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Florida International University – Weekend Bachelor of Business Administration Cohort 18

June 13, 2005

Mr. Jonathan G. Katz, Secretary
United States Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609

Re: Proposed rule relating to Definition of Nationally Recognized Statistical Rating Organization (File No. S7-04-05)

Dear Secretary Katz:

We, three Florida International University Weekend Bachelor of Business Administration Cohort 18 students, respectfully submit our thoughts and comments on the Securities and Exchange Commission's proposed rule. As established female members of the U.S. workforce, mothers, wives, daughters, students, taxpayers and active participants of our political process we take this opportunity to comment on an unfamiliar area, that had it not been for our "Business in Society – MAN 4701" class we would have overlooked. In laymen's terms we realize how all aspects of our society affect each of us personally. Class discussions on business practices at Enron and current business trends at United Airlines and General Motors have prompted us to comment on best business practices in defining Nationally Recognized Statistical Rating Organizations (NRSRO) in hopes of deterring similar outcomes that may affect our future.

We ask your forgiveness any false interpretations of this rule or regulatory process.

1. **The first component** of the proposed NRSRO definition would limit the definition to entities that issue publicly available credit ratings that are current assessments of the creditworthiness of obligors.

1.1. Publicly Available Credit Ratings

How should it be determined whether an NRSRO is making its credit ratings readily available on a widespread basis?

> Each NRSRO should make the first 500 credit ratings of readily available to the public at no cost.

Should our rule specify the manner and methods that must be used to distribute ratings? Should internet posting itself be sufficient?

> Yes, a joint alliance of all NRSROs should submit to the SEC, publish and post on the internet the first 500 credit ratings with instructions for purchasing fee-based exhaustive reports of all issuers.

1.2. Current Credit Opinions

Should the Commission provide additional interpretation regarding what it means for a credit agency's ratings to be "current assessments"?
Should the Commission specify the time period?

> Yes, the commission should require an annual review and also immediate updates at anytime due to significant sector or issue-specific events.

Will the proposed rule's provisions provide sufficient assurance to the markets that ratings are current?

The above provisions should provide reasonable assurance that ratings are current.

2. **The second component** proposes that the NRSRO definition require a credit rating agency to be generally accepted in the financial markets with limited coverage including credit rating agencies that confine their activities to limited sectors of the debt market or limited (or largely non-US.) geographic areas.

2.1. General Acceptance in the Financial Markets

How else could the Commission define the term "NRSRO" in order for users of a credit rating agency's rating to determine whether such ratings are credible and are reasonably relied upon by the marketplace?

The SEC must disclose the criteria of NRSROs and ban current NRSRO practice of limiting or blocking entry to NRSRO status by newcomers, such as buyouts or hostile takeovers. New entrants to NRSRO status will build credible reputations as relationships between issuers and investors grow. From the wealth of secondary information we believe there are at least two distinct categories of credit rating agencies: our current legacy system which has monopolized the industry and blocked expansion and newcomers that predominately use statistical models and quantitative analysis tools.

2.2. Limited Coverage NRSROs

Should a credit rating agency that is recognized by the financial marketplace for issuing credible and reliable ratings within a limited sector or geographic area meet the NRSRO definition only for its ratings within such sector or geographic area, or more broadly?

We believe that the global financial market will supply the demand for reliable credit ratings and that allowing broad interpretations will align with an issuer's specialized sector or geographic area. No one wants a single geographic area to control all financial markets.

3. **The third proposed component** of the NRSRO definition is designed to ensure that to meet the definition of the term "NRSRO," a credit rating agency uses systematic procedures to assure analyst experience and training, ensure credible and reliable ratings, manage conflicts of interest, and prevent the misuse of nonpublic information. The need for agencies to have sufficient financial resources to ensure compliance is paramount.

3.1. Analyst Experience and Training:

What criteria should a credit rating agency use in assessing the experience and training of an analyst to meet the proposed NRSRO definition? What objective criteria are relevant?

We agree that the competency of a credit rating agency's staff should be a relevant consideration in qualifying a rating agency as a NRSRO and that the experience and training of a credit agency's staff are also important for NRSRO designation. Although the assessment of an analyst's experience does involve some degree of subjectivity, the information it provides is important to the users of securities rating and the financial market in its entirety. Analysts should be adequately qualified, achieved a certain degree of academics (such as MBA), professional certification, and credit rating and industry experience. The primary subjective criteria would be communication skills, with the ability to write and speak effectively.

3.2. Number of Ratings Per Analyst

Is the concern that a credit rating agency's rating may become less reliable as the number of issues rated per analyst increase valid?

Yes.

If so, what type of workload is reasonable for the analytical quality of a credit rating agency's ratings to remain high?

We suggest that the SEC sets guidelines for credit rating agencies to follow. These guidelines should be based on the types of securities being rated and the level of experience required of an analyst.

Should the Commission specify minimum standards for a credit rating agency's analyst to continuously monitor and assess relevant developments relating to their ratings so that users of the credit rating agency's can determine whether credit rating agency meets the NRSRO definition?

Yes.

Should the Commission require credit rating agencies to disclose the number of credit analysts they employ and the average number of issues rated or otherwise followed by those analysts, as suggested by commenters?

Yes, NRSROs should be required to disclose this information. This would be valuable for users of the ratings, giving them some understanding of the time and dedication the analysts devoted to a company's review.

3.3. Information Sources Used in the Rating Process

Should a credit rating agency be required to test in some way the integrity of information provided directly by issuers (both public and nonpublic) and through third party vendors?

Yes. This should be considered standard procedure of the rating process prior to the analysis. We urge the Commission to make this a requirement for NRSROs.

3.4. Organizational Structure

Would information on a credit rating agency's organizational structure be useful to users of ratings?

Yes, we agree that a credit rating agency's organizational structure is relevant consideration in qualifying a rating agency as a NRSRO. The information on a credit rating agency's organizational structure would be useful to users of ratings, which would give them a better understanding on how credit ratings are analyzed, reviewed, and approved within the agency. Information that would be useful would be organizational chart, the different levels within the organization, and information on each of the analysts with their track record of their qualifications, experience, and performance in the industry.

3.5. Conflicts of Interest

Conflict of interest is a major problem in the industry. The greatest conflict of interest is exchanging a rating for money. Issuer's payment for rating creates conflicts of interest.

We believe that any credit agency that engages in activities that present potential or actual conflicts of interest should be excluded from the definition of NRSRO. The credit rating agency should have policies governing the conduct of their credit rating personnel, and the structure and operation of its credit rating organization. We urge the Commission to require every NRSRO to operate without any conflict of interest in their business model.

We generally agree for the need of oversight and regulation of the NRSROs to reduce impartiality of auditors and to allow a controlled expansion of the credit ratings' market. With our government turning over the responsibility of our financial futures into our hands, we must assume that there is a preponderance of current pertinent information available to the public. Our country fights for freedom outside our borders we must extend this fight for freedom of truth of information and charge the government with oversight of these agencies for the protection of its citizens.

Sincerely,

Bonnie Jeyam, Jackie Savinon, Lynette Terrelonge
Florida International University
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