

**FRANK / GARRETT / BACHUS**

**AMENDMENT TO H.R. \_\_\_\_\_  
OFFERED BY MESSRS. FRANK, GARRETT, AND  
BACHUS**

[amendment to NRSRO discussion draft]

Strike sections 7 and 8 and insert the following:

**1 SEC. 7. REMOVAL OF STATUTORY REFERENCES TO CREDIT  
2 RATINGS.**

**3 (a) FEDERAL DEPOSIT INSURANCE ACT.—The Fed-  
4 eral Deposit Insurance Act (12 U.S.C. 1811 et seq.) is  
5 amended—**

**6 (1) in section 28(d)—**

**7 (A) in the subsection heading, by striking  
8 “NOT OF INVESTMENT GRADE”;**

**9 (B) in paragraph (1), by striking “not of  
10 investment grade” and inserting “that does not  
11 meet standards of credit-worthiness as estab-  
12 lished by the Corporation”;**

**13 (C) in paragraph (2), by striking “not of  
14 investment grade”;**

**15 (D) by striking paragraph (3) and redesign-  
16 ating paragraph (4) as paragraph (3); and**

**17 (E) in paragraph (3) (as so redesign-  
18 ated)—**

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(i) by striking subparagraph (A) and redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively; and

(ii) in subparagraph (B) (as so redesignated), by striking “not of investment grade” and inserting “that does not meet standards of credit-worthiness as established by the Corporation”;

(2) in section 28(e)—

(A) in the subsection heading, by striking “NOT OF INVESTMENT GRADE”;

(B) in paragraph (1), by striking “not of investment grade” and inserting “that does not meet standards of credit-worthiness as established by the Corporation”; and

(C) in paragraphs (2) and (3), by striking “not of investment grade” each place that it appears and inserting “that does not meet standards of credit-worthiness established by the Corporation”; and

(3) in section 7(b)(1)(E)(i), by striking “credit rating entities, and other private economic” and insert “private economic, credit.”

1 (b) FEDERAL HOUSING ENTERPRISES FINANCIAL  
2 SAFETY AND SOUNDNESS ACT OF 1992.—Section 1319  
3 of the Federal Housing Enterprises Financial Safety and  
4 Soundness Act of 1992 (12 U.S.C. 4519) is amended—

5 (1) in the section heading, by striking “**BY**  
6 **RATING ORGANIZATION**”; and

7 (2) by striking “that is a nationally recognized  
8 statistical rating organization, as such term is de-  
9 fined in section 3(a) of the Securities Exchange Act  
10 of 1934,”.

11 (c) INVESTMENT COMPANY ACT OF 1940.—Section  
12 6(a)(5)(A)(iv)(I) Investment Company Act of 1940 (15  
13 U.S.C. 80a-6(a)(5)(A)(iv)(I)) is amended by striking “is  
14 rated investment grade by not less than 1 nationally recog-  
15 nized statistical rating organization” and inserting “meets  
16 such standards of credit-worthiness that the Commission  
17 shall adopt”.

18 (d) REVISED STATUTES.—Section 5136A of title  
19 LXII of the Revised Statutes of the United States (12  
20 U.S.C. 24a) is amended—

21 (1) in subsection (a)(2)(E), by striking “any  
22 applicable rating” and inserting “standards of cred-  
23 it-worthiness established by the Comptroller of the  
24 Currency”;

1           (2) in the heading for subsection (a)(3) by  
2 striking “RATING OR COMPARABLE REQUIREMENT”  
3 and inserting “REQUIREMENT”;

4           (3) subsection (a)(3), by amending subpara-  
5 graph (A) to read as follows:

6           “(A) IN GENERAL.—A national bank meets  
7 the requirements of this paragraph if the bank  
8 is one of the 100 largest insured banks and has  
9 not fewer than 1 issue of outstanding debt that  
10 meets standards of credit-worthiness or other  
11 criteria as the Secretary of the Treasury and  
12 the Board of Governors of the Federal Reserve  
13 System may jointly establish.”

14           (4) in the heading for subsection (f), by striking  
15 “MAINTAIN PUBLIC RATING OR” and inserting  
16 “MEET STANDARDS OF CREDIT-WORTHINESS”; and

17           (5) in subsection (f)(1), by striking “any appli-  
18 cable rating” and inserting “standards of credit-wor-  
19 thiness established by the Comptroller of the Cur-  
20 rency”.

