



*Insight beyond the rating.*

January 7, 2011

European Commission  
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Via email

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**Re: DBRS comments on the EU Commission's Public Consultation on Credit Rating Agencies of November 5, 2010 ("Consultation Paper")**

Dear European Commission:

DBRS<sup>1</sup> appreciates the opportunity to provide its comments on the Consultation Paper which puts forth policy ideas and possible future regulatory measures to strengthen the EU regulatory framework for credit ratings agencies<sup>2</sup>. DBRS has applied for registration under the EU CRA Regulation.

The Consultation Paper indicates that some issues related to credit rating activities have not been addressed in the EU CRA Regulation. Those issues relate to the risk of overreliance on credit ratings by financial market participants, the high degree of concentration in the credit rating agency (CRA) industry, the civil liability of CRAs and the remuneration models used by CRAs. The EU CRA Regulation requires the European Commission to monitor these issues and make an assessment by December 7, 2012.<sup>3</sup> In addition, the Consultation Paper addresses sovereign debt ratings. The European Commission also announced on June 2, 2010 that it would examine these issues. In October 2010, the International Monetary Fund released a report with focus on sovereign debt ratings<sup>4</sup>, and the Financial Stability Board (FSB) published Principles for Reducing Reliance on CRA Ratings<sup>5</sup> (FSB Report).

Though it is still early in the implementation of the EU CRA Regulation which came into effect on December 7, 2010, DBRS believes these issues merit attention to ensure legislative and regulatory focus is properly placed. Some of the policy ideas and questions asked in this Consultation Paper are being reviewed in other jurisdictions. Due to the global nature of ratings, approaches taken in one jurisdiction impact other jurisdictions and need to be carefully considered.

DBRS has provided comments on all five areas of the Consultation Paper.

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<sup>1</sup> DBRS operates its rating business through DBRS Limited, DBRS, Inc. and DBRS Ratings Limited.

<sup>2</sup> Regulation (EC) No 1060/2009 on credit rating agencies (EU CRA Regulation).

<sup>3</sup> Article 39 (1) of the EU CRA Regulation.

<sup>4</sup> International Monetary Fund, World Economic and Financial Surveys Global Financial Stability Report, October 2010.

<sup>5</sup> FSB press release dated October 27, 2010 at [http://www.financialstabilityboard.org/publications/r\\_101027.pdf](http://www.financialstabilityboard.org/publications/r_101027.pdf)



## **1. Overreliance on External Credit Ratings**

The Consultation Paper outlines that external credit ratings are referenced or used in a wide variety of areas including the Capital Requirements Directive (CRD), in EU financial legislation, and in public and private investment mandates and policies. At the heart of this widespread use of external credit ratings is the lack of viable, tested alternatives. Reliance on non-credit rating agency opinions simply shifts the burden of providing independent credit assessments to a less regulated market.

DBRS believes that credit ratings continue to be important to bondholders and other capital market participants as a supplementary risk metric and information tool in their decision-making. CRAs contribute to market efficiency by providing the market with an informed third party opinion about the credit risks of issuers and securities. CRAs communicate views and opinions concerning capital market developments and changes in the larger economy as it may affect industries and/or individual companies.

Where formal regulation and oversight over CRAs is established, DBRS suggests it is not inconsistent for ratings to be continued to referenced and used. Rather, a balanced use of ratings is critical to the functioning of capital markets.

### **Reference to external ratings in regulatory capital frameworks**

The Consultation Paper recognizes that completely eliminating any reference to external ratings in regulatory capital frameworks is not a realistic solution in the absence of alternative measures of credit risk. This is consistent with the various Basel bank sector proposals in 2009 and 2010.

The December 2009 Basel bank sector proposals recognized that using credit ratings for capital purposes provide "a relatively standardized, harmonized, easy to understand, independent (third party) measure that generally reflects the credit quality of a counterparty, issuer or investment product." The Basel proposals also stated "that removal of external ratings from the Basel II framework could raise additional issues for determining regulatory capital requirements."

The Basel Committee's June 2010 revisions to its market risk framework continue to permit banking organizations to use credit ratings. The Basel III proposals also reference credit ratings, noting that a securitization review is underway which may result in revised capital charges and a reconsideration of the requirement to use credit ratings where a credit rating exists.

