



July 14, 2008

U. S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549
Attention: Secretary

File No.: S7-13-058

**Re: Realpoint LLC (“Realpoint”) Comments to Release No. 34-57967 Rules for
Nationally Recognized Statistical Rating Organizations (“NRSROs”)**

Summary:

Arrangers must be required to simultaneously disclose to all NRSROs (and only to NRSROs) all information that the arrangers provide to their solicited NRSROs to develop credit ratings. This requirement will level the playing field, among all NRSROs, for development of pre-sale reports, initial ratings and subsequent surveillance. With this requirement in place, for all new issuances of structured finance products, a waiting period of three business days (after the asset pool is settled upon by the arrangers and before the bonds are issued) would permit unsolicited NRSROs to issue pre-sale reports to potential investors.

An NRSRO must not be required to disclose research or data it developed or purchased, or publish its ratings, for free. To require unsolicited, subscriber-based NRSROs to disclose their research or data, or publish their ratings, for free will put them out of business.

NRSROs must not be required to use special reports or symbols to differentiate credit ratings for structured finance products from credit ratings for other debt securities. Special reports or symbols will not benefit investors and will dissuade investors from investing in structured finance products.

Responses to Specific Questions:

**Amendments to Rule 17g-5; Addressing the Particular Conflict Arising from
Rating Structured Finance Products by Enhancing the Disclosure of
Information Used in the Rating Process; The Proposed Amendment**

Q. On Proposed Amendment Page 40, the second question posed is: “Would the disclosure of the initial information on the pricing date provide enough time for other NRSROs to determine unsolicited ratings before the securities were sold to investors? If not, would it be appropriate to require that this information be disclosed prior to the pricing date? Alternatively, would it be more appropriate to require NRSROs hired by the arranger to wait a period of calendar or business days (e.g., 2, 4, 10 days) after the asset pool is settled upon by the arranger before issuing the initial credit rating in order to provide other NRSROs with sufficient time to determine an unsolicited rating?”

A. No/Yes/Yes. Disclosure on (and not prior to) the pricing date of a bond issue is far too late for an unsolicited NRSRO to deliver a pre-sale report to a potential investor in that issue because the pricing date, and the date of the initial issuance, generally occur on or about the same date. A pricing-date disclosure requirement will not place unsolicited NRSROs “on an equal footing with the NRSRO hired by the arranger” (Proposed Amendment Page 36) because, on the pricing date of a bond issue, each solicited NRSRO will have completed its review and analysis and issued its credit ratings for that issue while unsolicited NRSROs will only then be able to commence their initial review and analytical processes. A

pricing-date disclosure requirement will therefore not advance the Commission's goal of creating a level playing field for unsolicited NRSROs to provide timely credit ratings to potential investors in a new bond issue. With respect to an initial issuance of commercial mortgage-back securities ("CMBS"), an unsolicited NRSRO needs the period of approximately six weeks ending on the pricing date to review and analyze property-level due diligence items (including operating statements, leases, appraisals, inspection and other reports) and forecast defaults and losses in part by means of its quantitative analytical models. Unsolicited NRSROs are willing to commence property-level due diligence prior to the determination of the final collateral pool because the change in the composition of the loans included in the collateral pool, between the release of the initial data tape to the solicited NRSROs and the pricing date, is generally not significant. Provided that there is simultaneous disclosure to all NRSROs (of the information provided to the solicited NRSROs by the issuer, underwriter, sponsor or other arranger used in determining the initial credit rating), a waiting period of three business days (after the asset pool is settled upon by the arrangers and before the initial bond issuance) would be a sufficient period prior to the initial bond issuance for unsolicited NRSROs to determine unsolicited ratings and to issue pre-sale reports to potential investors. After the initial bond issuance, the information provided by the issuer, underwriter, sponsor, depositor, servicer, special servicer, trustee and other arrangers needs to continue to be simultaneously provided to the NRSROs to place all NRSROs on equal footing for surveillance activities.

Q. On Proposed Amendment Page 39, the first question posed begins with the question: "Would the information proposed to be required to be disclosed [sic] sufficient to permit the determination of an unsolicited credit rating?"

A. Yes. The information proposed to be required to be disclosed is sufficient to permit the determination of unsolicited credit ratings if the information: (A) is disclosed simultaneously to both the solicited and the unsolicited NRSROs; and (B) includes all information provided by the issuer, underwriter, sponsor, depositor, servicer, special servicer, trustee and other arrangers to the solicited NRSROs, including, without limitation, all property-level due diligence information and reports (such as appraisals and inspection reports) provided by third-party vendors to the arrangers.

Q. On Proposed Amendment Page 39, the second question posed is: "The proposed amendment would require the disclosure of information provided to an NRSRO by the "issuer, underwriter, sponsor, depositor, or trustee." . . . Are there other entities that should be included in this category?"

A. Yes. Servicers and special servicers should be included in new Rule 17g-5(a)(3) as persons to whom the disclosure requirements should apply.