21           (e) SECURITIES EXCHANGE ACT OF 1934.—Section  
22 3(a) Securities Exchange Act of 1934 (15 U.S.C.  
23 78a(3)(a)) is amended—

24           (1) in paragraph (41), by striking “is rated in  
25 one of the two highest rating categories by at least

1 one nationally recognized statistical rating organiza-  
2 tion” and inserting “meets standards of credit-wor-  
3 thiness as defined by the Commission”; and

4 (2) in paragraph (53)(A), by striking “is rated  
5 in 1 of the 4 highest rating categories by at least 1  
6 nationally recognized statistical rating organization”  
7 and inserting “meets standards of credit-worthiness  
8 as defined by the Commission”.

9 (f) WORLD BANK DISCUSSIONS.—Section 3(a)(6) of  
10 the amendment in the nature of a substitute to the text  
11 of H.R. 4645, as ordered reported from the Committee  
12 on Banking, Finance and Urban Affairs on September 22,  
13 1988, as enacted into law by section 555 of Public Law  
14 100-461, (22 U.S.C. 286hh(a)(6)), is amended by striking  
15 “rating” and inserting “worthiness”.

16 (g) EFFECTIVE DATE.—The amendments made by  
17 this section shall take effect after the end of the 6-month  
18 period beginning on the date of the enactment of this Act.

19 **SEC. 8. REVIEW OF RELIANCE ON RATINGS.**

20 (a) AGENCY REVIEW.—

21 (1) REVIEW.—Not later than 1 year after the  
22 date of the enactment of this Act, each Federal  
23 agency listed in paragraph (3) shall, to the extent  
24 applicable, review—

1           (A) any regulation issued by such agency  
2           that requires the use of an assessment of the  
3           credit-worthiness of a security or money market  
4           instrument, and

5           (B) any references to or requirements in  
6           such regulations regarding credit ratings.

7           (2) MODIFICATIONS REQUIRED.—Each such  
8           agency shall modify any such regulations identified  
9           by the review conducted under paragraph (1) to re-  
10          move any reference to or requirement of reliance on  
11          credit ratings and to substitute in such regulations  
12          such standard of credit-worthiness as each respective  
13          agency shall determine as appropriate for such regu-  
14          lations. In making such determination, such agencies  
15          shall seek to establish, to the extent feasible, uni-  
16          form standards of credit-worthiness for use by each  
17          such agency, taking into account the entities regu-  
18          lated by each such agency and the purposes for  
19          which such entities would rely on such standards of  
20          credit-worthiness.

21          (3) REPORT.—Upon conclusion of the review  
22          required under paragraph (1), each Federal agency  
23          listed in paragraph (4) shall transmit a report to  
24          Congress containing a description of any modifica-

1           tion of any regulation such agency made pursuant to  
2           paragraph (2).

3           (4) APPLICABLE AGENCIES.—The agencies re-  
4           quired to conduct the review and report required by  
5           this subsection are—

6                   (A) the Securities and Exchange Commis-  
7                   sion;

8                   (B) the Federal Deposit Insurance Cor-  
9                   poration;

10                   (C) the Office of Thrift Supervision;

11                   (D) the Office of the Comptroller of the  
12                   Currency;

13                   (E) the Board of Governors of the Federal  
14                   Reserve;

15                   (F) the National Credit Union Administra-  
16                   tion; and

17                   (G) the Federal Housing Finance Agency.

18           (b) GAO REVIEW OF OTHER AGENCIES.—

19                   (1) REVIEW.—The Comptroller General shall  
20                   conduct a comprehensive review of the use of credit  
21                   ratings by Federal agencies other than those listed  
22                   in subsection (a)(3), including an analysis of the  
23                   provisions of law or regulation applicable to each  
24                   such agency that refer to and require the use of  
25                   credit ratings by the agency, and the policies and

1 practices of each agency with respect to credit rat-  
2 ings.

3 (2) REPORT.—Not later than 1 year after the  
4 date of the enactment of this Act, the Comptroller  
5 General shall transmit to Congress a report on the  
6 findings of the study conducted pursuant to para-  
7 graph (1), including recommendations for any legis-  
8 lation or rulemaking necessary or appropriate in  
9 order for such agencies to reduce their reliance on  
10 credit ratings.