Registration under the EU CRA Regulation is a pre-requisite for maintaining or obtaining recognition as an external credit assessment institution ("ECAI") that allows financial institutions to use ratings to determine the risk weights of their exposures. Also under consideration is a requirement for CRAs to comply with the requirements of the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies (IOSCO Code) in order for their ratings to be used for regulatory capital purposes. DBRS would agree that regulatory registration and strong oversight regarding compliance to requirements, and not prohibition or replacement of ratings for regulatory capital purposes is the appropriate response. DBRS believes that the IOSCO Code and the EU CRA



Regulation add transparency, independence and rigor to the ratings process. DBRS adheres to the IOSCO Code<sup>6</sup> and has implemented the measures required under the EU CRA Regulation.

The Consultation Paper asks whether a requirement for at least two external ratings for calculating capital requirements could reduce reliance on ratings and improve the accuracy of the regulatory capital calculation. DBRS believes a requirement for at least two ratings from different CRAs would assist in reducing overreliance by investors on one CRA, reduce ratings shopping for “better ratings” by issuers and improve the accuracy of the regulatory capital calculation.

From November 2009, the European Central Bank (ECB) has required two external ratings from ECAs for asset-backed securities (ABS) for use in its eligible collateral program (ECB’s two ratings requirement). DBRS believes this approach has provided an appropriate check point to the reliance on a particular CRA.

DBRS cautions against any significant change from the methodology for establishing risk-based capital for securitization as it would disrupt financial institutions and the capital markets generally. For example, elimination of credit ratings from securitization calculations could have a significant impact on liquidity in the ABS markets which rely upon the ability of investors to make real-time decisions at the point of initial offering or subsequent secondary market purchase. Many institutions do not have the ability or capacity to perform extensive real-time analysis. Removing credit ratings from the risk-based capital rules could eliminate the ability of a large number of firms to participate in the ABS markets, substantially reducing market liquidity.

### **Use of ratings for internal risk management purposes**

EU legislation regarding internal risk management neither requires the use of external ratings or refers to them, nor does it explicitly exclude that firms may rely on them.

DBRS would agree that firms should be obliged to carry out their own due diligence and be required to establish rigorous internal risk management systems to the extent feasible based on their size and sophistication,. However, this obligation would be in addition to the option of using external credit ratings. The FSB Report recognizes that “CRAs play an important role and their ratings can appropriately be used as an input to firms’ own judgement as part of internal credit assessment processes.”

Increased transparency and disclosure of information is necessary for firms to undertake detailed due diligence. Such disclosure needs to of appropriate breadth and depth to provide the necessary information but cannot be overwhelmingly complicated and long so that it is not understood or read.

For its part, DBRS rating scales, definitions, rating policies and methodologies are published free of charge on its website, [www.dbrs.com](http://www.dbrs.com). Except for private ratings and certain private placement transactions, each of DBRS’ ratings press releases are made publicly available at no cost and

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<sup>6</sup> See the DBRS Business Code of Conduct for the DBRS Group of Companies (DBRS Business Code) updated in September 2010 and published on [www.dbrs.com](http://www.dbrs.com).  
[http://www.dbrs.com/research/228896/internal/Code\\_Of\\_Conduct.pdf](http://www.dbrs.com/research/228896/internal/Code_Of_Conduct.pdf)



outline the rating rationale, key analytical considerations including key assumptions and risks, and principle methodologies that underline the rating.

The EU Commission has proposed a disclosure obligation on issuers of structured finance instruments to provide access to the information they give to the CRA they have appointed, to all other interested CRAs.<sup>7</sup> The EU Commission believes this is a “step in the right direction” to provide additional information into the market on structured finance instruments. The U.S. Securities and Exchange Commission (SEC) imposed a similar requirement for nationally recognized statistical rating organizations (NRSROs)<sup>8</sup>. Most recently, the SEC extended the temporary conditional exemption for structured finance instruments issued by non-U.S. issuers outside the U.S. market from complying with this rule for one year until December 2, 2011. DBRS believes one of reasons for this extension is to allow the SEC to understand whether this rule is having the intended effect in the U.S. market. To date, it is unclear to date whether this rule has met its objective.

It is instructive that the ECB say the following in their comment letter on the EU Commission’s proposal<sup>9</sup>: “Indeed, experience with the transparency rules introduced by the SEC has not yet conclusively confirmed that such rules have a substantive effect on CRA practices, in particular by increasing the number of unsolicited credit ratings.”

