

111TH CONGRESS
1ST SESSION

H. R. 3128

To amend the Federal Reserve Act to authorize Federal Reserve Banks to examine the methodologies of used by nationally recognized statistical rating organizations in analyzing and rating asset backed securities and structured finance products.

IN THE HOUSE OF REPRESENTATIVES

JULY 8, 2009

Mr. ELLISON introduced the following bill; which was referred to the
Committee on Financial Services

A BILL

To amend the Federal Reserve Act to authorize Federal Reserve Banks to examine the methodologies of used by nationally recognized statistical rating organizations in analyzing and rating asset backed securities and structured finance products.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. EXAMINATION AUTHORITY WITH RESPECT TO**
4 **NATIONALLY RECOGNIZED STATISTICAL RAT-**
5 **ING ORGANIZATIONS.**

6 Section 13 of the Federal Reserve Act is amended
7 by adding at the end the following new paragraph:

1 “(15) EXAMINATION AUTHORITY WITH RE-
2 SPECT TO NATIONALLY RECOGNIZED STATISTICAL
3 RATING ORGANIZATIONS.—

4 “(A) IN GENERAL.—The Board may au-
5 thorize any Federal reserve bank to examine
6 the methodologies used by nationally recognized
7 statistical rating organizations in analyzing and
8 rating asset backed securities and structured fi-
9 nance products. Such examinations shall be
10 subject to such limitations, restrictions, and
11 regulations as the Board may prescribe.

12 “(B) DEFINITIONS.—For purposes of this
13 paragraph:

14 “(i) ASSET BACKED SECURITY.—The
15 term ‘asset backed security’ means—

16 “(I) a security that is primarily
17 serviced by the cash flows of a dis-
18 crete pool of receivables or other fi-
19 nancial assets (including mortgages),
20 either fixed or revolving, that by their
21 terms convert into cash within a finite
22 time period, plus any rights or other
23 assets designed to assure the servicing
24 or timely distributions of proceeds to
25 the security holders; and

1 “(II) such other security as the
2 Board may prescribe.

3 “(ii) **NATIONALLY RECOGNIZED STA-**
4 **TISTICAL RATING ORGANIZATION.**—The
5 term ‘nationally recognized statistical rat-
6 ing organization’ has the same meaning as
7 in section 3(a)(62) of the Securities Ex-
8 change Act of 1934 (15 U.S.C.
9 78c(a)(62)).

10 “(iii) **SECURITY.**—The term ‘security’
11 has the same meaning as in section
12 3(a)(10) of the Securities Exchange Act of
13 1934 (15 U.S.C. 78c(a)(10)).

14 “(iv) **STRUCTURED FINANCE PROD-**
15 **UCT.**—The term ‘structured finance prod-
16 uct’ means a product that includes—

17 “(I) the pooling of assets (either
18 cash-based or synthetically created);

19 “(II) the tranching of liabilities
20 that are backed by such assets;

21 “(III) de-linking of the credit
22 risk of such assets from the credit
23 risk of the originator (usually through
24 use of a finite-lived, standalone fi-
25 nancing vehicle); or

1 “(IV) such other elements as the
2 Board may prescribe.”.

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