Q. On Proposed Amendment Page 40, the fourth question posed is: "Do NRSROs obtain information about the underlying assets of structured products – particularly in the surveillance process – from third-parties such as vendors rather than from issuers, underwriters, sponsors, or trustees? If so, would it be necessary to require the disclosure of this information as proposed or can the goals of the proposed amendments in promoting unsolicited ratings be achieved under current practices inasmuch as the information necessary for surveillance can be obtained from third-party vendors, albeit for a fee?"

A. Yes/No. To respond to this question requires that separate consideration be given to the types of: (i) information that arrangers typically obtain from third-party vendors and deliver to their solicited NRSROs; and (ii) data that unsolicited NRSROs typically purchase from third-party vendors for surveillance purposes. For CMBS, first consider the information typically provided by arrangers to their solicited NRSROs (as well as to potential investors in the non-investment grade, or B-Piece, CMBS tranches, to allow these potential investors to perform their own fairly extensive due diligence on the underlying collateral). If arrangers obtain information from third-party vendors, and that information is

used in connection with the initial credit ratings for a new bond issue, then that information must be disclosed to all NRSROs to level the playing field, among all NRSROs, for pre-sale reports, initial credit ratings and surveillance of structured finance products. For CMBS, examples of information obtained by arrangers from third-party vendors include transaction-specific, property-level due diligence reports such as appraisals and engineering, environmental and other inspection reports. The arrangers' third-party vendors are presently aware that the information they provide will be disclosed to and used by the arranger-paid NRSROs in developing and substantiating their credit ratings for the initial bond issue. Thus, with respect to the information obtained by any of the arranger parties, the practical effect of the Commission's proposal is for this information to be disclosed to all NRSROs rather than just the arranger-paid NRSROs. (The Commission already "intends to monitor whether it[s] proposal] results in a significant reduction in the information provided to NRSROs." Proposed Amendment Page 34.) In contrast, no NRSRO should be required to disclose data it developed or purchased, including data it purchased from third-party vendors. Consider surveillance data that NRSROs (solicited or unsolicited) may purchase from third-party vendors. During the course of surveillance, many NRSROs subscribe to several third-party vendors that specialize in the collection of data. Examples of data obtained from third-party vendors include data bases of general economic census data or data on Class A commercial properties and their major tenants. NRSROs that purchase this type of data do so to gain a competitive advantage over NRSROs who do not make the same investment. NRSROs purchase this type of data to be able to provide more complete, accurate and timely credit ratings. Requiring NRSROs to disclose their data would: (i) impair the ability of NRSROs to obtain data necessary for proper surveillance in a cost-effective manner, because third-party vendors faced with the potential for broad dissemination of that data for no consideration would be unwilling to sell their services and data to NRSROs; and (ii) discourage NRSROs from purchasing data from third-party vendors, thereby lessening the competition among NRSROs to use such data in developing and substantiating their credit ratings.

Amendments to Rule 17g-2; A Record of Rating Actions and the Requirement that they be made Publicly Available

Q. On Proposed Amendment Page 72, the first question posed begins with the question: "Is the six-month delay before publicly disclosing a rating action sufficiently long to address the business concerns of the subscriber-based NRSROs and the issuer-paid NRSROs?"

A. No. NRSROs should never be required to publicly disclose their ratings or rating actions. To require subscriber-based NRSROs to publish their ratings for free will put them out of business. In the alternative, consideration may be given to a time lag of two years rather than the aforementioned six-month time lag. The longer time lag will permit NRSROs that operate using the subscriber-based model to retain the viability of their ratings products. A longer time lag will not impair the long-term goal of the Commission to develop historical "information on credit ratings actions that would be disclosed – perhaps many years worth for some credit ratings." Proposed Amendment Page 70. In making this proposal, the Commission posits that the "proposed six-month time lag for publicly disclosing the updated record is designed to accommodate NRSROs that operate using the subscriber-based model because they are paid for access to their current credit ratings. Proposed Amendment Page 70. A six-month time lag is insufficient. A six-month old, or even older, credit rating may be identical to a then-current credit rating.

Q. On Proposed Amendment Page 72, the third question posed is: "Are there ways in which the NRSROs should be required to sort the credit ratings contained on the record such as by asset class or type of ratings?"

A. No. To sort the data would be cost-prohibitive.

Amendments to the Instructions for Form NRSRO; Enhanced Ratings Performance Measurement Statistics on Form NRSRO

Q. On Proposed Amendment Page 87, the first question posed begins with the question: “Should the Commission prescribe specific standards for the performance statistics, such as requiring an NRSRO to disclose how its credit ratings performed relative to metrics such as credit spreads?”

A. No. Rating agencies are not responsible for and do not opine on pricing or credit spreads. Credit ratings are “are, at their most basic level, an opinion regarding the likelihood the issuer will repay its financial obligation” in accordance with its terms. U.S. Securities and Exchange Commission Report on the Role and Function of Credit Rating Agencies in the Operation of the Securities Markets (Jan. 24, 2003), at page 25. “In addition to rating actions, rating agencies may also publish rating outlooks. An outlook is an opinion on the future direction of the rating.” *Id.*, at page 27.

