

August 12, 2008

Ms. Florence E. Harmon  
Acting Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Re: **Proposed Rules for Nationally Recognized Statistical Rating Organizations (NRSROs); Release No. 34-57967, File No. S7-13-08**

Dear Ms. Harmon,

Lehman Brothers, Inc. (LBI) is pleased to offer its comments in response to the above-referenced rule proposals of the Securities and Exchange Commission (SEC). The proposed rules would require broad disclosure of information used in the rating process, information about the ratings process itself and information about the diligence and surveillance performed by NRSROs. The proposed rules would also require NRSROs to distinguish credit ratings for structured finance products by publishing a report to accompany each such rating or, alternatively, by differentiating its rating symbols or adding a rating modifier to identify structured products.

LBI supports the SEC's efforts to promote investor confidence in credit ratings, increase accountability in the rating process and reduce conflicts of interest facing NRSROs. LBI has contributed to the comment letter submitted by the Credit Rating Agency Task Force of the Securities Industry and Financial Markets Association (SIFMA Task Force) and wishes to express its strong support for the views expressed in that letter. In particular, LBI generally supports proposed rule 17g-5(a) (3) requiring broad disclosure of information used in the ratings process and proposed amendments to rule 17g-2 requiring each NRSRO to retain and make public a record of its ratings actions. However, as described further below, we share the SIFMA Task Force's concerns about the proposed amendment to Rule 17g-5 requiring the disclosure of all information submitted to an NRSRO and urges greater focus on disclosure of the credit ratings process. Furthermore, we join the SIFMA Task Force in opposing the use of differentiated ratings symbols for structured products under proposed rule 17g-7.

*Enhanced Disclosure and Liability Concerns*

LBI strongly supports greater transparency of information used in the ratings process. We agree that information about the ratings process itself would prove most valuable to investors and support some additional disclosure for the rated security. We are concerned, however, about the potential treatment of information submitted to ratings agencies. First, disclosure of information used by a ratings agency should be limited to the extent that the information is valuable proprietary information or private, confidential

information. This will ensure that creators of unique securities structures do not see their intellectual property rights compromised which would in turn stifle innovation in the financial markets.

Second, LBI opposes a filing requirement for information submitted to ratings agencies. A filing requirement would introduce questions of liability for the information provided and, thus, would likely chill the flow of information between issuer and ratings agency resulting in less informed ratings. Should the SEC determine that such information should be filed, LBI strongly believes that the ratings agency ought to be responsible for filing the information since only the ratings agency is in a position to know what information was relied upon in formulating the rating.

Finally, due to the importance of distinguishing a ratings exercise conducted by a ratings agency from a selling effort aimed at investors, LBI believes that issuers and underwriters should not be subject to liability under the securities laws for information disclosed by a ratings agency and that such information should not be deemed to be a prospectus, communication or report used in connection with a registration statement. To prevent any unintended consequence that may result from confusion between information used in a ratings exercise and selling materials, LBI supports a carve-out from issuer and underwriter liability under Rule 10b-5 for disclosures made by an NRSRO.

#### *Ratings Modifiers*

Understanding the meaning of a particular credit rating is essential to the independent evaluation of investment risk by investors. The current ratings modifier convention is relied upon by all market participants and is a critical part of their internal management practices, investing guidelines, counterparty agreements, regulatory compliance programs, and policies and procedures. Permitting ratings agencies to add a ratings modifier to identify structured finance products in lieu of providing additional disclosure would not only significantly disrupt current internal and market practices, but, also deny these same participants the benefits of additional disclosure. In measuring the value to an investor of an “SF” appended to a rating or a report reflecting product-specific credit rating methodology and attendant risks, there really is no comparison. Therefore, LBI strongly supports adopting the rule requiring the NRSRO to publish report *without* the alternative of permitting the NRSRO to add a differentiated modifier for structured finance products.

#### *Conclusion*

We appreciate the effort of the SEC to promote greater investor understanding of the ratings of structured securities and to reduce conflicts of interest in the ratings process. The recommended changes will appropriately focus attention on the disclosure

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of information that matters to investors while encouraging the flow of information to ratings agencies. We thank the Commission for the opportunity to present our views.

If you have any questions, please contact the undersigned at 212-526-4652.

Very truly yours,

/s/ John J. Niebuhr

John J. Niebuhr  
Managing Directors  
Lehman Brothers, Inc.

cc: The Honorable Christopher Cox, Chairman  
The Honorable Kathleen Casey, Commissioner  
The Honorable Elisse Walter, Commissioner  
The Honorable Luis Aguilar, Commissioner  
The Honorable Troy Paredes, Commissioner