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November 1, 2005

Mr. Walter Stachnik, Inspector General
Office of the Inspector General
United States Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1107

Re: Failure by the U.S. Securities and Exchange Commission to Enforce the Federal Securities Laws in the Following Matter:

On Behalf of Defaulted Creditors of the Government of China:

COMPLAINT

Misleading Sovereign Credit Ratings and Inadequate Disclosure Pertaining to the Offer, Sale and Trading of Debt Securities of the People's Republic of China: Deceptive Practices and Violations of International Law.¹

Dear Mr. Stachnik:

We recently wrote to the Office of the Inspector General on behalf of the American Bondholders Foundation (the "ABF") and the affiliated U.S. bondholders holding defaulted full faith and credit sovereign obligations of the Chinese Government.² The ABF is the incorporated organization representing over five thousand U.S. citizens who are holders of full faith and credit sovereign obligations of the Government of China, on which that government has defaulted and continues to evade payment in violation of accepted conventions of international law. The bondholders have suffered both selective default and discriminatory settlement by the actions of the Chinese Government, and continue to suffer economic injury in their attempt to recover payment on the defaulted obligations of the Chinese Government as a result of the willful and tortious actions of

¹ For a description of specifications against the three major nationally recognized statistical rating organizations ("NRSROs"), see "On Behalf of Defaulted Creditors of the Government of China: COMPLAINT Misleading Sovereign Credit Ratings and Inadequate Disclosure Pertaining to the Offer, Sale and Trading of Debt Securities of the People's Republic of China: Deceptive Practices and Violations of International Law." Complaint filed with the SEC Division of Market Regulation (March 31, 2005). See also the letter addressed to Mr. David M. Walker, Comptroller General of the United States (June 21, 2005) and the letter addressed to the Honorable Christopher Cox, Chairman of the Commission (August 4, 2005). The foregoing documents along with testimony presented at a public hearing conducted by the House International Relations Committee and legal memorandums prepared by the law firm of Stites & Harbison PLLC describing the legal authority of U.S. citizens' claims are accessible on the world wide web at the following URL: <http://www.globalsecuritieswatch.org>

² See letter dated October 11, 2005 addressed to the Office of the Inspector General.

the three major international credit rating agencies (i.e., the Standard and Poor's Division of the McGraw Hill Companies, Inc., Moody's Investors Service, and Fitch, Inc.), designated by the U.S. Securities and Exchange Commission (the "Commission") as nationally recognized statistical rating organizations (referred to collectively herein as the "three major NRSROs"), which have acted in blatant disregard of the extant facts and have assigned and continue to maintain investment-grade credit ratings for the sovereign debt of the Government of China in a manner which constitutes fraudulent, deceitful, and manipulative business practices, and which rating classifications do not conform to the respective agencies' established criteria for developing a rating.

We now respectfully direct your attention to the following document (copy enclosed with this correspondence):

"Report on the Role and Function of Credit Rating Agencies in the Operation of the Securities Markets".

The above document is dated January 2003 and was prepared by the U.S. Securities and Exchange Commission pursuant to the requirements of Section 702(b) of the Sarbanes-Oxley Act of 2002.

In reference to our previous letter to you describing the Commission's failure to enforce the federal securities laws in the matter set forth in our complaint, we refer to the following language which appears in the document named above:

"C. Recognition of NRSROs

...

1. NRSRO Recognition Criteria

...

The single most important factor in the Commission staff's assessment of NRSRO status is whether the rating agency is "nationally recognized" in the United States as an issuer of credible and reliable ratings by the predominant users of securities ratings. The staff also reviews the operational capability and reliability of each rating organization. Included within this assessment are: ...; **(5) the rating organization's rating procedures (to determine whether it has systematic procedures designed to produce credible and accurate ratings); ...**" (emphasis added).³

³ See pages 9-10, "Report on the Role and Function of Credit Rating Agencies in the Operation of the Securities Markets". U.S. Securities and Exchange Commission (January 2003).

Presumably, the NRSROs are required to continue to comply with the recognition criteria established by the Commission, in the conduct of their business practices subsequent to recognition by the Commission as an NRSRO. Accordingly, the Commission has failed to enforce any such requirement as regards maintenance of NRSRO status by the three credit rating agencies referenced herein. We are concerned in instances wherein the three major NRSROs collectively and intentionally engage in the selective application of established procedures and criteria to develop sovereign rating classifications, and which misapplication of established procedures and criteria causes and continues to cause the defaulted creditors to suffer economic injury through the impairment of the defaulted creditors' ability to enforce the debt contract in the face of sovereign rating classifications which are the product of intentional misapplication of established procedures and criteria, and in which circumstances the Commission fails to take enforcement action to uphold and enforce its own standards, including an order of cessation of publication of injurious and tortious falsehoods.

For the reasons stated herein (as further described in the enclosed document), and in our letter dated October 11, 2005, and as stated in the complaint dated March 31, 2005, we respectfully reiterate our request that the Office of the Inspector General conduct a formal investigation to determine whether the response we received from the Commission with respect to the complaint (as amended, including the incorporation of additional specifications as referenced herein) filed with the Division of Market Regulation represents a failure by the Commission to enforce the federal securities laws in the immediate instance.⁴

Sincerely,



Kevin O'Brien
President

KO:jwc

Enclosure

cc: Honorable Christopher Cox, Chairman, U.S. Securities and Exchange Commission

Honorable Eliot Spitzer, Attorney General for the State of New York

Ms. Jonna Z. Bianco, President, American Bondholders Foundation

⁴ It would also be interesting, and possibly quite revealing, to discover whether any of the three major NRSROs presently provide, or contemplate the provision of, advisory services to the Government of China, any of its state-owned enterprises, or any Chinese private sector corporations (e.g., potential debt issuers). If such relationships are proven to exist, the NRSROs are subject to additional requirements as described in the relevant sections of the enclosed document.