U. S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090.
Attention: Office of the Secretary

File No.: S7-04-09; Release No. 34-57967

Re: Comment on Re-Proposed Rules for Nationally Recognized Statistical Rating Organizations ("NRSROs")

To the Commissioners and staff of the SEC:

Thank you for the opportunity to provide comments on the regulation of Nationally Recognized Statistical Rating Organizations ("NRSROs"). We have participated in this process since 2003 and commend the Commission and staff on the excellent progress of structuring oversight of this vital area of the financial markets.

The stability of the global financial system will be enhanced as transparency and increased information flows are developed for the rated fixed income markets. These rules, and others developed by the Commission for the implementation of the Credit Rating Agency Reform Act of 2006, have contributed to the substantive improvement of these information flows.

Responses to request for comments:

- Is the proposed application of the rule to prospective credit ratings, i.e., credit ratings that are initially determined on or after June 26, 2007, appropriate and do commenter's believe it would provide meaningful information if the rule was limited to credit ratings made on or after that date? Should the Commission adopt a final rule that uses another date such as the date the Rating Agency Act was enacted? If June 26, 2007 is the appropriate date, how long would it take for NRSROs to build up ratings history information to permit meaningful comparisons between NRSROs? What are the advantages and disadvantages of applying a disclosure rule on a prospective basis?

The most significant financial crisis of our country since the Great Depression was due in part to the substantial misrating, by the major NRSROs, of mortgage backed securities and the structured products that bundled those securities . It is essential that the history of these ratings be exposed to academic and market scrutiny. There is important information embedded in these rating histories that correlated with pricing data and news accounts will help regulators, academics, investors, smaller NRSROs and other market participants understand the frictions and misjudgments that created this crisis.

Although we cannot recommend a specific date for ratings histories to be included in this rulemaking generally cohorts that include the 2005 underwriting vintage would be useful. As the Commission has stated the vast majority of ratings were generated by the major, issuer paid NRSROs and it is their performance which should be especially subjected to scrutiny.

- Should the Commission adopt a final rule that applies retrospectively to all outstanding credit ratings? Commenters should explain the benefits of retrospective application and how they would justify the costs.

We believe that retrospective rating actions for issuer paid NRSROs that include at a minimum the 2005 underwriting cohort should be made available for academic and market scrutiny. The costs for the issuer paid NRSROs, to provide retrospective ratings actions, would not be substantial since this data is available in digitized form already. The conversion to an XBRL format requires relatively simple technology. It could be argued that the substantial financial damage which the global economy sustained due to the misrating by the major NRSROs obviates any defense related to costs for these entities.

- Is the twelve-month delay before publicly disclosing a rating action sufficiently long to address concerns regarding the revenues NRSROs derive from selling downloads of, and data feeds to, their current issuer paid credit ratings? Should the delay be for a longer period such as 18 months, 24 months, 30 months or 36 months or longer? Alternatively, should the Commission adopt a final rule that has a shorter time lag such as three months or six months or no time lag in place?

We continue to argue for the immediate posting in XBRL of NRSRO ratings which are paid for by issuers.

The Commission will be promulgating rules which reduce the effect of "ratings shopping" by issuers for structured finance ratings by giving access to deal documents to investor compensated NRSROs. This increased information flow will significantly reduce the influence of issuers choosing and compensating NRSROs whose methodologies earn them the highest rating by giving equivalent information to non-compensated NRSROs.

We argue for the immediate XBRL posting of issuer paid NRSRO ratings to serve as a market check for "rating shopping" in the other classes of ratings. We recognize that this could deprive issuer paid NRSROs of "download" revenue but our financial system bore the substantial cost of misrated securities due to "rating shopping" and poorly developed and stale ratings methodologies. We cannot, as a nation, afford to suffer another financial crisis of this magnitude.

Investor paid NRSROs will serve as a "market check" on issuers for structured products because material non-public will be available to create ratings but no similar "market check" will be in place for the other four classes of ratings. It is for this reason that issuer paid ratings should be available for market scrutiny on a non-delayed basis.

- Should the proposed amendments apply equally to issuer-paid and investor-paid credit ratings? For example, in what ways and to what extent might the objectivity of NRSROs in determining investor-paid credit ratings be impaired because of conflicts of interest? What would be the benefits for applying the rule’s requirements to investor-paid credit ratings? What would be the costs of applying the rule’s requirements to investor-paid credit ratings?

Investor paid NRSROs must be afforded the protection of distance from the time of rating to it's publication in XBRL for academic and market scrutiny. This distance could be 12-36 months. Investor paid ratings are not influenced by "rating shopping" and therefore do not require the same level of market scrutiny.

