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2D SESSION

# H. R. 2990

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IN THE SENATE OF THE UNITED STATES

JULY 13, 2006

Received; read twice and referred to the Committee on Banking, Housing, and  
Urban Affairs

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## AN ACT

To improve ratings quality by fostering competition, transparency, and accountability in the credit rating agency industry.

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

1 **SECTION 1. SHORT TITLE; REFERENCES.**

2 (a) SHORT TITLE.—This Act may be cited as the  
3 “Credit Rating Agency Duopoly Relief Act of 2006”.

4 (b) REFERENCES.—Except as otherwise expressly  
5 provided, whenever in this Act an amendment or repeal  
6 is expressed in terms of an amendment to, or repeal of,  
7 a section or other provision, the reference shall be consid-  
8 ered to be made to a section or other provision of the Secu-  
9 rities Exchange Act of 1934 (15 U.S.C. 78a et seq.).

10 **SEC. 2. FINDINGS.**

11 Upon the basis of facts disclosed by the record and  
12 report of the Securities and Exchange Commission made  
13 pursuant to section 702 of the Sarbanes-Oxley Act of  
14 2002 (116 Stat. 797), hearings before the House Com-  
15 mittee on Financial Services during the 108th and 109th  
16 Congresses, comment letters to the concept releases and  
17 proposed rules of the Securities and Exchange Commis-  
18 sion, and facts otherwise disclosed and ascertained, the  
19 Congress finds that—

20 (1) credit rating agencies are of national con-  
21 cern, in that, among other things—

22 (A) their ratings, publications, writings,  
23 analyses, and reports are furnished and distrib-  
24 uted, and their contracts, subscription agree-  
25 ments, and other arrangements with clients are  
26 negotiated and performed, by the use of the

1 mails and means and instrumentalities of inter-  
2 state commerce;

3 (B) their ratings, publications, writings,  
4 analyses, and reports customarily relate to the  
5 purchase and sale of securities traded on securi-  
6 ties exchanges and in interstate over-the-  
7 counter markets, securities issued by companies  
8 engaged in business in interstate commerce,  
9 and securities issued by national banks and  
10 member banks of the Federal Reserve System;

11 (C) the foregoing transactions occur in  
12 such volume as substantially to affect interstate  
13 commerce, and securities markets, the national  
14 banking system, and the national economy; and

15 (D) their regulation serves the compelling  
16 interest of investor protection; and

17 (2) the Securities and Exchange Commission—

18 (A) has, through its staff designation of  
19 certain credit rating agencies as nationally rec-  
20 ognized statistical rating organizations, created  
21 an artificial barrier to entry for new partici-  
22 pants; and

23 (B) would, in its latest proposed rule defin-  
24 ing nationally recognized statistical rating orga-  
25 nizations, codify and strengthen this barrier.

1 **SEC. 3. DEFINITIONS.**

2 Section 3(a) (15 U.S.C. 78c(a)) is amended by add-  
3 ing at the end the following new paragraphs:

4 “(60) CREDIT RATING.—The term ‘credit rat-  
5 ing’ means an assessment of the creditworthiness of  
6 an obligor as an entity or with respect to specific se-  
7 curities or money market instruments.

8 “(61) CREDIT RATING AGENCY.—The term  
9 ‘credit rating agency’ means any person—

10 “(A) engaged in the business of issuing  
11 credit ratings on the Internet or through an-  
12 other readily accessible means, for free or for a  
13 reasonable fee but does not include a commer-  
14 cial credit reporting company;

15 “(B) employing either a quantitative or  
16 qualitative model, or both, to determine credit  
17 ratings; and

18 “(C) receiving fees from either issuers, in-  
19 vestors, or other market participants, or a com-  
20 bination thereof.

21 “(62) NATIONALLY RECOGNIZED STATISTICAL  
22 RATING ORGANIZATION OR NRSRO.—The term ‘na-  
23 tionally recognized statistical rating organization’  
24 means a credit rating agency that—

1 “(A) has been in business as a credit rat-  
 2 ing agency for at least the past 3 consecutive  
 3 years; and

4 “(B) is registered under section 15E.

