



Remarks for Deven Sharma
FDIC Conference
July 9th, 2008

GOOD MORNING, AND THANK YOU FOR HAVING ME.

I WELCOME THE OPPORTUNITY TO SPEAK WITH YOU TODAY, AND I WANT TO START BY ACKNOWLEDGING THE LEADERSHIP ROLE OF FDIC AND CHAIRMAN BAIR, WHO HAS PUT FORWARD A NUMBER OF HELPFUL IDEAS AS WE ALL TRY TO MAKE SENSE OF WHAT HAS BEEN HAPPENING IN THE HOUSING MARKETS, AND THE CREDIT MARKETS, OVER THE PAST YEAR.¹

¹ Speech delivered on the credit crisis (5/16/08):
<http://www.fdic.gov/news/news/speeches/chairman/spmay1608.html>

Op-ed in Financial Times (4/30/08): <http://www.ft.com/cms/s/0/38da69dc-164d-11dd-880a-0000779fd2ac.html>

THE PAST YEAR OR SO HAS BEEN QUITE EVENTFUL. I MIGHT EVEN SAY “ACTION-PACKED,” GIVEN HOW MUCH VOLATILITY WE HAVE SEEN ACROSS THE MARKETS.

AT STANDARD & POOR’S, OUR TOP PRIORITY HAS BEEN TO MAINTAIN, AND BUILD ON, INVESTORS’ CONFIDENCE IN S&P’S RATINGS PROCESS AND OPINIONS. THAT TRUST IS THE LIFEblood OF OUR FRANCHISE, AND WE BELIEVE IT PLAYS A VALUABLE ROLE IN CONTRIBUTING TO THE LONG-TERM HEALTH AND VITALITY OF THE WORLD’S CAPITAL MARKETS.

AS I HARDLY NEED TO REMIND THIS AUDIENCE, AN IMPORTANT CONVERSATION IS UNDERWAY ABOUT THE WAY SECURITIES ARE EVALUATED AND RATED, IN ADDITION TO THE WAY SECURITIES ARE ORIGINATED, SOLD, INVESTED AND PRICED. S&P IS COMMITTED TO PLAYING A LEADERSHIP ROLE IN THIS DIALOGUE, AND I AM PLEASED TO CONTINUE THIS CONVERSATION WITH ALL OF YOU TODAY.

TODAY I’D LIKE TO TRY TO COVER A LOT OF GROUND IN A RELATIVELY SHORT PERIOD OF TIME:

- FIRST, I WILL PROVIDE A BRIEF EXPLANATION OF WHAT IT IS THAT WE DO – AND DON'T DO – AT STANDARD & POOR'S RATINGS SERVICES,
- SECOND, I WILL OUTLINE SOME OF THE ACTIONS WE ARE TAKING AND OUR COMMITMENT TO HELPING INCREASE TRANSPARENCY IN THE CAPITAL MARKETS,
- AND THIRD, I'D LIKE TO TOUCH ON WHAT WE AND OTHER MARKET PARTICIPANTS CAN DO TO STRENGTHEN THE CAPITAL MARKET MOVING FORWARD.

WHAT WE DO

LET ME START WITH WHAT WE DO AT S&P RATINGS SERVICE.

S&P HAS LONG BEEN IN THE BUSINESS OF PROVIDING OPINIONS ABOUT, AND INSIGHTS INTO, THE CAPITAL MARKETS, AIDING IN THE EXTENSION OF CREDIT TO GROWING BUSINESSES AND THE DEVELOPMENT OF EMERGING MARKETS WORLDWIDE.

OUR COMMITMENT TO INDEPENDENCE, QUALITY AND INTEGRITY RUNS THROUGH EVERYTHING WE DO AND WILL BE CRUCIAL TO OUR EFFORTS IN THE MONTHS AND YEARS AHEAD.

