

the Commission condition NRSRO recognition on a rating agency's agreeing to establish procedures to assure certain disclosures relating to its ratings business, such as those described above? Are there other disclosures that could be appropriate?

Question 50: Specifically, should NRSRO recognition be conditioned on a rating agency disclosing the key bases of, and assumptions underlying its rating decisions? If so, should these disclosures be made pursuant to standards developed by the industry, or otherwise?

Question 51: Would it be advisable for the Commission to condition NRSRO recognition on a rating agency's agreeing to disclose performance information periodically? If so, what type of performance information would be most useful? How often should it be disclosed?

Question 52: Should NRSRO recognition be conditioned on a rating agency's disclosing whether or not an issuer participated in the rating process? Or, could issuers be required to make such disclosures?

Question 53: Concerns have been raised that certain credit rating agencies make their credit ratings available only to paid subscribers, and that it would be inappropriate to require users of credit ratings to subscribe for a fee to an NRSRO's services to obtain credit ratings for regulatory purposes. What

steps, if any, should the Commission take to address these concerns? For example, should NRSRO recognition be conditioned on a rating agency's agreeing to public dissemination of its ratings on a widespread basis at no cost, as is currently the case?

Question 54: Should NRSRO recognition be conditioned on a rating agency's implementing procedures to assure public notification when it ceases rating/following an issuer. If so, what form of public notification would be appropriate?

G. Other

During the Commission's review of credit rating agencies, certain issues were raised that do not directly relate to the topics discussed above, but on which the Commission is interested in receiving comment. First, the Commission is interested in exploring whether there are types of information that, if disclosed by an issuer, or disclosed in a more meaningful way, would be useful to rating agencies in making their credit assessments. In addition, concerns were raised that a "ratings cliff" exists in the commercial paper market, such that a slight downgrade of an issuer's commercial paper rating can dramatically restrict its access to the U.S. money markets.

In this regard, the Commission solicits commenters' answers to the following questions:

Question 55: What steps, if any, can the Commission take to improve the extent and quality of disclosure by issuers to rating agencies or to the public generally, and in particular, regarding: (a) Ratings triggers in financial covenants tied to downgrades; (b) conditional elements of material financial contracts; (c) short-term credit facilities; (d) special purpose entities; and (e) material future liabilities.

Question 56: Is it appropriate for the Commission to take steps to minimize the ratings "cliff" that has been represented to be particularly pronounced in the commercial paper market? If so, what steps should the Commission take?

III. Solicitation of Additional Comments

In addition to the areas for comment identified above, we are interested in any other issues that commenters may wish to address relating to credit rating agencies. Please be as specific as possible in your discussion and analysis of any additional issues.

By the Commission.

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Assistant Secretary.

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