TREASURY, RISK
AND FINANCE
PROFESSIONALS
ACT

Nancy M. Morris
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Securities and Exchange Commission
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Monday, 12th March, 2007

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Dear Ms. Morris

**File No. S7-04-07**

**Oversight of Credit Rating Agencies Registered as Nationally Recognized Statistical Rating Organizations**

The Association of Corporate Treasurers is a UK-based international professional body for those working in treasury, risk and corporate finance.

Our members generally are interested in credit rating agencies as both investors in and issuers of debt.   Where there is any conflict between the financial services industry and their customers, wWe comment on financial market matters from the point of view of a non-financial corporation.

We have seen Professors Herwig and Patricia Langohr's comments on the proposed rule making above.

We would like to express support for the points made by the Professors Langohr.

As the major agencies for the developed markets of the world are US-based, we consider it important to comment on the proposed rule making.

In particular, we comment briefly as follows:

- We are disappointed at the extent of proposed rule making which does not appear to address particular market failures

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- .For credit ratings to fulfil the roles which the market expects them to fulfil, it is important that prescription of rating methodology is avoided and that recognition of ratings as, in the end, judgements is preserved.

- As investors, companies, for simplicity, look to one or two agencies for the bulk of their debt credit ratings information. As issuers, to reduce the cost in terms of management – especially senior management – time, companies keep the number of ratings they participate in to the minimum: usually two agencies. Both these factors tend to limit the number of major rating agencies. We do not see the small number of major agencies as an indicator of anti-competitive behaviour between those agencies.

- The requirement that agencies withdraw ratings from customers if the revenue from the issuer exceeds 10% of the agency's income is unnecessary for the reasons the professors Langohr set out. Particularly it means that any small new agency for which a large issuer with a solicited rating may be more dominant in revenue terms than for a larger agency, may not be able to seek to complete its cover of an industry sector on a solicited basis. This must have a chilling effect on new agency entry to the market – which will be difficult in any case for the reasons set out above.

- We regard the important distinction as being between a rating produced on the basis of published information and one based on relevant information not generally available which has been provided by the issuer. Unsolicited ratings are an irritant to issuers. However, they are not a serious economic threat to issuers not dealt with by other laws. As recommended in the IOSCO[1] Code, disclosure of the basis on which a rating has been prepared is important.

- On pools, we consider that limiting the ability of any business to undertake or refuse business on the basis of its own judgements is a serious step which should only be considered in the gravest of circumstances. We would expect a rating from any agency to be based on its own methodology and its own research – it should be its own opinion. Differences between agency ratings contain information. If a rating agency uses another agencies work in coming to a conclusion it should be required to disclose that – although it will probably want to make that disclosure in any case.

[1] IOSCO Code Of Conduct Fundamentals For Credit Rating Agencies, December 2004

- Although the major agencies operating internationally will probably be required or encouraged to do so by other regulators, we consider it desirable that the SEC, as a leading securities market regulator, encourage agencies directly regulated by it to conform to the relevant IOSCO Code of Conduct principles[1]. We consider the best enforcer of adherence to the Code and of good practice generally by individual agencies is the market. Direct Commission monitoring seems in this case to add cost without adding anything to the efficient functioning of markets.

More information on the ACT is available on our website at www.treasurers.org. Our general statement on how we develop policy and comments on any issue is in our Policy and Technical Manifesto at http://www.treasurers.org/technical/resources/manifestosept2006.pdf.

Thank you for the opportunity to comment.

Yours sincerely,

John Grout

Policy and Technical Director
The Association of Corporate Treasurers