

MEMO# 20950

March 14, 2007

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

[20950]

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TO: CLOSED-END INVESTMENT COMPANY MEMBERS No. 18-07
ETF ADVISORY COMMITTEE No. 12-07
FIXED-INCOME ADVISORY COMMITTEE No. 6-07
INST. MONEY MARKET FUNDS ADVISORY COMMITTEE No. 5-07
MONEY MARKET FUNDS ADVISORY COMMITTEE No. 4-07
SEC RULES MEMBERS No. 33-07
UNIT INVESTMENT TRUST MEMBERS No. 5-07 RE: INSTITUTE 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's comment letter, which is attached, is briefly summarized below.

The Institute's 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 evaluate the need for any appropriate changes to Rule 2a-7 under the Investment Company Act of 1940. The letter states that the Commission's review can ensure that there are no unintended consequences for money market funds caused by the new NRSRO regulatory structure. In this regard, the letter offers the Institute's assistance

to the Commission in its review of Rule 2a-7.

The 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 will ease the comparability of measurement statistics across all NRSROs. If there is an increase in the number of NRSROs, standardization will significantly assist money market funds in complying with the requirements of Rule 2a-7.

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.