

SECURITIES AND EXCHANGE COMMISSION
Release No. 34-78671

August 24, 2016

Order Granting Registration of Morningstar Credit Ratings, LLC for Two Additional Classes of Credit Ratings

I. Introduction

Section 15E(a)(1)(A) of the Securities Exchange Act of 1934 (“Exchange Act”) requires a credit rating agency that elects to be treated as a nationally recognized statistical rating organization (“NRSRO”) for purposes of the Exchange Act to furnish to the Securities and Exchange Commission (“Commission”) an application for registration, in such form as the Commission requires and containing the information described in section 15E(a)(1)(B). Exchange Act Rule 17g-1(b) requires an NRSRO applying to register for an additional class of credit ratings described in section 3(a)(62)(A) of the Exchange Act, to file with the Commission two paper copies of an application to add a class of credit ratings on Form NRSRO that follows all applicable instructions for the Form.

Section 15E(a)(2)(C) of the Exchange Act requires the Commission to grant registration under section 15E(a): (1) if the Commission finds that the requirements of section 15E are satisfied; and (2) unless the Commission finds that: (a) the applicant does not have adequate financial and managerial resources to consistently produce credit ratings with integrity and to materially comply with the procedures and methodologies disclosed under section 15E(a)(1)(B) and with section 15E(g), (h), (i), and (j); or (b) if the applicant were so registered, its registration would be subject to suspension or revocation under section 15E(d).

II. Application of Morningstar Credit Ratings, LLC

Morningstar Credit Ratings, LLC (“Morningstar”) is a credit rating agency registered as an NRSRO under the Exchange Act in the asset-backed securities class of credit ratings

described in clause (iv) of section 3(a)(62)(A) of the Exchange Act. On July 1, 2016, Morningstar filed with the Commission an application on Form NRSRO to add the classes of credit ratings described in clauses (i) and (iii) of section 3(a)(62)(A) of the Exchange Act (“financial institutions class” and “corporate issuers class,” respectively). In connection with its application, Morningstar requested an exemption from a requirement in section 15E(a)(1)(C)(iv) of the Exchange Act and Item 6C of Form NRSRO relating to certifications from qualified institutional buyers (“QIBs”).

Credit ratings in the financial institutions class and corporate issuers class have been issued since 2010 and 2009, respectively, by Morningstar, Inc. (“MSI”), the owner of Morningstar, through its Corporate Credit Research Group (“CCRG”). After approval of Morningstar’s application, MSI plans to transfer to Morningstar CCRG and its outstanding ratings in such classes.

III. Discussion

Morningstar’s application is in the form required by section 15E(a)(1)(A) and Rule 17g-1(b) of the Exchange Act, follows the applicable instructions for Form NRSRO, and satisfies the requirements described in section 15E(a)(1)(B) and Rule 17g-1(b) of the Exchange Act, except with respect to the QIB certifications filed with the application. Specifically, the included certifications do not state that the QIBs have used the credit ratings of Morningstar in the financial institutions class and corporate issuers class, as required by section 15E(a)(1)(C)(iv) of the Exchange Act and Item 6C of Form NRSRO. Instead, the certifications state that the QIBs have used such credit ratings of MSI.

Immediately preceding the issuance of this order, the Commission issued an order granting Morningstar an exemption permitting Morningstar to submit, for purposes of its

application, certifications from QIBs stating that they have used the applicable credit ratings of MSI (“Exemptive Order”).¹ Based on the information in Morningstar’s application and on the Exemptive Order, the Commission, pursuant to section 15E(a)(2)(C) of the Exchange Act, finds that the requirements of section 15E of the Exchange Act are satisfied and does not find grounds for denying registration.

IV. Conclusion

Accordingly, pursuant to section 15E(a)(2) of the Exchange Act,

IT IS HEREBY ORDERED that the registration of Morningstar for the financial institutions class and corporate issuers class is granted.

By the Commission.

Brent Fields
Secretary

¹ Release No. 34-78670 (August 24, 2016).