



Insight beyond the rating.

March 12, 2007

Filed Electronically

Ms. Nancy Morris, Secretary
U.S. Securities and Exchange Commission
100 F St., N.E.
Washington, D.C. 20549

DBRS Tower
181 University Avenue
Suite 700
Toronto, ON M5H 3M7
TEL +1 416 593 5577
FAX +1 416 593 8432
www.dbrs.com

Re: *Oversight of Credit Rating Agencies Registered as Nationally
Recognized Statistical Rating Organizations, File No. S7-04-07*

Dear Ms. Morris:

DBRS appreciates this opportunity to comment on the above-referenced proposal to establish a regulatory regime implementing provisions of the Credit Rating Agency Reform Act of 2006 (the "CRA Act").¹ DBRS is a Toronto-based credit rating agency established in 1976 and still privately owned by its founders. With affiliates located in New York, Chicago, London, Paris and Frankfurt, DBRS analyzes and rates a wide variety of issuers and instruments, including financial institutions, insurance companies, corporate issuers, issuers of government and municipal securities and various structured transactions. Designated by the SEC staff as a nationally recognized statistical rating organization ("NRSRO") in 2003,² DBRS currently maintains ratings on more than 28,000 securities of more than 2000 issuers in approximately 20 countries around the globe.

In drafting these proposed rules, the Commission has been called on to balance the need to ensure the quality, independence and objectivity of credit ratings used for regulatory purposes with the goal of fostering competition in the credit rating industry,³ as well as the CRA Act's mandate that the rules be "narrowly tailored" to meet the statute's requirements.⁴ DBRS commends the Commission's efforts to strike this delicate balance,

¹ "Oversight of Credit Rating Agencies Registered as Nationally Recognized Statistical Rating Organizations," SEC Rel. No. 34-55231 (Feb. 2, 2007), 72 Fed. Reg. 6378 (February 9, 2007) (the "Proposing Release").

² See Letter from Annette L. Nazareth, Director, Division of Market Regulation, Securities and Exchange Commission, to Mari-Anne Pisarri, Pickard and Djinis LLP (February 24, 2003).

³ See *Report of the Senate Committee on Banking, Housing, and Urban Affairs to Accompany S. 3850, Credit Rating Agency Reform Act of 2006*, S. Report No. 109-326, 109th Cong., 2d Sess. (Sept. 6, 2006).

⁴ Securities Exchange Act of 1934 ("Exchange Act") § 15E(c)(2).



a. *The ratings activities of [the rating organization] and its rating affiliate are conducted in a seamless, integrated fashion. This means, among other things, that all credit ratings are issued as ratings of [the rating organization] and that [the rating organization] stands behind all of the credit ratings issued in its name.*

b. *The rating affiliate employs the same policies, procedures and methodologies that [the rating organization] uses to determine credit ratings.*

c. *The rating affiliate is subject to the policies and procedures [the rating organization] has established, maintains and enforces to prevent the misuse of material, nonpublic information.*

d. *The rating affiliate is subject to [the rating organization's] written code of ethics, if any, unless otherwise expressly disclosed.*

e. *The rating affiliate is subject to [the rating organization's] written policies and procedures to address and manage conflicts of interest.*

f. *Upon a request by the Commission and its representatives, [the rating organization] will furnish at its own expense to the Commission and its representatives, at the Commission's principal office in Washington D.C., an accurate copy of any book(s) or record(s) of the type required by Rule 17g-2(a)(2), (b)(2) or (b)(3) relating to credit ratings or credit analysis reports, credit assessment reports and private rating reports produced by the rating affiliate. Where necessary, such documents will be translated into English.*

g. *The rating affiliate shall comply with administrative subpoenas, demands or other requests for information issued by the Commission, insofar as those subpoenas, demands or information requests pertain to credit ratings issued or distributed to U.S. persons.*

DBRS further suggests that the following new definitions be added to the **EXPLANATION OF TERMS** found in Section F of the Form NRSRO Instructions:

RATING AFFILIATE is a CREDIT RATING AGENCY that: (i) directly or indirectly CONTROLS, is CONTROLLED by or is under common CONTROL with the rating organization; and (ii) was organized or formed under the laws of a country other than the country under whose laws the rating organization was organized or formed.

CONTROL means the power, directly or indirectly, to direct the management or policies of a person, whether through ownership of securities, by contract or otherwise.

○ A PERSON is presumed to control a corporation if the PERSON: (i) directly or indirectly has the right to vote 25 percent or more of a class of the corporation's voting securities; or (ii) has the power to sell or direct the sale of 25 percent or more of a class of the corporation's voting securities.

○ A PERSON is presumed to control a partnership if the PERSON has the right to receive upon dissolution, or has contributed, 25 percent or more of the capital of the partnership.

○ A PERSON is presumed to control a limited liability company if the PERSON: (i) directly or indirectly has the right to vote 25 percent or more of a class of the interests in the LLC; (ii) has the right to receive upon dissolution, or has contributed, 25 percent or more of the capital of the LLC; or (iii) is an elected manager of the LLC.

○ A PERSON is presumed to control a trust if the PERSON is a trustee or managing agent of the trust.