UNITED STATES

Annex I: Banks

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
Based on the findings from the stock-taking exercise, please describe the areas identified as needing change and those areas considered priorities, as well as the steps authorities intend to take to reduce reliance on CRA ratings in laws and regulations. In addition, authorities should describe the incentives put in place for market participants to develop their own independent credit assessment processes. Examples of incentives might include disclosure requirements relating to credit risk assessment practices or articulating clear supervisory expectations of the extent to which firms should perform their own due diligence before making lending decisions.			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
a) Remove references to CRA ratings in laws and regulations relating to banks.	FDIC	Consistent with section 939A of the Dodd-Frank Act, the federal banking agencies have adopted a number of revisions to capital and investment permissibility rules to remove references to credit ratings and replaced them with alternative standards of creditworthiness. For instance, the agencies adopted changes to the definitions in the advanced approaches rule that currently reference credit ratings. These changes are similar to alternative standards adopted in the standardized approach (e.g., the proposed definition of investment grade that does not reference ratings) and alternative standards that have been implemented in the agencies' market risk capital rule. Investment permissibility rules have been revised to remove references to external credit ratings and replace them with alternative standards of creditworthiness. The FDIC revised its deposit insurance assessment rules and removed references to credit ratings. There is only one regulation (with limited scope) that references credit ratings as a standard of creditworthiness that still needs to be changed. This regulation sets forth the criteria for determining whether an investments held by a foreign branch is a permissible investment activity.	substantially complete (one regulatory reference: end-2014)

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	Federal Reserve	• The majority of references to credit ratings in the Federal Reserve Board's rules appeared in its capital adequacy guidelines for state member banks and bank holding companies. Consistent with the requirement under Section 939A of the Dodd-Frank Act to remove references to credit ratings in regulations, in July 2013 the federal banking agencies issued final rules that removed references to credit ratings in their regulatory capital rules and replaced them with alternative standards of creditworthiness.	Completed
		• The Federal Reserve Board is currently drafting a proposed rulemaking that would remove the bulk of the remaining references to credit ratings in its other regulations and replace them with alternative standards of creditworthiness. These regulations are listed on page 7 of the Federal Reserve's public report to Congress, found here: http://www.federalreserve.gov/publications/other-reports/files/credit-ratings-report-201107.pdf	In the near future, through the rulemaking process.

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	OCC	Consistent with section 939A of the Dodd-Frank Act, the Office of the Comptroller of the Currency (OCC) published final rules on June 13, 2012, that removed references to credit ratings from its regulations pertaining to investment securities, securities offerings, and foreign bank capital equivalency deposits at 12 CFR 1, 16, 28, and 160. The OCC also revised its regulations pertaining to financial subsidiaries of national banks at 12 CFR 5 to better reflect the language of the underlying statute, as amended by section 939(d) of the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd–Frank Act). Additionally, the OCC worked with the Federal Reserve and FDIC to develop and implement revised capital regulations that will no longer include references to credit ratings.	

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b) Develop alternative standards of credit assessment, where needed, for the purpose of replacing references to CRA ratings in laws and regulations relating to banks.	FDIC	New rules remove references to external credit ratings and generally require national banks to make assessments of a security's creditworthiness to determine if it is "investment grade." (Under US law, the requirement for national banks also applies to state-chartered banks). An issuer satisfies this requirement if the bank appropriately determines that the obligor presents low default risk and is likely to make timely payments of principal and interest. Federal agencies issued final guidance documents that set forth due diligence standards for determining the credit quality of a security. The FDIC adopted similar revisions for purposes of its regulation regarding permissible corporate debt securities investments of state and federal savings associations, in accordance with section 939A of the Dodd-Frank Act. The Uniform Agreement on the Classification and Appraisal of Securities Held by Depository Institutions (Agreement) was updated to remove CRA references and directs depository institutions to perform an assessment of creditworthiness that is not solely reliant on external credit ratings provided by NRSROs and to use individual security analysis to form the basis of any classification determination. The Agreement uses standards similar to the investment permissibility rules. The recently adopted capital regulations adopted by the federal banking agencies also use standards of creditworthiness similar to the investment permissibility rules. For example, in contrast to the BCBS capital framework, the new securitization framework under the US capital regulations does not include references to credit ratings or provide for a ratings-based approach, and establishes due diligence requirements for securitization exposures.	completed

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
	Federal Reserve	The rulemaking process for developing alternative standards of creditworthiness for the Federal Reserve's regulations, other than the capital regulations, is currently ongoing.	

