

June 13, 2006

The Honorable Mike Oxley
Chairman
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Barney Frank
Ranking Minority Member
Committee on Financial Services
U.S. House of Representatives
B-301-C Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Oxley and Ranking Minority Member Frank:

The Investment Company Institute urges the Committee to approve H.R. 2990, the "Credit Rating Agency Duopoly Relief Act of 2005," introduced by Rep. Michael Fitzpatrick (R-PA). The legislation will benefit investors and the securities markets by paving the way for increased competition in the credit ratings industry.

The SEC's current "Nationally Recognized Statistical Rating Organization" (NRSRO) designation process stifles competition and presents barriers for new entrants to compete with currently designated NRSROs. H.R. 2990 establishes a registration process through which additional rating agencies become NRSROs, while simultaneously granting the Commission appropriate authority to ensure the integrity and quality of credit ratings. The bill also brings much needed sunlight to credit ratings by requiring disclosure of an NRSRO's rating criteria, its methodologies and policies, how an NRSRO addresses conflicts of interest (as well as the conflicts themselves), and the organizational structure of an NRSRO.

The Institute and its members have a longstanding interest in credit ratings. Mutual funds employ credit ratings in a variety of ways – to help make investment decisions, to define investment strategies, to communicate with their shareholders about credit risk, and to inform the process for valuing securities. Most significantly for Institute members is the role of credit ratings in the operation of money market mutual funds, which currently have some \$2.1 trillion in assets. Money market funds are governed by Rule 2a-7 under the Investment Company Act, which limits these funds to investing in securities either rated in the two highest short-term rating categories by an NRSRO, or determined by the fund board to be of comparable quality.

Given the importance of this issue to mutual funds and fund shareholders, the Institute greatly appreciates the Committee's efforts to address our technical concerns with the legislation. The manager's amendment to H.R. 2990 significantly reforms credit rating agencies by increasing

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competition, providing appropriate SEC oversight, enhancing transparency, and heightening accountability – reforms that will greatly benefit investors and securities markets as a whole. Accordingly, we thank the Committee for its work and urge Members to support this important reform legislation and vote aye on final passage.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Schott Stevens". The signature is stylized with a large, looped initial "P" and a cursive "Schott Stevens".

Paul Schott Stevens

Cc: The Honorable Richard Baker
The Honorable Paul Kanjorski