It is also important to note that unsolicited ratings are discouraged in the CRD due to ratings quality and conflict of interest concerns, and national supervisors have discretion to not accept unsolicited ratings for regulatory capital purposes.

### **Use of external ratings in investment mandates and policies**

The Consultation Paper cites that investment mandates and investment policies often use external ratings to define the minimum standard of credit quality for a portfolio and to define performance benchmarks. The Consultation Paper cites that credit ratings provide a relatively simple and transparent mechanism for investors to control and monitor the credit risks associated with the assets in which the manager invests. The Consultation Paper also cites a variety of potential “cliff effects” associated with rating downgrades.

DBRS would agree that investment managers should regularly review the use of external ratings in their investment guidelines and mandates to ensure the minimum thresholds and use of particular CRAs continue to be appropriate. If not established at a firm wide level, investment managers should develop transparent criteria for the selection of CRAs, conduct an annual review of the CRAs used and regularly report on such review.

<sup>7</sup> Articles 8a and 8b of the European Commission Proposal on amending Regulation (EC) No 1060/2009 on credit rating agencies of 2 June 2010, COM (2010) 289 final.

<sup>8</sup> For requirements of 17g-5(a)(3) under the Securities Exchange Act of 1934. see <http://www.sec.gov/rules/final/2009/34-61050.pdf>

<sup>9</sup> European Central Bank opinion on a proposal for a regulation of the European Parliament and of the Council amending Regulation (EC) No 1060/2009 on credit rating agencies (CON/2010/82) [http://www.ecb.int/ecb/legal/pdf/c\\_33720101214en00010009.pdf](http://www.ecb.int/ecb/legal/pdf/c_33720101214en00010009.pdf)



To mitigate cliff effects, the use of external ratings could be supplemented by an internal risk assessment to the extent feasible. The internal ratings assessment could be compared to the external ratings results and together be regularly reported to executive management, the board or equivalent.

DBRS acknowledges that smaller or less sophisticated investment managers or firms may not have the resources and expertise to carry out comprehensive internal risk assessments for all of the assets in which they invest. In these cases, having a rationale and transparent assessment process for the selection of ratings as investment thresholds and rating agencies is critical.

## **2. Sovereign Debt Ratings**

### **Enhance transparency and monitoring of sovereign debt ratings**

The EU CRA Regulation contains various provisions regarding the transparency of the rating process, the quality of the ratings and rating methodologies. These rules fully apply to ratings of sovereign debt. However, given the importance and broad impact of sovereign debt ratings, the EU Commission is considering additional measures to further strengthen transparency and monitoring, and add some specific procedural requirements that CRAs would have to comply with when rating sovereign debt.

DBRS' methodologies including those for sovereign ratings are available free of charge on DBRS' website. In its Rating Sovereign Governments methodology, DBRS emphasizes that sovereign debt ratings are based on both qualitative and quantitative criteria. That is, the ratings process cannot be wholly quantified. However, DBRS makes a continuous effort to improve the quantitative monitoring of sovereigns across economic, financial and political sectors. DBRS also strives to avoid rating sovereigns in a pro-cyclical manner, and instead bases its analysis on structural criteria. To the extent that market movements have an influence on sovereign ratings, it is only when market changes in asset prices affect economic fundamentals that DBRS analysts take them into account. In these ways, DBRS believes that it provides a fair, balanced and transparent ratings view.

In addition to its sovereign ratings, ratings press releases and methodologies, DBRS also makes publicly available its sovereign ratings reports for free on its website. DBRS would support the Consultation Paper's recommendation that CRAs should be obliged to disclose free of charge the full research report on sovereign ratings to enable investors and other market participants to make more informed decisions.

As outlined in its publicly available rating policies, all DBRS ratings are monitored on an ongoing basis with a formal review through rating committee at least annually in line with the EU CRA Regulation. The Consultation Paper suggests reducing the annual requirement for sovereign ratings to twice per year. DBRS suggests that a requirement for a formal review every six months would not be a practical nor feasible option in most cases. As part of the formal, in-depth review, visiting a country involves significant time, preparation and resources for both the CRA and the country. Ongoing monitoring of sovereign developments can usually be done very efficiently using currently available technology. However, compensation by a sovereign for the costs involved in the country visit may be a feasible way to change from the current CRA practice of visiting sovereigns once per year.