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	OCC	Under the revised OCC regulations, to determine whether a security is "investment grade," a bank must determine that the probability of default by the obligor is low and the full and timely repayment of principal and interest is expected. Guidance published concurrently with the revised rules, provides that to comply with the new "investment grade" standard, a bank may not rely exclusively on external credit ratings, but it may continue to use such ratings as part of its determination. In other words, a security rated in the top four rating categories by a nationally recognized statistical rating organization is not automatically deemed to satisfy the revised "investment grade" standard. OCC guidance describes the types of factors the agency expects banks to consider when making investment decisions and notes that an institution should supplement any consideration of external ratings with due diligence processes and additional analyses that are appropriate for the institution's risk profile and for the size and complexity of the instrument. The guidance notes that a bank's due diligence may include consideration of internal analyses, third party research, default statistics, and other sources of information as appropriate for the particular security. The recently finalized capital regulations also use standards of creditworthiness similar to the investment permissibility rules. Additionally, the new capital requirements applicable to securitizations replace a ratings-based look-up table with a non-ratings based approach and include additional due diligence requirements. The additional due diligence standards subject a bank's securitization exposure to substantially higher capital requirements if the bank is unable to demonstrate a comprehensive understanding of the features of the securitization exposure that would materially affect its performance.	

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2. Reducing market reliance on CRA ratings (Principle II)			
a) Enhance supervisory processes and procedures to assess the adequacy of banks' own credit assessment processes and incentivise market participants to develop internal risk management capabilities.	FDIC	The federal agencies issued guidance to clarify steps national banks and federal savings associations ordinarily are expected to take to demonstrate they have properly verified their investments meet the newly established credit quality ("investment grade") standard. Through the supervisory process banks are examined to ensure that they are conducting the appropriate level of due diligence to understand the inherent risks of a security and determine that it is a permissible investment. US regulators expect the due diligence to be sufficient to support the institution's conclusion that a security meets the "investment grade" standard. Third-party analytics may be part of this analysis, although the bank's management remains responsible for the investment decision and should ensure that prospective third parties are independent, reliable, and qualified. The new capital framework strengthens the risk-based capital requirements for certain securitization exposures and requires banks to conduct more rigorous credit analysis of securitization exposures. Banks will be required to demonstrate a comprehensive understanding of the features of a securitization exposure that would materially affect its performance. The analysis must be commensurate with the complexity of the exposure and its materiality in relation to the capital of the banking organization. On an ongoing basis (and no less frequently than quarterly), the bank must evaluate, review, and update its analysis for each securitization exposure.	completed

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
	Federal Reserve	In 2012 the Federal Reserve Board issued SR 12-15, a guidance letter advising state member banks that effective January 1, 2013, they may no longer rely solely on external credit ratings to determine whether a particular security is an "investment security" that is permissible for investment. The guidance aligns with new rules and standards issued by the Office of the Comptroller of the Currency (OCC). http://www.federalreserve.gov/bankinforeg/srletters/sr1215.pdf Under the Federal Reserve Act and the Federal Reserve's Regulation H, state member banks are subject to the same limitations and conditions with respect to the purchasing, selling, underwriting, and holding of investment securities and stock as national banks under the National Banking Act. In the OCC guidance, a firm's due diligence may include consideration of internal analyses, third party research, default statistics, and other sources of information as appropriate for the particular security. For links to the OCC's final rules, 77 FR 35253 (June 13, 2012) and the OCC's guidance, 77 FR 35259 (June 13, 2012), see OCC Bulletin 2012-18 (June 26, 2012). http://www.occ.gov/news-issuances/bulletins/2012/bulletin-2012-18.html	Guidance issued in 2012. Application of the guidance is ongoing through the supervisory process.

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	OCC	Guidance published concurrently with the revised investment permissibility rules provides that to comply with the new "investment grade" standard, a bank may not rely exclusively on external credit ratings, but it may continue to use such ratings as part of its determination. In other words, a security rated in the top four rating categories by a nationally recognized statistical rating organization is not automatically deemed to satisfy the revised "investment grade" standard. The OCC guidance describes the types of factors the agency expects banks to consider when making investment decisions and notes that an institution should supplement any consideration of external ratings with due diligence processes and additional analyses that are appropriate for the institution's risk profile and for the size and complexity of the instrument. The guidance notes that a bank's due diligence may include consideration of internal analyses, third party research, default statistics, and other sources of information as appropriate for the particular security.	

