



Insight beyond the rating.

Filed Electronically

November 13, 2009

Ms. Elizabeth M. Murphy, Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

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Re: *References to Ratings of Nationally Recognized Statistical Rating Organizations, File Nos. S7-17-08, S7-18-08 and S7-19-08*

Dear Ms. Murphy:

DBRS appreciates the opportunity to comment once again on the above-referenced proposals to eliminate from the federal securities regulations virtually all references to credit ratings issued by nationally recognized statistical rating organizations ("NRSROs").¹ DBRS is a registered NRSRO.

The Commission initially put these proposals out for comment last year.² With very few exceptions, the proposals elicited an overwhelmingly negative response from the public commenters, including DBRS.³ The Commission recently adopted the few proposed rule changes that the public found unobjectionable.⁴ However, instead of heeding the cogent arguments the commenters put forth regarding the rest of the proposals, the Commission has asked for more comments, hoping this time to elicit a different response.⁵

¹ "References to Ratings of Nationally Recognized Statistical Rating Organizations," SEC Rel. Nos. 33-9069, 34-60790, IA-2932; IC-28940 (October 5, 2009), 74 Fed. Reg. 52374 (October 9, 2009) ("Re-proposing Release").

² "Security Ratings," SEC Rel. Nos. 33-8940, 34-58071 (July 1, 2008), 73 Fed. Reg. 40106 (July 11, 2008); "References to Ratings of Nationally Recognized Statistical Rating Organizations," SEC Rel. No. 34-58070 (July 1, 2008), 73 Fed. Reg. 40088 (July 11, 2008); and SEC Rel. Nos. IC-28327 and IA-2751 (July 1, 2008), 73 Fed. Reg. 40124 (July 11, 2008).

³ Letter from Kent Wideman, Group Managing Director, Policy and Rating Committee, DBRS and Mary Keogh, Managing Director, Policy and Regulatory Affairs, DBRS, dated September 8, 2008.

⁴ "References to Ratings of Nationally Recognized Statistical Rating Organizations," Release Nos. 34-60789, IC-28939 (October 5, 2009), 74 Fed. Reg. 52358 (October 9, 2009).

⁵ For example, with regard to the proposed elimination of NRSRO references from Regulation M, the Commission says, "In light of the uniform opposition in the comment letters and the Commission's remaining concern regarding the undue influence of NRSRO ratings, the Commission is seeking additional comment." Re-proposing Release, at 6, 74 Fed. Reg. at 52375.

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DBRS sees no reason to amend its earlier views on the remaining proposed rule changes. If anything, DBRS believes that the events of the past year further demonstrate the need for the objective credit assessments NRSRO ratings provide. With regard to the net capital rule for example, we note that since we submitted our original comment letter, additional broker-dealers who had been excused from the haircut provisions of rule 15c3-1 either failed or were bailed out with taxpayer money.⁶ As a result, the Commission announced its intent to end the program under which large, sophisticated broker-dealers were allowed to use an alternative approach to computing net capital deductions.⁷ A broker-dealer's subjective assessment of the creditworthiness of its portfolio securities is simply not a viable substitute for objective NRSRO ratings.

Therefore, DBRS restates and incorporates herein its initial comments on the net capital rule proposal and the other outstanding proposals relating to NRSRO rating references. We would be happy to supply the Commission or the staff with additional information regarding the matters discussed herein. Please direct any questions about these comments to the undersigned or to our outside counsel, Mari-Anne Pisarri of Pickard and Djinis LLP. She can be reached at 202-223-4418.

Very truly yours,

A handwritten signature in black ink, appearing to read "Mary Keogh".

Mary Keogh
Managing Director, Regulatory Affairs
416.597.3614

A handwritten signature in black ink, appearing to read "Daniel Curry".

Daniel Curry
President, DBRS, Inc.
212.806.3244

⁶ In our initial comment letter, DBRS cited the bailout of Bear Stearns as evidence of what can happen when a broker-dealer subjectively gauges credit risk in computing its net capital deductions. See note 3, *supra*.

⁷ "Chairman Cox Announces End of Consolidated Supervised Entities Program," Press Release 2008-230 (September 26, 2008).

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cc: Hon. Mary L. Schapiro
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