

111TH CONGRESS
1ST SESSION

H. R. 2549

To ensure uniform and accurate credit rating of municipal bonds and provide for a review of the municipal bond insurance industry.

IN THE HOUSE OF REPRESENTATIVES

MAY 21, 2009

Mr. CAPUANO (for himself, Mr. MAFFEI, Mr. KANJORSKI, Mr. FRANK of Massachusetts, Mr. CLEAVER, Mr. BACA, Mr. MORAN of Virginia, Mr. ANDREWS, and Mr. CONNOLLY of Virginia) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To ensure uniform and accurate credit rating of municipal bonds and provide for a review of the municipal bond insurance industry.

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. SHORT TITLE.**

4 This Act may be cited as the “Municipal Bond Fair-
5 ness Act”.

6 **SEC. 2. PRESERVATION OF AUTHORITY TO PREVENT DIS-**
7 **CRIMINATION.**

8 Section 15E of the Securities Exchange Act of 1934
9 (15 U.S.C. 78o–7) is amended—

1 (1) by redesignating subsection (p) as sub-
2 section (q); and

3 (2) by inserting after subsection (o) the fol-
4 lowing new subsection:

5 “(p) RATINGS CLARITY AND CONSISTENCY.—

6 “(1) COMMISSION OBLIGATION.—Subject to
7 paragraphs (2) and (3), the Commission shall re-
8 quire each nationally recognized statistical rating or-
9 ganization that is registered under this section to es-
10 tablish, maintain, and enforce written policies and
11 procedures reasonably designed—

12 “(A) to establish and maintain credit rat-
13 ings with respect to securities and money mar-
14 ket instruments designed to assess the risk that
15 investors in securities and money market in-
16 struments may not receive payment in accord-
17 ance with the terms of issuance of such securi-
18 ties and instruments;

19 “(B) to define clearly any rating symbol
20 used by that organization; and

21 “(C) to apply such rating symbol in a con-
22 sistent manner for all types of securities and
23 money market instruments.

24 “(2) ADDITIONAL CREDIT FACTORS.—Nothing
25 in paragraph (1)(A), (B), or (C)—

1 “(A) prohibits a nationally recognized sta-
2 tistical rating organization from using addi-
3 tional credit factors that are documented and
4 disclosed by the organization and that have a
5 demonstrated impact on the risk an investor in
6 a security or money market instrument will not
7 receive repayment in accordance with the terms
8 of issuance;

9 “(B) prohibits a nationally recognized sta-
10 tistical rating organization from considering
11 credit factors that are unique to municipal se-
12 curities that are not backed by the issuer’s full
13 faith and credit in its assessment of the risk an
14 investor in a security or money market instru-
15 ment will not receive repayment in accordance
16 with the terms of issuance; or

17 “(C) prohibits a nationally recognized sta-
18 tistical rating organization from using an addi-
19 tional symbol with respect to the ratings de-
20 scribed in paragraph (1)(A) for the purpose of
21 distinguishing the ratings of a certain type of
22 security or money market instrument from rat-
23 ings of any other types of securities or money
24 market instruments.

1 “(3) COMPLEMENTARY RATINGS.—The Com-
2 mission shall not impose any requirement under
3 paragraph (1) that prevents nationally recognized
4 statistical rating organizations from establishing rat-
5 ings that are complementary to the ratings described
6 in paragraph (1)(A) and that are created to measure
7 a discrete aspect of the security’s or instrument’s
8 risk.

9 “(4) REVIEW.—

10 “(A) PERFORMANCE MEASURES.—The
11 Commission shall, by rule, establish perform-
12 ance measures that the Commission shall con-
13 sider when deciding whether to initiate a review
14 concerning whether a nationally recognized sta-
15 tistical rating organization has failed to adhere
16 to such organization’s stated procedures and
17 methodologies for issuing ratings on securities
18 or money market instruments.

19 “(B) CONSIDERATION OF EVIDENCE.—
20 Performance measures the Commission may
21 consider in initiating a review of an organiza-
22 tion’s ratings in each of the categories described
23 in clauses (i) through (v) of section 3(a)(62)(B)
24 during an appropriate interval (as determined

1 by the Commission) include the transition and
2 default rates of its in discrete asset classes.”.

3 **SEC. 3. IMPLEMENTATION.**

4 The Securities and Exchange Commission shall pre-
5 scribe rules to implement the amendments made by sec-
6 tion 101 within 270 days after the date of enactment of
7 this Act.

○