5 “(63) PERSON ASSOCIATED WITH A NATION-  
 6 ALLY RECOGNIZED STATISTICAL RATING ORGANIZA-  
 7 TION.—The term ‘person associated with a nation-  
 8 ally recognized statistical rating organization’ means  
 9 any partner, officer, director, or branch manager of  
 10 such nationally recognized statistical rating organi-  
 11 zation (or any person occupying a similar status or  
 12 performing similar functions), any person directly or  
 13 indirectly controlling, controlled by, or under com-  
 14 mon control with such nationally recognized statis-  
 15 tical rating organization, or any employee of such  
 16 nationally recognized statistical rating organiza-  
 17 tion.”.

18 **SEC. 4. REGISTRATION OF NATIONALLY RECOGNIZED STA-**  
 19 **TISTICAL RATING ORGANIZATIONS.**

20 (a) AMENDMENT.—The Securities Exchange Act of  
 21 1934 is amended by inserting after section 15D (15  
 22 U.S.C. 78o–6) the following new section:

23 **“SEC. 15E. REGISTRATION OF NATIONALLY RECOGNIZED**  
 24 **STATISTICAL RATING ORGANIZATIONS.**

25 “(a) REGISTRATION PROCEDURES.—

1           “(1) FURNISHING OF APPLICATION FORM.—A  
2           credit rating agency that elects to be treated as a  
3           nationally recognized statistical rating organization  
4           for the purposes of Federal statutes, rules, and reg-  
5           ulations may be registered by furnishing to the Com-  
6           mission an application for registration in such form  
7           and containing such of the following and any other  
8           information and documents concerning such organi-  
9           zation and any persons associated with such organi-  
10          zation as the Commission, by rule, may prescribe as  
11          necessary or appropriate in the public interest or for  
12          the protection of investors:

13                 “(A) any conflicts of interest relating to  
14                 the issuance of credit ratings by a nationally  
15                 recognized statistical rating organization;

16                 “(B) the procedures and methodologies  
17                 such nationally recognized statistical rating or-  
18                 ganization uses in determining credit ratings;

19                 “(C) credit ratings performance measure-  
20                 ment statistics over short-term, mid-term, and  
21                 long-term periods (as applicable) of such na-  
22                 tionally recognized statistical rating organiza-  
23                 tion;

24                 “(D) policies or procedures adopted and  
25                 implemented by such nationally recognized sta-

1           tistical rating organization to prevent the mis-  
2           use in violation of this title (or the rules and  
3           regulations thereunder) of material, non-public  
4           information; and

5           “(E) the organizational structure of such  
6           nationally recognized statistical rating organiza-  
7           tion.

8           “(2) REVIEW OF APPLICATION.—

9           “(A) INITIAL DETERMINATION.—Within  
10          90 days of the date of the furnishing of such  
11          application (or within such longer period as to  
12          which the applicant consents) the Commission  
13          shall—

14                 “(i) by order grant such registration;  
15                 or

16                 “(ii) institute proceedings to deter-  
17                 mine whether registration should be de-  
18                 nied.

19           “(B) CONDUCT OF PROCEEDINGS.—Such  
20          proceedings shall include notice of the grounds  
21          for denial under consideration and opportunity  
22          for hearing and shall be concluded within 120  
23          days of the date of the furnishing of the appli-  
24          cation for registration. At the conclusion of  
25          such proceedings the Commission, by order,

1           shall grant or deny such registration. The Com-  
2           mission may extend the time for conclusion of  
3           such proceedings for up to 90 days if it finds  
4           good cause for such extension and publishes its  
5           reasons for so finding or for such longer period  
6           as to which the applicant consents.

7                   “(C) GROUNDS FOR DECISION.—The Com-  
8           mission shall grant such registration if the  
9           Commission finds that the requirements of this  
10          section are satisfied. The Commission shall  
11          deny such registration if it does not make such  
12          a finding or if it finds that if the applicant were  
13          so registered, its registration would be subject  
14          to suspension or revocation under subsection  
15          (d).

16                   “(3) PUBLIC AVAILABILITY OF INFORMATION.—  
17          Subject to section 24, the Commission, by rule, shall  
18          require a nationally recognized statistical rating or-  
19          ganization, upon the granting of registration under  
20          this section, to make the information and documents  
21          furnished to the Commission in its application for  
22          registration, or in any amendment furnished under  
23          subsection (b)(1) or (2), publicly available on its  
24          website or through another comparable readily ac-  
25          cessible means.



