

MEMO# 20932

March 9, 2007

Draft ICI Comment Letter on SEC Proposal to Implement the Credit Rating Agency Reform Act

[20932]

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TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 9-07
ETF ADVISORY COMMITTEE No. 11-07
FIXED-INCOME ADVISORY COMMITTEE No. 5-07
INST. MONEY MARKET FUNDS ADVISORY COMMITTEE No. 4-07
MONEY MARKET FUNDS ADVISORY COMMITTEE No. 3-07
SEC RULES COMMITTEE No. 24-07
UNIT INVESTMENT TRUST COMMITTEE No. 2-07 RE: DRAFT ICI COMMENT LETTER ON SEC
PROPOSAL TO IMPLEMENT THE CREDIT RATING AGENCY REFORM ACT

As we previously informed you, the Securities and Exchange Commission has proposed rules to implement provisions of the Credit Rating Agency Reform Act of 2006 (the "Act"). [1] The Act defines the term "nationally recognized statistical rating organization" or "NRSRO" and provides authority for the Commission to implement registration, recordkeeping, financial reporting, and oversight rules with respect to registered credit rating agencies. [2] The Institute has prepared a draft comment letter on the proposal, a copy of which is attached. The most significant aspects of the draft letter are summarized below.

Comments on the proposal must be filed with the SEC not later than Monday, March 12, 2007. If you have any comments on the draft letter, please contact the undersigned at 202-371-5410 or jheinrichs@ici.org.

The draft letter highlights the important role that credit rating agencies and NRSROs play in the regulation and operation of money market funds and recommends that the Commission promptly consider the need for any appropriate changes to Rule 2a-7 under the Investment Company Act of 1940. The draft letter states that such consideration is necessary to ensure that there are no unintended consequences for money market funds caused by the Act's provisions or the Commission's proposal. [3] In this regard, the letter notes the Institute's offer of assistance to the Commission in its review of Rule 2a-7.

The draft letter also provides two recommendations on the proposal. The letter states that standardization of performance measurement statistics should be seriously considered. The letter explains that standardization would facilitate compliance with the requirements of Rule 2a-7 by allowing for greater comparability of ratings across all NRSROs.

The letter also recommends, in response to a request for comment, that the proposed five-day time limit in which a credit rating agency has to make the non-confidential information submitted in its registration application publicly available not be lengthened. The letter also encourages the Commission and credit rating agencies to make this information available, if possible, even earlier in the application process. The letter explains that early access to this information is an important way for money market funds and other users of credit ratings to familiarize themselves with an NRSRO and to facilitate compliance with Rule 2a-7 and other Commission rules.

Jane G. Heinrichs
Associate Counsel

[Attachment](#)

endnotes

[1] See [Memorandum](#) to SEC Rules Members No. 21-07, Fixed-Income Advisory Committee No. 2-07, Money Market Funds Advisory Committee No. 1-07, Inst. Money Market Funds Advisory Committee No. 2-07, Closed-End Investment Company Members No. 13-07, ETF Advisory Committee No. 6-0, and Unit Investment Trust Members No. 3-07 [20877], dated February 16, 2007.

[2] The Act directs the Commission to issue its implementing rules no later than June 26, 2007. (The provisions of the Act become effective on the earlier of June 26, 2007 or the date the Commission issues final rules under the Act). The Act also requires that, not later than June 26, 2007, the Commission review, and amend or revise, its existing rules and regulations that use the term NRSRO.

[3] The proposed rules are silent on the Rule 2a-7 issue and the Release does not mention any changes to Rule 2a-7 that might be proposed in the future.

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