
SEC seeks comments on credit rating standardization

By Editor Test Tue, Dec 28, 2010

The SEC is conducting a study, required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, to investigate the feasibility and desirability of standardizing credit rating methods and terminology.

The SEC has posted the request for comments on a [Credit Rating Standardization Study](#) today in the Federal Register, *National Underwriter* reported.

The SEC is conducting the study to implement Section 939(h) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which requires it to investigate the feasibility and desirability of standardizing credit ratings terminology, market-stress-related rating triggers and estimated default probabilities.

The SEC asks, for example, whether it is feasible and desirable to standardize credit ratings terminology, so that all credit rating agencies issue credit ratings using identical terms.

“Some credit rating agencies employ multiple credit rating scales designed to distinguish between different types of issues and/or issuers,” SEC officials note. “For example, a credit rating agency may employ different credit rating symbols for ratings of long term securities, short term securities, money market funds, claims paying abilities of insurance companies, and issues and/or issuers in different jurisdictions.”

The SEC asks whether commenters believe that some types of credit rating symbols used by credit rating agencies are more or less suitable to standardization, and whether it makes sense to use a single credit rating scale for all types of issues and issuances.

“Should a standardized credit rating terminology employ a separate terminology for certain asset classes (e.g., for structured finance ratings)?” officials ask. “Are there asset classes or types of ratings, such as short term or financial strength ratings, where a separate terminology should be considered?”

SEC officials also ask for comments on the organizations or combination of organizations that should be responsible for developing and administering the standardized credit rating terminology.

The SEC could do the job, but an independent board also could take responsibility for standardization, officials say.

Comments are due Feb. 7, 2011.