1 “(b) UPDATE OF REGISTRATION.—

2 “(1) UPDATE.—Each nationally recognized sta-  
3 tistical rating organization shall promptly amend its  
4 application for registration under this section if any  
5 information or documents provided therein become  
6 materially inaccurate, except that a nationally recog-  
7 nized statistical rating organization is not required  
8 to amend the information required to be furnished  
9 under subsection (a)(1)(C) by an amendment fur-  
10 nished under this paragraph, but shall amend such  
11 information in such organization’s annual amend-  
12 ment furnished under paragraph (2) of this sub-  
13 section.

14 “(2) CERTIFICATION.—Not later than 90 days  
15 after the end of each calendar year, each nationally  
16 recognized statistical rating organization shall fur-  
17 nish to the Commission an amendment to its reg-  
18 istration, in such form as the Commission, by rule,  
19 may prescribe as necessary or appropriate in the  
20 public interest or for the protection of investors—

21 “(A) certifying that the information and  
22 documents in the application for registration of  
23 such nationally recognized statistical rating or-  
24 ganization continue to be accurate; and

1           “(B) listing any material changes that oc-  
2           curred to such information or documents during  
3           the previous calendar year.

4           “(c) ACCOUNTABILITY FOR RATINGS PROCE-  
5 DURES.—

6           “(1) AUTHORITY.—The Commission shall have  
7           the authority under this Act to take action against  
8           any nationally recognized statistical rating organiza-  
9           tion if such nationally recognized statistical rating  
10          organization issues credit ratings in contravention of  
11          those procedures, criteria, and methodologies that  
12          such nationally recognized statistical rating organi-  
13          zation—

14          “(A) includes in its application for reg-  
15          istration under this section; or

16          “(B) makes and disseminates in reports  
17          pursuant to section 17(a) or the rules and regu-  
18          lations thereunder.

19          “(2) LIMITATION.—The rules and regulations  
20          applicable to nationally recognized statistical rating  
21          organizations the Commission may prescribe pursu-  
22          ant to this Act shall be narrowly tailored to meet the  
23          requirements of this Act applicable to nationally rec-  
24          ognized statistical rating organizations and shall not  
25          purport to regulate the substance of credit ratings or

1 the procedures and methodologies by which such na-  
2 tionally recognized statistical rating organizations  
3 determine credit ratings.

4 “(d) CENSURE, DENIAL, OR SUSPENSION OF REG-  
5 ISTRATION; NOTICE AND HEARING.—The Commission, by  
6 order, shall censure, place limitations on the activities,  
7 functions, or operations of, suspend for a period not ex-  
8 ceeding 12 months, or revoke the registration of any na-  
9 tionally recognized statistical rating organization if the  
10 Commission finds, on the record after notice and oppor-  
11 tunity for hearing, that such censure, placing of limita-  
12 tions, suspension, or revocation is in the public interest  
13 and that such nationally recognized statistical rating orga-  
14 nization, or any person associated with such nationally  
15 recognized statistical rating organization, whether prior to  
16 or subsequent to becoming so associated—

17 “(1) has committed or omitted any act, or is  
18 subject to an order or finding, enumerated in sub-  
19 paragraph (A), (D), (E), (H), or (G) of paragraph  
20 (4) of section 15(b), has been convicted of any of-  
21 fense specified in subparagraph (B) of such para-  
22 graph (4) within 10 years of the commencement of  
23 the proceedings under this subsection, or is enjoined  
24 from any action, conduct, or practice specified in  
25 subparagraph (C) of such paragraph (4);

1           “(2) has been convicted during the 10-year pe-  
2           riod preceding the date of furnishing any application  
3           for registration, or at any time thereafter, of—

4                   “(A) any crime that is punishable by im-  
5                   prisonment for 1 or more years, and that is not  
6                   described in section 15(b)(4)(B); or

7                   “(B) a substantially equivalent crime by a  
8                   foreign court of competent jurisdiction; or

9           “(3) is subject to any order of the Commission  
10          barring or suspending the right of the person to be  
11          associated with a nationally recognized statistical  
12          rating organization.