- Are the goals of the rule – greater accountability of NRSROs and promotion of competition – achievable if investor-paid credit ratings are not subject to the rule’s requirements? How would these goals be enhanced if investor-paid credit ratings were subject to the rule’s requirements?

If the Commission does not require the exposure of the ratings of investor paid NRSROs to academic and market scrutiny on a delayed basis then the primary check on their usefulness and accuracy will be their ability to sustain their investor pay revenues. In this context the Commission should consider the oversight of these NRSROs for the purposes of market manipulation or fraud. Although we know of no instances that investor pay NRSROs have been compensated by an investor to provide a specific rating for an issuer the possibility does exist that an investor could seek to influence a rating and trade against the resulting price change.

- Similarly, if commenter's believe that some form of public disclosure requirement should be applied to the histories of both issuer-paid and investor-paid credit ratings, what percentage of the histories should each type of credit rating be required to be disclosed and what time lag should be granted?

We believe that 100% of issuer paid ratings should be exposed in XBRL with no or very minimal (less than 30 day) delay. We believe that 100% of investor pay ratings should be exposed in XBRL with a delay of 12- 36 months. Measuring the accuracy of a pool of ratings would generally require more than 10% sample of 500 ratings so the resultant sample size must be considered.

A primary risk of issuer paid ratings is that the issuer has rate shopped and awarded access to material non-public information to the NRSRO which awards the highest rating to an issue or issuer. This risk is particularly acute when a new form or structure of security is being brought to market and the product structure has not yet "seasoned". It would be likely for the arranger or underwriter to "rate shop" the structure. The longer the delay that isolates issuer paid ratings from academic and market scrutiny the longer that substantial misrating can exist in the market. Additionally if an issuer paid NRSRO was required to expose only 10% of their ratings to scrutiny its likely that the accuracy of new structures would not be examined due to the small sample size.

- Should the Commission adopt a final rule that requires the disclosure of the ratings histories of unsolicited (and not investor-paid for) credit ratings along with the issuer-paid for credit ratings? What would be the benefits and costs of requiring the disclosure of such credit ratings?

It would seem that this area poses particularly difficult challenges for rulemaking as little uniformity exists in the practice of unsolicited ratings. Maybe the mandatory disclosure of the approach that an NRSRO is taking relative to unsolicited ratings is more useful for purposes of academic and market scrutiny than attempting to tailor a rule which incorporates all the variants of this practice.

Proposed Amendment to Regulation Fair Disclosure

The ability of issuers to selectively disclose material non-public information to NRSROs is a substantial regulatory gap. This gap reduces market transparency and stability.

It was always puzzling why Federal statutes and regulations gave issuers the right to selectively disclose material non-public information to chosen NRSROs. This practice seems fundamentally unfair and potentially abusive on the part of the issuers.

It could be argued that the issuer's right to selectively disclose material non-public information to favored NRSROs is one cause of the significant concentration of ratings from the dominant NRSROs (Fitch, Standard & Poors and Moody's).

Further these dominant NRSROs were chosen, in part, by issuers to receive material non-public information because they awarded the highest ratings (ratings shopping). Substantive damage to the global financial system accrued from the misrating of entire classes of securities.

During the Internet boom the equity markets had their own form of selective disclosure and corrupt market practices. Prior to the adoption of Regulation Fair Disclosure (Reg FD) equity issuers would disclose material non-public information to favored equity analysts. Those analysts would impart this material non-public information to their favored clients (generally institutional clients) who would trade on this knowledge ahead of other market participants. This inequality of information flows to market participants was cured with the adoption of Reg FD for the equity markets.

Former SEC Chairman William Donaldson made the following remarks to the Subcommittee on Capital Markets, Insurance, and GSEs, House Committee on Financial Services, May 21, 2001 in reference to the adoption of Reg FD.

"Selective disclosure raises several concerns. The primary issue is the basic unfairness of providing a select few with a significant informational advantage over the rest of the market. This unfairness damages investor confidence in the integrity of our capital markets. To the extent some investors decide not to participate in our markets as a result, the markets lose a measure of liquidity and efficiency, and the costs of raising equity capital are increased.

Further, if selective disclosure is permitted, corporate management can treat material information as a commodity to be used to gain or maintain favor with particular analysts or investors. This practice could undermine analyst objectivity, in that analysts will feel pressured to report favorably about a company or slant their analysis to maintain access to selectively disclosed information.

Thus, selective disclosure may tend to reduce serious, independent analysis."

The proposed change to Rule 17g-5 will began to address this significant information inequality for structured products.

This change should be adopted for all classes of credit ratings and apply equally to all types of issuers.

Issuer and investor compensated NRSROs should have equivalent disclosure upon which to render credit analysis.

