SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-106795]

Order Granting Conditional Exemption for Japan Credit Rating Agency, Ltd. from Certain Requirements of Section 15E(t) of the Securities Exchange Act of 1934

November 2, 2026.

I. Introduction

Section 15E(t) of the Securities Exchange Act of 1934 ("Exchange Act") requires that each nationally recognized statistical rating organization ("NRSRO") implement certain corporate governance measures.[1] Specifically, Section 15E(t)(1) requires each NRSRO to have a board of directors, and Section 15E(t)(3) sets forth specified, mandatory duties of such board of directors.[2] Section 15E(t)(2)(A) provides that at least half of the board of directors, but not fewer than two members thereof, shall be independent of the NRSRO, and that a portion of the independent directors shall include users of ratings from an NRSRO.[3] Section 15E(t)(2)(C) provides that the compensation of the independent members of the board of directors of the NRSRO shall not be linked to the business performance of the NRSRO, and shall be arranged so as to ensure the independence of their judgment. Such section also provides that the term of office of the

[1] 15 U.S.C. 78o-7(t).

[2] Section 15E(t)(3) provides that in addition to the overall responsibilities of the NRSRO's board of directors, the board shall oversee: (a) the establishment, maintenance, and enforcement of policies and procedures for determining credit ratings; (b) the establishment, maintenance, and enforcement of policies and procedures to address, manage, and disclose any conflicts of interest; (c) the effectiveness of the internal control system with respect to policies and procedures for determining credit ratings; and (d) the compensation and promotion policies and practices of the NRSRO.

[3] Section 15E(t)(2)(B) provides that in order to be considered independent, a member of the board of directors of an NRSRO: (1) may not, other than in his or her capacity as a member of the board or any committee thereof: (a) accept any consulting, advisory, or other compensatory fee from the NRSRO; or (b) be a person associated with the NRSRO or with any affiliated company thereof; and (2) shall be disqualified from any deliberation involving a specific rating in which the independent board member has a financial interest in the outcome of the rating.

independent directors shall be for a pre-agreed fixed period, not to exceed five years, and shall not be renewable.

Section 36 of the Exchange Act authorizes the Commission, by rule, regulation, or order, to exempt, either conditionally or unconditionally, any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision of the Exchange Act or any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.[4]

II. Exemption Request of Japan Credit Rating Agency, Ltd.

Japan Credit Rating Agency, Ltd. ("JCR") is a credit rating agency registered with the Commission as an NRSRO under Section 15E of the Exchange Act for the classes of credit ratings described in clauses (i) through (iii) and clause (v) of Section 3(a)(62)(A) of the Exchange Act.[5] On August 20, 2015, the Commission granted JCR a three-year, conditional exemption, pursuant to Exchange Act Section 36, allowing JCR to satisfy the requirements of Exchange Act Section 15E(t)(2) and (t)(3) through its supervisory committee.[6] On August 17, 2018, pursuant to Exchange Act Section 36, the Commission granted JCR a subsequent three-year conditional exemption, that renewed for an additional two years in accordance with its terms, allowing JCR to satisfy the requirements of Exchange Act Section 15E(t)(2) and (t)(3) through its supervisory

[4] 15 U.S.C. 78mm.

[5] On September 24, 2007, the Commission issued an order granting JCR registration as an NRSRO for the classes of credit ratings described in clauses (i) through (v) of Section 3(a)(62)(A) of the Exchange Act. On October 18, 2010, JCR submitted to the Commission a notice of withdrawal from registration in the class of credit ratings described in clause (iv) of such section, and such withdrawal became effective on December 2, 2010.

[6] *See* Order Granting Temporary Conditional Exemption for Japan Credit Rating Agency, Ltd. from Certain Requirements of Section 15E(t) of the Securities Exchange Act of 1934, Release No. 34-75747.

committee.[7] On September 28, 2023, pursuant to Exchange Act Section 36, the Commission granted JCR another temporary, conditional exemption allowing JCR to satisfy the requirements of Exchange Act Section 15E(t)(2) and (t)(3) through its supervisory committee through October 30, 2026.[8]

JCR has requested a continuation of such exemption that is not time-limited on the basis that Japanese law applicable to credit ratings agencies registered in Japan, including JCR, imposes requirements for strong independent oversight of credit rating agencies on the supervisory committee, a body separate from the board of directors.

Specifically, JCR has represented to the Commission that Japanese law requires (1) all Japanese credit rating agencies to adopt certain control systems for ensuring the "fair and appropriate performance" of their credit rating business, including establishment of a "supervisory committee" as a Japanese credit rating agency's internal oversight body and (2) at least one-third of the supervisory committee members (or at least two where there are three or fewer members) to be "independent members" of the supervisory committee, and prohibits the directors of the Japanese credit rating agency from serving as independent members.[9]

JCR also represented to the Commission that it has established processes to ensure compliance with the conditions in the 2023 order and that its supervisory committee fulfills the

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[7] *See* Order Granting Temporary Conditional Exemption for Japan Credit Rating Agency, Ltd. from Certain Requirements of Section 15E(t) of the Securities Exchange Act of 1934, Release No. 34-83884.

