

**AMENDMENT TO H.R. \_\_\_\_\_**

**OFFERED BY MR. FOSTER**

**[amendment to NRSRO discussion draft]**

At the end of the bill insert the following:

1       (c) SEC STUDY ON MEANINGFUL MULTI DIGIT RAT-  
2     ING SYMBOLS.—

3           (1) STUDY.—The Securities and Exchange  
4     Commission shall conduct a study on the feasibility  
5     and desirability of implementing a standardized rat-  
6     ing system whereby ratings symbols contain multiple  
7     characters, each representing a range of default  
8     probabilities and loss expectations under standard-  
9     ized and increasingly severe levels of market stress.  
10    The study shall optimize the definitions of the sym-  
11    bols to maximize their overall usefulness for users of  
12    credit ratings.

13           (2) INITIAL EXAMPLE FOR GUIDANCE.—An ex-  
14    ample to provide initial guidance for the study is a  
15    ratings symbol consisting of three digits, each of  
16    which corresponds to default probabilities under dif-  
17    ferent levels of market stress as follows:

18           (A) The first digit represents the default  
19    probability under “normal” market stress, char-

1           acterized by normal economic fluctuations in  
2           addition to a 5 percent decline in asset value  
3           and 2 percent increase in unemployment.

4           (B) The second digit represents the default  
5           probability under more severe market stress,  
6           characterized a 20 percent decline in asset  
7           value and 5 percent increase in unemployment.

8           (C) The third digit represents the default  
9           probability under extreme market stress, char-  
10          acterized by a 50 percent decline in asset value  
11          and 10 percent increase in unemployment.

12          (3) REPORT.—Not later than 1 year after the  
13          date of the enactment of this Act, the Commission  
14          shall transmit to Congress a report of the study con-  
15          ducted pursuant to paragraph (1), including rec-  
16          ommendations on whether the system similar to that  
17          described in paragraph (2) should be implemented  
18          and, if so, any necessary legislation required to im-  
19          plement such a system.



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At the end of the bill insert the following:

1 (c) SEC STUDY ON RATINGS STANDARDIZATION.—

2 (1) IN GENERAL.—The Securities and Ex-  
3 change Commission shall undertake a study on the  
4 feasibility and desirability of—

5 (A) standardizing credit ratings termi-  
6 nology, so that all credit rating agencies issue  
7 credit ratings using identical terms;

8 (B) standardizing the ~~analysis~~ of market  
9 stress conditions under which ratings are evalu-  
10 ated;

11 (C) requiring a quantitative correspond-  
12 ence between credit ratings and a range of de-  
13 fault probabilities and loss expectations under  
14 standardized conditions of economic stress; and

15 (D) standardizing credit rating termi-  
16 nology across asset classes, so that named rat-  
17 ings shall correspond to a standard range of de-  
18 fault probabilities and expected losses inde-  
19 pendent of asset class and issuing entity.

*studies*

1           (2) REPORT.—Not later than 1 year after the  
2           date of enactment of this Act, the Securities and Ex-  
3           change Commission shall transmit to Congress a re-  
4           port containing the findings of the study and the  
5           recommendations of the Commission.