13          “(e) WITHDRAWAL FROM REGISTRATION.—A nation-  
14          ally recognized statistical rating organization registered  
15          under this section may, upon such terms and conditions  
16          as the Commission may establish as necessary in the pub-  
17          lic interest or for the protection of investors, withdraw  
18          from registration by furnishing a written notice of with-  
19          drawal to the Commission. If the Commission finds that  
20          any nationally recognized statistical rating organization is  
21          no longer in existence or has ceased to do business as a  
22          credit rating agency, the Commission, by order, shall can-  
23          cel the registration of such nationally recognized statistical  
24          rating organization.

25          “(f) REPRESENTATIONS.—

1           “(1) REPRESENTATIONS OF SPONSORSHIP BY  
2           UNITED STATES OR AGENCY THEREOF.—It shall be  
3           unlawful for any nationally recognized statistical rat-  
4           ing organization registered under this section to rep-  
5           resent or imply in any manner whatsoever that such  
6           nationally recognized statistical rating organization  
7           has been designated, sponsored, recommended, or  
8           approved, or that such nationally recognized statis-  
9           tical rating organization’s abilities or qualifications  
10          have in any respect been passed upon, by the United  
11          States or any agency, any officer, or any employee  
12          thereof.

13          “(2) REPRESENTATION AS NRSRO OF UNREGIS-  
14          TERED CREDIT RATING AGENCIES.—It shall be un-  
15          lawful for any credit rating agency to represent or  
16          imply in any manner whatsoever that such credit  
17          rating agency has been designated, sponsored, rec-  
18          ommended, or approved, or that such credit rating  
19          agency’s abilities or qualifications have in any re-  
20          spect been passed upon, by the United States or any  
21          agency, any officer, or any employee thereof. It shall  
22          be unlawful for any credit rating agency that is not  
23          registered under this section as a nationally recog-  
24          nized statistical rating organization to state that

1       such credit rating agency is a nationally recognized  
2       statistical rating organization under this Act.

3               “(3) STATEMENT OF REGISTRATION UNDER SE-  
4       CURITIES EXCHANGE ACT OF 1934 PROVISIONS.—No  
5       provision of paragraph (1) shall be construed to pro-  
6       hibit a statement that a nationally recognized statis-  
7       tical rating organization is a nationally recognized  
8       statistical rating organization under this Act, if such  
9       statement is true in fact and if the effect of such  
10      registration is not misrepresented.

11      “(g) PREVENTION OF MISUSE OF NONPUBLIC IN-  
12      FORMATION.—Each nationally recognized statistical rat-  
13      ing organization shall establish, maintain, and enforce  
14      written policies and procedures reasonably designed, tak-  
15      ing into consideration the nature of such nationally recog-  
16      nized statistical rating organization’s business, to prevent  
17      the misuse in violation of this title, or the rules or regula-  
18      tions thereunder, of material, nonpublic information by  
19      such nationally recognized statistical rating organization  
20      or any person associated with such nationally recognized  
21      statistical rating organization. The Commission, as it  
22      deems necessary or appropriate in the public interest or  
23      for the protection of investors, shall adopt rules or regula-  
24      tions to require specific policies or procedures reasonably  
25      designed to prevent misuse in violation of this title (or the

1 rules or regulations thereunder) of material, nonpublic in-  
2 formation.

3       “(h) MANAGEMENT OF CONFLICTS OF INTEREST.—  
4 Each nationally recognized statistical rating organization  
5 shall establish, maintain, and enforce written policies and  
6 procedures reasonably designed, taking into consideration  
7 the nature of the business of such nationally recognized  
8 statistical rating organization and affiliated persons and  
9 affiliated companies of such nationally recognized statis-  
10 tical rating organization, to address and manage the con-  
11 flicts of interest that can arise from such business. The  
12 Commission, as it deems necessary or appropriate in the  
13 public interest or for the protection of investors, shall  
14 adopt rules or regulations to prohibit, or require the man-  
15 agement or disclosure of, any conflicts of interest relating  
16 to the issuance of credit ratings by a nationally recognized  
17 statistical rating organization including, without limita-  
18 tion, conflicts of interest relating to—

