Japan Credit Rating Agency, Ltd.

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U. S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090.
Attention: Secretary

File No.: S7-13-08

Re: Japan Credit Rating Agency, Ltd. ("JCR") Comments to Release No. 34-57967 Rules for Nationally Recognized Statistical Rating Organizations ("NRSROs")

Dear Mr./Madam Secretary:

We are pleased to submit for the Commission's consideration our comments on the Proposed Rules for Nationally Recognized Statistical Rating Organizations. We hope the Commission will find our comments useful.

Respectfully submitted,

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Takefumi Emori /s/
Managing Director

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

Comments

1. *We are concerned that the requirement to disclose the information provided to an NRSRO for initial rating or surveillance purposes with respect to a security or money market instrument, as proposed as an addition to* ***Rule 17g-5,*** *could cause a decline in the quality of the rating or surveillance. Issuers, underwriters, sponsors, depositors, and trustees of asset- or mortgage-backed securities and money market instruments (collectively "issuer/s") are currently providing NRSROs with their business proprietary information, such as property rent rolls for MBS offerings and profiles of the borrowers in arrear who are included in the asset pool for an asset-backed security, that a particular NRSRO requires for its rating assignment or rate surveillance, without significant hesitation or restraint because the provider of information knows that the NRSRO will treat the information strictly confidentially. The proposed amendment, which would require public disclosure of issuer/s' confidential information would likely chill this confidential relationship, making issuer/s reluctant to provide proprietary information to NRSROs which they require for rating or surveillance. In fact, the Commission is already aware of this trade-off, as it states, at page 34 of the Proposed Rule, that it "intends to monitor whether it results in a significant reduction in the information provided to NRSROs."*

   We believe that any reduction in the information provided to NRSROs would adversely affect the quality of the credit rating or surveillance performed by the NRSRO. JCR believes that there is a less harmful way of managing the potential conflict which could arise from a repeat rating business from the same arranger of structured finance products. For example, rotations of credit rating agencies for initial rating assignments under the supervision of a voluntary association of credit rating agencies, under appropriate antitrust guidelines, might offer a solution. Such a system is already in place for corporate auditors. While encouraging unsolicited rating might be pro-competitive, competition in rating or surveillance services based on inaccurate or incomplete issuer/s' information would do more harm than good to the public interest.

2. *In the proposed rule, frequent references are made to "a security or money market instrument issued by an asset pool or as part of any asset-backed or mortgage-backed securities transaction." We believe that these words too broadly define "a structured finance product" because they omit references to "subordination" as a qualifying word. Without such a qualification, even a repackaged bond would be included in "asset-backed security".*

3. *With respect to the proposed amendment to* ***Rule 17g-5(c),*** *which would prohibit the conflict of interest arising from an obligor or issuer receiving a rating recommendation from an NRSRO or a person associated with an NRSRO with respect to a particular instrument or obligor , we believe that the term "recommendation" should be defined; an overbroad interpretation of this*

word, in the absence of a clear definition, could chill perfectly legitimate communications between the issuer and the analyst (and/or the NRSRO) relating to rating.

4. *With respect to the proposed addition of* ***Rule 17g-7****, we are concerned that adoption of ratings symbols for structured finance products so as to distinguish them from credit ratings on other types of debt securities, would impose unreasonable burdens on CRAs and would be confusing to debt securities investors,because internal rules and guidelines on debt securities investment only refer to traditional rating symbols such as "AAA" or "BB-".*

5. *With respect to the proposed amendments to* ***Rule 17g-2(d)****, which would require that records of all rating actions be made publicly available on the NRSRO's corporate Internet Web site in XBRL Interactive Data File, we believe that the Commission should take the lead in creating the new tags that are needed for the XBRL format, in close consultation with NRSROs. In view of the evolving nature of credit rating, the new tags should allow expansions and incorporation of any new rating scales and symbols.*

6. *With respect to the proposed amendments to* ***Form NRSRO Instruction to Exhibit 1****, which would require disclosure of credit ratings performance measurement statistics over 1, 3 and 10-year periods, we believe that the periods must be articulated, so that it would be clear whether a "10-year default rate" would mean a "10-year* ***cumulative*** *default rate" or a "10-year average rate of 1-year default rate.*

7. *Finally, we request that the Commission allow sufficient time for implementing the PRAs so that rating agencies and other market participants will be able to clarify ambiguities concerning the PRAs and be ready for the implementation.*

(end)