that making information public could reduce the incentive for underwriters to create a wide range of structured products for investors because the creator of a unique securitization structure could lose all value in that creation immediately upon closing, when it would be forced to disclose the underlying make-up and structure of the creation to the public or to NRSROs for any competing issuer to duplicate. ²² Regulation AB permits distribution of “informational and computational materials” after an offering becomes effective but before the availability and delivery of a final Section 10(a) prospectus. At a minimum, if the Commission does not proceed with an issuer template or term sheet, it should require distribution of the “information and computational materials” in a reasonable time prior to sales being effected, which would ensure that investors are provided with material information about an offering in a timely fashion. Ms. Elizabeth Murphy March 26, 2009 Page 11 of 11 This approach could both assuage issuer concerns regarding disclosure of proprietary information and Commission concerns regarding disclosure of personal data.²³ In combination with the limited scope of the template, this also should prevent circumstances from arising in which issuers would carve back the amount of information provided to NRSROs to formulate their ratings. * * * * * We look forward to working with the Commission as it continues to examine these critical issues. In the meantime, if you have any questions, please feel free to contact me directly at (202) 326- 5815, Ari Burstein at (202) 371-5408, or Heather Traeger at (202) 326-5920. Sincerely, /s/ Karrie McMillan Karrie McMillan General Counsel cc: The Honorable Mary L. Schapiro, Chairman The Honorable Kathleen L. Casey The Honorable Elisse B. Walter The Honorable Luis A. Aguilar The Honorable Troy A. Paredes Erik Sirri, Director Daniel Gallagher, Deputy

Director James Brigagliano, Deputy Director Michael Macchiaroli, Associate Director Division of Trading and Markets Andrew J. Donohue, Director Division of Investment Management Shelley E. Parratt, Acting Director Paula Dubberly, Associate Director Division of Corporation Finance 23 Our recommendation is not intended to interfere with the Commission's stated intention to exclude personal information on individual borrowers or properties.

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