Principal Global Investors

VIA ELECTRONIC MAIL (rule-comments@sec.gov)

July 25, 2008

Ms. Florence E. Harmon
Acting Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Proposed Rules for Nationally Recognized Statistical Rating Organizations
Release No. 34-57967, File No. S7-13-08

Dear Ms. Harmon:

Principal Global Investors, LLC ("Principal Global"), a wholly-owned, indirect subsidiary of the Principal Financial Group, Inc., a diversified, global financial services organization, is pleased to have the opportunity to comment on recently issued proposed rules amending the regulation of nationally recognized statistical rating organizations ("NRSROs") under the Securities and Exchange Act of 1934, as amended. Principal Global is a diversified asset management organization responsible for managing variable and fixed income assets, primarily for retirement plans and other institutional clients.

As a large asset manager responsible for making prudent and informed investment decisions for its clients, Principal Global understands the importance to investors and global capital markets of the integrity of credit ratings of structured finance products issued by NRSROs. While Principal Global supports efforts by the Securities and Exchange Commission ("SEC") to improve the transparency and integrity of structured finance product ratings issued by NRSROs, we share the concerns raised by the Securities Industry and Financial Markets Association ("SIFMA") Credit Rating Agency Task Force (the "Task Force") in their comment letter (the "SIFMA Letter") dated July 24, 2008 and support their request for your consideration of the matters raised in the SIFMA Letter.

Of particular concern to Principal Global, a concern conspicuously raised in the SIFMA Letter, is proposed new Rule 17g-7. Principal Global believes any use of rating modifiers would have serious ramifications for an already tumultuous credit market and could significantly impair current values assigned to structured finance securities given the high probability that the introduction of rating modifiers could lead to forced sales of these securities. This would not only affect structured finance securities that have already lost significant value, but also those structured securities that to this point have not suffered a loss in value. Any price deterioration caused by such ratings modifiers could potentially cause significant losses to investors, many of whom have already faced significant impairment charges to earnings based on mark-to-market valuations of structured finance securities holdings.

Further, given that various investment management mandates contain specific credit rating requirements for investments (and, obviously, such mandates don't contemplate any kind of modifier, qualification or otherwise), Principal Global believes that the use of rating modifiers could (i) create an internal compliance and administrative nightmare, (ii) severely disrupt effective and dynamic asset management and (iii) limit investor choices. In addition, and as noted in the SIFMA Letter, various laws, regulations, resolutions, contracts and the like also contain references to specific credit rating designations. Thus, the time, resources and effort that would be required to achieve synchronization with a new ratings modifier scheme would be massive.

Principal Global supports the Task Force's belief that the disclosure of rating methodologies is the most important aspect of the effort to foster transparency and allow independent evaluation of investment risk As stated in the SIFMA Letter, enhanced disclosure of NRSRO credit rating procedures and methodology and the credit risk characteristics of structured products is central to the goals of increased transparency and a reduction in excessive investor reliance on ratings. Thus, Principal Global agrees with the Task Force's assertion that exempting an NRSRO from the proposed disclosure requirements if it differentiates its rating symbols or adds a rating modifier to identify structured finance products would not lead to greater transparency and therefore supports the Task Force's recommendation that the SEC adopt its proposed Rule 17g-7 requiring a report reflecting the specific credit rating methodology and attendant risks related to structured finance products without the proposed alternative of a differentiated symbol for structured finance products.

In summary, Principal Global supports the concerns raised for your consideration in the SIFMA Letter, with particular emphasis on the concerns surrounding the proposed rule allowing for the potential use of ratings modifiers. As noted above, Principal Global believes the potential use of rating modifiers will afford little benefit to investors and global capital markets while imposing substantial costs and burdens to those entities and individuals involved in the structured finance securities marketplace.

Principal Global appreciates your consideration of our views and the views expressed in the SIFMA Letter. If you have any questions about Principal Global's views, please contact Alan Kress at 515-362-1479 or Kelly Grossman at 515-248-8505.

Sincerely,

Alan P. Kress
Counsel
Principal Global Investors, LLC