

SUPPORTING STATEMENT
for the Paperwork Reduction Act Revised Information Collection Submission for
Rule 17g-7 - “Disclosure requirements”

A. JUSTIFICATION

1. Necessity of Information Collection

The Credit Rating Agency Reform Act of 2006¹ (“Rating Agency Act”), enacted on September 29, 2006, defines the term “nationally recognized statistical rating organization,” or “NRSRO,” and provides authority for the Securities and Exchange Commission (“Commission”) to implement registration, recordkeeping, financial reporting, and oversight rules with respect to registered credit rating agencies. The Rating Agency Act added new Section 15E, “Registration of Nationally Recognized Statistical Rating Organizations,”² to the Securities Exchange Act of 1934 (“Exchange Act”). In 2007, the Commission adopted rules to implement specific provisions of the Rating Agency Act, as well as other registration, recordkeeping, financial reporting and oversight rules.³

The Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) was enacted on July 21, 2010.⁴ Title IX, Subtitle C of the Dodd-Frank Act, “Improvements to the Regulation of Credit Rating Agencies,” among other things, establishes new self-executing requirements applicable to NRSROs, requires certain studies,⁵ and requires that the Commission adopt rules applicable to NRSROs in a number of areas.⁶

Section 932(a)(8) of the Dodd-Frank Act amended Section 15E of the Exchange Act to add paragraphs (q) and (s).⁷ Section 15E(q)(2)(F) of the Exchange Act provides that the Commission’s rules must require an NRSRO to include an attestation with any credit rating that it issues affirming that no part of the rating was influenced by any other business activities, that the rating was based solely on the merits of the instruments being rated, and that such rating was an independent evaluation of the risks and merits of the instrument.⁸ Sections 15E(s)(1) through

¹ Pub. L. No. 109-291 (2006).

² 15 U.S.C. 78o-7.

³ Oversight of Credit Rating Agencies Registered as Nationally Recognized Statistical Rating Organizations, Exchange Act Release No. 55857 (June 5, 2007), 72 FR 33564 (June 18, 2007).

⁴ Pub. L. No. 111-203, 124 Stat. 1376, H.R. 4173 (2010).

⁵ See Pub. L. No. 111-203 §§ 939, 939D-939F.

⁶ See Pub. L. No. 111-203 §§ 931-939H; see also Pub. L. No. 111-203 § 943.

⁷ See 15 U.S.C. 78o-7(q) and (s).

⁸ See 15 U.S.C. 78o-7(q)(2)(F).

(4) of the Exchange Act, among other things require Commission rulemaking with respect to disclosures an NRSRO must make with the publication of a credit rating.⁹

Rule 17g-7 (17 CFR 240.17g-7) was originally adopted by the Commission in January 2011 to implement Section 943 of the Dodd-Frank Act which, among other things, provides that the Commission must prescribe rules requiring NRSROs to provide investors with certain information regarding the representations, warranties, and enforcement mechanisms available to investors in an asset-backed securities (“ABS”) offering.¹⁰

On May 18, 2011, the Commission proposed for comment amendments to Rule 17g-7, in accordance with Title IX, Subtitle C of the Dodd-Frank Act and to enhance oversight of NRSROs.¹¹ On August 27, 2014, the Commission adopted amendments to Rule 17g-7 (the “Amendments”), discussed in greater detail below, to implement rulemaking required by Sections 15E(q) and 15E(s) of the Exchange Act.¹²

Rule 17g-7 contains disclosure requirements for NRSROs.¹³ These disclosure requirements involve a collection of information within the meaning of the Paperwork Reduction Act of 1995 (“PRA”). The collection of information obligations imposed by the rule are mandatory. The requirements of Rule 17g-7, however, apply only to credit rating agencies that are applying to register or are registered with the Commission as NRSROs, and registration is voluntary.

Overview of Rule 17g-7 Prior to the Amendments

Rule 17g-7 was adopted by the Commission in January 2011 to implement Section 943 of the Dodd-Frank Act which, among other things, requires NRSROs to provide investors with certain information regarding the representations, warranties, and enforcement mechanisms available to investors in an ABS offering.¹⁴

⁹ 15 U.S.C. 78o-7(s)(1) through (4).

¹⁰ See Disclosure for Asset-Backed Securities Required by Section 943 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Securities Act Release No. 9175, Exchange Act Release No. 63741 (Jan. 20, 2011), 76 FR 4489 (Jan. 26, 2011).

¹¹ See Proposed Rules for Nationally Recognized Statistical Rating Organizations, Exchange Act Release No. 64514 (May 18, 2011), 76 FR 33420 (June 8, 2011) (“Proposing Release”).

¹² See Nationally Recognized Statistical Rating Organizations, Exchange Act Release No. 72936 (Aug. 27, 2014), 79 FR 55078 (Sept. 15, 2014) (“Adopting Release”).

¹² See Nationally Recognized Statistical Rating Organizations, Exchange Act Release No. 72936 (Aug. 27, 2014), 79 FR 55078 (Sept. 15, 2014) (“Adopting Release”).

¹³ The Office of Management and Budget (“OMB”) Control Number for Rule 17g-7 is 3235-0656.

¹⁴ See Disclosure for Asset-Backed Securities Required by Section 943 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, 76 FR at 4503.

Rule 17g-7 requires an NRSRO to disclose, in any report accompanying a credit rating in an asset-backed securities offering, the representations, warranties and enforcement mechanisms available to investors and describe how they differ from those in issuances of similar securities.

Overview of Proposed Amendments to Rule 17g-7

The Commission proposed to amend Rule 17g-7 on May 18, 2011.¹⁵ First, the Commission proposed to add new paragraphs (a)(1) and (2) to Rule 17g-7 to implement rulemaking mandated in Sections 15E(s)(1), (2), (3), and (4)(D) of the Exchange Act.

Proposed new paragraphs (a)(1) and (2) of Rule 17g-7 would require, respectively, an NRSRO when taking a rating action to publish a form containing information about the credit rating resulting from or subject to the rating action; and any certification of a provider third-party due diligence services received by the NRSRO that relates to the credit rating. Proposed paragraph (a)(1) of Rule 17g-7 would contain three primary components: paragraph (a)(1)(i) prescribing the format of the form; paragraph (a)(1)(ii) prescribing the content of the form (which must include certain qualitative and quantitative information relating to the credit rating); and paragraph (a)(1)(iii) prescribing an attestation requirement for the form. Proposed paragraph (a)(2) of Rule 17g-7 would identify a certification from a provider of third-party due diligence services as an item that must be published with a rating action.

Second, the Commission proposed to add new paragraph (b) to Rule 17g-7. This proposed amendment would implement rulemaking mandated in Section 15E(q) of the Exchange Act by: (1) re-codifying in paragraph (b) of Rule 17g-7 requirements currently contained in paragraph (d)(3) of Rule 17g-2; and (2) substantially enhancing those requirements. More specifically, paragraph (d)(3) of Rule 17g-2 requires an NRSRO to, among other things, make publicly available on its corporate Internet website in an XBRL format the information required to be documented pursuant to paragraph (a)(8) of the rule with respect to any credit rating initially determined by the NRSRO on or after June 26, 2007, the effective date of the Rating Agency Act.¹⁶

The proposed amendments would enhance these requirements in four ways. The first enhancement would make the disclosure easier for investors and other users of credit ratings to locate. Specifically, new proposed paragraph (b)(1) of Rule 17g-7 would require the NRSRO, among other things, to publicly disclose the ratings history information for free on an easily accessible portion of its corporate Internet website.