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b) Require or incentivise market participants to disclose information about their internal credit risk assessment processes.	FDIC	Bank holding companies (BHCs) must disclose risk management objectives and policies, including processes, and the scope and nature of risk reporting and/or measurement systems. BHCs must include general qualitative disclosure with respect to credit risk including discussion of their credit risk management policy. For portfolios subject to IRB risk-based capital formulas, disclosure must include explanation and review of the: structure of internal rating systems and relation between internal and external ratings; use of risk parameter estimates other than for regulatory capital purposes; process for managing and recognizing credit risk mitigation; and control mechanisms for the rating system, including discussion of independence, accountability, and rating systems review.	completed

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3.2 Prudential supervision of banks (Principle III.2)			
a) Enhance supervisory oversight of banks to ensure they develop adequate internal credit assessment processes that avoid mechanistic reliance on CRA ratings (differentiating where appropriate between banks subject to the internal ratings-based (IRB), Standardised Approach of other capital regime).	FDIC	IRB: The FDIC ensures that depository institutions supplement the use of CRAs with internal due diligence processes and additional analyses, and demonstrate that CRAs are used only in an auxiliary role in the calculation of final values. Standardised Approach: The FDIC ensures that depository institutions use alternatives to CRA ratings (OECD Country Risk assessments for sovereign exposures and a formula-based approach for securitization exposures), as well as the alternative standard for determining whether a security is "investment grade." Investment Permissibility and Adverse Classification of Investment Securities Held by Banks: Supervisors will evaluate banks' conformance with new investment permissibility rules and related safety and soundness guidance for due diligence, to ensure institutions are developing credit risk assessment processes that are not overly reliant on credit ratings. Similarly, supervisors will evaluate institutions' credit assessment processes when determining adverse classification of bank investment portfolios.	completed

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
	Federal Reserve	The Federal Reserve's guidance under SR Letter 12-15 on investment permissibility expects banks to conduct an appropriate level of due diligence to understand the inherent risks of a security and determine that it is a permissible investment. The extent of the due diligence should be sufficient to support the institution's conclusion that a security meets the stated "investment-grade" standards. The depth of the due diligence should be a function of the security's credit quality, the complexity of the structure, and the size of the investment. The guidance also sets forth an expectation that the board of directors should oversee management to make sure appropriate decision-making processes are in place. The Federal Reserve issued guidance under SR letter 98-25 describing certain elements of internal rating systems that are necessary to support sophisticated credit risk management. This letter also underlines the need for supervisors and examiners, both in their onsite examinations and inspections and in their other contacts with banking organizations, to emphasize the importance of development and implementation of effective internal credit rating systems and the critical role such systems should play in the credit risk management process at sound large institutions. http://fedweb.frb.gov/fedweb/bsr/srltrs/SR9825.htm	Guidance was issued in 1998 and 2012. Application is ongoing through the supervisory process.

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	OCC	Guidance published concurrently with the OCC’s revised rules, provides that to comply with the new “investment grade” standard, a bank may not rely exclusively on external credit ratings, but it may continue to use such ratings as part of its determination. In other words, a security rated in the top four rating categories by a nationally recognized statistical rating organization is not automatically deemed to satisfy the revised “investment grade” standard. OCC guidance describes the types of factors the agency expects banks to consider when making investment decisions and notes that an institution should supplement any consideration of external ratings with due diligence processes and additional analyses that are appropriate for the institution’s risk profile and for the size and complexity of the instrument. The guidance notes that a bank’s due diligence may include consideration of internal analyses, third party research, default statistics, and other sources of information as appropriate for the particular security.	

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
b) Revise CRA ratings in other prudential supervisory policies (e.g. relating to liquidity requirements) to reduce reliance on CRA ratings.	FDIC	The federal banking agencies recently proposed a rule to implement the Basel standard for the LCR liquidity risk metric. (The proposal is titled, "Liquidity Coverage Ratio: Liquidity Risk Measurement, Standards, and Monitoring"). In contrast to the Basel LCR, the proposed rule contains no references to CRA ratings. For example, the US proposal includes all eligible corporate bonds to be included in Level 2B, while the Basel standard allows for corporates to be held in either Level 2A and 2B, depending on the credit rating. Additionally, the federal banking agencies recently updated investment classification guidelines (interagency policy statement) to remove references to credit ratings and replace them with alternative standards of creditworthiness, consistent with the new investment permissibility rules.	completed

