

MAXINE WATERS

MEMBER OF CONGRESS
35TH DISTRICT, CALIFORNIA

CHIEF DEPUTY WHIP

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SUBCOMMITTEE ON CAPITAL MARKETS AND
GOVERNMENT SPONSORED ENTERPRISES
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JUDICIARY

SUBCOMMITTEE ON INTELLECTUAL PROPERTY,
COMPETITION, AND THE INTERNET

SUBCOMMITTEE ON IMMIGRATION POLICY
AND ENFORCEMENT

Congress of the United States
House of Representatives
Washington, DC 20515-0535

PLEASE REPLY TO:

WASHINGTON, DC OFFICE

2344 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-0535

PHONE: (202) 225-2201

FAX: (202) 225-7854

DISTRICT OFFICE:

LQS ANGELES OFFICE

10124 SOUTH BROADWAY
SUITE 1

LOS ANGELES, CA 90003

PHONE: (323) 757-8900

FAX: (323) 757-9506

August 10, 2011

The Honorable Mary L. Schapiro
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chairman Schapiro:

I am writing to request that you conduct an investigation into whether the ratings agency Standard & Poor's (S&P) selectively disclosed its downgrade of United States government debt to certain financial institutions before it made that information available to the public.

As you know, late in the day on Friday, August 5th, S&P lowered the long-term sovereign credit rating on the United States of America to 'AA+' from 'AAA.' This historic step contributed to significant market turmoil on Monday, August 8th, the first trading day following S&P's announcement, with U.S. stocks experiencing their worst declines since the 2008 financial crisis.

In the days following the downgrade, news outlets have reported that various banking industry executives held meetings with S&P on Thursday and Friday, before S&P's Friday night public announcement of the downgrade.¹ News reports have also raised questions about heavy trading volume and a large sell-off of equity securities during the day on Friday.

I believe that these reports raise certain questions about the conduct of S&P that deserve further scrutiny by the Securities and Exchange Commission, including an examination into whether any regulatory violations took place. Rule 17g-4 promulgated under the Securities and Exchange Act of 1934 states that "the written policies and procedures a nationally recognized statistical rating organization establishes, maintains, and enforces to prevent the misuse of material, nonpublic information pursuant to section 15E(g)(1) of the Act must include policies and procedures reasonably designed to prevent...the inappropriate dissemination within and outside the nationally recognized statistical rating organization of a pending credit rating action before issuing the credit rating on the Internet or through another readily accessible means."

¹ For example, Gasparino, Charlie. "S&P Tipped Off Traders to Downgrade Sparking Selloff?" *FOXBusiness*. 8 August 2011. <http://www.foxbusiness.com/industries/2011/08/08/sp-tipped-off-traders-to-downgrade-sparking-selloff/#ixzz1UXmccQY4> and Orol, Ronald D. "Law From 2006 Gives SEC Scope to Probe S&P." *MarketWatch*. 9 August 2011. <http://www.marketwatch.com/story/law-from-2006-gives-sec-scope-to-probe-sp-2011-08-09>

Given the historic nature of S&P's downgrade, and the tremendous market volatility experienced after that downgrade, I feel it is appropriate for the Commission to conduct an investigation into whether S&P selectively disclosed information related to the U.S. government debt downgrade to any financial institutions, and whether any institutions that had that non-public information traded on that information prior to the official announcement.

If you have any questions about this request, please contact Amanda Fischer of my office at (202) 225-2201. I appreciate your swift attention to this important matter.

Sincerely,

A handwritten signature in black ink, reading "Maxine Waters". The signature is written in a cursive, flowing style.

Maxine Waters

Ranking Member

Subcommittee on Capital Markets and Government Sponsored Enterprises