The Consultation Paper suggests that CRAs should inform the country for which they are in process of issuing a rating at least three working days before publication of the rating to review for factual inaccuracies and new developments. The current issuer notification rule under the EU CRA Regulation for all ratings is twelve hours. DBRS believes that extension from twelve hours to three days for sovereign ratings is dangerous, and risks significant market abuse and confidential information leaks. Under DBRS' current practice, a sovereign issuer may appeal a rating decision by providing sovereign analysts with more information.

### **Enhanced requirements on the methodology and the process of rating sovereign debt**

The EU CRA Regulation sets out a number of qualitative requirements that rating methodologies including on sovereign debt must comply. This includes the need for validation based on historical experience, public disclosure of methodologies and models and disclosure of the methodology used in determining the rating. However, the EU Commission proposes a number of further requirements to enhance sovereign debt rating methodologies.

In general, DBRS believes that greater transparency of ratings information would enhance investor decision-making, market education regarding the ratings process and improve overall confidence in CRA ratings. DBRS would not disagree that similar to the EU CRA Regulation enhanced requirements for structured finance ratings, CRAs should also provide a more detailed explanation of the underlying key rating assumptions, parameters and risks surrounding the methodologies and models used when establishing sovereign credit ratings.

DBRS would support discussing the timing of the publication of rating reviews and actions with sovereign issuers. However, timing the publication of reviews to after-market hours is impractical due to the global nature of the capital markets.

Producing high quality, freely available public ratings is expensive and time consuming. DBRS disagrees that CRAs should not be compensated for sovereign ratings by EU member states.

DBRS has implemented the EU CRA Regulation, other regulatory requirements and business practices regarding conflicts of interest. For example, all rating analysts and rating committee members are not involved in any aspect of fee discussions and commercial activity with issuers including sovereign countries.

In addition to greater transparency of methodologies and analytical inputs into the sovereign ratings process, DBRS believes that ongoing dialogue with investors, regulators and other market participants is critical. DBRS is fully receptive to all market dialogue, and always seeks to explain its rating actions to investors and market participants both verbally and through its publications. During sovereign visits, DBRS often meets investors to gain insight into their concerns.

### **3. Enhancing Competition in the Credit Rating Industry**

The Consultation Paper outlines that the CRA sector can be seen as oligopolistic in nature, characterised by the presence of only a few large firms and shows high barriers to entry in terms of reputation and high start up costs. It indicates that concerns have been expressed that the rating of large multinational entities and structured finance products is concentrated in the hands of the three



largest credit rating agencies, which may lead to a low degree of competition and negatively impact the quality of credit ratings. The Consultation Paper suggests that competition could be enhanced by introducing substitutes for credit ratings and may also be enhanced by introducing new players into the market and/or by lowering barriers to entry or expansion for new and existing credit rating agencies.

Several ideas are posited including encouraging the European Central Bank (ECB) or National Central Banks (NCBs) to issue credit ratings, encouraging new market entrance by Member States at the national level or a new EU based credit rating agency could be created using either public or private funding or a combination of both.

A wide range of international and local national CRAs have applied for registration under the current EU CRA regulation. At the time of DBRS' comments, assessment of CRA registration applications by supervisory authorities was still underway, and only one CRA has been registered to date.<sup>10</sup> As such, it is somewhat premature to discuss new and additional ways to stimulate competition in the CRA sector. However, in enhancing competition it is critical that Member State supervisors do not take a "one size fits all" approach in their assessment of CRA applicants to ensure the market is served by a variety of CRAs.

DBRS suggests that having the ECB and/or NCBs take on the role of issuing ratings to be used for regulatory purposes by European financial institutions would be inappropriate due to their broad based role and need for independence in the EU financial system. DBRS suggests that the current ECB Eurosystem approach that takes into account credit assessment information from credit assessment systems belonging to one of four sources, namely ECAIs, NCBs' in-house credit assessment systems (ICASs), and counterparties' internal ratings based (IRB) systems or third-party providers' rating tools (RTs) is sufficiently sound.

DBRS notes that the ECB's two ratings requirement has assisted in ensuring that the Eurosystem's requirement for high credit standards for all eligible collateral is met. This requirement has also assisted to a certain extent in competition among existing ECAIs.

