JCR

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8, Ginza, Chuo-ku
Tokyo 104-0061, Japan
TEL: (81-3)3544-7024 FAX:(81-3)3544-7028

June 25, 2010

The Honorable Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.,
Washington, D.C. 20549-1090

File No.: S7-04-09

Re: The Comment of Japan Credit Rating Agency, Ltd. ("JCR") on Release No. 34-62120 Concerning Nationally Recognized Statistical Rating Organizations ("NRSRO")

Dear Madam Secretary,

By Order dated May 19, 2010 (Release No. 34-62120; File No. S7-04-09), the Commission granted NRSROs temporary, conditional exemption from compliance with Rule 17g-5(a)(3). In said Order, the Commission stated: "The Commission also is soliciting comment regarding the application of Rule 17g-5(a)(3) to transactions outside of the U.S."[1] In response thereto, Japan Credit Rating Agency, Ltd. ("JCR") respectfully submits its comment, as shown in the attachment to this letter.

Respectfully submitted,

Takefumi Emori /s/
Managing Director

cc: Yoshi Saito, Esq. (Manelli Denison & Selter PLLC)

[1] Release No. 34-62120, at 2.

JCR

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8, Ginza, Chuo-ku
Tokyo 104-0061, Japan
TEL: (81-3)3544-7024 FAX:(81-3)3544-7028

Comment:

JCR respectfully requests that the current temporary, conditional exemption under Release No. 34-62120 be extended for unspecified period of time beyond December 2, 2010, for the following reasons:

(a) Rule 17g-5 (a)(3) requires the arranger of a structured finance product to disclose to non-hired NRSROs all information it provides to the hired NRSRO for initial rating of that security (or monitoring that rating) on the arranger's password-protected website. The arranger in Japan, however, would most likely refuse to provide the information referred to in Rule 17g-5(a)(3) to non-hired NRSROs where the issuer of the security is a non-U.S. person and all transactions involving that security will be effected outside of the United States, because Rule 17g-5(a)(3) does not directly compel the arranger to disclose the information to non-hired NRSROs. Japanese securities laws also do not compel the arranger to disclose the information it provide to a hired rating agency in like circumstances. For arrangers, creating and administering the disclosure arrangements is very burdensome. More importantly, there is no certainty that the arranger will not be held liable to a third party for disclosing such party's sensitive, proprietary information for possible unsolicited rating, in the absence of a "cover" (i.e., legal compulsion). In fact, all of the arrangers that JCR contacted for their reactions to Rule 17g-5(a) (3) stated their strong objections to the Rule for the above reasons. All or virtually all of the Japanese arrangers that JCR contacted stated they would rather forgo obtaining a credit rating than complying with Rule 17g-5(a)(3)(iii). The vast majority of the structured finance products offered or sold in Japan fall into the temporarily exempted category. JCR strongly believes that Rule 17g-5 (a)(3) will cause a disruption to the Japanese securitization market for this reason, seriously impairing the Japanese corporations and financial institutions' ability to raise funds in the securitization market as a result.

(b) As the Commission may be aware, the new "Financial Instruments and Exchange Act" ("FIEA") regulating credit rating agencies took effect in Japan as of April 1, 2010. Unlike Rule 17g-5(a), FIEA does not oblige credit rating agency to materially compel arrangers to disclose relevant information to other NRSROs. Article 306 (1) (ix) of the Cabinet Ordinance implementing FIEA[2], based on the IOSCO Code of Conduct Fundamentals, requires credit rating agencies to adopt the following three measures: itemizing information that may be deemed valuable in an assessment by a third party of the appropriateness of the credit rating and announcing such information; encouraging arrangers to implement measures to enable a third party to verify the appropriateness of the credit rating; and announcing the details of the encouragement taken by the credit rating agencies. JCR holds a view that 17g-5(a) (3) and 306 (1) (ix) share a similar goal, but their approach is distinct from each other. JCR strongly believes that Rule 17g-5 (a) (3) is impracticable for the Japanese securitization market because of its inconsistency with the Japanese law, especially with respect to the currently conditionally exempted securities. For these reasons, JCR believes that a further extension of the December 2, 2010 extended compliance date is necessary for the U.S. and Japanese regulatory authorities to iron out their differences in disclosure approach.

[2]An unofficial translation of the Cabinet Ordinance implementing FIEA is provided in Annex 4c to Technical Advice to the European Commission on the Equivalence between the Japanese Regulatory and Supervisory Framework and the EU Regulatory Regime for Credit Rating Agencies, published by the Committee of European Securities Regulators, dated June 9, 2010.