Annex II: Central bank operations

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
3. Application of the basic principles to particular financial market activities (Principle III)			
Based on the findings from the stock-taking exercise, please describe the areas identified as needing changes, including which areas are considered priorities, and the steps authorities intend to take to reduce reliance on CRA ratings in central bank policies and operations.			
Background: Open Market Operations (OMO) – including outright purchases and sales as well as repo-type operations – are conducted using US Treasury and agency securities without regard for CRA ratings. For discount window or payment system risk purposes, the Federal Reserve generally considers accepting assets that meet regulatory standards for sound asset quality. US Treasury and agency securities are eligible without regard for CRA ratings. For other types of securities, Reserve Bank use CRA ratings as one of several factors in assessing the eligibility of securities collateral pledged by depository institutions. Some types of securities must be AAA-rated and other types must be rated at least investment grade. CRAs do not enter the consideration for loan collateral, which constitutes a large percentage of pledged collateral. Reserve Banks have discretion to perform internal risk assessments on classes or particular items of collateral, and reserve the right to impose additional risk control measures based on such assessments. CRA and historical Value-at-Risk analysis based on data for relevant securities are combined to generate haircuts on the pledged securities collateral.			

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3.1 Central bank operations (Principle III.1)			
a) Reduce reliance on CRA ratings in central bank policies (such as investments, asset management frameworks, and conventional and unconventional operations), including the decision to accept or reject an instrument as collateral or for outright purchase and in determining haircuts.	Federal Reserve	For securities used in OMOs, CRA ratings are not used, consistent with FSB Principles. For securities pledged to the discount window or for payment system risk purposes, the Federal Reserve is working to further enhance its credit risk management practices. While it does not plan to discontinue the use of CRA ratings, it is closely monitoring the application of the revised regulatory standards for sound asset quality, and continues to evaluate the feasibility of developing internal credit risk assessment capabilities or the use of alternative measures of creditworthiness for securities pledged as collateral for discount window or payment system risk purposes.	On-going effort

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
b) Adjust policies for imposing risk control measures (including haircuts) on financial instruments to align with the FSB Principles on CRA ratings.	Federal Reserve	The Federal Reserve reserves the right to apply risk control measures to classes or individual items of collateral based on internal risk assessments. It reserves the right to apply risk control measures to individual items of collateral that have not been subject to internal review.	On-going effort
c) Develop the central bank's internal credit risk assessment capabilities and use of alternative measures of creditworthiness.	Federal Reserve	Please refer to the answer to question 3.1a) above.	On-going effort

Annex IV: Investment Funds Management
(including collective investment schemes, alternative investment schemes, occupational retirement schemes)

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
Based on the findings from the stock-taking exercise, please describe the areas identified as needing change and those areas considered priorities, as well as the steps authorities intend to take to reduce reliance on CRA ratings in laws and regulations. In addition, authorities should describe the incentives put in place for market participants to develop their own independent credit assessment processes. Examples of incentives might include disclosure requirements relating to credit risk assessment practices.			
a) Remove references to CRA ratings in laws and regulations for investment funds management.	SEC	The SEC adopted rule 6a-5 under the Investment Company Act of 1940 ("ICA"), which provided an alternative standard of credit worthiness in place of the reference to credit ratings in the ICA removed by section 939(c) of the Dodd-Frank Act. The one rule under the Investment Advisers Act of 1940 that references a	Completed

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		credit rating is a temporary rule that will expire on December 14, 2014. Consistent with section 939A of the Dodd-Frank Act, the SEC has taken action with respect to two rules under the ICA. First, the SEC has replaced references to credit ratings with alternative standards in rule 5b-3, which permits funds to look through repurchase agreements to the underlying collateral securities for certain diversification and counterparty limitation purposes under the ICA provided the collateral meets certain credit quality standards. Second, the SEC has proposed to replace references to credit ratings with alternative standards in rule 2a-7, the rule that governs the operation of money market funds. The SEC also removed the mandatory use of ratings in three disclosure forms under the Securities Act of 1933 and ICA and proposed to remove the mandatory use of credit ratings in a fourth disclosure form under the ICA.	Ongoing.

