

Attn: Ms. Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

July 13, 2011

RE: *Comment on Proposed Rules for Nationally Recognized Statistical Rating Organizations Release No. 34-64514; File No. S7-18-11; RIN 3235-AL15*

Dear Ms. Murphy:

Siff & Associates, PLLC is a Washington, DC law firm with a diverse legal-regulatory practice that entails keeping clients informed of significant regulatory developments, including the implementation of the Dodd Frank Act. Review of the SEC's proposed rulemaking for Nationally Recognized Statistical Rating Organizations (NRSROs) (Release No. 34-64514; File No. S7-18-11; RIN 3235-AL15), makes clear that the impact of the Proposed Rule will reach not only NRSROs but the many issuers whose securities they rate. We respectfully submit this brief comment to request clarification of certain aspects of the rulemaking proposal relating to information that must be disclosed when an NRSRO makes a rating action.

As the Commission notes in the proposed rule, Section 932(a) of the Dodd-Frank Act amends Section 15E of the Exchange Act in a variety of respects. Most relevant for purposes of this letter, Dodd Frank adds new subsections (r) and (s), which among other things prescribe information to be disclosed by an NRSRO when taking a rating action. In particular, Section 15E(r) of the Exchange Act provides that the Commission shall prescribe rules, for the protection of investors and in the public interest, with respect to the procedures and methodologies, including qualitative and quantitative data and models, used when taking a rating action.

Section 15E(s) of the Exchange Act specifies, among other things, that the Commission adopt rules requiring an NRSRO to generate a form to be included with the publication of a credit rating. Section 15E(s) provides that the rules adopted by the Commission must ensure that an NRSRO notifies users of credit ratings of the version of a procedure or methodology, including the qualitative methodology or quantitative inputs, used with respect to a particular credit rating.

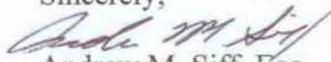
The Commission is proposing to implement these "form and content" requirements through a variety of rules, but for purposes of this letter we focus on Proposed Rule 17g-7's requirement regarding the methodologies and inputs used in connection with a rating. In particular, proposed new paragraph (a)(1)(ii)(C) of Rule 17g-7 would require the NRSRO to disclose in the form the "main assumptions and principles used in

constructing the procedures and methodologies used to determine the credit rating, including qualitative methodologies and quantitative inputs and, if the credit rating is for a structured finance product, assumptions about the correlation of defaults across the underlying assets.”

The Proposed Rule notes this language comes directly from the statute, as amended by Dodd-Frank. With respect to the language in Proposed Rule 17g-7(a)(1)(ii)(C), it appears to largely, though not completely, mirror amendments to 15E added by Dodd Frank¹. Therefore it would be beneficial were the Commission to clarify some of the terms used in both Dodd Frank and the Proposed Rule. In particular, we respectfully request that the Commission clarify that the phrase “qualitative methodology and quantitative inputs” refers to the methodology and inputs used in the construction of the NRSRO’s rating model. It should be clarified that such “qualitative methodology and quantitative inputs” does not require an NRSRO to reveal financial information about the issuer itself, particularly if such information is proprietary or confidential.

The Dodd Frank Act made significant and important changes to the oversight of credit rating agencies. Those changes, and the Commission’s Proposed Rule, will greatly enhance the information NRSROs are required to disclose to market participants with respect to the methods and rationale behind particular ratings. However, the amendments made to Section 15E by Dodd Frank do not appear aimed at requiring NRSROs to reveal the proprietary and confidential information of issuers, including an issuer’s financial statements if such information is otherwise non public. We respectfully request that the Commission clarify that the new Proposed Rule 17g-(a)(1)(ii)(C) refers to an NRSRO’s internal methods and data used in constructing a rating methodology, and does not require the disclosure of the nonpublic financial information of an issuer.

Sincerely,



Andrew M. Siff, Esq.

¹ The preamble to the Proposed Rule states that “the Commission preliminarily believes that the statutory text is explicit with respect to the information to be disclosed and, consequently proposed new paragraph (a)(1)(ii)(C) of Rule 17g-7 would mirror the statutory text.” Footnote 435 of the Proposed Rule states: “Compare 15 U.S.C. 78o-7(s)(3)(A)(ii), with proposed new paragraph (a)(1)(ii)(C) of Rule 17g-7.” 15 U.S.C. 78o-7(s)(3)(A)(ii) reads:

“(ii) the main assumptions and principles used in constructing procedures and methodologies, including qualitative methodologies and quantitative inputs and assumptions about the correlation of defaults across underlying assets used in rating structured products;”

Meanwhile Proposed Rule 17g-7(a)(1)(ii)(C) states:

“The main assumptions and principles used in constructing the procedures and methodologies used to determine the credit rating, including qualitative methodologies and quantitative inputs and, if the credit rating is for a structured finance product, assumptions about the correlation of defaults across the underlying assets;”

Whereas the amendment 15E(s)(3)(a)(ii) made by Dodd Frank concerns ratings accompanying structured products, the form which is the subject of Proposed Rule 17g-7(a) actually encompasses both 15E(r) and well as the 15E(s) amendments. (See 15E(r)(1): “(1) to ensure that credit ratings are determined using procedures and methodologies, including qualitative and quantitative data and models, that are— . . .”). This distinction further highlights the need for Commission guidance.