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4 September 2008

Ms Florence E Harmon, Acting Secretary
US Securities & Exchange Commission
100 F Street, NE
Washington, DC
20549-1090

VIA Electronic Mail

RE: Proposed Rules regarding Ratings Agencies, File Numbers S7-17-08, S7-18-08
and S7-19-08

Dear Ms Harmon:

We are writing further to Proposed Rules regarding Ratings Agencies, as listed above.

By way of background, Hermes Fund Managers Limited is owned by the British Telecom Pension Scheme, the UK's largest. Hermes manages the portfolios of over 200 other clients including many major pension schemes. In total, Hermes manages approximately US\$70 billion. Hermes Equity Ownership Services Limited (EOS) also advises large institutional investors on governance and corporate engagement matters in respect of about US\$120 billion of assets. These clients include the BBC Pension Trust, the Irish National Pensions Reserve Fund, Canada's Public Sector Pension Investment Board, Australia's VicSuper, the Dutch Shell Pension Fund, SSPF, and PKA, one of Denmark's largest occupational pension funds. (Only those clients which have expressly given their support to this response are listed here.)

While we understand that the proposed rules listed above invite comment on specific amendments to various SEC rules, we are taking this opportunity to provide our broader views on the proposed amendments to the regulation of ratings agencies overall, including File Number S7-13-08.

As the SEC has acknowledged in previously released proposed rules, the current credit crisis has led to an examination of the contributions that various market participants have made to lead to the current state of affairs. Credit ratings agencies have certainly played a part in the current crisis and we support the SEC's efforts to correct some of the more problematic aspects of the way in which these agencies have worked in the past.

We particularly support the SEC's desire to manage conflicts of interest and improve disclosure. We would welcome disclosure of a list of all information received by a ratings agency in respect of a structured finance obligation, as well as disclosure as to who provided such information. We ask that the SEC clarify with whom this responsibility to disclose lies; and we submit that it most obviously resides with the ratings agencies, in order to facilitate access by investors. We also ask the SEC to require ratings agencies to provide insight as to their verification processes regarding the information provided to them by an issuer or other relevant party, as well as to require disclosure if no verification was undertaken. Investors would largely expect reasonable levels of due diligence to have been met and it would be helpful to have some narrative around these processes.

Further, we support the SEC's proposal to require the disclosure of ratings actions and detailed rating performance measurements as such information will allow investors to analyze the accuracy of the various ratings agencies' performance, thereby introducing a healthy dose of competition into the market, which we feel would benefit investors and the integrity of the public markets as a whole. In particular, we strongly welcome disclosure of ratings actions measured against price performance of rated products.

With respect to enhanced control over conflicts of interest, we also support the SEC's efforts in these proposals. We assert that ratings agencies should not be allowed to publish ratings on products – structured or otherwise – with which they were involved in making recommendations in order to help an issuer secure a particular rating. The ratings agencies are relied upon by investors, and they should be sufficiently independent such that they are not, in essence, rating their own work. We note, for example, that there are clear rules barring accounting firms from auditing their own work and believe that similar restrictions should be applied to ratings agencies. A ratings agency's interest in its commercial opportunities inevitably competes with its obligation to issue accurate ratings. As such, we strongly encourage the SEC to limit this potential conflict of interest going forward.

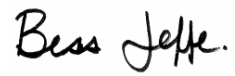
That being said, we acknowledge that in some circumstances, it may be difficult to determine when an agency crosses the line from merely providing relevant feedback to an issuer to helping structure a product. Given this potential ambiguity, we think it would be prudent for the various ratings agencies to establish protocols, and to publically disclose how these kinds of risks are managed as well as who oversees this risk management. If the agency determines that they have not crossed this line, we ask that they be required to disclose the nature of involvement they had with the issuer in order to shine a light on this grey area.

With respect to the differentiation proposals, whereby the SEC proposes one of two methods that a ratings agency must implement to signal when it is rating a structured product, we agree that highlighting this fact in some manner is beneficial to investors. We imagine using different ratings symbols may result in unintended consequences and thus we would tend to favour the reporting option. However, as in other SEC consultation responses on other issues, we would encourage the SEC to clarify that boilerplate legalese will not be acceptable in such reports. This would not add value to disclosure to investors and would thus defeat the purpose of the proposed amendment.

In general, we support the SEC's efforts to protect investors and the integrity of the market by requiring ratings agencies to improve disclosure and limit potential conflicts of interest. While we believe that this is only one part in repairing the flaws in the

system that combined to create the credit crisis, we deem it to be a necessary one.
We thank you for the opportunity to comment on these proposed amendments.

Yours truly,

A handwritten signature in black ink that reads "Bess Joffe." The signature is written in a cursive, flowing style.

Bess Joffe
Associate Director – Americas