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### **Moodys SEC Fax to Ray McDaniel**

Lori Richards

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
OFFICE OF COMPLIANCE INSPECTIONS AND EXAMINATIONS**



**FACSIMILE TRANSMITTAL COVER SHEET**

DATE: June 12, 2009  
TO: Raymond W. McDaniel  
President  
FIRM/AGENCY: Moody's Investors Service  
PHONE:  
FAX: 212.553.3740  
FROM: Lori Richards  
Director  
PHONE: 202.551.6200  
FAX: 202.772.9182

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COMMENTS:

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
OFFICE OF COMPLIANCE INSPECTIONS AND EXAMINATIONS**



**FACSIMILE TRANSMITTAL COVER SHEET**

DATE: June 12, 2009  
TO: Stephen Ehrenberg

FIRM/AGENCY: Sullivan & Cromwell  
PHONE: 212-558-4000  
FAX: 212-558-3588  
FROM: Lori Richards  
Director

PHONE: 202.551.6200  
FAX: 202.772.9182

Total number of pages in this transmission including this cover sheet: 3

COMMENTS:



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

OFFICE OF COMPLIANCE  
INSPECTIONS AND  
EXAMINATIONS

June 12, 2009

Via Facsimile and First Class Mail

Raymond W. McDaniel  
President  
Moody's Investors Service, Inc.  
7 World Trade Center, 250 Greenwich Street  
New York, NY 10007

Re: Implementation of Remedial Actions Following Examination of Moody's  
Investors Service, Inc.

Dear Mr. McDaniel:

As you know, the Commission's Staff initiated an examination of Moody's Investors Service, Inc. ("Moody's") in August 2007. The focus of the examination was Moody's activities in rating subprime residential mortgage-backed securities ("RMBS") and collateralized debt obligations ("CDOs") linked to subprime RMBS. As a result of the examination, the Staff provided Moody's with a deficiency letter outlining its findings and recommendations on July 11, 2008. In the deficiency letter, the Staff requested immediate corrective action, that Moody's provide a written response, a timetable for implementing the remedial action, and a written confirmation in six months detailing the status of implementation of each remedial action. We are writing to bring certain matters to your attention and to request that they be addressed as part of Moody's remedial actions following the examination.

We have reviewed the information provided by Moody's following the issuance of the deficiency letter, including its January 12, 2009 letter that detailed the implementation status of Moody's remedial actions, as well as its additional response of March 17, 2009. We appreciate the size of the undertakings related to implementing the Staff's recommendations and note that Moody's has made numerous significant improvements in response to our recommendations. Moody's advised the Staff that it anticipated completing its response to all of Staff's recommendations by the end of the first quarter 2009.

To date, however, the Staff has not received Moody's updated securities trading policy or confirmation that implementation of its email monitoring process is complete. The Staff requests that Moody's provide the necessary documentation to confirm that these matters

have been fully addressed or, provide an explanation as to why they remain outstanding and provide a timeline for when they will be completed.

In addition, as stated in the deficiency letter, the Staff recommended that Moody's "conduct a broad review of its practices, policies and procedures to further mitigate and manage the issuer pays conflict of interest. In particular, the Staff recommends that Moody's consider and implement steps that would insulate or prevent the possibility that considerations of market share and other business interests could influence ratings or ratings criteria." In response, Moody's noted several remedial measures undertaken, including the implementation of an email system to monitor for fee discussions among ratings personnel. These actions do not fully address the types of conflicts arising from the issuer-pays model that were found in the examinations -- namely, that ratings or ratings criteria could be influenced by considerations of market share or competitive interests of the firm. We request that Moody's provide the methodology and results of this review, including any summary of the review that was provided to Moody's Board of Directors. The Staff requests that Moody's provide this information immediately. Irrespective of this request, the Staff expects that Moody's will immediately establish proactive compliance procedures related to the issuer-pays conflict, particularly related to those identified by the Staff in its examination.

The Staff requests that Moody's respond to this letter with the information requested within 14 days. Thank you for your continued cooperation in the examination. Please feel free to call me at (202) 551-6200 or Duer Meehan at (202) 551-6446 if you have any questions.

Sincerely,



Lori A. Richards

Director

Office of Compliance Inspections and Examinations