AS A CREDIT RATINGS FIRM, STANDARD & POOR'S PROVIDES OPINIONS ON THE RELATIVE FUTURE CREDIT RISK OF AN ENTITY OR A DEBT OBLIGATION – IN OTHER WORDS, THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS IT COMES DUE. WE DO NOT PROVIDE INVESTMENT ADVICE OR RECOMMENDATIONS, NOR DO WE GET INVOLVED WITH ADVISING OR STRUCTURING TRANSACTIONS.

QUITE SIMPLY, STANDARD & POOR'S RATINGS PROVIDE AN OPINION ON THE CREDITWORTHINESS OF AN ENTITY THAT INVESTORS CAN USE TO HELP INFORM THEIR INVESTMENT DECISIONS.

WHEN FORMULATING OUR OPINIONS, WE STRIVE TO HAVE COMPARABLE RATINGS ACROSS THE VARIOUS ASSET CLASSES WE RATE OVER THE LONG-TERM. IT'S ALSO IMPORTANT TO NOTE THAT

OUR RATINGS ARE DYNAMIC AND FORWARD-LOOKING AND WILL CHANGE AS THE ISSUER AND/OR ITS ENVIRONMENT EVOLVE.

SOME HAVE RAISED QUESTIONS ABOUT OUR METHODS WHEN RATINGS HAVE CHANGED OR WHEN DEFAULT RATES DON'T ALIGN PERFECTLY ACROSS ASSET CLASSES. THOSE QUESTIONS FAIL TO GRASP THE DYNAMIC NATURE OF THE MARKETS AND OUR RATINGS. AGGREGATE DEFAULT RATES ARE ONE OF THE METRICS WE USE AS THE BASIS OF FORMING OUR RATINGS OPINIONS. BUT WE ALSO LOOK AT THE COMPARABILITY OF RISKS RELATIVE TO SIMILAR ENTITIES OR ASSETS, AS WELL AS TRANSITIONS OF THE RATINGS OVER TIME.

I ALSO WANT TO CLARIFY THAT RATINGS DO NOT SPEAK TO BOND PRICES. WHILE PRICE TENDS TO ALIGN WITH A BOND'S RATING OVER THE LONG-TERM, IN THE SHORT TERM MANY FACTORS CAN AFFECT A BOND'S PRICE, INCLUDING A BOND'S MATURITY, LIQUIDITY AND DURATION AS WELL AS THE HEALTH OF THE ECONOMY, AND RESULTING DEMAND AND SUPPLY, AND THE ISSUER.

AS I MENTIONED AT THE OUTSET, WE BELIEVE THAT STANDARD & POOR'S – LIKE OTHER RATINGS FIRMS – PLAYS A VITAL ROLE IN THE

LONG-TERM HEALTH AND VITALITY OF THE WORLD'S CAPITAL MARKETS. WITH THE INFORMATION WE AND OTHER RATINGS FIRMS PROVIDE, INVESTORS HAVE A GREATER AMOUNT OF INFORMATION UPON WHICH TO ASSESS CREDIT RISK, AND THEREFORE MORE INFORMATION WHEN MAKING CAPITAL ALLOCATION DECISIONS.

THE FACT IS, THE NEED FOR CAPITAL CONTINUES TO SPREAD ACROSS THE GLOBE, AND THE FOCUS OF WORLD GROWTH IS FOUND MORE AND MORE IN EMERGING MARKETS. THESE TRENDS ARE NOT ONLY CONTINUING, THEY ARE ACCELERATING. AS THEY DO, CAPITAL MARKETS WILL ONLY GROW IN SCOPE AND COMPLEXITY ... STANDARD & POOR'S RATINGS SERVICES IS COMMITTED TO EXPANDING OUR INSIGHTS AND OPINIONS TO SUPPORT THIS GROWTH.

THE ISSUER-PAYS MODEL

GIVEN THE ONGOING VOLATILITY IN THE MARKETS, THERE HAS BEEN A NATURAL TENDENCY TO RAISE QUESTIONS AND CONCERNS ABOUT THE INTEGRITY OF THE MARKETS. IN SOME CORNERS, THIS

HAS LED TO CRITICISM OF OUR “ISSUER-PAYS” BUSINESS MODEL,
WHICH HAS BEEN THE BASIS OF OUR WORK FOR NEARLY 40 YEARS.

