

**SUPPORTING STATEMENT**  
**for the Paperwork Reduction Act Revised Information Collection Submission for**  
**Rule 17g-1 and Form NRSRO**

**A. JUSTIFICATION**

**1. Necessity of Information Collection**

The Credit Rating Agency Reform Act of 2006<sup>1</sup> (“Rating Agency Act”), enacted on September 29, 2006, established a registration and oversight program for credit rating agencies registered as nationally recognized statistical rating organizations, or “NRSROs,” and provided authority for the Securities and Exchange Commission (“Commission”) to implement registration, recordkeeping, financial reporting, and oversight rules with respect to NRSROs. The Rating Agency Act added new Section 15E, “Registration of Nationally Recognized Statistical Rating Organizations,”<sup>2</sup> to the Securities Exchange Act of 1934 (“Exchange Act”), and, in 2007, the Commission adopted registration, recordkeeping, financial reporting, and oversight rules, including Rule 17g-1 and Form NRSRO, to implement specific provisions of Section 15E of the Exchange Act.<sup>3</sup>

The Dodd-Frank Wall Street Reform and Consumer Protection Act<sup>4</sup> (“Dodd-Frank Act”) was enacted on July 21, 2010. Title IX, Subtitle C of the Dodd-Frank Act, “Improvements to the Regulation of Credit Rating Agencies,” among other things, established self-executing requirements applicable to NRSROs, required certain studies,<sup>5</sup> and required that the Commission adopt rules applicable to NRSROs, providers of due diligence services, and issuers and underwriters of asset-backed securities in a number of areas.<sup>6</sup> On August 27, 2014, the Commission adopted rules and rule amendments to implement certain of these provisions, including amendments to Rule 17g-1 and the instructions to Form NRSRO.

Rule 17g-1 (17 CFR 240.17g-1) and Form NRSRO (17 CFR 249b.300) establish a process for registration and ongoing disclosure.<sup>7</sup> Rule 17g-1 and Form NRSRO apply only to credit rating agencies that are applying to register or are registered with the Commission as

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<sup>1</sup> Pub. L. No. 109-291 (2006).

<sup>2</sup> 15 U.S.C. 78o-7.

<sup>3</sup> 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).

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

<sup>5</sup> See Pub. L. No. 111-203 §§ 939, 939D-939F.

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

<sup>7</sup> The Office of Management and Budget (“OMB”) control number for Rule 17g-1 is 3235-0625.

NRSROs, and registration is voluntary.<sup>8</sup> However, once registered, the collection of information obligation imposed by Rule 17g-1 and Form NRSRO is mandatory.

Rule 17g-1 requires a credit rating agency to file an initial application on Form NRSRO.<sup>9</sup> The rule also provides that if the information contained in the application becomes materially inaccurate before the Commission has granted or denied the application, the credit rating agency must promptly notify the Commission and amend the application with accurate and complete information by submitting an amended initial application on Form NRSRO. Rule 17g-1 also provides that a credit rating agency could withdraw its application before the Commission takes final action on it by furnishing the Commission with a written notice of withdrawal executed by a duly authorized person. Once the application has been approved, Section 15E(b)(1) of the Exchange Act requires an NRSRO to promptly amend the application if any information or document provided as part of the application becomes materially inaccurate.<sup>10</sup> Rule 17g-1 provides that an NRSRO is required to file the amendment with the Commission on Form NRSRO.

A credit rating agency may apply to be registered for fewer than all five categories of credit ratings described in clauses (i) through (v) of section 3(a)(62)(B) of the Exchange Act.<sup>11</sup> Rule 17g-1 provides that an NRSRO registered for fewer than the five categories may apply to be registered with respect to an additional category by filing an application to add a class of credit ratings on Form NRSRO.<sup>12</sup>

Section 15E(b)(2) of the Exchange Act requires an NRSRO to file with the Commission an amendment to its registration not later than 90 days after the end of each calendar year in a form prescribed by Commission rule (the “annual certification”).<sup>13</sup> This section further provides that the amendment must (1) certify that the information and documents provided in the application for registration (except the Qualified Institutional Buyer certifications) continue to be accurate and (2) list any material change to the information and documents that occurred during

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<sup>8</sup> Section 15E(a) of the Exchange Act sets out registration procedures for a credit rating agency to voluntarily apply to be registered with the Commission as an NRSRO.