19               “(1) the manner in which a nationally recog-  
20 nized statistical rating organization is compensated  
21 by the obligor, or any affiliate of the obligor, for  
22 issuing credit ratings or providing related services;

23               “(2) the provision of consulting, advisory, or  
24 other services by a nationally recognized statistical  
25 rating organization, or any person associated with

1 such nationally recognized statistical rating organi-  
2 zation, to the obligor, or any affiliate of the obligor;

3 “(3) business relationships, ownership interests,  
4 or any other financial or personal interests between  
5 a nationally recognized statistical rating organiza-  
6 tion, or any person associated with such nationally  
7 recognized statistical rating organization, and the  
8 obligor, or any affiliate of the obligor; and

9 “(4) any affiliation of a nationally recognized  
10 statistical rating organization, or any person associ-  
11 ated with such nationally recognized statistical rat-  
12 ing organization, with any person that underwrites  
13 the securities or money market instruments that are  
14 the subject of a credit rating.

15 “(i) PROHIBITED CONDUCT.—

16 “(1) PROHIBITED ACTS AND PRACTICES.—The  
17 Commission may adopt rules or regulations to pro-  
18 hibit any act or practice relating to the issuance of  
19 credit ratings by a nationally recognized statistical  
20 rating organization that the Commission determines  
21 to be unfair, coercive, or abusive, including any act  
22 or practice relating to—

23 “(A) seeking payment for a credit rating  
24 that has not been specifically requested by the  
25 obligor—



1 “(i) from an obligor; or

2 “(ii) from an affiliate of an obligor,

3 unless—

4 “(I) the organization is organized

5 under subsection (a)(1)(E) to receive

6 fees from investors or other market

7 participants, or a combination thereof;

8 and

9 “(II) the affiliate is such an in-

10 vestor or participant;

11 “(B) conditioning or threatening to condi-

12 tion the issuance of a credit rating on the obli-

13 gor’s, or an affiliate of the obligor’s, purchase

14 of other services or products, including pre-

15 credit rating assessment products, of the na-

16 tionally recognized statistical rating organiza-

17 tion or any person associated with such nation-

18 ally recognized statistical rating organization;

19 “(C) lowering or threatening to lower a

20 credit rating on, or refusing to rate, securities

21 or money market instruments issued by an

22 asset pool unless a portion of the assets within

23 such pool also is rated by the nationally recog-

24 nized statistical rating organization;

1           “(D) modifying or threatening to modify a  
2           credit rating or otherwise departing from its  
3           adopted systematic procedures and methodolo-  
4           gies in determining credit ratings, based on  
5           whether the obligor, or an affiliate of the obli-  
6           gor, pays or will pay for the credit rating or  
7           any other services or products of the nationally  
8           recognized statistical rating organization or any  
9           person associated with such nationally recog-  
10          nized statistical rating organization.

11          “(2) RULE OF CONSTRUCTION.—Nothing in  
12          paragraph (1), or in any rules or regulations adopt-  
13          ed thereunder, shall be construed to modify, impair,  
14          or supersede the operation of any of the antitrust  
15          laws. For the purposes of the preceding sentence,  
16          the term ‘antitrust laws’ has the meaning given it in  
17          the first section of the Clayton Act (15 U.S.C. 12),  
18          except that such term includes section 5 of the Fed-  
19          eral Trade Commission Act (15 U.S.C. 45) to the  
20          extent such section 5 applies to unfair methods of  
21          competition.

22          “(j) DESIGNATION OF COMPLIANCE OFFICER.—Each  
23          nationally recognized statistical rating organization shall  
24          designate an individual responsible for administering the  
25          policies and procedures that are required to be established

1 pursuant to subsections (g) and (h), and for ensuring com-  
2 pliance with the securities laws and the rules and regula-  
3 tions thereunder, including those promulgated by the  
4 Commission pursuant to this section.

5 “(k) STATEMENTS OF FINANCIAL CONDITION.—  
6 Each nationally recognized statistical rating organization  
7 shall, on a confidential basis, furnish to the Commission,  
8 at intervals determined by the Commission, such financial  
9 statements, certified (if required by the rules or regula-  
10 tions of the Commission) by an independent public ac-  
11 countant, and information concerning its financial condi-  
12 tion as the Commission, by rule, may prescribe as nec-  
13 essary or appropriate in the public interest or for the pro-  
14 tection of investors.