THE CONCERN OVER POTENTIAL CONFLICTS APPEARS TO STEM
FROM THE BELIEF THAT PEOPLE WHO PAY WILL MOTIVATE
INAPPROPRIATE BEHAVIOR AMONG THOSE WHO RECEIVE PAYMENT.
BUT IF YOU BELIEVE IN THE PREMISE, THEN YOU MUST ACKNOWLEDGE
THAT THE POTENTIAL FOR CONFLICTS WILL EXIST IN BOTH THE
“INVESTOR-PAYS” MODEL AND THE ISSUER-PAYS MODEL. SO, IN THIS
CONTEXT THE QUESTION BECOMES, HOW DO YOU MANAGE SUCH A
CONFLICT?

STANDARD & POOR’S RATINGS SERVICES HAS A
COMPREHENSIVE SYSTEM OF SAFEGUARDS IN PLACE TO MINIMIZE THE
PROSPECT OF POTENTIAL CONFLICTS AND MAXIMIZE THE OBJECTIVITY
AND INDEPENDENCE OF OUR REVIEWS AND WE ARE ALSO TAKING
ADDITIONAL STEPS TO FURTHER STRENGTHEN OUR INDEPENDENCE.

FIRST, OUR CRITERIA FOR RATINGS ARE PUBLICLY AVAILABLE
AND CONSISTENTLY APPLIED. WE WILL REFUSE, AND HAVE REFUSED
ON MANY OCCASIONS, TO RATE TRANSACTIONS THAT DON’T MEET OUR

CRITERIA. THE VERY OPENNESS OF THE PROCESS ACTS AS A VERY PUBLIC AND EFFECTIVE CHECK AGAINST ANY POTENTIAL CONFLICT.

SECOND, OUR INTERNAL PROCESS IS DESIGNED TO MAXIMIZE THE AMOUNT OF EXPERTISE AND EXPERIENCE BROUGHT TO BEAR IN ISSUING A RATING. RATINGS ARE ALWAYS MADE BY COMMITTEES, NEVER BY INDIVIDUAL ANALYSTS.

THIRD, LIKE OTHER MEDIA COMPANIES, WE MAINTAIN A SEPARATION BETWEEN THE ANALYTICAL SIDE OF THE BUSINESS AND OUR COMMERCIAL ACTIVITIES. OUR ANALYSTS' COMPENSATION IS NOT TIED TO THE FEES THAT STANDARD & POOR'S RATINGS SERVICES EARNS ON THE BASIS OF THEIR WORK. NOR ARE ANALYSTS ALLOWED TO OWN, OR TRADE IN, ANY SECURITIES THAT THEY RATE.

THESE FACTORS, AND OTHERS, SERVE TO MITIGATE THE POTENTIAL DOWNSIDE OF THE ISSUER-PAYS MODEL. ADDITIONALLY, MOST OF THE DISCUSSIONS ABOUT THE ISSUER-PAYS MODEL IGNORE THE BENEFITS IT BRINGS TO THE MARKETS – ADVANTAGES THAT ARE NOT MERELY THEORETICAL, BUT QUITE CONCRETE. BY PROVIDING OUR RATINGS TO THE PUBLIC, FREE OF CHARGE, WE HELP CREATE A

LEVEL PLAYING FIELD AND A COMMON BASIS FOR ANALYZING RISK FOR ALL INVESTORS.

NEW ACTIONS

IN THE WAKE OF THE CREDIT DISLOCATIONS THAT DEVELOPED LAST SUMMER, S&P HAS ENGAGED IN ONGOING DISCUSSIONS WITH INVESTORS, POLICYMAKERS, INDUSTRY EXPERTS AND OTHER MARKET PARTICIPANTS FROM AROUND THE WORLD AS WE WORK TO BUILD GREATER CONFIDENCE IN CREDIT RATINGS AND SUPPORT THE EFFICIENT OPERATION OF THE GLOBAL CREDIT MARKETS.

