

## Standard & Poor's President Deven Sharma Says Credit Rating Firm Taking Steps To Restore Investor Confidence In The Capital Markets

### Sharma Showcases S&P's Commitment to High Quality, Independent and Transparent Credit Ratings in Testimony to House Committee

Washington D.C. – October 22, 2008 – In testimony today before the United States House Committee on Oversight and Government Reform, Deven Sharma, President of Standard & Poor's ("S&P"), detailed S&P's commitment to increasing transparency and restoring investor confidence to the capital markets, the role of S&P's ratings in evaluating creditworthiness, and lessons learned from recent market events.

In his testimony, Mr. Sharma stated that, "We appreciate the seriousness of the current dislocation in the capital markets...and we recognize that many of the forecasts we used in our ratings analysis of certain structured finance securities have not been borne out... At S&P, a core principle of our business, and a key driver of our long track-record of analytical quality, is a constant commitment to improvement. We have actively sought, listened to, and reflected on the many comments and concerns that have been expressed in the markets...and we have focused our efforts to enhance our ratings process, provide better and more information to investors, and promote confidence in our ratings."

He continued: "Ratings have been, and we believe will continue to be, an important tool for investors...For decades, S&P has effectively served the global capital markets with high quality, independent, and transparent credit ratings. Studies on rating trends and performance...have repeatedly confirmed that S&P's ratings...have been highly effective in informing the markets about both deterioration and improvement in credit quality."

The following are additional highlights from Mr. Sharma's testimony.

#### The Role of Credit Ratings in the Capital Markets

Ratings provide "a common and transparent language for evaluating and comparing creditworthiness across all sectors in both mature and developing global markets."

"...our ratings are opinions on the relative future credit risk of an entity or a debt obligation, primarily the risk that an entity may not meet its contractual and financial obligations as they come due."

"...ratings are not investment advice or recommendations to buy, sell, or hold a security."

"S&P maintains rigorous policies and procedures around the integrity of our analytical processes through a number of checks and balances...S&P makes all of its public ratings, as well as other important information, available to the market free of charge in real time...This creates a level playing field and a common basis for analyzing risk."

#### Lessons Learned

"It is by now clear that a number of the assumptions we used in preparing our ratings on mortgage-backed securities...did not work. Those assumptions about the expected performance of assets in a future economic environment were the result of a robust analysis of the transactions themselves, our monitoring of the market, our experience in rating these types of securities, and historical data, including market events going back as far as 75 years to the Great Depression."

"While we endeavored in good faith to assess what we thought would occur in a variety of future economic conditions so that our ratings might withstand the stresses of economic cycles, events have demonstrated that the historical data we used and the assumptions we made significantly underestimated the severity of what has actually occurred."

"Virtually no one – be they homeowners, financial institutions, rating agencies, regulators, or investors – anticipated what is occurring...There is no doubt that had we anticipated the extraordinary events that have occurred – and we did not – we would have utilized different economic forecasts and would not have assigned many of the original ratings that we did."

## **S&P's Actions To Enhance the Ratings Process and Promote Confidence**

"...we announced a series of actions earlier this year which focus on raising transparency...as well as further enhancing Standard & Poor's rating practices and processes."

"The initiatives include...new governance procedures and controls designed to enhance the integrity of our ratings process and to safeguard against factors that could challenge that process;...analytical changes focusing on the substantive analysis we do in arriving at our ratings opinions;...changes to the information we use in our analysis and the way we convey our opinions to, and share our assumptions with, the public; and...new ways to communicate with, and explain to, the market about our ratings, their intended use, and their limitations."

"We take the need for greater transparency and independence very seriously, as demonstrated by the steps we are taking. We believe all parties are better served by open and transparent communication about how we analyze creditworthiness."

To view a copy of Mr. Sharma's testimony, visit <http://www.standardandpoors.com>.

### About Standard & Poor's

Standard & Poor's, a division of The McGraw-Hill Companies (NYSE:MHP), is the world's foremost provider of financial market intelligence, including independent credit ratings, indices, risk evaluation, investment research and data. With approximately 9,000 employees, including wholly owned affiliates, located in 23 countries and markets, Standard & Poor's is an essential part of the world's financial infrastructure and has played a leading role for more than 140 years in providing investors with the independent benchmarks they need to feel more confident about their investment and financial decisions. For more information, visit <http://www.standardandpoors.com>.

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