15 “(l) ELIMINATION OF COMMISSION STAFF’S DES-  
16 IGNATION PROCESS FOR NRSRO’S.—

17 “(1) CESSATION OF DESIGNATION.—Within 30  
18 days after the enactment of the Credit Rating Agen-  
19 cy Duopoly Relief Act of 2006, the Commission staff  
20 shall cease to designate persons and companies as  
21 nationally recognized statistical rating organizations,  
22 as that term is used under rule 15c3–1 of the Com-  
23 mission’s rules (17 CFR 240.15c3–1).

24 “(2) PROHIBITION ON RELIANCE ON NO-ACTION  
25 RELIEF.—The no-action relief that the Commission

1 staff has granted with respect to the designation of  
2 nationally recognized statistical rating organizations,  
3 as that term is used under rule 15c3–1 of the Com-  
4 mission’s rules (17 CFR 240.15c3–1), shall be void  
5 and of no force or effect.

6 “(3) NOTICE TO OTHER AGENCIES.—Within 30  
7 days after the date of enactment of the Credit Rat-  
8 ing Agency Duopoly Relief Act of 2006, the Com-  
9 mission shall give notice to the Federal agencies  
10 which employ the term ‘nationally recognized statis-  
11 tical rating organization’ (as that term is used under  
12 rule 15c3–1 of the Commission’s rules (17 CFR  
13 240.15c3–1)) in their rules and regulations regard-  
14 ing the actions undertaken pursuant to this section.

15 “(4) REVIEW OF EXISTING REGULATIONS.—  
16 Within 360 days after the date of enactment of the  
17 Credit Rating Agency Duopoly Relief Act of 2006,  
18 the Commission shall review its existing rules and  
19 regulations which employ the term ‘nationally recog-  
20 nized statistical rating organization’ or ‘NRSRO’  
21 and promulgate new or revised rules and regulations  
22 as the Commission may prescribe as necessary or  
23 appropriate in the public interest or for the protec-  
24 tion of investors.”.

1 (b) CONFORMING AMENDMENTS TO THE 1934  
2 ACT.—

3 (1) Section 15(b)(4)(B)(ii) (15 U.S.C.  
4 78o(b)(4)(B)(ii)) is amended by inserting “nationally  
5 recognized statistical rating organization,” after  
6 “transfer agent,”.

7 (2) Section 15(b)(4)(C) (15 U.S.C.  
8 78o(b)(4)(C)) is amended by inserting “nationally  
9 recognized statistical rating organization,” after  
10 “transfer agent,”.

11 (3) Section 21B(a) (15 U.S.C. 78u–2(a)) is  
12 amended by inserting “15E,” after “15C,”.

13 (c) OTHER CONFORMING AMENDMENTS.—

14 (1) Section 2(a) of the Investment Company  
15 Act of 1940 (15 U.S.C. 80a–2(a)) is amended by  
16 adding at the end the following new paragraph:

17 “(53) The term ‘credit rating agency’ has the  
18 same meaning as given in section 3 of the Securities  
19 Exchange Act of 1934.”.

20 (2) Section 9(a)(1) of the Investment Company  
21 Act of 1940 (15 U.S.C. 80a–9(a)) is amended by in-  
22 serting “credit rating agency,” after “transfer  
23 agent,”.

24 (3) Section 9(a)(2) of the Investment Company  
25 Act of 1940 (15 U.S.C. 80a–9(a)) is amended by in-

1       serting “credit rating agency,” after “transfer  
2       agent,”.

3               (4) Section 202(a) of the Investment Advisers  
4       Act of 1940 (15 U.S.C. 80b–2(a)) is amended by  
5       adding at the end the following new paragraph:

6               “(28) The term ‘credit rating agency’ has the  
7       same meaning as given in section 3 of the Securities  
8       Exchange Act of 1934.”.

9               (5) Section 203(e)(2)(B) of the Investment Ad-  
10      visers Act of 1940 (15 U.S.C. 80b–3(e)) is amended  
11      by inserting “credit rating agency,” after “transfer  
12      agent,”.