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
b) Develop alternative standards of credit assessment, where needed, for the purpose of replacing references to CRA ratings in laws and regulations for investment funds management.	SEC	In Release No. IC-30268, new rule 6a-5 under the ICA deems a business development company to have met the creditworthiness standard required under the ICA if its board of directors (or the board's delegate) determines the particular security is (1) subject to no greater than moderate credit risk; and (2) sufficiently liquid that it can be sold at or near its carrying value within a reasonably short period of time. In Release No. 33-9193, under the amendments to rule 5b-3, the fund's board of directors (or its delegate) is required to determine that the collateral security meets a standard similar to the credit quality standard articulated for the particular rating to be removed as well as a liquidity standard. In Release No. 33-9193, under the proposed amendments to rule 2a-7, the fund's board of directors (or its delegate) would be required to determine that the	Completed Completed Ongoing

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
		particular security meets a standard similar to the credit quality standard articulated for the particular rating to be removed.	
2. Reducing market reliance on CRA ratings (Principle II)			
a) Enhance supervisory processes and procedures to assess the adequacy of market participants' own credit assessment processes.	SEC	See 3(a)b below.	
3. Application of the basic principles to particular financial market activities (Principle III.3)			
a) Establish, as appropriate, supervisory review of internal limits and investment policies of investment managers and institutional investors.			
a. Insurance companies (in their capacity as institutional investors)			
b. Investment managers (i.e. mangers of collective investment schemes).		SEC examiners' current process for review in this area is dependent upon the focus of the exam. For example if there are internal, contractual or disclosure limits on investment policies of the adviser and/or investors, the examiners may review and test for compliance with these limits as part of their portfolio management review.	

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c. Alternative investment managers (e.g. hedge funds, endowments).			
d. Managers of occupational retirement schemes.			
b) Require changes to internal limits and investment policies.			
a. Insurance companies (in their capacity as institutional investors)			
b. Investment managers (i.e. mangers of collective investment schemes).			
c. Alternative investment managers (e.g. hedge funds, endowments).			
d. Managers of occupational retirement schemes.			
c) Incentivise compliance with the CRA Principles.			
a. Insurance companies (in their capacity as institutional investors)			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
b. Investment managers (i.e. mangers of collective investment schemes).		SEC rules under the Investment Advisers Act of 1940 do not mandate the use of credit ratings by registered investment advisers (except the temporary rule referenced above that will expire in 2014) and therefore have not provided incentives for these advisers to rely on credit ratings.	
c. Alternative investment managers (e.g. hedge funds, endowments).			
d. Managers of occupational retirement schemes.			
d) Strengthen supervisory oversight to assess whether investments managers and institutional investors have made changes to the role that CRA ratings play in investment mandates, thresholds and triggers.			
a. Insurance companies (in their capacity as institutional investors)			
b. Investment managers (i.e. mangers of collective investment schemes).		See response to 3(a)b above.	
c. Alternative investment managers (e.g. hedge funds, endowments).			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
d. Managers of occupational retirement schemes.			

Annex V: Collateral Policies for Central Counterparties (CCPs)

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
Based on the findings from the stock-taking exercise, please describe the areas identified as needing change and those areas considered priorities, as well as the steps authorities intend to take to reduce reliance on CRA ratings in laws and regulations. In addition, authorities should describe the incentives put in place for market participants to develop their own independent credit assessment processes. Examples of incentives might include disclosure requirements relating to credit risk assessment practices or articulating clear supervisory expectations of the extent to which CCPs should perform their own due diligence.			
1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
a) Remove references to CRA ratings in laws and regulations relating to collateral policies for CCPs.		n/a	
b) Develop alternative standards of credit assessment, where necessary, for the purpose of replacing references to CRA ratings in laws and regulations relating to collateral policies for CCPs.		n/a	

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
2. Reducing market reliance on CRA ratings (Principle II)			
a) Enhance supervisory processes and procedures to assess the adequacy of CCPs' own credit assessment processes.	SEC	The SEC has two primary supervisory processes through which it is able to evaluate registered CCPs' credit assessment processes: (1) review and analysis of proposed rule changes by CCPs; and (2) examination of CCPs' operations and compliance with SEC rules. First, pursuant to SEC Rule 19b-4, the SEC Staff reviews rule proposals from self-regulatory organizations, including CCPs registered with the SEC, for consistency with Exchange Act standards and other statutory requirements. Rule proposals can be submitted for immediate effectiveness for certain types of filings, including non-controversial changes, rules relating to fee filings, or rule filings related to proposed rule changes other than trading rules. Rule proposals not submitted for immediate effectiveness require SEC review and approval or disapproval. CCPs registered with the SEC generally establish	Ongoing efforts

