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Letter to the Editor: Triple A rating does not guarantee against default

From Ms Vickie Tillman

Sir, Roger Altman ("Keep hold of the basic rules of finance", FT.com, May 14) claims the risk of a triple A rated bond defaulting is "in effect zero". As a former deputy US Treasury secretary, Mr Altman certainly knows that a triple A rating is no guarantee a bond will not default; it is only an informed opinion that the bond is highly unlikely to do so. To suggest that it is something more is inaccurate.

Historical default data confirm the quality of Standard & Poor's ratings. While the value of many triple A structured securities has fallen heavily, very few (about 0.13 per cent issued by S&P since 1978) have actually defaulted, which is what our ratings speak to. Furthermore, while we have seen defaults of triple A ratings in some asset classes, no US residential mortgage-backed securities issued since 2005 and rated triple A by S&P have defaulted to date.

We have learned a great deal from recent market challenges, and we will continue to work to support the effective functioning of global credit markets while improving the understanding of our ratings and the role they play in the capital markets.

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