WE KNOW THAT WE HAVE AN IMPORTANT ROLE TO PLAY IN CONTRIBUTING TO TRANSPARENCY IN THE CAPITAL MARKETS – AND WE ARE DETERMINED TO DO OUR PART.

WE RECOGNIZE THAT THE ASSUMPTIONS WE USED IN RATING SUBPRIME RMBS TRANSACTIONS, WHICH WERE BASED ON LONG-STANDING HISTORICAL TRENDS, DID NOT SERVE US WELL. FOR ONE THING, FEW IN 2005 OR 2006 WOULD HAVE PREDICTED A HOUSING RECESSION THAT WOULD RIVAL THAT OF THE GREAT DEPRESSION IN SCOPE AND SEVERITY. CERTAINLY, WE DID NOT.

BUT LET ME PUT OUR RATINGS ACTIONS IN PERSPECTIVE. FROM 2005-2007, WE RATED ALMOST \$3.5 TRILLION IN HOUSING-RELATED SECURITIES. THUS FAR ABOUT 1% HAS DEFAULTED AND 19.5% HAVE BEEN DOWNGRADED. THE DETERIORATION IN THESE INSTRUMENTS' CREDIT METRICS WARRANTED THE ACTIONS. AS I SAID, OUR RATINGS ARE DYNAMIC AND REFLECT THE CURRENT ENVIRONMENT.

WE ALSO ACKNOWLEDGE THAT OUR PROCESSES CAN ALWAYS BE IMPROVED AND IN FEBRUARY OF THIS YEAR, WE ANNOUNCED AN INITIAL SLATE OF 27 ACTIONS TO ENHANCE TRANSPARENCY, FURTHER STRENGTHEN OUR INDEPENDENCE AND RATINGS PROCESSES AND BETTER SERVE CAPITAL MARKETS WORLDWIDE.

THE ACTIONS FOCUS ON FOUR BROAD AREAS:

- INVESTOR ANALYTICS
- INVESTOR INFORMATION
- INVESTOR EDUCATION; AND
- GOVERNANCE

YOU CAN SEE THE FULL LIST OF THESE ACTIONS AS WELL AS THE PROGRESS WE HAVE MADE TO DATE IN ACHIEVING EACH OF THEM BY VISITING WWW.STANDARDANDPOORS.COM – AND I ENCOURAGE YOU TO DO SO. BUT IF I WERE TO BOIL THESE 27 INITIATIVES TO THEIR MOST SALIENT FEATURE, IT WOULD BE INCREASED TRANSPARENCY. FOR EXAMPLE ...

- WE ARE INCREASING THE AMOUNT AND USEFULNESS OF THE INFORMATION WE PUBLISH, INCLUDING OUR UNDERLYING ASSUMPTIONS FOR VARIOUS ASSET CLASSES, STRESS TESTS FOR OUR RATINGS, AND SCENARIO ANALYSIS AROUND THE FACTORS THAT COULD DRIVE A RATINGS CHANGE.
- WE PLAN TO EXPAND OUR SURVEILLANCE BY LOOKING AT UNDERLYING LOANS.
- WE ARE DEVELOPING NEW CRITERIA FOR EVALUATING ISSUERS OF MORTGAGE-RATED SECURITIES, AS WELL AS CRITERIA FOCUSING ON INSURING THAT THE DATA WE RECEIVE FROM THEM IS OF THE HIGHEST QUALITY.

