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February 14, 2007

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Ref: File Number S7-04-07

Dear Ms. Morris:

We write to comment on Proposed Rule 17g-6 implementing certain provisions of the Credit Rating Agency Reform Act of 2006 (the "Act") concerning prohibited unfair, coercive, or abusive practices.

We agree with the Commission's preliminary determination that it is unfair, coercive, or abusive for a NRSRO to issue or threaten to issue a lower credit rating, lower or threaten to lower an existing credit rating, refuse to issue a credit rating, or to withdraw a credit rating with respect to a structured finance product unless a portion of the assets underlying the structured product also are rated by the NRSRO. Prohibiting such practices will increase competition within the credit ratings market. Investors in structured finance products will also benefit from increased choice among investment opportunities.

While we support the prohibition of "notching" practices contemplated under the Proposed Rule 17g-6, we are concerned by the proposed exception to the prohibition set out in paragraph (a)(4) of Proposed Rule 17g-6. Under the exception, a NRSRO may refuse to issue a credit rating to, or withdraw a credit rating of, a structured product if the NRSRO has rated less than 85% of the market value of the assets underlying the structured product. We believe the threshold provided under the exception needs to be lowered in order for abusive practices within the credit ratings market to be effectively constrained.

Our concerns with the proposed exception are two-fold:

First, the proposed exception imposes a continued barrier to entry inconsistent with the Act. The 85% threshold allows the largest credit agencies to continue to suppress competition by compelling structured finance products to buy securities that carry their ratings; otherwise they may not be able to obtain a rating. Congress demanded an end to such abusive practices, recognizing that increased competition within the credit ratings market leads to increased responsiveness of the rating agencies to the needs of financial market participants, and to greater accuracy and comprehensiveness of available information.

Second, there is no analytic justification for the proposed 85% threshold. A rating agency should not be able to impose an arbitrary requirement that structured finance securities purchased by asset pools or as part of any asset- or mortgage-backed securities transaction bear that agency's rating; they do not require this when they rate financial institutions which are far more complex. That is unfair to the market.

The proposed exception means that credit ratings will continue to drive asset selection, rather than simply assess credit quality, causing market participants to miss out on investment opportunities. Market participants benefit from real choice among credit rating agencies. As an example, just 15 years ago there was very little competition between rating agencies and the result was a much lower standard of credit research, surveillance, credit analytics and disclosure of analytic methodologies than is available today. Competition strengthens the industry and will result in a much higher level of service to all investor. We therefore urge you to modify the exception to the prohibition set out in Proposed Rule 17g-6 by reducing the 85% threshold to no higher than 66% to allow the increased competition that Congress demanded.

We would be happy to discuss out comments with you in greater detail at your convenience.

Sincerely,

Gregory G. Raab
Chief Executive Officer
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