

The Association of Corporate Treasurers

Comments in response to: Request for Comment: Should An Identifier Be Added To Standard & Poor's Structured Finance Ratings? Issued by the Standard & Poor's, May 2008

31 July 2008

The Association of Corporate Treasurers (ACT)

The ACT is a professional body for those working in corporate treasury, risk and corporate finance. Further information is provided at the back of these comments and on our website www.treasurers.org.

Contact details are also at the back of these comments.

We canvas the opinion of our members through seminars and conferences, our monthly e-newsletter to members and others, *The Treasurer* magazine, topic-specific working groups and our Policy and Technical Committee.

General

The ACT welcomes the opportunity to comment on this matter.

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In February 2008 CESR consulted on "The role of credit rating agencies in structured finance" and in the ACT's response we supported the use of an identifier to be attached to the ratings of structured finance issues. We therefore welcome the current proposal from Standard & Poor's.

Specific Questions For Which A Response Is Requested

1. *Do you support the addition of an "s" subscript to all our securitization ratings? Why or why not?*

The ACT supports the addition of the subscript as proposed. This will help to flag to users that the structured finance methodology used is different to that for corporate securities.

2. *Do you agree with the proposed types of securities to which the subscript would apply? If not, which types would you include or exclude?*

We agree with the categories of securitisation to which your subscript will apply.

3. *Would the implementation of the "s" subscript create any undue additional costs and/or inconveniences for the users of ratings (for instance, data and technology issues, impact on securities pricing, impact on the use of ratings in regulations and investment guidelines)? If so, do you believe these costs outweigh the benefits of increased transparency?*

In making policy responses the ACT replies from the point of view of non financial services corporate issuers or investors and for these users there will be little direct impact, although there may be an indirect impact that their own corporate ratings will be better understood. We suspect that certain investment banks and fund managers will respond that the proposals will complicate their investment mandates from clients and perhaps introduce an initial cost from having to check back to clients for instructions on whether or not to accept 's' rated securities. We accept that there may be a small admin cost here but far more significant will be the beneficial point that this will force discussion and consideration by users of the relative merits of investing in structured issues versus corporate and government issues.

4. *Are there any other matters that we should consider if we implement the subscript?*

The objective of the subscript is to assist understanding of the characteristics of the different classes of securities. If Standard & Poor's can make readily available a straightforward description of the essential differences this would be an added help to users.

5. *Are there any better alternatives to the subscript that might achieve the same objectives?*

Credit rating analysis is a thorough and expert assessment of credit which is distilled down into a simple assessment for the benefit of users. There is always a balance to be had between provision of valuable added information to users as compared to complicating matters by providing too much detail. We believe that in this proposal you have achieved the right balance.

The Association of Corporate Treasurers

The ACT is the international body for finance professionals working in treasury, risk and corporate finance. Through the ACT we come together as practitioners, technical experts and educators in a range of disciplines that underpin the financial security and prosperity of an organisation.

The ACT defines and promotes best practice in treasury and makes representations to government, regulators and standard setters.

We are also the world's leading examining body for treasury, providing benchmark qualifications and continuing development through training, conferences, publications, including *The Treasurer* magazine and the annual *Treasurer's Handbook*, and online.

Our 3,600 members work widely in companies of all sizes through industry, commerce professional service firms.

Further information is available on our website (below).

Our policy with regards to policy and technical matters is available at <http://www.treasurers.org/technical/resources/manifestoMay2007.pdf>.

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