[8] *See* Order Granting Temporary Conditional Exemption for Japan Credit Rating Agency, Ltd. from Certain Requirements of Section 15E(t) of the Securities Exchange Act of 1934, Release No. 34-98590 ("2023 order").

[9] JCR also represented to the Commission that while Japanese law may not expressly prohibit a Japanese credit rating agency from establishing two separate internal oversight bodies where the board of directors fully complies with the requirements set forth in Exchange Act Section 15E(t), such redundant arrangement would, among other things, be inconsistent with the spirit of the Japanese law since Japanese law was intended for non-director independent members of the supervisory committee to have the applicable oversight responsibilities.

functional equivalent of the requirements applicable to an NRSRO's board of directors under Exchange Act Section 15E(t)(2) and (t)(3). For example, JCR represented to the Commission that: (1) two of the four supervisory committee members are independent members and one of the independent members is a user of ratings; (2) the supervisory committee independent members receive no prohibited compensatory fees, are not associated with JCR or any of its affiliated companies, and are disqualified from deliberation involving a rating where the member has a financial interest in the outcome of the rating; and (3) the supervisory committee independent members receive no prohibited compensation and have no more than a five-year term of office.

III. Discussion

Section 15E(p) of the Exchange Act, as added by Section 932(a)(8) of the Dodd-Frank Wall Street Reform and Consumer Protection Act,[10] requires Commission staff to conduct an examination of each NRSRO at least annually. Commission staff has examined JCR's satisfaction of the conditions in the prior orders as part of each annual examination conducted since 2016 and has determined that JCR currently satisfies the conditions in the 2023 order.

Accordingly, the Commission finds, based on such determination and on JCR's representations referred to in Section II above, that it is appropriate in the public interest and is consistent with the protection of investors to grant JCR a conditional exemption, allowing JCR to satisfy the requirements of Section 15E(t)(2) and Section 15E(t)(3) through the supervisory committee, subject to the conditions specified below. In addition, Commission staff will continue to examine JCR's satisfaction of the conditions to this order set forth in Section IV below. If the

[10] Pub. L. No. 111-203, 124 Stat. 1376 (2010).

conditions are not being fulfilled to the staff's satisfaction, the staff will consider whether to make recommendations to the Commission, as appropriate.[11]

IV. Conclusion

For the foregoing reasons, the Commission finds that it is appropriate in the public interest and consistent with the protection of investors to grant JCR a conditional exemption allowing JCR to satisfy the requirements of Section 15E(t)(2) and Section 15E(t)(3) of the Exchange Act through the supervisory committee.

ACCORDINGLY, pursuant to Section 36 of the Exchange Act,

IT IS HEREBY ORDERED that JCR is exempt from the requirements of Exchange Act Section 15E(t)(2) and Section 15E(t)(3), subject to the following conditions:

(1) JCR will maintain a supervisory committee that meets applicable standards and requirements under Japanese law;

(2) JCR will require the supervisory committee to, and the supervisory committee will, fulfill all of the duties mandated by Exchange Act Section 15E(t)(3);

(3) JCR will promptly notify Commission staff of any changes to applicable Japanese law or regulations and to its internal supervisory committee rules and will provide a copy of the updated supervisory committee rules to the Commission staff upon request;

(4) Any changes to applicable Japanese law or regulations, or to JCR's internal supervisory rules, do not conflict with the conditions of this order;

[11] This order is based upon the representations made by JCR to the Commission in its exemptive request and supporting materials, including representations regarding Japanese law. It is the Commission's understanding that it is standard practice for credit rating agencies registered in Japan to appoint supervisory committee members to an initial term of two years, and that members commonly serve multiple terms. In the event of any changes to, or omissions in, the facts or circumstances on which this order is based, or for any reason in its own discretion, the Commission may modify, suspend, or terminate, or otherwise restrict, the terms of this order.

(5) At least one of the independent members of the supervisory committee will be a user of ratings from an NRSRO;

(6) At least half of the supervisory committee, but no fewer than two members, will be independent of the NRSRO, as defined in Exchange Act Section 15E(t)(2)(B);

(7) The independent members of the supervisory committee will each serve for a total term of no more than five years;

(8) The compensation of the independent members of the supervisory committee will not be linked to the business performance of JCR and will be arranged so as to ensure the independence of their judgment;

(9) The deliberations of the supervisory committee will be recorded with sufficient specificity to enable examination by Commission staff upon request;

(10) JCR will promptly notify Commission staff of any changes in the facts and circumstances contained in its representations;

(11) JCR will promptly provide Commission staff with copies of all reports produced by the supervisory committee; and

(12) JCR will appropriately address the Commission staff's recommendations in each annual Section 15E(p) examination and any other examinations conducted by Commission staff.

By the Commission.

Vanessa A. Countryman,

Secretary.