

THE FINANCIAL SERVICES ROUNDTABLE

Impacting Policy. Impacting People.



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VIA EMAIL

Secretary
Securities and Exchange Commission
100 F Street NE
Washington DC 20549-1090

RE: File Number S7-13-08

Dear Sir or Madam:

The Financial Services Roundtable¹ (“Roundtable”) appreciates the opportunity to comment on the Securities and Exchange Commission’s (“Commission”) proposed rule concerning nationally recognized statistical rating organizations (“NRSROs”). Generally, the proposed rule requires NRSROs to: 1) enhance disclosures to identify conflicts of interests; 2) publicly provide the ratings and the information used to issue such ratings; and 3) prohibit individuals to be involved in both the ratings process and the fees associated with such ratings.

NRSROs play a critical role in assessing the creditworthiness of public companies and in valuing asset-backed securities. The Roundtable supports the intent behind this proposed rule of increasing transparency and integrity in the ratings process, eliminating conflicts of interest, and highlighting the importance of unbiased ratings. Additionally, the Roundtable is supportive of providing investors with essential information to make the best investment decision, such as the proposed amendments requiring that all ratings be publicly available on the NRSRO’s website.

However, the Roundtable believes the proposed rule also creates unintended consequences such as greater costs and increased difficulty performing the normal business practices. In addition, the proposal unintentionally decreases the effectiveness of disclosures to investors due to the volume of information required in the disclosures.

Below we offer our specific comments on key areas of the proposed rule.

¹ The Financial Services Roundtable represents 100 of the largest integrated financial services companies providing banking, insurance, and investment products and services to the American consumer. Member companies participate through the Chief Executive Officer and other senior executives nominated by the CEO. Roundtable member companies provide fuel for America's economic engine, accounting directly for \$66.1 trillion in managed assets, \$1.1 trillion in revenue, and 2.5 million jobs.

Disclosure Requirements

We respectfully *urge* the Commission to re-evaluate the necessity of extensive public disclosures on the information used during the ratings process. While unbiased ratings and greater transparency in the ratings process are desired by all market participants, the Commission's proposal may unduly burden both interested parties and the NRSROs in terms of cost of providing such disclosure and potential liability under the securities laws, and could have a significant chilling effect on the industry. As part of the agreement for services, issuers provide the NRSRO with all the information necessary for an NRSRO to form a valid opinion of their creditworthiness. At times, issuers may have credit ratings analysts meet directly with their employees so that all necessary information can be provided during the ratings process. Much of the information provided to an NRSRO for a rating or for credit rating surveillance is proprietary information. Should the Commission require the disclosure of this information to the public, issuers may be reluctant and possibly even unable to release the proprietary information to the NRSROs. This could significantly affect the rating itself, as well as limit the usefulness of the information disclosed to investors.

Accordingly, in light of the little benefit potentially gained, the Commission should review this proposal so as to maintain a balance between the value of this information, the potential costs of providing it and the confidentiality of proprietary information, on one hand, against the usefulness of the information to investors on the other.

Prohibited Conflicts of Interest

The first of the three proposed prohibited conflicts of interest [§240.17g-5(c)(5)] prevents an NRSRO from rating a security if the issuer received recommendations on how to obtain said rating from the same NRSRO. The language of this section currently is quite broad and could be read to prohibit the longstanding NRSRO practice of making general pronouncements on how they view certain types of products or deals in the ratings process. This proposal could even be construed to prohibit some of the core communications required between NRSROs and issuers or underwriters that are necessary to acquire a rating. Therefore, the Roundtable *recommends* that the Commission clarify this prohibition and include guidance on whether the above mentioned scenarios are intended to fall into the proposed prohibited activities.

The Roundtable supports the intent behind the proposal to limit the provision of gifts and entertainment to NRSRO employees, but believes that a different threshold and more clarification may be needed. Particularly, we respectfully *urge* the Commission to consider a \$100 limit, which coincides with the Financial Industry Regulatory Authority's ("FINRA") gifts and entertainment rule. A consistent ceiling across the industry would facilitate recordkeeping for firms subject to both requirements. Additionally, there is some concern that full-service financial institutions could

inadvertently be in violation of these provisions if the proposal were to be interpreted broadly. One example of this is when a private bank has a client that is an employee of an NRSRO. If that NRSRO has provided a rating to the Bank's affiliated underwriter and the bank's client was not involved in that ratings process, would the Bank be in violation of the rule if it provides entertainment to its client in the normal course of the Private Banking relationship? The Roundtable *recommends* that the Commission clarify which normal business practices would not be in violation of this proposed provision.

Symbol on Structured Finance Products

The Commission's proposal requires that NRSROs provide a generic disclosure document on the ratings of structured finance products that describes their structured product ratings methodology or, in the alternative, add a new symbol to the ratings of structured finance products. The Roundtable supports providing more information to investors on ratings of such products through the inclusion of a standardized disclosure document. However, we oppose the proposed alternative of adding an additional ratings symbol. We do not believe that the addition of a new symbol to the ratings of structured finance products would provide any value to investors. Investors in structured finance products are generally sophisticated; such investors realize they are investing in structured products without needing an additional ratings symbol to alert them to this fact.

In addition to adding no value, this requirement would create significant uncertainty regarding whether structured products with such symbol affixed to their rating comply with the various federal and state regulations that include references to the current ratings scale. Additionally, the creation of a symbol would impose additional costs on market participants, including expensive redrafts of contracts and changes in current business practices which reference the current ratings scale. Therefore, the Roundtable respectfully *urges* the Commission to eliminate the requirement of creating the new symbol for ratings of structured finance products.

Scope of Reporting Requirements

The proposed reporting requirements could be construed to apply to all asset-backed securities. This language is very broad, potentially covering a far greater range of instruments than those the Commission intends. The Roundtable *recommends* that the language be tailored more narrowly to apply to specific types of instruments.

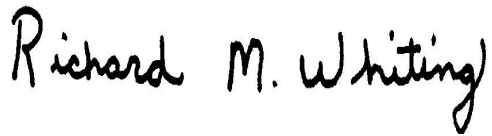
Conclusion

In conclusion, the Roundtable *recommends* that the Commission reconsider the burdens that this rulemaking places upon all parties involved in the credit rating process. First, the Roundtable believes that the proposed informational disclosures do not strike the

correct balance between the usefulness of the information with the confidentiality of such information. The Roundtable *urges* the elimination of the proposed creation of a new symbol associated with the ratings of structured finance products because of the unnecessary costs and detriment associated with such a symbol. The Roundtable also believes that some of the proposed regulations exceed their intended scope, creating unnecessary confusion and implementation problems for all parties involved.

Thank you again for the opportunity to share our views with you on this subject. If you have any questions, please feel free to contact me or Melissa Netram at 202-289-4322.

Sincerely,

A handwritten signature in black ink that reads "Richard M. Whiting". The signature is written in a cursive, slightly slanted style.

Richard Whiting
Executive Director and General Counsel