Memorandum

To: File

From: Tim Fox

RE: Status and Direction of NRSRO rulemaking

Date: September 22, 2010

On September 22, 2010, Randall Roy, Joe Levinson, Ray Lombardo, Tim Fox, Jennifer Marietta-Weinberg, Blair Petrillo, and Jon Hertske from the SEC met with Matthew Kelley (Morgan Stanley), Joe Engelhard and Charles Gabriel (Capital Alpha), Bryan Long (Chesapeake Management Co.), Scott Evans (Millennium Partners), Justin Daly (Ogilvy Government Relations), and Daniel Sarp (Deka) to discuss the status and direction of the Commission's efforts to fulfill the mandates of the Dodd-Frank Act relating to nationally recognized statistical rating organizations ("NRSROs").

The group addressed the key points to the agenda that Justin Daly suggested, which appears below:

1) How quickly does the Commission anticipate getting the newly legislated office to oversee the rating agencies up and running? What might be its first assignments?

2) The SEC has been actively engaged in rulemaking regarding the industry for some time (e.g., passing new rules to guard against analysts' conflicts of interest, etc.) How would you assess the impact of this rulemaking?

3) Does the Commission have any concerns as it undertakes the 2-year study on establishing a ratings assignment entity per the Franken amendment? Is the effort underway? What are the best arguments, for and against? If the SEC does create such an office or agency after the study, what factors may be considered in determining whether to potentially expand its purview beyond just structured finance?

4) Is the Commission concerned that repealing Rule 436(g) might permanently alter rating agencies' willingness to have their recommendations included in prospectuses? How will this issue play out, *i.e.*, how lasting a fix might the no-action letter provide, and what might emerge in its place?

5) How difficult an assignment will it be to remove NRSRO references embedded in federal laws? And what role will the SEC play in this broad pursuit?

6) Does the Commission believe that conflicts of interest inherent in the issuer pays model are insurmountable, and thus broader reforms or hybrid solutions should still be encouraged via federal policy?

7) Is the SEC concerned that the liberalized pleading standard adopted in Dodd-Frank might burden the large rating agencies with lawsuits, perhaps to the point where the quality of their ratings begins to suffer? Is it neutral on the issue of their claimed First Amendment rights?