The second enhancement would broaden the scope of credit ratings subject to the disclosure requirements. Specifically, proposed new paragraph (b)(1)(i) of Rule 17g-7 would require an NRSRO to disclose each credit rating assigned to an obligor, security, and money market instrument in every class of credit ratings for which the NRSRO is registered that was

¹⁵ See Proposed Rules for Nationally Recognized Statistical Rating Organizations, 76 FR at 33430.

¹⁶ 17 CFR 240.17g-2(d)(3).

outstanding as of June 26, 2007 and any subsequent upgrades or downgrades of a credit rating assigned to the obligor, security, or money market instrument (including a downgrade to, or assignment of, default), any placements of a credit rating assigned to the obligor, security, or money market instrument on watch or review, any affirmation of a credit rating assigned to the obligor, security, or money market instrument, and a withdrawal of a credit rating assigned to the obligor, security, or money market instrument. With respect to credit ratings initially determined on or after June 26, 2007, the proposed amendments would clarify that the disclosure of the rating history information would be triggered when an NRSRO publishes any expected or preliminary credit rating assigned to an obligor, security, or money market instrument before the publication of an initial credit rating, and any subsequent upgrades or downgrades of a credit rating assigned to the obligor, security, or money market instrument (including a downgrade to, or assignment of, default), any placements of a credit rating assigned to the obligor, security, or money market instrument on watch or review, any affirmation of a credit rating assigned to the obligor, security, or money market instrument, and a withdrawal of a credit rating assigned to the obligor, security, or money market instrument.

The third enhancement would increase the scope of information that must be disclosed about a rating action. Specifically, proposed paragraph (b)(2) of Rule 17g-7 would identify seven categories of data that would need to be disclosed when a credit rating action is published pursuant to proposed new paragraph (b)(1) of Rule 17g-7. The fourth enhancement would be to require that a rating history not be removed from the disclosure until 20 years after the NRSRO withdraws the credit rating assigned to the obligor, security, or money market instrument.

Amendments to Rule 17g-7

The Commission adopted amendments to Rule 17g-7 on August 27, 2014.¹⁷ The Amendments modified the collection of information included in Rule 17g-7 in three ways. First, the Commission incorporated the disclosure requirements in Rule 17g-7 regarding representations, warranties, and enforcement mechanisms available to investors in asset-backed securities that existed before the Amendments into paragraph (a) of the rule and added significant disclosure provisions to paragraph (a) of the rule that require an NRSRO, when taking certain rating actions, to publish a form containing information about the credit rating resulting from or subject to the rating action as well as any certification of a provider of third-party due diligence services received by the NRSRO that relates to the credit rating.¹⁸ The amendments to paragraph (a) of Rule 17g-7 prescribe: (1) the types of rating actions that trigger the requirement

¹⁷ See Nationally Recognized Statistical Rating Organizations, 79 FR at 55162. Both the Proposing Release and the Adopting Release contain estimates of the PRA burden associated with Rule 17g-7. The supporting statement relating to the estimates in the Proposing Release of the PRA burden associated with Rule 17g-7 has not previously been reviewed by the Office of Management and Budget (“OMB”) and is attached to this submission. The estimates in the Proposing Release of the PRA burden associated with Rule 17g-7 are incorporated below; and as discussed in greater detail in Section A.8. below, the Commission solicited comment on such burden in the Proposing Release and received comments from registrants and other market participants.

¹⁸ See id.

to publish the form and, if applicable, any due diligence certifications;¹⁹ (2) the format of the form;²⁰ (3) the content of the form (which must include certain qualitative and quantitative information relating to the credit rating);²¹ and (4) an attestation requirement for the form.²² The attestation that is required to be provided by the NRSRO must certify that no part of the rating was influenced by any other business activities, that the rating was based solely on the merits of the instruments being rated, and that such rating was an independent evaluation of the risks and merits of the instrument.²³ The Commission modified the proposed amendments to paragraph (a) of Rule 17g-7 in the Adopting Release to narrow the scope of rating actions that will trigger the disclosure requirement and provided an exemption for certain rating actions involving foreign obligors or foreign-issued securities or money market instruments. The Commission also modified the proposed amendments to paragraph (a) to significantly reduce the reporting requirements relating to representations, warranties, and enforcement mechanisms.

Second, the Commission re-codified in paragraph (b) of Rule 17g-7 the requirements to disclose rating histories that were contained in paragraph (d)(3) of Rule 17g-2 prior to the Amendments (the “100% Rule”).²⁴ Paragraph (b) of the amended rule requires an NRSRO to make available on its corporate Web site in XBRL format the rating action history of each outstanding credit rating that it determined on or after June 26, 2007, including all rating actions (initial rating, upgrades, downgrades, placements on watch for upgrade or downgrade, and withdrawals) and the date of such actions identified by the name of the security or obligor rated and, if applicable, the CUSIP for the rated security or the Central Index Key (CIK) number for the rated obligor.

Third, the amendments to paragraph (b) of Rule 17g-7 increase the information that must be disclosed by expanding the scope of the credit ratings that must be included in the histories, and by adding additional data elements that must be disclosed in the rating history for a particular credit rating. Under paragraph (b) of the amended rule, for a class of credit ratings in which the NRSRO is registered with the Commission as of the effective date of paragraph (b) of Rule 17g-7 (June 15, 2015), the disclosure requirement applies to a credit rating in the class that was outstanding as of, or initially determined on or after, the date three years prior to June 15, 2015.²⁵ Further, for a class of credit rating in which the NRSRO is registered with the Commission after June 15, 2015, the disclosure requirement applies to a credit rating in the class that was outstanding as of, or initially determined on or after, the date three years prior to the date the NRSRO is registered in the class.²⁶ The Commission modified the proposed

¹⁹ See 17 CFR 240.17g-7(a).

²⁰ See 17 CFR 240.17g-7(a)(1)(i).

²¹ See 17 CFR 240.17g-7(a)(1)(ii).

²² See 17 CFR 240.17g-7(a)(1)(iii).

²³ See id.

²⁴ See 17 CFR 240.17g-7(b).

²⁵ See 17 CFR 240.17g-7(b)(1)(i).

²⁶ See 17 CFR 240.17g-7(b)(1)(ii).

amendments to paragraph (b) of Rule 17g-7 in the Adopting Release to focus the disclosure of rating histories on the rating actions that are most relevant to evaluating performance by eliminating the proposed requirement to include placements on watch and affirmations (and the required data associated with these actions) in the rating histories. The Commission also modified the proposed amendments to paragraph (b) to significantly shorten the time horizon of historical information that must be retrieved for inclusion in the rating histories. In particular, the proposed requirement to include information for all credit ratings outstanding on or after June 26, 2007 was replaced with a standard three-year backward looking requirement that applies irrespective of when the NRSRO is registered in a class of credit ratings. The Commission also modified the proposed amendments to paragraph (b) to specify a standard for updating the file – no less frequently than monthly and reduce the time period a credit rating history must be retained after the credit rating is withdrawn from twenty years to fifteen years.