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		collateral haircuts in their respective rulebooks, and such haircuts do not specifically refer to credit ratings. Thus, changes to collateral haircuts and other credit assessment processes in such rulebooks would be subject to SEC approval or disapproval through the rule proposal process. When conducting an examination of a CCP, the SEC Staff may review a variety of the CCP's risk controls, including the CCP's credit assessment for its collateral policies. The Staff examination methodology may include reviewing pertinent policies, procedures, and rules; interviewing key CCP personnel; testing; and analyzing information and source documents. Also, under the current process for conducting an examination of a CCP, the SEC Staff may review the CCPs' investment policy. The review of the investment policy may focus of the types	

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		of collateral invested for working capital and clearing fund/margin fund cash. The level of reliance on external credit ratings differs between CCPs. For some CCPs, issuer ratings are considered in determining credit limits for counterparties, and investments in certain products.	
3. Application of the basic principles to particular financial market activities (Principle III)			
3.1 Central counterparties and private sector margin agreements (Principle III.4a)			
a) Conduct stress tests or estimate the procyclical effect, on the overall margin requirements for the CCP participants, of a sudden downgrade of the credit ratings of some widely used securities.	SEC	In general, the margin methodologies used by registered CCPs do not rely on credit ratings. Instead, margin methodologies are designed to capture one to five days of potential profits and losses associated with market price moves. Accordingly, stress testing conducted by a CCP typically generally does not include historical or hypothetical scenarios that are exclusively based on a sudden downgrade of external	Ongoing efforts

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
		credit ratings, and CCPs' stress testing instead focuses on portfolio responses to extreme market price moves. Given the limited CCP reliance on credit ratings for establishing margin requirements, the SEC has not conducted stress tests on the effect of the downgrade of widely used securities. When conducting an examination of a CCP, the SEC Staff may review the CCPs' margin methodology, including stress testing and back-testing. As discussed above, if a CCP wanted to change its margin methodology as established in its rules, a proposed rule change would be filed with the SEC. At that time, the SEC Staff would evaluate the effect of that proposed rule change. In addition, any such changes may be the subject of future examinations by the SEC Staff. Additionally, all CCPs registered with the SEC use an internal "Watch List" rating system to monitor and assess the risk of its	

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
		clearing members. These internal ratings can be used to require clearing members to post additional margin, on top of the base initial margin charge. CCPs use a variety of quantitative and qualitative inputs to determine the risk rating of its clearing members. Two of the seven CCPs registered with the SEC use credit ratings issued by CRAs as one of many inputs into their internal rating process for members.	
b) Assess the reliance on credit ratings in the investment policy of the CCP.	SEC	When conducting an examination of a CCP, the SEC Staff may review the CCP's investment policy. The review of the investment policy may focus of the types of collateral invested for working capital and clearing fund/margin fund cash. The level of reliance on external credit ratings differs between CCPs. For some CCPs, issuer ratings are considered in determining credit limits for counterparties and investments in certain products.	Ongoing efforts

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
c) Review private sector margin agreements to ensure compliance with the Principle.		n/a	
d) Require changes to private sector margin agreements.		n/a	
e) Incentivise compliance with the CRA Principles.		n/a	

Annex VI: Securities Issuance (debt and equity, whether public issuance or private placement), including asset-backed securities and corporate debt

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
Based on the findings from the stock-taking exercise, please describe the areas identified as needing change and those areas considered priorities, as well as the steps authorities intend to take to reduce reliance on CRA ratings in laws and regulations. In addition, authorities should describe the incentives put in place for market participants to develop their own independent credit assessment processes. Examples of incentives might include disclosure requirements relating to credit risk assessment practices.			
1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
a) Remove references to CRA ratings in laws and regulations related to securities issuance.	SEC	The SEC adopted rule and form amendments in light of Section 939A of the Dodd-Frank Act to eliminate references to credit ratings in its rules and forms in order to reduce reliance on credit ratings. The amendments replaced certain requirements of several rules and forms under the Securities Act of 1933 and the	Completed

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
		Securities Exchange Act of 1934 that employed credit ratings with alternative requirements that do not rely on ratings. Specifically, the SEC revised certain transaction eligibility requirements of Forms S-3 and F-3 and other rules and forms that refer to these eligibility requirements. Previously, these registration statement forms allowed companies that did not meet the forms' other transaction eligibility requirements to register primary offerings of non-convertible securities, other than common equity, for cash if such securities were rated investment grade by a nationally recognized statistical rating organization ("NRSRO"). The SEC's amendments eliminated the eligibility requirement of having an investment grade rating in these forms with alternative requirements that preserved the use of these forms for an issuer that was widely followed in the	

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
		capital markets.[1]	
		Additionally, the SEC has proposed (i) replacement of the investment grade ratings requirement in Form S-3 for shelf registrations of asset-backed securities ("ABS") and (ii) removal of Instruction 3 to each of Item 1112 and Item 1114 of Regulation AB which provide that financial information otherwise required for significant obligors and significant credit enhancement providers, respectively, is not required if such entities are backed by the full faith and credit of a foreign government and the pool assets are securities that are rated "investment grade" as defined in Form S-3.[2]	Ongoing

[1] See Security Ratings, Release Nos. 33-9245, 34-64975 (Jul. 27, 2011), 76 FR 46603 (Aug. 3, 2011).