<sup>9</sup> This provision was implemented under the Commission’s authority in Section 15E(a)(1)(A) of the Exchange Act to prescribe the form of the application (15 U.S.C. 78o-7(a)(1)(A)); see also Oversight of Credit Rating Agencies Registered as Nationally Recognized Statistical Rating Organizations, 72 FR 33564 (June 18, 2007), available at <https://www.sec.gov/rules/final/2007/34-55857.pdf>.

<sup>10</sup> 15 U.S.C. 78o-7(b)(1).

<sup>11</sup> Section 15E(a)(1)(B)(vii) of the Exchange Act (15 U.S.C. 78o-7(a)(1)(B)(vii)) provides that a credit rating agency must submit information with its application regarding the categories of credit ratings described in section 3(a)(62)(B) of the Exchange Act (15 U.S.C. 78c(a)(62)(B)) for which it “intends to apply for registration.”

<sup>12</sup> The application will be subject to the requirements of Section 15E(a)(2) of the Exchange Act (15 U.S.C. 78o-7(a)(2)).

<sup>13</sup> 15 U.S.C. 78o-7(b)(2).

the previous calendar year. Rule 17g-1 implements these statutory provisions by requiring an NRSRO to file the annual certification on Form NRSRO.

Finally, Section 15E(e)(1) of the Exchange Act provides that an NRSRO may withdraw from registration, subject to terms and conditions the Commission may establish as necessary in the public interest or for the protection of investors, by furnishing the Commission with a written notice of withdrawal.<sup>14</sup> Rule 17g-1 provides that an NRSRO must furnish the Commission with a withdrawal of registration on Form NRSRO.

## **2. Purpose and Use of the Information Collection**

Rule 17g-1, Form NRSRO, and the Instructions for Form NRSRO create a registration program for NRSROs. The collections of information in Rule 17g-1 and Form NRSRO are designed to allow the Commission to determine whether an entity should be registered as an NRSRO. Further, they assist Commission staff in effectively monitoring, through its examination function, whether an NRSRO is conducting its activities in accordance with Section 15E of the Exchange Act and Exchange Act rules.

Rule 17g-1, which, among other things, requires an NRSRO to make its current Form NRSRO (including Exhibits 1 through 9) freely available on an easily accessible portion of the NRSRO's corporate Internet website and to use the Electronic Data Gathering, Analysis and Retrieval System ("EDGAR") system to file annual certifications and other updates to Form NRSRO and the exhibits, is designed to make the information disclosed on the form and exhibits readily accessible to investors and other users of credit ratings. In addition, the filing of the Forms NRSRO and the exhibits on the EDGAR system will allow Commission staff to more easily retrieve the submissions of a specific NRSRO to prepare for an examination. Furthermore, having the forms filed and stored through the EDGAR system will assist Commission staff from a records management perspective by establishing a more automated storage process and creating efficiencies in terms of reducing the volume of paper filings that must be manually processed and stored.

These rules also are designed to assist users of credit ratings by requiring the disclosure of information with respect to an NRSRO that could be used to compare the credit ratings quality of different NRSROs. The information may include: methods for determining credit ratings; organizational structure; policies for managing material, non-public information; information regarding conflicts of interest; policies for managing conflicts of interest; credit analyst experience; and management experience. As noted in the Senate Report accompanying the Rating Agency Act, the information that NRSROs are required to make public "will facilitate informed decisions by giving investors the opportunity to compare ratings quality of different firms."<sup>15</sup>

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<sup>14</sup> 15 U.S.C. 78o-7(e)(1).