2. Purpose and Use of the Information Collection

The Commission adopted Rule 17g-7 in January 2011 to implement Section 943 of the Dodd-Frank Act which, among other things, requires NRSROs to provide investors with certain disclosures regarding the representations, warranties, and enforcement mechanisms available to investors in an ABS offering. The disclosures required by Rule 17g-7 are not made directly with the Commission. Rather, the information regarding the representations, warranties, and enforcement mechanisms with respect to an ABS transaction is provided in any report accompanying a credit rating by an NRSRO in connection with an ABS transaction. The disclosures regarding representations, warranties, and enforcement mechanisms information are intended to help ensure that investors in ABS transactions are provided with important information about such transactions prior to the point at which they make an investment decision.

The Commission amended Rule 17g-7 to implement Section 932(a)(8) of the Dodd-Frank Act which, among other things, mandates that the Commission adopt rulemaking requiring NRSROs to provide an attestation and disclosures with the publication of a credit rating. The amendments to paragraph (a) of Rule 17g-7 require an NRSRO, when taking certain rating actions, to publish a form containing information about the credit rating resulting from or subject to the rating action as well as any certification of a provider of third-party due diligence services received by the NRSRO that relates to the credit rating. The disclosures required by paragraph (a) of the rule will be used by investors and other users of credit ratings to better understand the credit ratings issued by the NRSRO.²⁷ In addition, the disclosure of the certification will allow investors and other users of credit ratings to determine the adequacy and level of due diligence services provided by the third party executing the certification.

The amendments to paragraph (b) of Rule 17g-7 require an NRSRO to disclose rating histories that may be used by investors and other users of credit ratings to evaluate the

²⁷ See Nationally Recognized Statistical Rating Organizations, 79 FR at 55163.

performance of the NRSRO's credit ratings.²⁸ As the Commission stated when adopting the original rating history disclosure requirement, the "intent of the rule is to facilitate comparisons of credit rating accuracy across all NRSROs – including direct comparisons of different NRSROs' treatment of the same obligor or instrument – in order to enhance NRSRO accountability, transparency, and competition."²⁹ The amendments to paragraph (b) also are designed to provide persons (such as market participants and academics and other market observers) with the "raw data" necessary to generate statistical information about the performance of each NRSRO's credit ratings.³⁰ The information disclosed pursuant to the amendments to paragraph (b) also may be used by economists to study the performance of NRSRO credit ratings. The Commission also may use the information as part of its oversight function.

3. Consideration Given to Information Technology

NRSROs are not prevented by Rule 17g-7 from using computers or other mechanical devices to generate the disclosures required under the rule. The Commission believes that improvements in data processing technology could reduce the burdens associated with Rule 17g-7.

4. Duplication

The Commission has not identified any duplication with respect to the information required by Rule 17g-7.

5. Effect on Small Entities

Small entities may be affected by Rule 17g-7 because all NRSROs, regardless of size are subject to the additional requirements in the Amendments to the rule. Currently, there are ten credit rating agencies registered with the Commission as NRSROs. The Commission stated in the Adopting Release that, based on their annual reports under Rule 17g-3 for the 2013 fiscal

²⁸ See *id.*

²⁹ See Amendments to Rules for Nationally Recognized Statistical Rating Organizations, Exchange Act Release No. 61050 (Nov. 23, 2009), 74 FR at 63838 (Dec. 4, 2009) ("Ratings history information for outstanding credit ratings is the most direct means of comparing the performance of two or more NRSROs. It allows an investor or other user of credit ratings to compare how all NRSROs that maintain a credit rating for a particular obligor or instrument initially rated that obligor or instrument and, thereafter, how and when they adjusted their credit rating over time.").

³⁰ See Amendments to Rules for Nationally Recognized Statistical Rating Organizations, 74 FR at 63837-63838 ("The raw data to be provided by NRSROs pursuant to the new ratings history disclosure requirements...will enable market participants to develop performance measurement statistics that would supplement those required to be published by NRSROs themselves in Exhibit 1, tapping into the expertise of credit market observers and participants in order to create better and more useful means to compare the credit ratings performance of NRSROs.").

year, two NRSROs are small entities.³¹ The Commission solicited comment in the Proposing Release regarding the proposed amendments' burden on small entities and considered potential alternatives to minimize the burden of the collection of information requirements on those who are required to respond.³²

In part in response to comments, the Commission modified the Amendments in the Adopting Release in a number of ways to reduce burdens on all NRSROs, including small NRSROs.³³ The Commission modified the amendments to paragraph (a) of Rule 17g-7 in a number of ways to reduce burdens. For example, the Commission narrowed the scope of rating actions that will trigger the disclosure requirement and provided an exemption for certain rating actions involving foreign obligors or foreign-issued securities or money market instruments. The Commission also significantly reduced the reporting requirements relating to representations, warranties, and enforcement mechanisms. All of these modifications were made in response to concerns about burdens raised by commenters.

In the Adopting Release, the Commission also modified the proposed amendments to paragraph (b) of Rule 17g-7 to reduce burdens. To focus the disclosure of rating histories on the rating actions that are most relevant to evaluating performance, the amendments adopted to paragraph (b) of Rule 17g-7 eliminated the proposed requirement to include placements on watch and affirmations (and the required data associated with these actions) in the rating histories. The amendments adopted also significantly shortened from the Proposing Release the time horizon of historical information that must be retrieved for inclusion in the rating histories. In particular, the proposed requirement to include information for all credit ratings outstanding on or after June 26, 2007 was replaced with a standard three-year backward looking requirement that applies irrespective of when the NRSRO is registered in a class of credit ratings. This, together with the elimination of two proposed types of rating actions that would trigger a requirement to add information to a credit rating's history – placements of the security on credit watch or review and affirmations of the credit rating – should significantly mitigate the costs of retrieving and analyzing historical information for the purposes of making the rating histories disclosures. The amendments adopted also should mitigate to some extent concerns about having to obtain information that was not traditionally retained by the NRSRO because it has significantly narrowed the scope of such information that will need to be included in the rating histories. Further, the amendments adopted should reduce the cost of updating the XBRL data file with new information.³⁴ The amendments adopted to paragraph (b) of the rule also specify a standard for updating the file – no less frequently than monthly. This will make the costs resulting from the requirement lower than if the file needed to be updated more frequently. In addition, the amendments adopted prioritize identifier disclosure to an LEI and then to a CIK, if

³¹ See Nationally Recognized Statistical Rating Organizations, 79 FR at 55257.

³² See Proposed Rules for Nationally Recognized Statistical Rating Organizations, 76 FR at 33457; See also Nationally Recognized Statistical Rating Organizations, 79 FR at 55151.

³³ See id.

³⁴ See id. at 55140.

the LEI is not available. Finally, the Commission modified the amendments paragraph (b) of the rule in the Adopting Release to reduce the time period a credit rating history must be retained after the credit rating is withdrawn from twenty years to fifteen years. This should reduce to some degree the data retention and maintenance costs associated with the amendments adopted as compared to the amendments proposed in the Proposing Release. These modifications are expected to reduce the burden associated with the rule on NRSROs, including small NRSROs.

