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Nancy Morris, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-9303

RE: 34-57967, PROPOSED RULES FOR NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATIONS

Dear Ms. Morris:

Section II.B.1 ("A record of rating actions and the requirement that they be made publicly available") proposes that all rating actions of an NRSRO be delivered as Interactive Data, and asks for comments on details of the proposed content and formats. I suggest that to receive maximum benefit from Interactive Data with negligible incremental costs, Interactive Data for rating actions should be considered also using Interactive Data for the reporting in Section II.C.1 ("Enhanced Ratings Performance Measurement Statistics on Form NRSRO") and Section II.C.2 ("Enhanced Disclosure of Ratings methodologies").

There appear to be only a small number of data axes needed to achieve all the transparency goals of the proposed amendments to Rule 17g-2. These data axes include: rating events, securities, and each relationship among rated securities, issuers, asset categories, and for structured finance products, relationships to underlying assets, collateral and other forms of recourse¹. Assuming that the other features of securities needed for performance analysis (face value, issue and maturity dates, currency, etc.) can be looked up from public online sources, there is no need for any other details. This means that any change recorded (whether that be a change of rating or an internal change to the security) can be reported in a continuous stream with a fixed delay (three months, say).

Also, each axis of categorization should have only one, or certainly as few alternative naming schemes as possible with a fixed order of preference. For example, any security having an ISIN (ISO-3166) must be identified using that ISIN (the ISIN is trivially constructed from a NSIN such as the CUSIP and a country code) and exchange code. This principle of unique names should also be applied to issuers, categories, underlying assets, and the other data axes. Two crucial features are that the Commission use and enforce unique identifiers for each of these axes, without which meaningful comparisons cannot happen; and that the Commission has a means for communicating when the meaning of ISINs and other data categorization items have changed (due to mergers, restructurings, etc.). Rather than develop and maintain a separate, specialized data language, the Commission should use XBRL, building as it does on XML and XML-related standards to provide a format for reporting an arbitrarily long, possibly unordered stream of data points each with a fully described, software-analyzable categorization along each axis.

¹ This may resemble SNC (Shared National Credit) data fields.

Examining side-by-side the contents of Form NRSRO Exhibits for almost any pair of different registered NRSRO's reveals that their ratings performance measures are presented with different hierarchies for data aggregation (for example, static pool in addition to multi-year aggregates of transition matrixes) as well as using different market segmentations. Note also that the current reporting of performance analysis on the Internet consists of Adobe PDF files may consist of *faxed images* of performance analyses; images don't provide reliable data usable by analyst tools without retyping or other manual intervention. Rather than develop a separate, specialized language for communicating these different hierarchies, the commission should use a single report language, XBRL, to describe the hierarchies and a fixed set of members in each hierarchy. NRSRO's could then be given the flexibility to report with *more* detailed hierarchies and partitioning (it may be relevant to their methodology) but not *less* detailed, while requiring them to do so not via electronic paper (i.e. faxes) but rather as a data set available for analysis.

These observations lead to the following answers to the questions posed.

Q: 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: Interpreting the word "sort" in the question to mean "categorize" rather than "order", yes, the Commission should follow the approach outlined above in which there are defined categories, with flexibility to define more detail. This would turn inconsistencies in the way that different NRSRO's have categorized securities into exceptions to investigate rather than differences that make comparison intractable.

Q: Should the Commission allow the ratings action data to be provided in a format other than XBRL, such as pipe delimited text data ("PDTD") or eXtensible Markup Language ("XML")? Is there another format that is more widely used or would be more appropriate than XBRL for NRSRO data? What are the advantages/disadvantages of requiring the XBRL format? Should the Commission require that the information on the assets underlying a structured finance products discussed in Section II.A.1.a above be provided in a specific format such as PDTD, XML, or XBRL? Again, is there another format that is more widely used or would be more appropriate for such data? What are the advantages/disadvantages of requiring a specific format?

A: The data definitions and relationships among rating events, issuers, etc., and more importantly how those events and issuers relate to other reporting data will have to be developed, finalized and communicated to software no matter what the low-level details of the syntax. Any subsequent amendments, particularly with respect to communicating the data items used in the rating methodology, would be further extensions to that framework. The strongest advantage that XBRL offers is its existing constructs for representing the kind of dimensional and structured data that is implied by the proposed 17-g2 and other amendments; and this strength is reinforced by its presence in the marketplace, adoption in the US and elsewhere.

Q: Should the Commission take the lead in creating the new tags that are needed for the XBRL format or should it allow the tags to be created by another group and then review the tags? How long would it take to create new tags?

A: The arrangement of data axes is probably widely understood in the marketplace already; that can be defined by the SEC itself as a base framework. Decisions on the specific vocabulary (unique identifiers) should leverage the extensive work done by financial

institutions dealing with their own securities data, and should be done by a consortium of participants with the results reviewed by the Commission.

Q: The Commission anticipates that the data provided by NRSROs would be simple and repetitive (i.e., the data would be name, CUSIP, date, rating, date, rating, etc.). Is there a need for more detailed categories of data?

A: See above. Standardization on the main axes and a means of handling changes of identifier, etc., is good, and provides in principle the ability to do any kind of analysis. However, as noted in the proposal, "the Commission preliminarily believes it can prescribe generic requirements for the performance statistics", and this should be complemented by standardization that communicates how the data points have been aggregated into higher level performance analyses so that they, too, can be compared.

Q: What would be the costs to an NRSRO to provide data in the XBRL format? Would there be a cost burden on smaller NRSROs? Is there another format that would cost less but still allow investors and analysts to easily download and analyze the data?

A: Once the format is developed, the transformation from any NRSRO's internal master and reference data warehouses to XBRL ought to be no more difficult than generating any other database report. An NRSRO that claims difficulty achieving that probably has deeper internal data consistency problems, entirely independent of XBRL or any other format.²

Q: Should the Commission institute a test phase for providing this information in an XBRL format (such as a voluntary pilot program, similar to what it is currently doing for EDGAR filings)? How long should this test phase last?

A: Yes, but with such a small number of NRSRO's, the overall program should be structured differently end-to-end. That the entire process would include an initial model, six to nine months of test reports (that is, events for the period reported three months after each such event), followed by finalization of the model and then a few more months before freezing the model.

Q: Where is the best place to store the data provided by NRSROs? Currently, information that needs to be made publicly available is stored on each NRSRO's Web site. Should the Commission create a central database to store the information? If so, should it use the EDGAR database or should it create a new database?

A: Use EDGAR, it seems to have now or will soon have all the capabilities needed.

Walter C. Hamscher
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² This is also true of disclosure of NRSRO's records of material deviations from model output; the format details aren't a significant burden relative to the value of having a consistent internal organization of the data.