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March 30, 2020

**By E-Mail**

Kevin O'Neill, Esq.  
Chief Counsel  
Office of Credit Ratings  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-0506

Re: Egan-Jones Ratings Company

Dear Mr. O'Neill:

We are writing on behalf of our client, Egan-Jones Rating Company (“EJR” or the “Firm”), a nationally recognized statistical rating organization (“NRSRO”). EJR seeks the assurance of the staff of the Office of Credit Ratings (“Staff”) that it would not recommend enforcement action to the Securities and Exchange Commission (“Commission”) against EJR under Rule 17g-3(a)(1) of the Securities Exchange Act of 1934 (the “Exchange Act”), if the Firm submits its Audited Financial Report (defined below) by April 20, 2020, rather than March 30, 2020. The Firm is requesting this relief because of disruption and delays caused by the unprecedented and unforeseeable COVID-19 pandemic in the United States.

**BACKGROUND**

EJR

EJR is a credit rating agency registered with the Commission as an NRSRO for the credit ratings classes described in clauses (i) through (iii) of Section 3(a)(62)(A) of the Exchange Act – (a) financial institutions, brokers, or dealer, (b) insurance companies, and (c) corporate issuers. EJR retained a well-respected, nationally recognized auditing firm to be its independent auditor and such firm is one of the top 10 auditors in the United States.

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## Rule 17g-3(a)(1) of the Exchange Act

As a registered NRSRO, EJR is required to comply with Rule 17g-3(a)(1) of the Exchange Act, which requires an NRSRO to:

- (a) Annually, not more than 90 calendar days after the end of its fiscal year (as indicated on its current Form NRSRO):
  - (1) File with the Commission as a financial report, as of the end of the fiscal year, containing audited financial statements of the [NRSRO] or audited consolidated financial statements of its parent if the [NRSRO] is a separately identifiable division or department of the parent. The audited financial statements must:
    - (i) Include a balance sheet, an income statement (or a statement of comprehensive income, as defined in § 210.1-02 of Regulation S-X of [the Exchange Act], if required by the applicable generally accepted accounting principals noted in paragraph (a)(1)(ii) of [Rule 17g-3]) and statement of cash flows, and a statement of changes in ownership equity;
    - (ii) Be prepared in accordance with generally accepted accounting principles in the jurisdiction in which the [NRSRO] or its parent is incorporated, organized, or has its principal office; and
    - (iii) Be certified by an accountant who is qualified and independent in accordance with paragraphs (a), (b), and (c)(1), (2), (3), (4), (5) and (8) of § 210.2-01 of [the Exchange Act]. The accountant must give an opinion on the financial statements in accordance with paragraphs (a) through (d) of § 210.2-02 of [the Exchange Act (the “Audited Financial Report”)].<sup>1</sup>

EJR’s fiscal year end is December 31; therefore, its Audited Financial Report would be due on March 30, 2020.

## COVID-19

COVID-19 is a highly contagious novel coronavirus that has spread across the world.<sup>2</sup> Beginning in or around March 2020, COVID-19 has spread rapidly across the United States, leading to significant disruption in the United States, including the implementation of self-quarantine procedures and remote work arrangements across the country. As of March 29, 2020, Pennsylvania, where EJR’s dedicated independent audit team is based, has the tenth most COVID-19 positive cases in the United States and the city of Philadelphia, Pennsylvania, as well

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<sup>1</sup> See Rule 17g-3(a)(1) of the Exchange Act.

<sup>2</sup> See <https://www.cdc.gov/coronavirus/2019-ncov/prevent-getting-sick/how-covid-spreads.html>.

as at least 21 other counties in Pennsylvania, have issued mandatory stay-at-home orders.<sup>3</sup> In addition, EJR maintains significant operations in New York City, New York, which has been widely reported to be the epicenter of the COVID-19 outbreak. On March 13, 2020, the President of the United States declared the COVID-19 outbreak in the United States a national emergency, effective March 1, 2020.<sup>4</sup>

## DISCUSSION

As required by Rule 17g-3(a)(1), EJR's Audited Financial Report must contain EJR's audited financial statements, which must be prepared by EJR's independent auditor, and filed by EJR with the Commission. Up until March 27, 2020, EJR anticipated being able to submit its Audited Financial Report on a timely basis on March 30, 2020. On March 27, 2020, on a conference call starting at 3:30 pm ET, EJR learned, due to COVID-19 related delays, its independent auditor's second-line quality review function is not likely to complete their work, and sign-off on EJR's financial statements by March 30, 2020, even though its first-line auditors will likely be finished by the March 30, 2020 deadline.<sup>5</sup> Upon concluding the call at approximately 4:15 pm ET, EJR informed the Staff of the anticipated delay in EJR's ability to submit its Audited Financial Report on March 30, 2020 at 4:27 pm ET via email.

In addition to the Audited Financial Report, EJR is also required to file its Annual Certification on Form NRSRO ("Annual Certification") pursuant to Section 15E and Rule 17g-1 of the Exchange Act and other annual unaudited reports pursuant to Section 15E and Rule 17g-3(a)(2)-(8) of the Exchange Act ("Annual Unaudited Reports") by March 30, 2020. EJR is prepared to file both its Annual Certification and Annual Unaudited Reports on March 30, 2020.

## CONCLUSION

For the reasons described above, we respectfully request the Staff to advise us that it will not recommend enforcement action to the Commission against EJR under Rule 17g-3(a)(1) of the Exchange Act, if the Firm submits its Audited Financial Report by April 20, 2020, rather than March 30, 2020. EJR anticipates that its independent auditor will complete its audit and

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<sup>3</sup> See Mitch Smith, et al., "Coronavirus in the U.S.: Latest Map and Case Count," The New York Times (updated March 30, 2020), available at: <https://www.nytimes.com/interactive/2020/us/coronavirus-us-cases.html>. See also Commonwealth of Pennsylvania Office of the Governor: Amendment to the Order of the Governor of the Commonwealth of Pennsylvania For Individuals to Stay at Home (March 28, 2020), available at: <https://www.governor.pa.gov/wp-content/uploads/2020/03/20200328-GOV-Stay-at-Home-Order-Amendment.pdf>. The headquarters of EJR's independent auditor is Minneapolis, Minnesota; however, EJR's dedicated auditing team is located in Pennsylvania.

<sup>4</sup> See <https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/>.

<sup>5</sup> EJR's independent auditors' internal procedures do not permit sign-off on financial statements until the second-line quality review is complete.

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that EJR will be in a position to complete its Audited Financial Report no later than April 20, 2020.

Thank you for your consideration of this request and please do not hesitate to contact the undersigned with any questions.

Very truly yours,



Elizabeth A. Marino

cc: Michele Wilham, Esq.  
Harriet Orol, Esq.  
Kristin Costello, Esq.