6. Consequences of Not Conducting Collection

Sections 15E(q) and 15E(s) of the Exchange Act and Section 943 of the Dodd-Frank Act mandate that the Commission adopt rulemaking requiring that disclosures be provided along with any credit rating published by an NRSRO. Consequently, the objectives of the disclosure requirements for NRSROs under Sections 15E(q) and 15E(s) the Exchange Act would not be met with less frequent collection of the information required by Rule 17g-7.

7. Inconsistencies with Guidelines in 5 CFR 1320.5(d)(2)

There are no special circumstances. This collection is consistent with the guidelines in 5 CFR 1320.5(d).

8. Consultations Outside the Agency

The Commission solicited comment on the estimated PRA burden associated with the proposed collection of information requirements in the Proposing Release.³⁵ Comments regarding the Proposing Release were received from registrants and other market participants. In addition, the Commission and staff participated in ongoing dialogue with representatives of various market participants through public conferences, meetings, and informal exchanges. The comments received on this rulemaking are posted on the Commission's public website, and are available through <http://www.sec.gov/comments/s7-18-11/s71811.shtml>. The Commission considered all comments received prior to adopting the Amendments, and explained in the Adopting Release how the Amendments respond to such comments, in accordance with 5 CFR 1320.11(f).

The Commission received comments from NRSROs stating that the Commission underestimated the costs and time burdens related to the proposed amendments to paragraph (a) of Rule 17g-7.³⁶ However, these commenters did not provide estimates of the costs and time burdens. One NRSRO also generally objected to the Commission's use of the number of credit ratings outstanding to estimate the burden of the proposed amendments, because "the burden

³⁵ See Proposed Rules for Nationally Recognized Statistical Rating Organizations, 76 FR at 33420.

³⁶ See letter from Larry G. Mayewski, Executive Vice President, A.M. Best, dated Aug. 8, 2011 ("A.M. Best Letter"); letter from Daniel Curry, President, and Mary Keogh, Managing Director, Regulatory Affairs, DBRS, Inc., dated Aug. 8, 2011 ("DBRS Letter"); letter from Robert Dobilas, President, Morningstar Credit Ratings, LLC, to the Commission (Aug. 8, 2011) ("Morningstar Letter").

analysis must take into account not only the number of ratings or analysts in isolation, but also must include the legal and compliance resources necessary to implement systemic and simultaneous changes.”³⁷

In part in response to comments³⁸, the Commission modified the amendments to paragraph (a) of Rule 17g-7 in a number of ways in the Adopting Release to reduce burdens. For example, the Commission narrowed the scope of rating actions that will trigger the disclosure requirement and provided an exemption for certain rating actions involving foreign obligors or foreign-issued securities or money market instruments. The Commission also significantly reduced the reporting requirements relating to representations, warranties, and enforcement mechanisms. All of these modifications were made in response to concerns about burdens raised by commenters.³⁹

Based on these comments, the Commission believes it underestimated the amount of the burden in the Proposing Release. However, the Commission also believes the modifications discussed above will ease the burden to the extent that they will compensate for the amount by which the Commission underestimated the burden. Consequently, the Commission is retaining its original burden estimate.

The Commission received comments regarding the amount of time it would take on average to generate a form, as required by paragraph (a) of Rule 17g-7, for each rating action by populating it with the required disclosures and to publish the form. Commenters made general statements that the rule would result in significant burden⁴⁰ or that the Commission underestimated the burden.⁴¹ Commenters, however, did not provide alternative estimates of the

³⁷ See [A.M. Best Letter](#). See also [DBRS Letter](#).

³⁸ See [A.M. Best Letter](#); [DBRS Letter](#); [Morningstar Letter](#).

³⁹ See [A.M. Best Letter](#); letter from Tom Deutsch, Executive Director, American Securitization Forum, dated Aug. 8, 2011; letter from Dennis M. Kelleher, President & CEO, and Stephen W. Hall, Securities Specialist, Better Markets, Inc., dated Aug. 8, 2011; letter from Barbara Roper, Director of Investor Protection, Consumer Federation of America, and Marcus Stanley, Policy Director, Americans for Financial Reform, dated Aug. 8, 2011; [DBRS Letter](#); letter from Deloitte & Touche LLP dated Aug. 8, 2011; letter from Richard M. Whiting, Executive Director and General Counsel, The Financial Services Roundtable, dated Aug. 8, 2011; Letter from Michel Madelain, President and Chief Operating Officer, Moody’s Investors Service, dated Aug. 8, 2011 (“[Moody’s Letter](#)”); [Morningstar Letter](#); letter from Deven Sharma, President, Standard and Poor’s Ratings Services, dated Aug. 8, 2011 (“[S&P Letter](#)”).

⁴⁰ See [A.M. Best Letter](#) (“We believe that expanding 17g-7 disclosure requirements to non-asset-backed ratings is extremely overly-burdensome...”).

⁴¹ See [DBRS Letter](#) (“DBRS believes that the Commission has grossly underestimated...the amount of time it will take to compile a disclosure form for each rating action”); [Morningstar Letter](#) (“We disagree with the Commission’s estimation that the form of these certificates will be largely standardized and take 15 minutes to complete per rating action. We believe that the Commission’s estimation is too low since proposed provisions will not be able to be standardized across rating actions or asset class types and will still require an individual analysis of the securities transaction.”) (footnote omitted).

burden. Nonetheless, the Commission revised its burden estimate in the Adopting Release, based on staff experience and in light of the comments, from fifteen minutes to twenty minutes on average for each rating action.

The Commission also received comments regarding the burden that the proposed amendments to paragraph (b) of Rule 17g-7 would impose on NRSROs. One NRSRO stated that constantly updating the database for the 100% Rule “would impose an unwarranted burden on NRSROs.”⁴² Another NRSRO stated that NRSROs may not have, or may find it difficult to obtain, the additional information required by the amendments to paragraph (b).⁴³ A third NRSRO stated that because it does not consider affirmations, confirmations, placement of credit ratings on watch or review, and assignment of default status to be credit rating actions and does not subdivide withdrawn credit ratings into the subcategories of withdrawn due to default, withdrawn because paid in full, and “other,” it does not capture some of that information in a format that is readily retrievable and therefore it recommends that the rule exempt NRSROs from providing historical data to the extent it does not already capture the data in a readily retrievable format.⁴⁴ One NRSRO that generally supported the Amendments also stated that NRSROs may not be able to provide XBRL information as of June 26, 2007, since those rating actions are beyond the scope of the 3-year record retention requirement.⁴⁵ Three NRSROs objected to the requirement to disclose the legal name and CIK number of the rated obligor or issuer of the security or money market instrument and the CUSIP of the security or money market instrument.⁴⁶ One NRSRO stated that it was “unnecessarily burdensome” to require the use of identifiers that may become obsolete, that require NRSROs to pay a fee, or that may not be used outside the United States, as long as NRSROs “use some kind of identifier system sufficient to identify the rated obligor and obligation,” for example, “an internationally recognized LEI [Legal Entity Identifier] system.”⁴⁷

In response to the comments, the Commission modified paragraph (b) of Rule 17g-7 in the Adopting Release to reduce the burden.⁴⁸ To focus the disclosure of rating histories on the rating actions that are most relevant to evaluating performance, the amendments to paragraph (b) eliminate the proposed requirement to include placements on watch and affirmations (and the

⁴² See [DBRS Letter](#). See also [DBRS letter](#) (stating that the 100% Rule “would impose an unwarranted burden on NRSROs”); [Moody’s Letter](#) (stating that collecting data for past rating actions “would require tens of thousands of hours of analysis”).