- WE ARE DEVELOPING NEW CRITERIA FOCUSING ON THE STABILITY OF OUR RATINGS THROUGH VARIOUS STRESS SCENARIOS, HAVING RECOGNIZED THAT EVEN WHEN THERE WAS COMPARABILITY AROUND DEFAULT LEVELS THERE ARE OBSERVABLE DIFFERENCES ON STABILITY.
- WE CONTINUE TO INVEST IN OUR PEOPLE. FOR EXAMPLE, WE RECENTLY INCREASED OUR RATINGS SURVEILLANCE STAFF FOR ALL ASSET CLASSES IN STRUCTURED FINANCE, AND BROUGHT IN A NUMBER OF NEW SENIOR EXECUTIVES -- INCLUDING A NEW CHIEF CREDIT OFFICER -- AND BUILT A MODEL VALIDATION GROUP. WE HAVE ALSO DEVELOPED A NEW RATINGS RISK MANAGEMENT FUNCTION.
- WE ARE STRENGTHENING OUR ANALYTICS BY SEPARATING OUT OUR CRITERIA DEVELOPMENT FUNCTIONS FROM OUR ONGOING QUALITY REVIEW FUNCTIONS.
- AND WE ARE REACHING OUT TO ALL TYPES OF MARKET PARTICIPANTS TO EDUCATE THEM ON HOW TO USE A RATING

AND WHY THEY NEED TO COMPLEMENT RATINGS WITH OTHER TYPES OF INVESTMENT RESEARCH.

IN ADDITION TO OUR ACTIONS, THE THREE MAJOR RATING AGENCIES RECENTLY SIGNED AN AGREEMENT WITH THE NEW YORK ATTORNEY GENERAL. THE AGREEMENT FOCUSES ON AUGMENTING OUR FEE STRUCTURE, INCREASING DISCLOSURE TO INVESTORS AND REINFORCING THE NEED FOR DATA QUALITY. AND, LAST MONTH, THE SEC ISSUED ITS PROPOSED NEW RULES. IN BOTH INSTANCES, THE OVERARCHING GOAL HAS BEEN ONE WE WHOLE-HEARTEDLY SHARE: TO INCREASE TRANSPARENCY ABOUT WHAT WE DO AND HOW WE DO IT. WE TAKE THE NEED FOR GREATER TRANSPARENCY AND INDEPENDENCE VERY SERIOUSLY, AS I HOPE YOU CAN SEE FROM THE STEPS WE HAVE TAKEN.

LOOKING AHEAD

UP UNTIL LAST SUMMER, CAPITAL MARKETS WERE EXPERIENCING STRONG GROWTH THANKS TO A RISING TIDE OF LIQUIDITY AND LEVERAGE. BUT WHEN THAT TIDE ROLLED OUT, THE MARKETS RAN AGROUND.

NO ONE CAN PREDICT WHEN THE CURRENT MARKET DISLOCATION WILL END. BUT IT WILL END. IN THE INTERIM, THE FULL SPECTRUM OF MARKET PARTICIPANTS – BE THEY INVESTORS, REGULATORS, LENDERS, REPORTERS, AND YES, CREDIT RATING AGENCIES -- NEED TO RAISE THE LEVEL OF DISCOURSE SO WE CAN LOOK BEYOND THE UNRAVELING THAT’S OCCURRED IN THE CREDIT MARKETS OVER THE PAST YEAR AND BEGIN TO FOCUS ON RESTORING CONFIDENCE IN THE CAPITAL MARKETS.

FIRST AND FOREMOST, THERE NEEDS TO BE MORE ACCOUNTABILITY IN THE LENDING PROCESS. WHETHER IT IS LENDING TO CORPORATIONS BY LIGHTLY REGULATED INVESTMENT POOLS OR THE DIFFERENT TYPES OF PROMOTIONS PITCHED TO CONSUMERS, STANDARDS AND BEST PRACTICES NEED TO BE ESTABLISHED TO ENSURE THE FINANCING IS APPROPRIATE FOR THE BORROWERS.

ADDITIONALLY, BORROWERS AND LENDERS NEED TO BE EDUCATED ABOUT WHAT DIFFERENT PRODUCTS, WHETHER THEY ARE INTEREST-ONLY, FIVE-YEAR ARMS OR FLOATING-RATE CORPORATE LOANS, WILL COST THEM BOTH TODAY AND WHEN THE LOANS RESET.

