

SECURITIES AND EXCHANGE COMMISSION

17 CFR Parts 240 and 249b

[Release No. 34-55231; File No. S7-04-07]

RIN 3235-AJ78

Oversight of Credit Rating Agencies Registered as Nationally Recognized Statistical Rating Organizations

AGENCY: Securities and Exchange Commission (“Commission”).

ACTION: Proposed rule.

SUMMARY: The Commission is proposing for comment rules to implement provisions of the Credit Rating Agency Reform Act of 2006 (the “Act”), enacted on September 29, 2006. The Act defines the term “nationally recognized statistical rating organization,” provides authority for the Commission to implement registration, recordkeeping, financial reporting, and oversight rules with respect to registered credit rating agencies, and directs the Commission to issue final implementing rules no later than 270 days after its enactment (or by June 26, 2007).

DATES: Comments should be received on or before *[insert date that is 30 days after date of publication in the Federal Register]*.

ADDRESSES: Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission’s Internet comment form (<http://www.sec.gov/rules/proposed.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number S7-04-07 on the subject line; or

intend to prescribe exact procedures. However, as applicable to the business model of the NRSRO, an NRSRO could have policies prohibiting associated persons from purchasing or selling a security or money market instrument that is subject to a pending rating action; requiring associated persons to obtain pre-approval before purchasing or selling a security or money market instrument; and requiring associated persons to be notified of securities or money market instruments that are on a “do not trade” list.

Paragraph (c) of proposed Rule 17g-4 would require an NRSRO to implement specific procedures designed to prevent the inappropriate dissemination within and outside the NRSRO of a credit rating action prior to making the action readily accessible. This provision recognizes that a credit rating action of an NRSRO that is not yet public may be material, non-public information. Consequently, an NRSRO should have policies designed to ensure that its pending credit rating actions are not disclosed in a manner that allows a person to trade on the information before the action is widely disseminated to the market. Once again, the Commission does not intend to prescribe specific procedures. However, as applicable to the business model of the NRSRO, these policies could include procedures designed to ensure that a credit rating action is issued in a way that makes it readily accessible to the market place, such as posting the credit rating or an announcement of the credit rating action on the NRSRO’s Web site or through a news or information service used by market participants. The policies also could include procedures prohibiting credit analysts from selectively disclosing the pending action to persons outside the NRSRO and to persons inside the NRSRO who do not need to know of the pending action.