⁴³ See [S&P Letter](#).

⁴⁴ See [Moody’s Letter](#).

⁴⁵ See [Morningstar Letter](#).

⁴⁶ See [DBRS Letter](#); [Moody’s Letter](#); [S&P Letter](#).

⁴⁷ See [Moody’s Letter](#). As discussed in the Proposing Release, the Commission believes the requirement to disclose the CUSIP of the security or money market instrument that is the subject of the rating action is necessary to make the disclosures readily searchable. See [Nationally Recognized Statistical Rating Organizations](#), 79 FR at 55139.

⁴⁸ See [Nationally Recognized Statistical Rating Organizations](#), 79 FR at 55139.

required data associated with these actions) in the rating histories.⁴⁹ The amendments to paragraph (b) also significantly shortened the time horizon of historical information that must be retrieved for inclusion in the rating histories. In particular, the proposed requirement to include information for all credit ratings outstanding on or after June 26, 2007 was replaced with a standard three-year backward looking requirement that applies irrespective of when the NRSRO is registered in a class of credit ratings. The modifications also should mitigate to some extent concerns about having to obtain information that was not traditionally retained by the NRSRO as it will significantly narrow the scope of such information that will need to be included in the rating histories. Further, the modifications reduced the burden of updating the XBRL data file with new information. The amendments to paragraph (b) also specify a standard for updating the file – no less frequently than monthly, in response to a suggestion by a commenter. This will make the costs resulting from the requirement lower than if the file needed to be updated more frequently. In addition, the final rule prioritizes identifier disclosure to a Legal Entity Identifier (LEI) and then to a Central Index Key (CIK), if the LEI is not available.⁵⁰ Finally, the amendments to paragraph (b) modified the proposed amendments to reduce the time period a credit rating history must be retained after the credit rating is withdrawn from twenty years to fifteen years. This should reduce the data retention and maintenance costs associated with the amendments adopted as compared to the amendments proposed in the Proposing Release.

The modifications are expected to reduce the burden associated with the amendments to the rule. However, the Commission is not decreasing the burden estimates, notwithstanding the modifications to the rule that reduce the burdens in the Proposing Release, in light of comments that the estimates in the Proposing Release were too low.

9. Payment or Gift

The Commission did not provide any payment or gift to respondents in connection with Rule 17g-7.

10. Confidentiality

The information collected under Rule 17g-7 will not be confidential. The disclosure an NRSRO is required to provide under Rule 17g-7 regarding representations, warranties and enforcement mechanisms available to investors in connection with an offering of asset-backed securities must be provided in any report accompanying a credit rating by an NRSRO in connection with an asset-backed securities transaction. The form and attestation an NRSRO must publish when taking certain rating actions under paragraph (a) of Rule 17g-7 must be published in the same manner as the credit rating that is the result or subject of the rating action and made available to the same persons who can receive or access the credit rating. An NRSRO must publicly disclose for free the credit rating histories required under paragraph (b) of Rule 17g-7 on an easily accessible portion of its corporate Internet website.

⁴⁹ See Moody's Letter (stating that it does not consider these activities to be rating actions).

⁵⁰ See DBRS Letter; Moody's Letter; S&P Letter.

11. Sensitive Questions

Not applicable. No inquiries of a sensitive nature are made under the rule. The information collection does not collect any personally identifiable information.

12. Burden of Information Collection

Rule 17g-7 Prior to the Amendments

The current PRA burdens for Rule 17g-7 include approximately 100 hours per year for each NRSRO to review and update benchmarks for various types of securities for purposes of comparing representations, warranties, and enforcement mechanisms, resulting in an annual industry-wide reporting burden of 1,000 hours (10 respondents X 100 hours/respondent).

On a deal-by-deal basis, the current burdens for each NRSRO are an average of approximately: (i) one hour to review each ABS transaction to review the relevant disclosures prepared by an issuer, which an NRSRO would review as part of the rating process, and convert those disclosures into a format suitable for inclusion in any report to be issued by the NRSRO, and (ii) 10 hours per ABS transaction to compare the terms of the current deal to those of similar securities.

When the Commission adopted Rule 17g-7 in January 2011, it estimated the average annual number of ABS offerings to be 2,067 and the average number of credit ratings per issuance of ABS to be four, resulting in 8,268 annual responses.⁵¹ Accordingly, the total industry-wide annual reporting burden of complying with the disclosure requirements under Rule 17g-7, prior to the Amendments, is 90,948 hours (8,268 responses x 11 hours/response).

As a result, the current total aggregate burden for complying with Rule 17g-7 is 91,948 hours per year (1,000 hours for reviewing and updating benchmarks + 90,948 hours for complying with disclosure requirements).

Proposed Amendments and Amendments to Rule 17g-7

⁵¹ See Disclosure for Asset-Backed Securities Required by Section 943 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, 76 FR at 4508.

The Commission incorporated the existing disclosure requirements with respect to representations, warranties, and enforcement mechanisms available to investors in asset-backed securities in Rule 17g-7 prior to the Amendments into paragraph (a) of Rule 17g-7. The Commission also added to paragraph (a) significant disclosure provisions that require an NRSRO, when taking certain rating actions, to publish: (i) a form containing information about the credit rating resulting from or subject to the rating action; and (ii) any certification of a provider of third-party due diligence services received by the NRSRO that relates to the credit rating.⁵²

With respect to the one-time disclosure burden attributable to amended paragraph (a) of Rule 17g-7, the Commission estimated in the Proposing Release that an NRSRO would spend an average of approximately 5,000 hours to develop the standardized disclosures and create the systems, protocols, and procedures for populating the form with information generated and collected during the rating process and allocated 75% of these burden hours (3,750 hours) to internal burden and 25% of these burden hours (1,250 hours) to external burden for outside professionals such as counsel and information technology consultants, resulting in an industry-wide one-time hour burden of approximately 50,000 hours⁵³ - 37,500 of which are allocated to the 10 NRSROs as internal burden,⁵⁴ and 12,500 of which are allocated as external burden. As discussed below, the Commission did not modify its estimate in the Adopting Release with respect to the one-time burden attributable to paragraph (a) of Rule 17g-7.

With respect to the annual hour disclosure burden for paragraph (a) of Rule 17g-7, the Commission stated in the Proposing Release that it believed that the estimate should be divided into two components: the amount of time an NRSRO would spend to update its standardized disclosures and to tailor disclosures to particular rating actions and asset classes; and the amount of time the NRSRO would spend generating and publishing each form and attaching the required certifications to the form.⁵⁵ With regard to the first component, the Commission estimated that an NRSRO would spend an average of approximately 500 hours per year updating the standardized disclosures, for an industry-wide annual hour disclosure burden of 5,000 hours.⁵⁶ The Commission stated in the Proposing Release that it believed that the burden attributable to

⁵² See proposed paragraph (a) of Rule 17g-7.