UNTIL BORROWERS UNDERSTAND ALL OF THE CREDIT FEATURES AND LONG-TERM COSTS OF ADJUSTABLE RATE MORTGAGES, WE CAN CONTINUE TO EXPECT DEFAULT RATES TO INCREASE AS THE LOANS RESET. LIKewise, LENDERS NEED TO REFOCUS ON PRODUCT SUITABILITY AND RECOGNIZE THAT THEY STAND BETWEEN THE CONSUMER AND THE INVESTOR IN MORTGAGE FINANCE.

SECOND, STRUCTURED FINANCE INVESTORS NEED TO DEVELOP ADDITIONAL TOOLS – BEYOND RATINGS REPORTS AND THE PROSPECTUS ATTACHED TO A DEAL – FOR ANALYZING THE BONDS THEY BUY. AS I HAVE SAID PREVIOUSLY, OUR RATINGS SPEAK TO CREDIT RISK, AND CREDIT RISK ONLY. THEY DON'T TALK TO SUITABILITY, PRICE, DURATION OR ANY OF THE MYRIAD OF OTHER FACTORS INVESTORS NEED TO LOOK AT BEFORE BUYING A SECURITY.

THAT SAID, WE RECOGNIZE THERE IS A NEED IN THE MARKET FOR MORE THAN JUST PURE ANALYSIS OF CREDIT WORTHINESS AND SO WE ARE WORKING ON DEVELOPING ADDITIONAL ANALYSIS AROUND NON-DEFAULT RISKS SUCH AS CORRELATION, RECOVERY AND VOLATILITY

FOR THE ASSET CLASSES WE RATE. INVESTORS ALSO MAY WANT TO LOOK AT THOSE ISSUES AS WELL AS THE AMOUNT OF LEVERAGE IN THEIR PORTFOLIOS AND IN THE SECURITIES THEY HOLD.

ANY DISCUSSION OF LIQUIDITY AND LEVERAGE MUST ALSO ADDRESS SECURITIZATION. MAKE NO MISTAKE, SECURITIZATION HAS BEEN ONE OF THE KEY DRIVERS OF INNOVATION IN THE FINANCIAL MARKETS, AND WE FULLY EXPECT THAT SECURITIZATION WILL CONTINUE TO BE APPLIED TO ALL TYPES OF NEW ASSETS. OVER THE LAST 25 YEARS, SECURITIZATION HAS LED TO A DRAMATIC CHANGE IN FINANCIAL MARKETS -- MAKING THEM MORE EFFICIENT WHILE ALSO INCREASING LIQUIDITY. I WOULD EMPHASIZE THE CRITICAL ROLE IN PROVIDING LIQUIDITY TO THE LESS LIQUID SEGMENT OF THE MORTGAGE MARKET, SUCH AS LOW AND MODERATE INCOME AND SUB-PRIME MORTGAGES.

BUT WITH THESE BENEFITS THERE HAVE BEEN SOME COSTS. WHILE THE WIDE RANGE OF STRUCTURED FINANCE PRODUCTS -- THINK CDOs OF ABS, ABCP CONDUITS, OR HELOCs -- HAVE FOUND EAGER BUYERS, IT ALSO APPEARS THAT NOT ALL OF THESE BUYERS

FULLY UNDERSTOOD WHAT THEY WERE BUYING. DUE DILIGENCE IS, OF COURSE, ULTIMATELY THE RESPONSIBILITY OF THE INVESTOR. BUT I ALSO BELIEVE THAT THE ISSUERS HAVE A RESPONSIBILITY TO BE TRANSPARENT REGARDING THE RISKS ASSOCIATED WITH THE ASSETS THEY ARE SECURITIZING.

