

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 90038 / September 29, 2020

ADMINISTRATIVE PROCEEDING
File No. 3-20097

In the Matter of

**KROLL BOND RATING
AGENCY, LLC,**

Respondent.

**ORDER DIRECTING PAYMENT OF
CERTAIN FUNDS RECEIVED BY THE
COMMISSION**

On September 29, 2020, the Securities and Exchange Commission (“Commission”) issued an Order (the “Order”)¹ that simultaneously instituted and settled public administrative and cease-and-desist proceedings against Kroll Bond Rating Agency, LLC (“KBRA”). The Commission found that beginning in 2018, KBRA, a Nationally Recognized Statistical Rating Organization (“NRSRO”), in rating certain collateralized loan obligation (“CLO”) combination notes (“Combo Notes”), failed to establish, maintain, enforce and document certain policies and procedures, in violation of Rule 17g-8(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act”). The Commission ordered KBRA to cease and desist from committing or causing any violations and any future violations of Rule 17g 8(b)(1) of the Exchange Act. The Commission also ordered that KBRA be censured and to comply with undertakings enumerated in the Order.

The Commission further ordered KBRA to pay disgorgement of \$160,000, prejudgment interest of \$4,836.33, and civil penalties of \$600,000.00, pursuant to the payment plan detailed therein, with the first payments due within 30 days of the entry of the Order and the last payment due within 364 days of the entry of the Order. The Commission created a Fair Fund (the “Fair Fund”) pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002 so the civil penalty, along with the disgorgement and prejudgment interest, could be distributed to compensate the CLO Combo Note issuers that paid for the credit ratings and were harmed by KBRA’s violations as described in the Order (the “Issuers”).

¹ See Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15E(d) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order, Exchange Act. Rel. No. 90037 (September 29, 2020)

The payment of disgorgement, prejudgment interest, and civil penalties constitutes a qualified settlement fund (“QSF”) under Section of 468B(g) of the Internal Revenue Code (IRC), 26 U.S.C. § 468B(g), and related regulations, 26 C.F.R. §§ 1.468B-1 through 1.468B-5.

Upon receipt of all payments due within 30 days of the entry of the Order (the “Initial Payments”), the Commission staff will seek the appointment of a tax administrator to establish a reserve for taxes and related administrative expenses (the “Reserve”). Upon establishing and withholding the Reserve, and subject to any withholding required by the tax administrator, the Commission staff shall disburse \$164,094.87 to the Issuers, comprised of the total fees paid by the Issuers for the ratings that are the subject of this proceeding, plus reasonable interest.² The distribution to each Issuer as determined by the Commission staff is reflected in Exhibit 1. After the distribution payments and all taxes and administrative expenses are paid, the Commission staff will transfer the remaining funds, if any, that are infeasible to return to investors, to the general fund of the United States Treasury subject to Section 21F(g)(3) of the Securities Exchange Act of 1934 (“Exchange Act”).

Accordingly, it is ORDERED that:

- A. After the receipt of the Initial Payments simultaneously ordered in this proceeding, the Commission staff shall seek the appointment of a tax administrator to, among other things, comply with tax-related obligations of the QSF and establish the Reserve;
- B. After withholding the Reserve, and subject to any withholding required by the tax administrator, the Commission staff shall disburse \$164,094.87 to the Issuers as set forth in Exhibit 1; and
- C. Any amounts remaining in the Fair Fund after completion of A and B above, that are infeasible to return to the Issuers, and any amounts returned to the Fair Fund in the future that are infeasible to return to the Issuers, shall be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

By the Commission.

Vanessa A. Countryman
Secretary

² This amount includes reasonable interest calculated using the short-term Applicable Federal Rate, compounded quarterly from month beginning after the date of each note issuance through September 30, 2020.

Exhibit 1

Investor	Amount
Issuer A	\$20,698.67
Issuer B	\$20,521.45
Issuer C	\$20,521.45
Issuer D	\$51,746.66
Issuer E	\$25,388.38
Issuer F	\$25,218.26
Total	\$164,094.87