In addition to awaiting the outcome of the current CRA registration process, DBRS suggests that the recommendations for new national EU CRA entrants, public/private CRA partnerships and a European network of small and medium sized CRAs requires a more in-depth assessment of these structures to ensure they would avoid undue distortive market consequences.

#### **4. Civil Liability of Credit Rating Agencies**

The EU CRA Regulation does not regulate civil liability itself but states that any claim against CRAs in relation to any infringement of its provisions should be made in accordance with the applicable national law on civil liability.

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<sup>10</sup> Euler Hermes Rating GmbH, Germany is listed as registered per [http://ec.europa.eu/internal\\_market/securities/docs/agencies/list\\_en.pdf](http://ec.europa.eu/internal_market/securities/docs/agencies/list_en.pdf)



The conditions that claims by investors against CRAs would be possible varies according to the legal regime in each Member State.<sup>11</sup> The Consultation Paper indicates that differences between Member States' civil liability regimes could possibly result in forum shopping, when CRAs or issuers choose jurisdictions under which civil liability for infringements of the EU CRA Regulation is less likely. The EU Commission asks whether there is a need to introduce a civil liability regime in the EU CRA Regulation to ensure that CRAs can be held liable for any damage directly caused to investors by an incorrect rating.

DBRS does not believe that a specific liability regime enacted in the EU CRA Regulation would improve legal certainty for investors, prevent forum shopping and have a preventive disciplining effect on CRAs. Rather, additional liability would likely have negative widespread issuer, investor and market consequences.

In November 2009, Australia implemented a new licensing regime for CRAs that revoked their exemption from being considered experts. As a result, CRA have not permitted their ratings to be available to the Australian retail market. In the U.S., the Dodd-Frank Act<sup>12</sup> likewise “expertised” NRSROs. In reaction, NRSROs refused to consent to the inclusion of their ratings in registration statements, thereby temporarily freezing the U.S. ABS market. In December 2010, the SEC indefinitely extended their six-month no-action relief to permit the omission of ratings from registration statements to consider how the new ABS disclosure requirements might be affected. The Dodd-Frank Act also introduced a lower pleading standard that allows someone to more easily sue a CRA.

In addition to reduced availability of rating opinions, encouraging lawsuits against CRAs may lead to more defensive, less useful ratings, lower levels of transparency and disclosure and overall, would have a chilling effect on CRAs' willingness to disseminate their ratings to the public for free.

Moreover, introducing civil liability, notably at a common EU level, would impute more reliance on and assurance from credit ratings that would run counter to the intent of the recent FSB Report. Importantly, investors would be discouraged from doing their own homework and evaluation of the security.

The August 25, 2009 memo from the SEC's Office of International Affairs to the SEC's Office of Inspector General<sup>13</sup> recognized the true nature of credit ratings: “While often linked together ... as ‘gatekeepers,’ the role of an independent auditor and a CRA is very different, and face correspondingly different conflicts of interest and transparency concerns. Auditors might be described as ‘backwards-focused,’ in that they use audit standards set by the Public Company Accounting Oversight Board (PCAOB) to opine on statements that an issuer makes regarding

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<sup>11</sup> One Member State has recently introduced a specific civil liability regime for CRAs, in other Member States there is ongoing discussion whether CRAs could be held liable vis a vis investors and in a third group of Member States civil liability of CRAs towards investors seems to be legally impossible.

<sup>12</sup> Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into law on July 21, 2010 (Dodd-Frank Act). <http://origin.www.gpo.gov/fdsys/pkg/PLAW-111publ203/pdf/PLAW-111publ203.pdf>

<sup>13</sup> This memo is appended to the Inspector General's August 27, 2009 report on the SEC's oversight role regarding NRSROs.



historic facts. By contrast, CRAs are ‘forwards-focused,’ using non-standardized and proprietary methodologies (which current legislation prohibits the SEC from regulating) to predict the likelihood of future events.”

With the January 1, 2011 implementation of the European Securities and Markets Authority (ESMA), CRAs are now directly supervised on a pan-EU basis and can be sanctioned, fined, publicly admonished and de-registered for non-compliance with requirements under the EU CRA Regulation. ESMA has the power to request information, launch investigations and perform on-site inspections. The EU CRA Regulation has set very high standards for transparency and disclosure, independence, and integrity in the ratings process towards the issuance of high quality ratings. DBRS believes that ESMA’s oversight, powers and penalties are more appropriate measures to provide additional safety and soundness in the market.