[2] See Asset-Backed Securities, Release Nos. 33-9117, 34-61858 (Apr. 7, 2010), 75 FR 23328 (May 3, 2010) and Re-Proposal of Shelf Eligibility Conditions for Asset-Backed Securities, Release Nos. 33–9244, 34–64968 (Jul. 26, 2011), 76 FR 47948 (Aug. 5, 2011).

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
b) Develop alternative standards of credit assessment, where necessary, for the purpose of replacing references to CRA ratings in laws and regulations relating to securities issuance.	SEC	In Release Nos. 33-9245, 34-64975 (Security Ratings), the amendments replaced the transaction eligibility requirement described above with the following: • The issuer has issued (as of a date within 60 days prior to the filing of the registration statement) at least $1 billion in non-convertible securities, other than common equity, in primary offerings for cash, not exchange, registered under the Securities Act, over the prior three years; or • The issuer has outstanding (as of a date within 60 days prior to the filing of the registration statement) at least $750 million of non-convertible securities, other than common equity, issued in primary offerings for cash, not exchange, registered under the Securities Act; or • The issuer is a wholly-owned subsidiary of a "well-known seasoned issuer" ("WKSI") as defined in Rule	Completed

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
		405 under the Securities Act; or • The issuer is a majority-owned operating partnership of a real estate investment trust that qualifies as a WKSI; or • The issuer discloses in the registration statement that it has a reasonable belief that it would have been eligible to register the securities offerings proposed to be registered under such registration statement pursuant to General Instruction I.B.2 of Form S-3 or Form F-3 in existence prior to the new rules, discloses the basis for such belief, and files the final prospectus for any such offering on or before the date that is three years from the effective date of the amendments (September 2, 2014). The SEC adopted revisions to registration statement Forms S-4 and F-4 and Schedule 14A; Securities Act Rules 138, 139, and 168 (which address certain	Ongoing

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
		communications by analysts and issuers) to be consistent with the revisions to Form S-3 and Form F-3; and rescinded Form F-9 (a Securities Act registration statement for certain Canadian issuers). In addition, the SEC removed Securities Act Rule 134(a)(17) so that disclosure of credit ratings issued by NRSROs is no longer covered by the safe harbor that deems certain communications not to be a prospectus or a free writing prospectus.[3] Under the SEC's proposed rules, the investment grade ratings condition for ABS shelf eligibility would be replaced with provisions that require: • A certification by the chief executive officer of the depositor or executive officer in charge of securitization of the depositor concerning the disclosure contained in the prospectus and the	

[3] See Security Ratings, Release Nos. 33-9245, 34-64975 (Jul. 27, 2011), 76 FR 46603 (Aug. 3, 2011).

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
		design of the securitization; • Provisions in the underlying transaction documents requiring the appointment of a credit risk manager to review assets upon the occurrence of certain trigger events and provisions requiring repurchase request dispute resolution; and • A provision in an underlying transaction document to include in ongoing distribution reports on Form 10-D a request by an investor to communicate with other investors. Under the proposed rules, Instruction 3 to each of Item 1112 and Item 1114 of Regulation AB would be deleted.[4]	

[4] See Asset-Backed Securities, Release Nos. 33-9117, 34-61858 (Apr. 7, 2010), 75 FR 23328 (May 3, 2010) and Re-Proposal of Shelf Eligibility Conditions for Asset-Backed Securities, Release Nos. 33–9244, 34–64968 (Jul. 26, 2011), 76 FR 47948 (Aug. 5, 2011).