Professor John Coffee of Columbia Law School stated in his testimony of September 26, 2007 to the Senate Banking Committee the following:

“Although I doubt that subscription-funded agencies will displace the traditional rating agencies, subscription-funded rating agencies are less conflicted, and they could play an important watchdog role. But such new entrants face barriers, as issuers may not wish to deal with them or disclose sensitive information.

Indeed, the issuer may withhold access to non-public information for precisely the same reason that public companies use to withhold data from securities analysts who were skeptical of them: to punish them. Thus, some have sensibly proposed that an equivalent of Regulation Fair Disclosure (“Reg FD”) should be adopted to require “equivalent disclosure” to all NRSROs of any information that is given by an issuer to any NRSRO."

In our 2008 whitepaper to members of Congress about creating transparency and competition in the credit markets we wrote the following:

"Generally the material non-public information that issuers share with the rating firms involves their forward looking views on the competitive terrain, product rollouts and more detailed financial reporting. The fact that only a few ratings firms have access to this private information has eliminated competition in the ratings business.

Compensated and restricted access to issuer information reduces transparency in the credit markets. And, in fact, this practice creates the opportunity for ratings shopping and rating agency and issuer collaboration. This informational dance between issuer and compensated servicer distorts the entire ratings process.

Ratings shopping occurs when issuers can preview the letter grade that a rating agency will assign them and then choose to compensate the rating agencies with the most favorable ratings.

The currency of the relationship is the material non-public information. The issuer uses this private information to reward only those rating agencies that they favor. And the credit rating agencies that receive this material non-public information have special currency to impart to their users. The business is *locked down to only those participants with access to this invaluable information."*

"Issuer selective disclosure occurs when an issuer shares with select NRSROs the documents underlying a transaction and/or access to the material non-public information of the issuer. This provides chosen NRSROs with broader information to judge the creditworthiness of securities. Other NRSROs, not favored by the issuer, must rely on publicly available information to develop a rating for the security or are unable to rate the security because they don't have the underlying information.

The issuer has full control of the adequacy of disclosure to the NRSROs. Issuers do not face any legislative or regulatory requirement to disclose information equally with NRSROs. The right of issuers to selectively disclose material non-public information comes from an exemption granted to communications between issuers and NRSROs in Regulation Fair Disclosure.

This selective disclosure restricts many NRSROs from evaluating the creditworthiness of an issuer and issuing ratings. And selective disclosure undermines the intent of the Credit Rating Agency Reform Act of 2006 to increase competition and transparency in rated fixed income securities.

Many NRSROs simply do not have access to the information needed to evaluate a security or issuer. This limitation constrains the market from making informed decisions about the creditworthiness of securities because only a small number of ratings might be available on a security or issuer."

Number of ratings outstanding by NRSRO by asset type as reported to the SEC in 2007 (most recent data):

NRSRO	Financial institutions & BDs	Insurance companies	Corporate issuers	Asset backed securities	Issuers of government securities	NRSRO paid by issuer or obligor
AM Best Company	1	6,068	2,439	53	---	Yes
DBRS, Inc.	870	30	720	610	40	Yes
Egan-Jones	60	46	800	---	---	No
Fitch, Inc.	65,621	4,024	13,791	70,731	765,699	Yes
Japan Credit Rating Agency, Ltd.	154	32	551	64	73	Yes
Moody's Investor Services, Inc.	78,000	6,000	29,000	108,000	154,000	Yes

Rating and Investment Information, Inc.	100	35	609	235	88	Yes
Standard & Poor's Rating Services	42,800	6,800	28,300	187,600	976,000	Yes

- Is the proposed change to Regulation FD necessary or appropriate? Would a different approach work better? For instance, would it be better to revise the exception in Regulation FD to apply to any information given to any NRSRO so long as the ratings of at least one NRSRO are publicly available.

We believe that the proposed change is one of the most substantive of the NRSRO rulemaking process. Almost the entirety of rulemaking since the passage of the Credit Rating Agency Reform Act has centered on regulating the activities of the NRSROs.

Issuers, underwriters and arrangers have often limited information flows into the markets by selectively disclosing material non-public information to select NRSROs. When markets are described as opaque this issue is a prime contributor to this state.

Although the credit markets are substantial in size they generally have less transparency than equity markets. This change will increase information for credit markets in a substantive manner. We encourage the Commission to adopt this proposed change for all classes of credit ratings.

- Should the Commission broaden the exclusion to information that is provided to NRSROs beyond the proposed Rule 17g-5 disclosure program (e.g., information provided to develop ratings for corporate issuers)?

