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Press Release: S&P Supports a New, More Transparent NRSRO Designation Process

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NRSRO Designations Should be Based on Market Input

Monday, July 28, 2003 – New York, NY – In a letter to the Securities and Exchange Commission, Standard & Poor's Rating Services today expressed its support for a more open and transparent process to designate Nationally Recognized Statistical Rating Organizations (NRSROs).

Standard & Poor's made its comments in response to a Concept Release published by the Securities and Exchange Commission on June 4, 2003, entitled "Ratings Agencies and the Use of Credit Ratings under the Federal Securities Laws". A copy of Standard & Poor's response to the SEC and an accompanying letter from its president, Leo C. O'Neill may be found at www.standardandpoors.com/specialcoverage/sec.

Standard & Poor's recommended that the SEC increase the transparency of the NRSRO designation process, reduce regulatory barriers to entry and ensure that the markets remain the ultimate judge of the ratings process. S&P said that it believes the criteria for NRSRO designations should be an agency's widespread acceptance as an issuer of credible and reliable ratings opinion predominant users of ratings. S&P expressed its support for a public notice and comment process for NRSRO designations established time periods to serve as a goal for action on NRSRO applications.

"Given the established, pervasive and legislative use of credit ratings, S&P believes that the wholesale withdrawal of the NRSRO concept could be costly to market participants and disruptive to the market," according to Mr. O'Neill. He added that S&P was aware of financial or market measures of credit risk that could be used effectively across the spectrum of rated securities as an efficient alternative to ratings.

Standard & Poor's said designation criteria based on an agency's methodologies, financial resources, process or organizational structure would not effectively assure the credibility and reliability of ratings and would erect market entry barriers. "There is no model or methodology for producing sound credit ratings. The critical issue for investors is whether the track record and experience over time demonstrates that the rating agencies' ratings prove to be credible and reliable," Mr. O'Neill said.

Mandated consistency of approach among various credit rating agencies could destroy individual quality and independence of a rating agency's credit analysis, stifle innovation in credit rating analytic technologies and limit the availability of valuable credit analysis and information in the marketplace. "Precisely because ratings, by their nature, are opinions rather than absolute truths, the protections of the First Amendment are important to the rating process and ultimately to the market," S&P said in its filing. "Indeed, the First Amendment's protections exist precisely to foster robust debate in a 'marketplace of ideas' and to avoid the 'chilling' effect that attends to governmental standardization of the formation and dissemination of opinions such as those provided by Standard & Poor's Ratings Services."

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