

CHRISTOPHER COX
CHAIRMAN

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

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January 31, 2008

The Honorable Paul E. Kanjorski
Chairman
Subcommittee on Capital Markets,
Insurance and Government Sponsored Entities
U.S. House of Representatives
2188 Rayburn House Office Building
Washington, DC 20515-3811

Dear Chairman Kanjorski:

Thank you for your recent letter. In your correspondence, you expressed concern over the recent deterioration in the ratings of monoline insurers and the implications of ratings downgrades for all participants in the financial markets. Further, you inquired about what steps the U.S. Securities and Exchange Commission is taking to understand the scope of the potential impact of such downgrades on the securities markets, their participants, and investors.

You noted in your letter that participants in the financial services industry, including investment and commercial banks, have relied on credit default swap transactions with entities such as Ambac Financial Group and MBIA Inc., among others, to hedge their exposure to subprime mortgage debt and other complex securities products tied to these loans. Similarly, municipalities and tax exempt money market funds rely on bond insurance as a form of credit enhancement.

In response to your inquiry, I am enclosing a memo prepared by the Commission's Division of Trading and Markets that supervises the systemically important financial services firms and the municipal securities markets - both of which would be impacted by ratings downgrades of the monoline insurers.

I hope this information is helpful to you. The Commission's staff will continue to be in close contact with the industry and federal banking regulators to monitor the situation. Please feel free to call me at (202) 551-2126 or to have your staff call Jonathan Burks, Director of our Office of Legislative and Intergovernmental Affairs, at (202) 551-2016 if you would like to discuss the matter further.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Cox".

Christopher Cox
Chairman