<sup>15</sup> See Report of the Senate Committee on Banking, Housing, and Urban Affairs to Accompany S. 3850, Rating Agency Act, S. Report No. 109-326, 109<sup>th</sup> Cong., 2d Sess. (Sept. 6, 2006).

### **3. Consideration Given to Information Technology**

Form NRSRO is designed to be downloadable from the Commission website, and information could be entered on the Form and stored electronically. Rule 17g-1 requires an NRSRO to make Form NRSRO and Exhibits 1 through 9 freely available on an easily accessible portion of its corporate Internet website and also requires NRSROs to use the Commission's EDGAR system to electronically file annual certifications and other updates to Form NRSRO and Exhibits 1 through 9 as a PDF document in the format required by the EDGAR Filer Manual. Thus, this rule makes use of technology to facilitate access to and maintain information. With respect to the performance statistics required under Rule 17g-1, the relevant paragraphs in the instructions to Form NRSRO contain specific instructions with respect to, among other things, how required information should be presented in Exhibit 1 (including the order of presentation) and how transition and default rates should be produced using a single cohort approach. Commission staff anticipates that information technology can be used to produce these performance statistics.

### **4. Duplication**

Commission staff has not identified any duplication with respect to the information required by Rule 17g-1 and Form NRSRO.

### **5. Effect on Small Entities**

Small entities may be affected by Rule 17g-1 and Form NRSRO because all applicants for registration and NRSROs, regardless of size, are required to submit Form NRSRO to the Commission. Currently, there are 10 NRSROs and, based on their most recently filed annual reports pursuant to Rule 17g-3, one NRSRO is a small entity for purposes of the Regulatory Flexibility Act.

### **6. Consequences of Not Conducting Collection or Conducting it Less Frequently**

If the information collection were not conducted, or not conducted as frequently, Commission staff would be unable to effectively monitor whether NRSROs are conducting their activities in accordance with Section 15E of the Exchange Act and Exchange Act rules. In addition, users of credit ratings would have less data available to evaluate the accuracy of credit ratings and compare the performance of credit ratings by different NRSROs.

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

There are no special circumstances. This collection is consistent with the guidelines set forth in 5 CFR 1320.5(d)(2).

## **8. Consultations Outside the Agency**

The required notice with a 60-day comment period soliciting comments on this collection of information was published in the Federal Register on July 12, 2023.<sup>16</sup>

## **9. Payment or Gift**

The Commission did not provide any payment or gift to respondents in connection with the proposed rulemaking.

## **10. Confidentiality**

Information submitted to the Commission on a confidential basis in accordance with Exchange Act Rule 17g-1 and Form NRSRO will be kept confidential to the extent permitted by law.<sup>17</sup>

## **11. Sensitive Questions**

No information of a sensitive nature, including social security numbers, will be required under this collection of information.

The information collection collects basic Personally Identifiable Information (PII) that may include name, job title, or work address. However, staff has determined that the information collection does not constitute a system of record for purposes of the Privacy Act. Information is not retrieved by a personal identifier.

In accordance with Section 208 of the E-Government Act of 2002, the agency has conducted a Privacy Impact Assessment (PIA) of the EDGAR system, in connection with this collection of information. The EDGAR System PIA, published on March 22, 2023, is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>.

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<sup>16</sup> See 88 FR 44433 (July 12, 2023).

<sup>17</sup> Section 15E(a)(3) of the Exchange Act and Exchange Act Rule 17g-1(i) require an NRSRO to make Form NRSRO and Exhibits 1 – 9 to Form NRSRO publicly and freely available on an easily accessible portion of the NRSRO's corporate Internet website within a prescribed time period. However, certain information may be filed on a confidential information, as specified in the instructions to Form NRSRO.

## 12. Burden of Information Collection

There are 10 credit rating agencies registered with the Commission as NRSROs. Commission staff understands that these entities have already established the record keeping and disclosure policies and procedures required by Rule 17g-1 and Form NRSRO.