⁵³ See Proposed Rules for Nationally Recognized Statistical Rating Organizations, 76 FR at 33505. This estimate was based on the Commission's estimate for the amount of time it would take a securitizer to set-up a system to make the disclosures required by Form ABS-15G. See Disclosure for Asset-Backed Securities Required by Section 943 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, 76 FR at 4507. The Commission significantly increased the estimate for Form ABS-15G because the form required pursuant to Rule 17g-7 contains substantially more qualitative information.

⁵⁴ For the purposes of Form 83-I, the industry-wide one-time hourly burden has been annualized over the three year approval period to an hourly burden of 12,500 hours per year (37,500 hours/3 years). This equates to an annual burden of 1,250 hours per NRSRO (12,500 hours/10 NRSROs) during the three year approval period.

⁵⁵ See Proposed Rules for Nationally Recognized Statistical Rating Organizations, 76 FR at 33505.

⁵⁶ 500 hours x 10 NRSROs = 5,000 hours.

the second component should be based on the number of rating actions taken per year by the NRSROs because the requirement to generate and publish the form and attach the certifications will be triggered by a rating action.⁵⁷ The Commission further estimated in the Proposing Release that the ten NRSROs take approximately 2,909,958 credit rating actions per year,⁵⁸ and estimated that the time it would take to generate a form with the required disclosures and to publish the form with the credit rating would be an average of approximately fifteen minutes, for an industry-wide annual hour disclosure burden of approximately 727,490 hours,⁵⁹ which would be allocated to the NRSROs based on the number of credit ratings they have outstanding.⁶⁰

In part in response to comments regarding the underestimation of time burdens,⁶¹ the Commission modified the amendments to paragraph (a) of Rule 17g-7 in the Adopting Release in a number of ways to reduce burdens.⁶² For example, the Commission narrowed the scope of rating actions that trigger the disclosure requirement and provided an exemption for certain rating actions involving foreign obligors or foreign-issued securities or money market instruments. The Commission also significantly reduced the reporting requirements relating to representations, warranties, and enforcement mechanisms. Based on the comments received, the Commission stated in the Adopting Release that it believes its burden estimate in the Proposing Release underestimated the amount of the burden. However, the Commission believes that the modifications discussed above will ease the burden to the extent that they will compensate for the amount by which the Commission underestimated the burden. Consequently, the Commission is retaining the original burden estimate from the Proposing Release.

The Commission continues to believe that the estimate of the time required to generate and publish the form and attach the certifications should be based on the number of rating actions taken per year by the NRSROs because the requirement will be triggered upon the taking of a rating action. Based on staff experience, the Commission believes that expected or preliminary credit ratings are published primarily (but not exclusively) with respect to new issuances of structured finance products. The Commission estimates that there will be approximately 715

⁵⁷ See Proposed Rules for Nationally Recognized Statistical Rating Organizations, 76 FR at 33505.

⁵⁸ Based on information submitted to the Commission by NRSROs, the Commission estimated that NRSROs took approximately 2,000,000 rating actions in 2009, consisting of upgrades, downgrades, placements on credit watch, and withdrawals of credit ratings. The Commission also estimated that NRSROs would issue expected or preliminary ratings primarily with respect to new issuances of structured finance products, which the Commission estimated at 2,067 per year, plus other issuances, for a total of 4,134 preliminary ratings per year. The Commission also estimated that approximately 415,117 initial credit ratings are issued per year and that 490,707 affirmations are issued per year. See Proposed Rules for Nationally Recognized Statistical Rating Organizations, 76 FR at 33505-33506.

⁵⁹ 2,909,958 rating actions x 1/4 hour = 727,489.5 hours (rounded up to 727,490).

⁶⁰ See Proposed Rules for Proposed Rules for Nationally Recognized Statistical Rating Organizations, 76 FR at 33505-33506.

⁶¹ See A.M. Best Letter; DBRS Letter; Morningstar Letter.

⁶² See Nationally Recognized Statistical Rating Organizations, 79 FR at 55162.

offerings of structured finance products per year.⁶³ The Commission, based on staff experience, believes that expected or preliminary credit ratings are used in other types of offerings as well and, therefore, increased that estimate by 100%, to 1,430 preliminary or expected credit ratings per year.⁶⁴

In terms of estimating the number of initial credit ratings, the Commission estimates that there are approximately 2,437,046 credit ratings outstanding across all ten NRSROs.⁶⁵ Based on staff experience, as stated in the Proposing Release, the Commission estimated that the average maturity of rated securities and money market instruments is approximately seven years.⁶⁶ Consequently, assuming 2,437,046 is the approximate average number of credit ratings outstanding at any given time, the Commission estimated that approximately 348,149 initial credit ratings are issued per year.⁶⁷

Based on information submitted to the Commission by NRSROs pursuant to paragraph (a)(6) of Rule 17g-3,⁶⁸ the Commission estimates that in calendar year 2013 NRSROs made a total of approximately 236,521 credit rating upgrades and downgrades, placed 176,374 credit ratings on credit watch, and withdrew 191,062 credit ratings. However, the Commission noted in the Adopting Release that the definition of rating action in the prefatory text of paragraph (a) of Rule 17g-7, as adopted, has been modified from the proposed definition to exclude placements of credit ratings on credit watch and to only include an affirmation or withdrawal of an existing credit rating if the affirmation or withdrawal is the result of a review of the credit rating assigned to the obligor, security, or money market instrument by the NRSRO using applicable procedures and methodologies for determining credit ratings. The Commission estimates that virtually all withdrawals of credit ratings by NRSROs are in connection with routine debt maturities, calls, or redemptions in which case the withdrawal would result from the extinguishment of the debtor's obligation and not from an analysis of the debtor's creditworthiness. Consequently, virtually all withdrawals would not result from the application of the NRSRO's rating procedure or methodology to analyze the creditworthiness of the debtor. Therefore, virtually all withdrawals under the modified definition of rating action would not trigger the requirements of paragraph (a) of Rule 17g-7. Consequently, the Commission is excluding the number of withdrawals per year from the total number of rating actions per year that will trigger the requirements of paragraph (a) of Rule 17g-7.

⁶³ See id. at 55087, Table 6.

⁶⁴ $715 \times 2 = 1,430$. See also Proposed Rules for Nationally Recognized Statistical Rating Organizations, 76 FR at 33506.

⁶⁵ See Nationally Recognized Statistical Rating Organizations, 79 FR at 55085, Table 2.

⁶⁶ See Proposed Rules for Nationally Recognized Statistical Rating Organizations, 76 FR at 33506.

⁶⁷ $2,437,046 \text{ credit ratings} / 7 = 348,149 \text{ credit ratings}$. See Proposed Rules for Nationally Recognized Statistical Rating Organizations, 76 FR at 33506, n.1011.

⁶⁸ See paragraph (a)(6) of Rule 17g-3.