## **5. Potential Conflicts of Interest due to the “Issuer-Pays” Model**

The Consultation Paper indicates that the EU CRA Regulation has introduced various measures<sup>14</sup> to counteract the inherent conflicts of interest of the "issuer-pays" model which is the prevailing model among credit rating agencies.<sup>15</sup> This model is where issuers solicit and pay for the ratings of their own debt instruments. The Consultation Paper states that the "issuer-pays" model entails conflicts of interest by its nature, but also recognizes that alternative business models such as “investor/subscriber-pays” and the “public utility/government” model may not be free from conflicts of interest. The Consultation Paper suggests several options to consider under the “investor/subscriber-pays”, and new models such as “payment-upon-results”, “Trading venues Pay”, “Government as Hiring Agent” and “Public Utility”.

As a general comment, there is no business model that completely avoids the potential for conflicts of interest. In terms of the issuer-pays model to which DBRS ascribes, the key issues to consider are the benefits that arise and the manner in which any potential conflicts are managed.

The issuer-pay business model allows ratings to be available to all investors without cost. When all market participants receive ratings simultaneously, they have received an additional source of information, a risk and comparative tool to use in their decision making. In the investor or subscriber-pays model, investors or subscribers may have a stake in how an issuer or instrument is rated and rating accuracy is difficult to verify because of the limited disclosure to the public, especially smaller investors.

Under the issuer pay model, ratings are a freely available public good. However, the production and monitoring of high quality ratings is costly and labor intensive. DBRS employs highly skilled and

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<sup>14</sup> For instance, CRAs have to undertake all necessary steps to ensure that their ratings are not affected by any existing or potential conflict of interest (Art. 6 (1) of the EU CRA Regulation in conjunction with Annex I, Section B 1). They have to disclose to the public the names of the rated entities from which they receive more than 5 % of their annual income (Art 6 (2) in conjunction with Annex I Section B 2). Rating analysts may not be involved in any negotiation regarding fees with a rated entity and their remuneration shall not depend on the remuneration received from the rated entity (Art. 7 (2), (5) of the EU CRA Regulation).

<sup>15</sup> The Consultation Paper cites that on average, the revenue generated by "issuer-pays" model represents more than two-third of total CRAs revenues.



experienced analysts, and has implemented strong internal supporting infrastructure and a broad range of processes, procedures and controls to ensure that its rating actions are accurate, timely and transparent. Freely available quality research would not be feasible under other models.

In addition to compliance with the EU CRA Regulation and IOSCO Code<sup>16</sup>, DBRS has an Employee Code of Conduct (Employee Code) which provides guidance regarding DBRS standards of conduct to be followed by all DBRS staff. As part of its governance framework, DBRS employs a global chief compliance officer (CCO) who is responsible for oversight of DBRS compliance to its Business Code, staff compliance to the Employee Code and overall compliance in all jurisdictions in which DBRS does business. The EU CRA Regulation also requires a CRA to establish an independent supervisory or administrative board to whom the CCO reports.<sup>17</sup> Together, these measures serve to prevent any conflicts of interest.

DBRS does not believe there is a magic bullet or an alternate business model or option that would provide the important benefit associated with the issuer-pays model. Moreover, implementation of any new business models or options would be difficult and potentially unworkable where a new civil liability regime for CRAs is introduced and the use of external ratings is severely limited.

DBRS suggests that the EU Commission carefully study the viability and consequences of alternate business models<sup>18</sup>.

DBRS would be pleased to further discuss any of the matters raised herein and/or provide additional information. Please do not hesitate to contact me.

Very truly yours,

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

Mary Keogh  
Managing Director  
Global Regulatory Affairs  
416.597.3614

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<sup>16</sup> See the DBRS Business Code.

<sup>17</sup> DBRS issued a commentary on October 29, 2010 entitled DBRS's Global Commitment to High Standards and Market Communication that outlines some of the independence measures it has implemented.

<sup>18</sup> The Dodd-Frank Act requires the Government Accountability Office to conduct a study on alternative business models which report is due by February 2012. The Dodd-Frank Act also requires the SEC to conduct a study on the feasibility of establishing a system where an independent utility would assign NRSROs to rate structured finance products, a concept similar to the "Government as Hiring Agent" model proposed in the Consultation Paper.