13              (6) Section 203(e)(4) of the Investment Advis-  
14      ers Act of 1940 (15 U.S.C. 80b–3(e)) is amended by  
15      inserting “credit rating agency,” after “transfer  
16      agent,”.

17              (7) Section 1319 of the Housing and Commu-  
18      nity Development Act of 1992 (12 U.S.C. 4519) is  
19      amended by striking “effectively” and all that fol-  
20      lows through “broker-dealers” and inserting “that is  
21      a nationally recognized statistical rating organiza-  
22      tion, as such term is defined in section 3(a) of the  
23      Securities Exchange Act of 1934”.

24              (8) Section 439 of the Higher Education Act of  
25      1965 (20 U.S.C. 1087–2) is amended in subsection

(r)(15)(A) by striking “means any entity recognized as such by the Securities and Exchange Commission” and inserting “means any nationally recognized statistical rating organization as that term is defined under the Securities Exchange Act of 1934”.

(9) Section 601(10) of title 23, United States Code, is amended by striking “identified by the Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization” and inserting “registered with the Securities and Exchange Commission as a nationally recognized statistical rating organization as that term is defined under the Securities Exchange Act of 1934 (15 U.S.C. 78 et seq.)”.

**SEC. 5. ANNUAL AND OTHER REPORTS.**

Section 17(a)(1) (15 U.S.C. 78q(a)(1)) is amended—

(1) by inserting “nationally recognized statistical rating organization,” after “registered transfer agent,”; and

(2) by adding at the end the following: “Any report a nationally recognized statistical rating organization may be required by Commission rules under this paragraph to make and disseminate to the Commission shall be deemed furnished to the Commission.”.

1 **SEC. 6. GAO STUDY AND REPORT REGARDING CONSOLIDA-**  
2 **TION OF CREDIT RATING AGENCIES.**

3 (a) STUDY REQUIRED.—The Comptroller General of  
4 the United States shall conduct a study—

5 (1) to identify—

6 (A) the factors that have led to the consoli-  
7 dation of credit rating agencies;

8 (B) the present and future impact of the  
9 condition described in subparagraph (A) on the  
10 securities markets, both domestic and inter-  
11 national; and

12 (C) solutions to any problems identified  
13 under subparagraph (B), including ways to in-  
14 crease competition and the number of firms ca-  
15 pable of providing credit rating services to large  
16 national and multinational business organiza-  
17 tions that are subject to the securities laws;

18 (2) of the problems, if any, faced by business  
19 organizations that have resulted from limited com-  
20 petition among credit rating agencies, including—

21 (A) higher costs;

22 (B) lower quality of services;

23 (C) anti-competitive practices;

24 (D) impairment of independence; and

25 (E) lack of choice; and



1           (3) whether and to what extent Federal or  
2       State regulations impede competition among credit  
3       rating agencies.

4       (b) CONSULTATION.—In planning and conducting the  
5       study under this section, the Comptroller General shall  
6       consult with—

7           (1) the Securities and Exchange Commission;

8           (2) the Department of Justice; and

9           (3) any other public or private sector organiza-  
10      tion that the Comptroller General considers appro-  
11      priate.

12      (c) REPORT REQUIRED.—Not later than 180 days  
13      after the date of enactment of this Act, the Comptroller  
14      General shall submit a report on the results of the study  
15      required by this section to the Committee on Banking,  
16      Housing, and Urban Affairs of the Senate and the Com-  
17      mittee on Financial Services of the House of Representa-  
18      tives.

19      **SEC. 7. EFFECTIVE DATE.**

20      The amendments made by sections 4 and 5 shall take  
21      effect on January 1, 2008, except as otherwise provided  
22      in paragraphs (1), (3), and (4) of subsection (l) of section  
23      15E of the Securities Exchange Act of 1934 (as added  
24      by such amendments), and except that the Securities and  
25      Exchange Commission is authorized to prescribe rules and

- 1 regulations to carry out such amendments beginning on
- 2 the date of enactment of this Act.

Passed the House of Representatives July 12, 2006.

Attest:

KAREN L. HAAS,

*Clerk.*