Finally, with respect to affirmations of existing credit ratings, the Commission believes that NRSROs generally affirm existing credit ratings at least once a year. Consequently, the Commission estimates that the number of affirmations would be the total number of credit ratings outstanding (2,437,046), less the number of credit ratings that are upgraded and downgraded (236,521), placed on credit watch (176,374), withdrawn (191,062), and paid off during the year (348,149), for a total of 1,484,940 estimated NRSRO affirmations of existing credit ratings.⁶⁹

Based on these estimates, the Commission estimates that the ten NRSROs take an aggregate of approximately 2,071,040 credit rating actions per year, according to the definition of rating action in paragraph (a) of Rule 17g-7, as adopted.⁷⁰ The Commission preliminarily estimated in the Proposing Release that it would take approximately fifteen minutes on average to generate a form by populating it with the required disclosures and to publish the form. Commenters made general statements that the rule would result in significant burden⁷¹ or that the Commission underestimated the burden.⁷² Commenters, however, did not provide alternative estimates of the burden. Nonetheless, the Commission is revising its estimate, based on staff experience and in light of the comments received in response to the Proposing Release, to twenty minutes on average for each rating action, resulting in an industry-wide annual hour disclosure burden of approximately 690,347 hours.⁷³

The Commission is not revising its estimate of the amount of time an NRSRO would spend to update its standardized disclosures and to tailor disclosures to particular rating actions and asset classes. The Commission therefore estimates an annual burden per NRSRO of approximately 500 hours and an industry-wide annual hour disclosure burden of approximately 5,000 hours.⁷⁴ Based on staff experience, the Commission believes that the update process will be handled by the NRSROs internally.

⁶⁹ $1,484,940 = 2,437,046 - 236,521 - 176,374 - 191,062 - 348,149$.

⁷⁰ $236,521$ upgrades and downgrades + $1,484,940$ affirmations + $348,149$ initial credit ratings + $1,430$ preliminary or expected credit ratings = $2,071,040$ rating actions per year. For purposes of paragraph (a) of Rule 17g-7, credit ratings placed on credit watch and withdrawn credit ratings are not included in this calculation due to the definition of rating action.

⁷¹ See A.M. Best Letter (“We believe that expanding 17g-7 disclosure requirements to non-asset-backed ratings is extremely overly-burdensome...”).

⁷² See DBRS Letter (“DBRS believes that the Commission has grossly underestimated...the amount of time it will take to compile a disclosure form for each rating action”); Morningstar Letter (“We disagree with the Commission’s estimation that the form of these certificates will be largely standardized and take 15 minutes to complete per rating action. We believe that the Commission’s estimation is too low since proposed provisions will not be able to be standardized across rating actions or asset class types and will still require an individual analysis of the securities transaction.”) (footnote omitted).

⁷³ $2,071,040$ rating actions x $1/3$ hour = $690,346.67$ hours, rounded to $690,347$ hours.

⁷⁴ 500 hours x 10 NRSROs = $5,000$ hours.

The Commission also amended paragraph (b) of Rule 17g-7 to re-codify the requirements to disclose rating histories that were contained in paragraph (d)(3) of Rule 17g-2 before the Amendments, to increase the amount of information that must be disclosed by expanding the scope of the credit ratings that must be included in the histories, and by adding additional data elements that must be disclosed in the rating history for a particular credit rating.⁷⁵

In the Proposing Release, the Commission estimated that the average one-time disclosure burden attributable to the enhancements to the 100% Rule per NRSRO would be approximately 135 hours to program existing systems and initially add the ratings histories for all outstanding credit ratings as of June 26, 2007, for an industry-wide one-time disclosure burden of approximately 1,350 hours,⁷⁶ and that the average annual burden per NRSRO to comply with the increased requirements, including updating and administering the database, would be approximately forty-five hours per year, for an industry-wide annual disclosure burden of approximately 450 hours.⁷⁷

In response to comments received in response to the Proposing Release, the Commission modified paragraph (b) of Rule 17g-7 in the Adopting Release to reduce the burden.⁷⁸ To focus the disclosure of rating histories on the rating actions that are most relevant to evaluating performance, the amendments to paragraph (b) eliminate the proposed requirement to include placements on watch and affirmations (and the required data associated with these actions) in the rating histories.⁷⁹ The amendments to paragraph (b) also significantly shorten the time horizon of historical information that must be retrieved for inclusion in the rating histories. In particular, the proposed requirement to include information for all credit ratings outstanding on or after June 26, 2007 has been replaced with a standard three-year backward looking requirement that applies irrespective of when the NRSRO is registered in a class of credit ratings. The modifications also should mitigate to some extent concerns about having to obtain information that was not traditionally retained by the NRSRO as it will significantly narrow the scope of such information that will need to be included in the rating histories. Further, the modifications will reduce the burden of updating the XBRL data file with new information. The amendments to paragraph (b) also specify a standard for updating the file – no less frequently than monthly. This will make the costs resulting from the requirement lower than if the file needed to be updated more frequently. In addition, the amendments adopted prioritize identifier disclosure to an LEI and

⁷⁵ See Nationally Recognized Statistical Rating Organizations, 79 FR at 55139.

⁷⁶ For the purposes of Form 83-I, the industry-wide one-time hourly burden has been annualized over the three year approval period to an hourly burden of 450 hours per year (1,350 hours/3 years). This equates to an annual burden of 45 hours per NRSRO (450 hours/10 NRSROs) during the three year approval period.

⁷⁷ The re-codification of paragraph (d)(3) of Rule 17g-2 (the 100% Rule) in paragraph (b) of Rule 17g-7 will subtract 150 hours from the industry-wide annual hour burden for Rule 17g-2. This burden will be attributed to the industry-wide annual hour burden for Rule 17g-7.

⁷⁸ See Nationally Recognized Statistical Rating Organizations, 79 FR at 55139. See also DBRS letter (stating that the 100% Rule “would impose an unwarranted burden on NRSROs”); Moody’s Letter (stating that collecting data for past rating actions “would require tens of thousands of hours of analysis”).

⁷⁹ See Moody’s Letter (stating that it does not consider these activities to be rating actions).

then to a CIK, if the LEI is not available.⁸⁰ Finally, the amendments to paragraph (b) were modified in the Adopting Release to reduce the time period a credit rating history must be retained after the credit rating is withdrawn from twenty years to fifteen years.

The modifications are expected to reduce the burden associated with the rule. However, the Commission is not decreasing the burden estimates, notwithstanding the modifications to the rule that reduce the burdens from the rule as proposed, in light of comments that the estimates in the Proposing Release were too low.

Summary

The Commission estimates that paragraph (a) of Rule 17g-7, as amended, will result in a total industry-wide one-time disclosure burden to develop the standardized disclosures and create the systems, protocols, and procedures for populating the form with information generated and collected during the rating process of approximately 37,500 hours (3,750 hours x 10 NRSROs),⁸¹ and will result in a total industry-wide one-time cost for NRSROs of approximately \$10,612,500.⁸² The total industry-wide annual hour disclosure burden to update standardized disclosures, to tailor disclosures to particular rating actions and asset classes, and to generate and publish each form and attach the required certifications to the form is approximately 695,347 hours.⁸³ The total industry-wide annual cost to update standardized disclosures, to tailor disclosures to particular rating actions and asset classes, and to generate and publish each form and attach the required certifications to the form is approximately \$196,783,000.⁸⁴

With respect to the amendments to paragraph (b) of Rule 17g-7, the Commission estimates that the burden associated with the enhancements to the 100% Rule result in a total

⁸⁰ See DBRS Letter; Moody's Letter; S&P Letter.

