

**MEMO# 9542**

December 23, 1997

## **SEC PROPOSES TO DEFINE NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION**

1 SEC Release No. 34-39457 (Dec. 17, 1997). The release notes that the NRSRO concept has expanded beyond its originally intended use under the net capital rule. 2 SEC Release No. 34-39455 (Dec. 17, 1997) (proposed rule amendments); SEC Release No. 34-39456 (Dec. 17, 1997) (concept release). Copies of these releases are not attached; they are available from the SECs home page at [www.sec.gov](http://www.sec.gov). [9542] December 23, 1997 TO: MONEY MARKET FUNDS ADVISORY COMMITTEE No. 8-97 SEC RULES COMMITTEE No. 119-97 RE: SEC PROPOSES TO DEFINE NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION

The Securities and Exchange Commission recently proposed amendments to its broker-dealer net capital rule (Rule 15c3-1) under the Securities Exchange Act of 1934 which would define the term "Nationally Recognized Statistical Rating Organization" for the purposes of that rule.<sup>1</sup> A copy of the NRSRO proposal is attached. The proposed definition sets forth a list of attributes to be considered by the SEC in designating rating organizations as NRSROs and the process for applying for NRSRO designation. Currently, a rating organization must receive a no-action letter from the SEC Division of Market Regulation to be designated an NRSRO. The SECs release states that an NRSRO designation would apply only to a rating organization's opinion concerning the creditworthiness of debt instruments. Other opinions and views of the rating organization would be outside the scope of the NRSRO designation. The NRSRO proposal was released at the same time as certain other proposed amendments and a concept release related to Rule 15c3-1.<sup>2</sup> The other proposed amendments would alter the charges, or "haircuts," from net worth in computing net capital for certain interest rate instruments. The concept release poses a number of questions on the extent to which statistical models should be used in setting capital requirements for a broker-dealers proprietary positions, and solicits views on other possible alternatives for establishing net capital requirements. Comments on the NRSRO proposal are due to the SEC 60 days following the date of publication in the Federal Register. Comments on the other Rule 15c3-1 proposed amendments and concept release are due to the SEC 90 days following the date of publication in the Federal Register. Currently, the Institute intends to comment on the NRSRO proposal but not to comment on the other Rule 15c3-1 proposed amendments or the concept release. Please provide any comments you have on the NRSRO proposal to me by Friday, January 23, 1998. I can be reached at (202) 326-5819, by e-mail at [savage@ici.org](mailto:savage@ici.org), or by fax at (202) 326-5827. Joseph P. Savage Assistant Counsel  
Attachment (in .pdf format)

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