AT STANDARD AND POOR'S RATINGS SERVICES, WE HAVE TAKEN SOME INITIAL STEPS TO ENHANCE UNDERSTANDING OF SECURITIZED PRODUCTS BY PUBLISHING MORE INFORMATION ABOUT THE COLLATERAL THAT UNDERLIE MUCH OF THESE SECURITIES AND REFUSING TO RATE SECURITIES THAT DON'T MEET OUR NEW DISCLOSURE CRITERIA. BUT WHILE THESE ACTIONS WILL ASSIST INVESTORS TO GAIN A MORE NUANCED UNDERSTANDING OF THE ASSETS THEY ARE BUYING, THERE'S ROOM FOR EVEN MORE DISCLOSURE.

THERE ARE ALWAYS GOING TO BE MARKET PARTICIPANTS WHO RESIST CHANGE, AND SOME HAVE SAID THAT INCREASING TRANSPARENCY INCREASES VOLATILITY AND FORCES THE

DISCLOSURE OF PROPRIETARY INFORMATION. BUT FACED WITH THE MARKET DISLOCATIONS WE HAVE SEEN, IT IS ENTIRELY APPROPRIATE TO DISCUSS AND EMBRACE ENHANCED DISCLOSURE STANDARDS – STANDARDS THAT MUST REMAIN CONSISTENTLY AND BROADLY APPLIED, THROUGH BOTH GOOD AND BAD CYCLES.

GIVEN THE RESISTANCE IN SOME QUARTERS TO BECOME MORE TRANSPARENT, ALL MARKET PARTICIPANTS MUST BE ON GUARD TO ENSURE THAT THE MISTAKES OF THE RECENT PAST ARE NOT REPEATED. THIS TASK IS MADE ALL THE MORE CHALLENGING BY THE CHANGING PROFILE OF THE MARKETS. THEY ARE MORE DIVERSE – IN THE SENSE OF BEING MORE GLOBAL - BUT ALSO SUBJECT TO THE WHIMS OF A RANGE OF DIFFERENT INVESTORS, INCLUDING SOVEREIGN WEALTH FUNDS, HEDGE FUNDS, PENSION FUNDS, AND PRIVATE EQUITY INVESTORS. WHILE ALL ARE SEEKING TO MAXIMIZE RETURNS, THEY ALL HAVE VASTLY DIFFERENT INVESTMENT STYLES AND RISK MANAGEMENT CAPABILITIES, AS WELL AS DIFFERENT LEVELS OF UNDERSTANDING AND SOPHISTICATION.

GIVEN THE SHIFTING AND DYNAMIC NATURE OF THE WORLD'S MARKETS, THE FOCUS OF ANY INITIATIVES UNDERTAKEN BY REGULATORS AND MARKET PARTICIPANTS SHOULD BE PROMOTING A FULLER UNDERSTANDING OF THE PRODUCTS IN THE MARKETS AND THE RISKS THAT ACCOMPANY THEM.

WE MUST LEARN FROM THE CURRENT ENVIRONMENT THAT SEARCH FOR RETURNS WILL ATTRACT INNOVATION, LIQUIDITY AND IN SOME CASES HIGH LEVERAGE THAT WILL ONLY ADD TO RISKS IN THE MARKET AND WE MUST WORK TOGETHER TO FIND WAYS TO BETTER MANAGE THE FUTURE. GREATER TRANSPARENCY IN FINANCIAL MARKETS WILL HAVE A NUMBER OF INTERRELATED BENEFITS. IT WILL PROMOTE INVESTOR CONFIDENCE. IT WILL ACT AS A CATALYST FOR THE CONTINUED INNOVATION AND GLOBALIZATION OF MARKETS, AS INVESTORS FROM DIFFERENT JURISDICTIONS WILL HAVE ACCESS TO MORE UNIFORM INFORMATION. AND, PERHAPS MOST IMPORTANT OF ALL, IT WILL FOSTER MORE ROBUST MARKETS THAT CAN ONCE AGAIN

SERVE AS AN ENGINE OF OPPORTUNITY AND PROSPERITY FOR
LITERALLY BILLIONS OF PEOPLE THROUGHOUT THE WORLD.

THANK YOU.