



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 8, 2011

### **H.R. 1539** **Asset-Backed Market Stabilization Act of 2011**

*As ordered reported by the House Committee on Financial Services on July 20, 2011*

H.R. 1539 would reinstate a rule developed by the Securities and Exchange Commission (SEC) that exempts ratings provided by certain credit rating agencies, known as nationally recognized statistical rating organizations or NRSROs, from being considered part of the registration statement for new issuances of asset-backed securities (ABS). That rule was repealed by the Dodd-Frank Wall Street Reform and Consumer Protection Act. Under current law, registration statements for ABS must include the assignment of a rating by one or more rating agencies. In reinstating the rule, the bill would exempt NRSROs from liability if the information provided in the offering statement is found to be untrue.

Based on information from the SEC, CBO estimates that implementing H.R. 1539 would not significantly affect spending subject to appropriation because the SEC has already taken steps to limit enforcement of the requirement that ratings be included in registration statements for new issuances of ABS. Enacting H.R. 1539 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

H.R. 1539 would impose a mandate, as defined in the Unfunded Mandates Reform Act, on both public and private investors by protecting NRSROs from liability if the ratings information provided in an offering statement for a security is found to be untrue. Under current law, investors have a right to seek compensation if they are harmed by a material omission or misstatement that is provided by an NRSRO and included in an offering statement. However, industry sources indicate that NRSROs do not allow their ratings to appear in offering statements, and the SEC has limited enforcement of the requirement on issuers to include such ratings. Consequently, under current law, no entity would have grounds to sue an NRSRO, and CBO estimates that the mandate would impose no costs on intergovernmental or private-sector entities.

The CBO staff contact for this estimate is Susan Willie (for federal costs), Elizabeth Cove Delisle (for intergovernmental mandates) and Paige Piper/Bach and Sam Wice (for private-sector mandates). The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.