

8 August 2008

Via Electronic Mail

Calvin R. Wong, Senior Criteria Officer
Thomas G. Gillis, Chief Quality Officer
Standard & Poor's Rating Services
criteriacomments@standardandpoors.com

Re: "Request for Comment: Should S&P Explicitly Recognize Credit Stability As An Important Rating Factor?"

The Commercial Mortgage Securities Association Europe™ (CMSA-Europe™) submits this letter in response to Standard & Poor's request for comment issued on 16 July 2008 and follows the letter submitted by The Commercial Mortgage Securities Association (CMSA) on 31 July 2008. CMSA-Europe and its affiliates form the global trade organisation for commercial real estate capital market finance. The organisation's primary mission is to promote the ongoing strength, liquidity and viability of commercial real estate capital market finance worldwide. Based in London, with headquarters in the United States and a strong presence in Canada and Japan, CMSA is the voice for the industry, with a diverse global membership of over 400 member firms represented by more than 5,000 individuals who actively engage in commercial real estate capital market finance activities. These members embody the full spectrum of the commercial mortgage-backed securities (CMBS) market, including senior executives at the largest banks and investment banks, insurance companies, investors such as money managers and speciality finance companies, servicers, other service providers to the industry, and the rating agencies, including Fitch Ratings, Moody's, and Standard & Poor's.¹ CMSA-Europe and its members are the leaders in setting standards and maintaining a favourable investing environment, we submit these comments in an effort to further advance these dual objectives.

¹ This letter does not necessarily reflect the views of CMSA-Europe's credit rating agency members.

CMSA-Europe members are very concerned with the proposal to explicitly recognise credit stability as a rating factor for CMBS. The principal causes of concern are as follows:

1) **Lack of clarity around the proposal:** We do not believe that the proposal is sufficiently detailed to allow a proper analysis of its likely impact or applicability to different types of CMBS (e.g. single asset vs multi-loan). In order to be in a position to provide meaningful feedback, our members would require an opportunity to discuss in detail with S&P the motivation for the changes and their proposed ambit. Key issues requiring clarification include:

- how the proposal will apply to different types of CMBS product
- what the objective is in implementing the proposal
- impact on existing CMBS ratings as well as future ratings
- perceived weaknesses (if any) in the existing ratings methodologies which the proposal is designed to correct

2) **Reasons for implementing the proposal:** It is not clear to CMSA-Europe members whether the proposal is designed to address a lacunae in the existing ratings process or to augment the current methodology. A number of members have expressed the view that they believed the “credit stability” type events were already covered in the stress scenarios applied by S&P. We would like to understand further the motivation for the proposed changes.

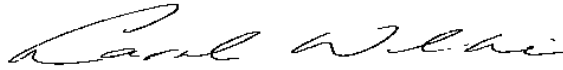
3) **Timing of implementation of proposal:** Given the continuing instability in the ABS markets generally, we question the wisdom behind introducing these proposals at this point in time. It is more important than ever to re-assure investors of the robustness of the European CMBS market. Our members are concerned that the proposal will cause confusion around the integrity of the existing ratings of European CMBS and contribute to further volatility. Clearly, this is something which should be avoided since re-establishing market confidence should be a key objective for all participants.

4) **Scope of application:** While the proposal seems to have broad application across the ratings spectrum, it is acknowledged that the impact will be more pronounced for certain products, in particular re-securitisation like instruments. We would welcome the opportunity to flesh out the scope of application and to investigate whether the scenarios envisaged are not already adequately covered under existing CMBS ratings methodologies.

5) **Length of consultation period:** In light of the lack of clarity around the proposal, we consider that the three-week consultation period is insufficient to facilitate a proper review. The impact of the changes needs to be fully understood before they can be endorsed by market participants.

CMSA-Europe appreciates the opportunity to comment on this proposal and looks forward to working with Standard & Poor's in order to ensure continuing high standards of transparency and consistency in CMBS rating methodologies. Please do not hesitate to contact us with questions and comments.

Sincerely,

A handwritten signature in cursive script, appearing to read "Carol Wilkie".

Carol Wilkie
Managing Director, CMSA-Europe

A handwritten signature in cursive script, appearing to read "Jaymon Jones".

Jaymon Jones
Director, Strategic Initiatives