MCCLATCHY: Having spoken to a large number of Moody's managers, mid-level and higher, who were present in 06-08 period, they all paint a picture in which the bottom is beginning to fall out of the housing market. In this time frame, Moody's let go most of its compliance department and people who had raised questions about business/market share concerns encroaching on ratings quality, and replaced them all with executives from structured finance. During this period, the top jobs also went to people from structured finance who had brought in great quantities of revenue, now shown to be unsustainable revenue . . . .

Against that backdrop . . . was there a conscious decision by top management at Moody's to replace compliance officials with people from structured finance, who lacked a background in compliance? If so, why was this decision made? If not, is it coincidence that this happened, or what explanation does Moody's have?

MOODY'S: Our Compliance team is led by an individual with more than 20 years of compliance experience, including with the SEC and the Justice Department.

(Editor's Note: This person, Jeff Schwartz, isn't listed in Moody's public filings with the SEC, but according to his profile on the online site LinkedIn, he joined Moody's from Nomura Securities last August, and he's a former SEC attorney. The most recent SEC filing on Moody's Web site still lists David Teicher as the designed compliance officer. A spokesman confirmed that Schwartz is new to the job but couldn't say when he began.)

Moody's has more than doubled the number of employees in its oversight and other control functions over the last two years, and they include extremely capable professionals with diverse backgrounds and experience, which of course must include knowledge and experience from our various businesses. Additionally, Moody's has in fact taken significant steps over the last two years to bolster the strength and composition of its Compliance department in response to evolving business and global regulatory changes, and this has resulted in staffing changes within the department."

MCCLATCHY: Were Scott McCleskey and his team let go for trying to erect a firewall between business/market share and ratings quality? If not, why were he and several others with compliance backgrounds replaced by people from structured finance?

MOODY'S: Moody's has rigorous safeguards in place to protect the integrity of ratings from commercial considerations. As a matter of policy, Moody's does not comment on personnel matters, but no employee has ever been let go for trying to strengthen our compliance function. As noted above, the company has taken significant steps over the last two years to bolster the strength and composition of its Compliance department in response to evolving business and global regulatory changes, and this has resulted in staffing changes within the department. Our Compliance team is extremely capable and well staffed and led by an individual with more than 20 years of diverse compliance experience, including with the SEC and the Justice Department.

MCCLATCHY: Numerous executives at Moody's there at the time describe Brian Clarkson as a bully who threatened to fire anyone who couldn't match a competitor's ratings and lost market share. In July 2008, Moody's acknowledged that some workers rated complex European securities incorrectly. Were any complex U.S. securities, i.e. CDOs and RMBS improperly rated during the highly competitive period of 2005 to late 2007? Former managers say they were pressured to match ratings, did this happen and does it constitute incorrect ratings?

MOODY'S: Moody's is extremely confident in the analytical integrity of its ratings and ratings process. We have always had a rigorous, disciplined, and transparent ratings process -- and we do not take commercial considerations into account when developing our methodologies or assigning a rating.

MCCLATCHY: After Moody's went public in Oct 2000, mid-level employees were given stock options, and some have acknowledged that these options eventually came to cloud their decision making, as they were under pressure both to preserve market share or risk losing their job, but they also now had a personal wealth stake in the outcome given the huge run-up in Moody's stock prices. Do mid-level employees at Moody's still receive stock options, and how do you guard against an analyst having a personal stake in the outcome of ratings?

MOODY'S: Moody's maintains strong policies and procedures to manage potential conflicts of interest and to protect the quality and independence of our ratings. We are fully transparent regarding the basis for our ratings. Among other things, Moody's has long disclosed publicly the methodologies on which we base our ratings, and our adherence to those methodologies on any given security can be easily assessed by market participants. Furthermore, the compensation of Moody's analysts and senior managers is not linked to the financial performance of their business unit.

MCCLATCHY: Three ex-employees -- Scott McCleskey, Eric Kolchinsky and Mark Froeba -- have all testified before Congress about alleged wrongdoing at Moody's. All three said they were punished for expressing opinions internally that clashed with a new culture of reaping the profits from structured finance. Is there anything Moody's would like to say about these three men, are they malcontents, bad employees fired for insubordination? Was there anything in their record to suggest they were problem employees? How would you characterize these employees? I believe Mr. Cantor testified that they were disgruntled employees, is this a correct characterization?

MOODY'S: Moody's has a culture that promotes rigorous and open debate of diverse opinions among its analysts. None of these employees were disciplined, suspended or terminated because of the opinions they expressed. Indeed, Moody's has a strict policy of non-retaliation.

Because Mr. Kolchinsky raised questions about Moody's own review of the evolving claims he made, Moody's commissioned an outside law firm to conduct an independent investigation of all of Mr. Kolchinsky's assertions. Those investigating lawyers have been given unfettered access to Moody's personnel and documents. Indeed, the only person who has declined to cooperate with the independent investigation is Mr. Kolchinsky. The preliminary findings of the independent investigators are completely consistent with Moody's own compliance review -- namely, that Mr. Kolchinsky's claims of misconduct are unfounded. Moody's is confident in the integrity of its people and its processes.

MCCLATCHY: I e-mailed yesterday about whether Moody's was still footing the legal bills for class action suits brought against Michael Kanef, who I believe is still employed by Moody's, and Brian Clarkson, who is not. Can you confirm that Clarkson's legal representation is in fact paid for by Moody's, as we are unable to reach him through family and all public records. His former underlings said some unflattering things that we would not like to let go without a response. Does Moody's s believe he was tyrannical and an executive who bullied and terrorized employees? This is how your former president and COO is described.

MOODY'S: As a matter of policy, Moody's does not comment on personnel matters or former employees of the firm.