Many parts of the financial system rely on ratings from NRSROs. The investors who rely exclusively on ratings created by NRSROs are retail investors and less sophisticated institutional investors. These investors generally don't have access to systems that aggregate CDS or other spread data.

The ratings class "financial institutions and broker dealers" represents significant issuance. This class of debt is widely held. As seen in the following table from Thomson Reuters financial institutions are often the underwriters of their own securities. This means that the issuer exercises complete control of disclosure for material non-public information.

The recent underwritings listed below are AAA due to a guarantee by the US government through the FDIC. The majority of debt outstanding for these firms is not currently guaranteed, and is rated A2 through Aa2.

```
------------------------------------------------------------
PREVIOUS HIGH-GRADE BOND SALES
```

Company	Amount	Maturity	Managers
Bank of America NA	$ 4.0 bln	1.5-yr	Bank America Sec
Bank America Corp	$ 2.0 bln	3-yr	Bank America Sec
Bank America Corp	$ 2.5 bln	3-yr	Bank America Sec
GE Capital	$ 4.0 bln	2-yr	CITI/CS/ DB/GS/ HSBC
GE Capital	$ 1.0 bln	2-yr	CITI/CS/ DB/GS/ HSBC
GE Capital	$ 1.5 bln	3-yr	CITI/CS/ DB/GS/ HSBC
GE Capital	$ 1.5 bln	3-yr	CITI/CS/ DB/GS/ HSBC
Goldman Sachs	$ 1.0 bln	2-yr	Goldman Sachs
Goldman Sachs	$ 1.0 bln	2-yr	Goldman Sachs
Goldman Sachs	$ 1.5 bln	3-yr	Goldman Sachs
Goldman Sachs	$ 1.0 bln	3-yr	Goldman Sachs
Morgan Stanley	$ 2.0 bln	3-yr	Morgan Stanley
Morgan Stanley	$ 3.0 bln	3-yr	Morgan Stanley

The data below is from Moody's and lists their credit rating on the debt of some of these firms and the CDS implied ratings and other credit measures for these issuers. Note the significant 4 to 10 notch gap between the Moody's qualitatively derived rating and the CDS implied rating.

NRSROs use different methodologies to judge creditworthiness but a substantial difference exists in the views expressed below.

We wonder if investor paid NRSROs had access to the material non-public information of these issuers what would their ratings be? Would they be closer to the compensated Moody's rating or closer to the CDS implied rating? This would be very useful information for investors and regulators.

Market Implied Ratings (as of 3/25/2009) Bank of America

	Rating	Gap
Moody's Senior Unsecured or Equivalent	A2	
Moody's Loan Rating	--	
Bond-Implied	Baa1	-2
Credit Default Swap-Implied	Baa3	-4
Equity-Implied	Ba2	-6
Moody's Default Predictor-Implied	--	--
Loan Credit Default Swap-Implied	--	--

Market Implied Ratings (as of 3/25/2009) General Electric Capital Corporation

	Rating	Gap
Moody's Senior Unsecured or Equivalent	Aa2	
Moody's Loan Rating	Aa2	
Bond-Implied	Baa2	-6
Credit Default Swap-Implied	Ba3	-10
Equity-Implied	--	--
Moody's Default Predictor-Implied	--	--
Loan Credit Default Swap-Implied	Ba2	-9

Market Implied Ratings (as of 3/25/2009) Morgan Stanley

	Rating	Gap
Moody's Senior Unsecured or Equivalent	A2	
Moody's Loan Rating	--	
Bond-Implied	Baa3	-4
Credit Default Swap-Implied	Ba1	-5
Equity-Implied	Ba3	-7
Moody's Default Predictor-Implied	--	--
Loan Credit Default Swap-Implied	--	--

We encourage the Commission to end selective disclosure of material non-public information to NRSROs for all classes of fixed income securities.

Evidence of the misrating of securities by issuer compensated NRSROs of the debt of Bear Stearns, Lehman Brothers, AIG, Indy Mac, WaMu and others will likely emerge.

It maybe discovered that, like Enron and Worldcom, accounting fraud was a significant problem for those firms prior to their failure. But it is likely that the abuse of selective disclosure of material non-public information to NRSROs will be a contributory factor in their collapse. Investors lost confidence in the ratings of issuer compensated NRSROs and did not have other ratings, which incorporated material non-public information, to rely upon. This likely contributed to the "run on the bank" experienced by several of these firms.

We thank the Commission for an opportunity to provide these comments and welcome any opportunity to provide information or comments on this issue.

These have been especially difficult times for financial markets and we appreciate all the efforts of the Commission to maintain the highest standards of investor protection and well regulated markets.

Very truly yours,

Cate Long
www.multiple-markets.com
888-752-0900