Proposed New Rule 17g-7 (Special Reporting or use of Symbols to Differentiate Credit Ratings for Structured Finance Products)

Q. On Proposed Amendment Page 100, the fourth question posed is: “Should the rule be expanded to require reports or different ratings symbols for each class of credit ratings identified in Section 3(a)(62)(B) of the Exchange Act (15 U.S.C. 78c(a)(62)(B)); namely: (1) financial institutions, brokers, or dealers; (2) insurance companies; (3) corporate issuers; (4) issuers of asset-backed securities; and (5) issuers of government securities, municipal securities or securities issued by a foreign government? Alternatively, should the rule be expanded to require reports or different ratings symbols for only certain of these classes or subclasses such as for municipal securities?”

A. No. As noted in the previous answer, a credit rating is an opinion regarding the likelihood of financial performance. The underlying definitions of the rating symbols used to express these assessments are the same for all types of securities and thus for all rating classes or asset classes. Realpoint believes that requiring rating symbols for structured finance products that differentiate these securities from other classes of securities will create confusion within the financial markets with respect to, and impair the value of, structured finance products. If such a rule were to be implemented, then, by extension of that logic, and in order to avoid adversely affecting structured finance products as compared to other securities, the rule would need to be expanded to also require comparable differentiating rating symbols for corporate, government/municipal and all other types of securities. Further, to properly use rating symbols to classify each type of security, the system of rating symbols would need to differentiate securities not only by rating class (of which there are at present the aforementioned five classes) but also by underlying asset class (for example, RMBS or CMBS). Thus, the resulting system of rating symbols would need to be much more detailed than the system of symbols proposed by the Commission.

Q. On Proposed Amendment Page 100, the second question posed is: “Would the use of different rating symbols or reports dissuade purchases of structured finance products?”

A. Yes. As noted in the previous answer, Realpoint does not support a requirement of different rating symbols or reports for each rating class or asset class. Realpoint believes that the use of different rating symbols or reports for credit ratings for structured finance products would dissuade purchases of these products.

Q. On Proposed Amendment Page 100, the third question posed begins with the question: “Would the reports or differentiated symbols achieve the Commission’s stated goal of encouraging investors to perform more internal risk assessments of structured finance products?”

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A. No. Realpoint does not believe that the use of different rating symbols or reports for credit ratings for structured finance products would encourage or dissuade investors to perform more internal risk assessments of structured finance products. Institutional investors are already well aware of the different credit risk characteristics and different credit rating methodologies used to rate these different types of securities.

Amendments to Rule 17g-5; Rule 17g-5 Prohibition on Conflict of Interest Related to Rating an Obligor or Debt Security where Obligor or Issuer Received Ratings Recommendations from the NRSRO or Person Associated with the NRSRO

Q. On Proposed Amendment Page 61, regarding the Commission's "propos[al] to amend Rule 17g-5(c) to add a new paragraph (5) that would prohibit an NRSRO from issuing a credit rating with respect to an obligor or security where the NRSRO or a person associated with the NRSRO . . . made recommendations to the obligor or the issuer, underwriter, or sponsor of the security (that is, the parties responsible for structuring the security) about the corporate or legal structure, assets, liabilities, or activities of the obligor or issuer of the security," **the first question posed begins with the question:** "Is this type of conflict one that could be addressed through disclosure and procedures to manage it instead of prohibiting it?"

A. Yes, provided that the procedures to manage and mitigate this conflict include the above-mentioned: (i) simultaneous disclosure to all NRSROs of the information provided by the issuer, underwriter, sponsor or other arranger in determining the initial credit rating; and (ii) three business day waiting period (between the pricing date and the sale date) to allow some time for unsolicited NRSROs to determine unsolicited ratings and to issue pre-sale reports to potential investors.

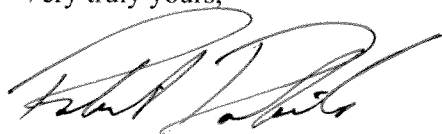
Amendments to Rule 17g-5; Rule 17g-5 Prohibition on Conflict of Interest Related to the Participation of Certain Personnel in Fee Discussions

Q. On Proposed Amendment Page 63, the first question posed is: "Should the proposed prohibition also be extended to cover participation in fee negotiations by NRSRO personnel with supervisory authority over the NRSRO personnel participating in determining credit ratings or developing or approving procedures or methodologies used for determining credit ratings?"

A. Yes; however, the prohibition should only apply to those with direct supervisory authority (over such NRSRO personnel) who are part of the rating process, i.e, are on a rating committee or are otherwise able to directly provide input as to the ultimate credit rating. The prohibition should expressly not be extended to an NRSRO's: (i) executive managers who have only indirect supervisory authority over such personnel; or (ii) owners (other than those with such direct supervisory authority).

Thank you for the opportunity to comment on the Proposed Amendment. Please do not hesitate to contact us if you have any questions.

Very truly yours,



Realpoint LLC