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
2. Reducing market reliance on CRA ratings (Principle II)			
a) Enhance supervisory processes and procedures to assess the adequacy of market participants own credit assessment processes.	n/a	n/a	n/a
3. Application of the basic principles to particular financial market activities (Principle III)			
3.1 Central counterparties and private sector margin agreements (Principle III.5a)			
a) Review the role of credit rating in disclosures by issuers of securities.	SEC	In 2011, the SEC adopted an amendment to Rule 134 under the Securities Act in order to reduce reliance on credit ratings by investors. Rule 134(a)(17) permitted the disclosure of security ratings issued or expected to be issued by NRSROs in certain communications deemed not to be a prospectus or free writing prospectus. Communications made under Rule 134 generally appear in "tombstone" ads or press releases announcing offerings. A communication is eligible for the safe harbor if the information included is limited to such matters as, among others, factual information about the identity and business address of the issuer, title of the	Completed

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
		security and amount being offered, the price or a bona fide estimate of the price or price range, the names of the underwriters participating in the offering and the name of the exchange where such securities are to be listed and the proposed ticker symbols.[5] Rules for registered ABS offerings require prospectus disclosure of a rating if the sale of any class of offered securities is conditioned on the assignment of a rating by one or more rating agencies. However, in no-action letters dated July 22, 2010 and November 23, 2010, SEC staff stated that it will not recommend enforcement action to the SEC if an ABS issuer chooses to omit the ratings disclosure required by these rules from a prospectus relating to an offering of ABS.	

[5] See Security Ratings, Release Nos. 33-9245, 34-64975 (Jul. 27, 2011), 76 FR 46603 (Aug. 3, 2011).

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
b) Reduce the role of credit ratings in disclosures by issuers of securities (list the steps to take).	SEC	See 3.a. above. However, a credit rating could be material factual information for an investor in making an investment decision, and disclosure of ratings may therefore be appropriate. The focus of our review, therefore, has been on regulations that use credit ratings as a standard of creditworthiness rather than rules that require disclosure about credit ratings.	Completed

Annex VII: Securities Firms (broker-dealers)

Action to be taken	Responsible national authority	Milestones to be met (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
Based on the findings from the stock-taking exercise, please describe the areas identified as needing change and those areas considered priorities, as well as the steps authorities intend to take to reduce reliance on CRA ratings in laws and regulations. In addition, authorities should describe the incentives put in place for market participants to develop their own independent credit assessment processes.			
1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
a) Remove references to CRA ratings in laws and regulations relating to securities firms.	SEC	The SEC has adopted amendments to remove references to credit ratings in certain rules under the Exchange Act.[6] The SEC is also reviewing comments as it continues to work on finalizing a rulemaking proposal to remove references to credit ratings in Exchange Act Rules 101 and 102 of Regulation M.[7]	Ongoing

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[6] See Removal of Certain References to Credit Ratings under the Securities Exchange Act of 1934, Exchange Act Release No. 34-71194 (Dec. 26, 2013), [ ] FR [ ] (Date).

[7] See Removal of Certain References to Credit Ratings under the Securities Exchange Act of 1934, Exchange Act Release No. 34-64352 (Apr. 27, 2011), 76 FR 26550 (May 6, 2011).

Action to be taken	Responsible national authority	Milestones to be met (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
b) Develop alternative standards of credit assessment, where necessary, for the purpose of replacing references to CRA ratings in laws and regulations relating to securities firms.	SEC	The SEC has adopted an alternative standard of creditworthiness to be used for purposes of Rule 15c3-1. Under the proposal, a broker-dealer will be permitted to apply lower haircuts for commercial paper, nonconvertible debt, and preferred stock if the security has a "minimal amount of credit risk" as determined by the broker-dealer pursuant to policies and procedures the broker-dealer establishes, documents, maintains, and enforces to assess creditworthiness. In the adopting release, the SEC identified the following factors a broker-dealer could consider when determining whether a security is of minimal credit risk: (1) credit spreads; (2) securities-related research; (3) internal or external credit risk assessments; (4) default statistics; (5) inclusion in an index; (6) priorities and enhancements; (7) price, yield and/or volume; and (8) asset class-specific factors. The list of factors is not	Ongoing

Action to be taken	Responsible national authority	Milestones to be met (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
		intended to be exhaustive nor mutually exclusive and the range and type of specific factors considered by each broker-dealer could vary depending on the particular securities being reviewed.[8]	
2. Reducing market reliance on CRA ratings (Principle II)			
a) Enhance supervisory processes and procedures to assess the adequacy of securities firms' own credit assessment processes.	SEC	Under the current regulatory framework, the SEC has not made any changes to its supervisory oversight or examinations of securities firms' credit assessment processes since the response included in the May 7, 2013 peer review questionnaire.	

[8] See Removal of Certain References to Credit Ratings under the Securities Exchange Act of 1934, Exchange Act Release No. 34-71194 (Dec. 26, 2013), [ ] FR [ ] (Date).