Following amendments to Rule 17g-1 and Form NRSRO in 2014,<sup>18</sup> the total estimated annual burden estimate for Rule 17g-1 and Form NRSRO was increased to 252.7 annual hours per respondent. In response to a comment received in response to the solicitation of comments on this collection of information in 2017,<sup>19</sup> the annual burden estimate was further increased to 275 hours per respondent. Based on staff experience, this estimate remains appropriate, resulting in an industry-wide ongoing burden of 2,750 annual hours.<sup>20</sup>

IC	IC Title	Annual No. of Responses			Annual Time Burden (Hrs.)			Burden Cost Burden (\$)		
		Previously approved	Requested	Change	Previously approved	Requested	Change	Previously approved	Requested	Change
IC1	Form NRSRO - Annual Reporting	9	10	+1	2475	2750	+275	3600	4000	+400
IC2	One-Time Initial Application	1	1	0	0	0	0	5333	5333	0
<b>Total for all ICs</b>		10	11	+1	2475	2750	+275	8933	9333	+400

## 13. Costs to Respondents

The Commission previously stated that an NRSRO likely would engage outside counsel to assist it in the process of completing and submitting an initial Form NRSRO. The amount of time an outside attorney would spend on this work would depend on the size and complexity of the NRSRO. The Commission estimated that, on average, an outside counsel would spend approximately 40 hours assisting an NRSRO in preparing its initial application for registration, for a one-time aggregate burden to the industry of 400 hours. The Commission noted that the work would be split between a partner and an associate, with an associate performing a majority of the work. The Commission estimated that the average hourly cost for an outside counsel for an NRSRO would be approximately \$400 per hour. The

<sup>18</sup> See Release No. 34-72936 (Aug. 27, 2014), 79 FR 55078, 55235 (Sept. 15, 2014).

<sup>19</sup> See 82 FR 25648 (June 2, 2017).

<sup>20</sup> 275 hours x 10 respondents = 2,750 hours.

Commission therefore estimated that the average one-time cost to an NRSRO would be \$16,000<sup>21</sup> for an initial application.<sup>22</sup>

In addition, the Commission previously estimated an ongoing industry wide annual cost of approximately \$4,000 (or \$400 per respondent) to cover postage and handling fees for NRSROs responding to individuals that requested copies of Exhibit 1 of Form NRSRO.<sup>23</sup> Based on staff experience, this estimate remains appropriate, resulting in an ongoing industry cost resulting from compliance with Rule 17g-1 and Form NRSRO of \$4,000 annually.<sup>24</sup>

#### **14. Costs to Federal Government**

The Commission does not anticipate any additional costs to the Federal Government that would result from the rule.

#### **15. Changes in Burden**

The estimated burden on respondents is calculated based on the 10 credit rating agencies currently registered as NRSROs under Section 15E of the Exchange Act, compared to the 9 credit rating agencies previously registered at the time of the prior renewal.

#### **16. Information Collection Planned for Statistical Purposes**

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

#### **17. Approval to Omit OMB Expiration Date**

We request authorization to omit the expiration date on the electronic version of the form, although the OMB control number will be displayed. Including the expiration date on the electronic version of the form will result in increased costs, because the need to make changes to the form may not follow the application's scheduled version release dates.

#### **18. Exceptions to Certification for Paperwork Reduction Act Submissions**

Not applicable because no exceptions to certification are contained in the rule.

### **B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS**

This collection does not involve statistical methods or analyze the information for the agency.

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<sup>21</sup> \$400 per hour x 40 hours = \$16,000.

<sup>22</sup> Release No. 34-55857 (June 5, 2007), 72 FR 33564 (June 18, 2007).

<sup>23</sup> Release No. 34-72936 (Aug. 27, 2014), 79 FR 55078, 55235 (Sept. 15, 2014).

<sup>24</sup> \$400 x 10 respondents = \$4,000.