⁸¹ For the purposes of Form 83-I, the industry-wide one-time hourly burden has been annualized over the three year approval period to an hourly burden of 12,500 hours per year (37,500 hours/3 years). This equates to an annual burden of 1,250 hours per NRSRO (12,500 hours/10 NRSROs) during the three year approval period.

⁸² 37,500 hours x \$283 per hour for a compliance manager = \$10,612,500. See Nationally Recognized Statistical Rating Organizations, 79 FR at 55240. The salary figures provided in this Supporting Statement are from SIFMA's Management & Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for a 1,800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead. For the purposes of this PRA submission, the industry-wide one-time cost has been annualized over the three year approval period to a cost of \$3,537,500 per year (\$10,612,500/3 years). This equates to an annual cost of \$353,750 per NRSRO (\$3,537,500/10 NRSROs) during the three year approval period.

⁸³ 5,000 hours + 690,347 hours = 695,347 hours.

⁸⁴ 695,347 hours x \$283 per hour for a compliance manager = \$196,783,201, rounded to \$196,783,000. See Nationally Recognized Statistical Rating Organizations, 79 FR at 55240. For the purposes of this PRA submission, the industry-wide one-time cost has been annualized over the three year approval period to a cost of \$65,594,333 per year (\$196,783,000/3 years). This equates to an annual cost of \$6,559,433 per NRSRO (\$65,594,333 /10 NRSROs) during the three year approval period.

industry-wide one-time hour disclosure burden of approximately 1,350 hours to program existing systems and initially add the ratings histories for all applicable outstanding credit ratings.⁸⁵ This will result in total industry-wide one-time costs for NRSROs registered with the Commission to program existing systems and initially add the ratings histories for all applicable outstanding credit ratings of approximately \$393,000.⁸⁶ The total industry-wide annual hour disclosure burden to comply with the increased requirements, including updating and administering the database, is approximately 450 hours. The total industry-wide annual costs to comply with the increased requirements, including updating and administering the database, is approximately \$131,000.⁸⁷

The Commission estimates that Rule 17g-7, after the Amendments, will result in a total one-time burden of 38,850 hours⁸⁸ and a total ongoing burden of 787,895 annual hours.⁸⁹ The Commission estimates that the Amendments to Rule 17g-7 will result in a one-time burden increase of 38,850⁹⁰ hours, and an ongoing burden increase of 695,947 annual hours.⁹¹

13. Costs to Respondents

Rule 17g-7 Prior to the Amendments

Prior to the Amendments, it was not anticipated that respondents would have to incur any capital and start-up costs, nor any additional operational or maintenance costs to comply with the collection of information.

⁸⁵ For the purposes of Form 83-I, the industry-wide one-time hourly burden has been annualized over the three year approval period to an hourly burden of 450 hours per year (1,350 hours/3 years). This equates to an annual burden of 45 hours per NRSRO (450 hours/10 NRSROs) during the three year approval period.

⁸⁶ 1,350 hours x \$291 per hour for a senior systems analyst = \$392,850, rounded to \$393,000. See Nationally Recognized Statistical Rating Organizations, 79 FR at 55240. For the purposes of this PRA submission, the industry-wide one-time cost has been annualized over the three year approval period to a cost of \$131,000 per year (\$393,000/3 years). This equates to an annual cost of \$13,100 per NRSRO (\$131,000/10 NRSROs) during the three year approval period.

⁸⁷ 450 hours x \$291 per hour for a senior systems analyst = \$130,950, rounded to \$131,000. See Nationally Recognized Statistical Rating Organizations, 79 FR at 55240.

⁸⁸ 38,850 hours = 37,500 hours attributable to compliance with 17g-7(a) + 1,350 hours attributable to compliance with 17g-7(b)).

⁸⁹ Prior to the Amendments, the annual hourly burden attributed to Rule 17g-7 was 91,948 hours. After the Amendments, the annual hourly burden attributed to Rule 17g-7 is 787,895 hours (91,948 hours + 695,347 hours + 450 hours + 150 hours due to the burden transferred from Rule 17g-2).

⁹⁰ Prior to the Amendments, there were no one-time hourly burdens attributed to Rule 17g-7. After the Amendments, the one-time hourly burden attributed to Rule 17g-7 is 38,850 hours (37,500 hours attributable to compliance with 17g-7(a) and 1,350 hours attributable to compliance with 17g-7(b)).

⁹¹ 787,895 hours – 91,948 hours = 695,947 hours.

Proposed Amendments to Rule 17g-7

In the Proposing Release the Commission estimated that the proposed amendments to Rule 17g-7 would be an external burden of 1,250 hours per NRSRO relating to developing the standardized disclosures and creating the systems, protocols, and procedures for populating the form required by Rule 17g-7, and estimated a \$400 per hour cost for outside professionals such as counsel and information technology consultants.

Amendments to Rule 17g-7

In the Adopting Release, the Commission retained its estimates for the external burden of Rule 17g-7 and associated costs. Consequently, the estimated industry-wide one-time cost is approximately \$5,000,000 (\$400 x 1,250 hours x 10 NRSROs), and for PRA submission purposes is annualized over the three year approval period to be approximately \$1,666,667 (\$5,000,000/3).⁹²

14. Costs to Federal Government

The Commission does not anticipate that Rule 17g-7 will result in any costs to the federal government beyond normal full-time employee labor costs, nor will the rule require the Commission to hire any new employees or reallocate existing employees to ensure compliance with the rule.

15. Changes in Burden

The change in burden is a result of the Amendments to Rule 17g-7 the Commission adopted to implement the attestation and disclosures required by Sections 15E(q) and 15E(s) of the Exchange Act.

In the Proposing Release, the Commission estimated that the proposed amendments to Rule 17g-7 would result in a total industry-wide one-time hour burden of approximately 38,850 hours and an increase in total industry-wide annual hour burden of approximately 733,090 hours.⁹³

The Commission modified the annual time burden estimates in the Adopting Release. The Commission estimates that the Amendments to Rule 17g-7 will result in a one-time

⁹² See Proposed Rules for Nationally Recognized Statistical Rating Organizations, 76 FR at 33505.

⁹³ The total industry-wide annual hour burden of approximately 733,090 hours includes an increase of 150 annual hours that are shifted from Rule 17g-2 to Rule 17g-7 (732,940 hours + 150 hours = 733,090 hours).

burden increase of 38,850 hours and now estimates an ongoing burden increase of 695,947 annual hours.⁹⁴

16. Information Collection Planned for Statistical Purposes

Not applicable. The information collection is not for statistical purposes.

17. Approval to Omit OMB Expiration Date

The Commission is not seeking approval to omit the expiration date.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

This collection complies with the requirements in 5 CFR 1320.9.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

The collection of information does not employ statistical methods, or analyze the information for the Commission.

⁹⁴ The total industry-wide annual hour burden increase of approximately 695,947 hours includes an increase of 150 annual hours that are shifted from Rule 17g-2 to Rule 17g-7