



Report to the Congress on
Credit Ratings

July 2011

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM



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Preface: Implementing the Dodd-Frank Act

The Board of Governors of the Federal Reserve System (the Board) is responsible for implementing numerous provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). The Dodd-Frank Act requires, among other things, that the Board produce reports to the Congress on a number of potential reform topics.

See the Board's website for an overview of the Dodd-Frank Act regulatory reform effort (www.federalreserve.gov/newsevents/reform_about.htm) and a list of the implementation initiatives recently completed by the Board as well as several of the most significant initiatives that the Board expects to address in the future (www.federalreserve.gov/newsevents/reform_milestones.htm).

Contents

Executive Summary	1
Review of Board Regulations	1
References to Credit Ratings in the Board's Capital Requirements	1
Other References to Credit Ratings in Board Regulations	2
Development of Alternative Standards of Creditworthiness	3
ANPR	3
Interagency Roundtable	3
Working Group Efforts	4
Considerations in Developing Alternative Standards of Creditworthiness	4
Appendix: References to Credit Ratings in Federal Reserve Regulations	6

Report on Credit Ratings

Executive Summary

Section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the act) requires each federal agency to review its regulations and identify (1) any regulation that requires the use of an assessment of the creditworthiness of a security or money market instrument and (2) any references to or requirements in such regulations regarding credit ratings. Each agency must carry out the review no later than one year after the date of the enactment of the act.¹ The act further requires each federal agency to transmit a report to Congress upon the conclusion of the review.² Finally, section 939A directs each federal agency to modify the regulations identified in the review by removing all references to or requirements of reliance on credit ratings and substituting alternative standards of creditworthiness. In establishing such alternative standards, an agency must, to the extent feasible, establish uniform standards, taking into account the entities it regulates and the purposes for which such entities would rely on the alternative standards of creditworthiness.³

Pursuant to section 939A of the act, the Board has completed the review of its regulations and has identified 46 references to or requirements regarding credit ratings. The majority of references to credit ratings in the Board's rules appear in its capital adequacy guidelines for state member banks and bank holding companies (capital requirements).⁴ Certain Board regulations for state member banks, foreign banking organizations, and bank holding companies also rely on or reference ratings, including Regulation W (transactions between member banks

and their affiliates)⁵ and Regulation K (international banking operations).⁶

Since the act was signed into law, in addition to reviewing the Board's regulations as required by section 939A, the Board has been working in cooperation with the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC, and together with the Board and OCC, the banking agencies) to develop alternative standards of creditworthiness. In furtherance of this effort, in August 2010, the Board and the banking agencies issued an advance notice of proposed rule-making requesting public comment on alternative standards of creditworthiness to be used in the risk-based capital rules. In addition, in November 2010, the Board hosted a roundtable discussion with industry experts to generate ideas for complying with section 939A.

The Board anticipates that it will propose amendments to remove references to credit ratings from its capital requirements in conjunction with other expected changes to those requirements, including the implementation of recent international agreements on capital through the Basel Committee on Banking Supervision.

Review of Board Regulations

The Board's regulations that reference credit ratings are summarized below. A complete list and description of the regulations identified as part of the review is included in the [appendix](#) on page 6.

References to Credit Ratings in the Board's Capital Requirements

The majority of references to credit ratings issued by nationally recognized statistical ratings organizations (NRSROs) that appear in the Board's regulations are

¹ Pub L. 11–203, 124 Stat. 1376 (2010) § 939A(a). This provision is codified as part of the Securities and Exchange Act of 1934 at 15 U.S.C. 78o–7.

² Act, § 939A(c).

³ Act, § 939A(b).

⁴ 12 CFR part 208, Appendices A, B, E, and F (state member banks) and 12 CFR part 225 Appendices A, D, E, and G (bank holding companies).

⁵ 12 CFR part 223.

⁶ 12 CFR part 211.

in its capital requirements.⁷ For example, the Board’s Risk-Based Measure for state member banks and bank holding companies (general risk-based capital rules)⁸ and the Board’s Internal-Ratings-Based and Advanced Measurement Approaches (Basel II advanced approaches capital rules)⁹ capital requirements for larger banks generally assign risk weights to securitization exposures based on the external credit ratings of such exposures. Under the general risk-based capital rules, asset-backed securities that are rated by an NRSRO are risk-weighted according to the level of the external ratings.¹⁰ For instance, an asset-backed security that has a long-term rating in the highest or second-highest investment grade, such as AAA or AA, receives a 20-percent risk weight; an asset-backed security that has a long-term rating one category below investment grade, such as BB, receives a 200-percent risk weight.

Other uses of NRSRO credit ratings in the Board’s capital requirements include: (1) assignment of risk weights under the general risk-based capital rules for claims on certain securities firms;¹¹ (2) assignment of standardized capital charges for certain exposures under the market risk rule;¹² and (3) special methodologies for determining risk weights for guarantees and collateral under the Basel II advanced approaches capital rules.¹³

⁷ The Board notes that the capital adequacy guidelines, although not promulgated as regulations, are the standards by which the Board evaluates the capital adequacy of member banks and bank holding companies. *See, e.g.*, 12 CFR part 208.4; 12 CFR 225.2(r). The Board’s review of its regulations pursuant to section 939A included implementing guidelines or policies, such as the capital adequacy guidelines, that are referred to in its regulations. 12 CFR part 208, Appendices A, B, E, and F (state member banks) and 12 CFR part 225 Appendices A, D, E, and G (bank holding companies).

⁸ 12 CFR parts 208 and 225, Appendix A.

⁹ *See* 12 CFR part 208, Appendix F and 12 CFR part 225 Appendix G. The advanced approaches rules are a mandatory requirement for state member banks and bank holding companies with \$250 billion or more in consolidated assets or consolidated total on-balance-sheet foreign exposure of \$10 billion or more (or that are subsidiaries or holding companies of U.S. entities that use the advanced approaches rules).

¹⁰ 12 CFR parts 208 and 225, Appendix A, III.B.3.c.

¹¹ 12 CFR parts 208 and 225, Appendix A, III.C.2.

¹² *See* 12 CFR parts 208 and 225, Appendix E, § 5.

¹³ *See* 12 CFR part 208, Appendix F and 12 CFR part 225, Appendix G, §§ 2, 32-35.

Other References to Credit Ratings in Board Regulations

Activities of State Member Banks

The Board’s Regulation H,¹⁴ which establishes various supervisory requirements for state member banks, references credit ratings in several contexts. For example, Regulation H imposes certain limits on ownership by state member banks of financial subsidiaries based on the bank’s long-term unsecured debt rating by an NRSRO.¹⁵ This reference is based on provisions of the Gramm-Leach-Bliley Act, which were modified by the act to remove references to ratings.¹⁶ In addition, Regulation H references credit ratings in specifying the disclosures a member bank must make when conducting securities transactions for its customers. Regulation H requires a member bank that effects a debt securities transaction for a customer to notify the customer in writing that the security is unrated by an NRSRO, if that is the case.¹⁷

International Banking Operations

Other Board rules rely on credit ratings in the regulation of member banks’ international operations and the U.S. operations of foreign banking organizations (FBOs). For instance, under Board regulations, a foreign branch of a member bank may underwrite, distribute, buy, sell, and hold certain government debt obligations only if such obligations are rated investment grade.¹⁸ In addition, in determining whether a foreign bank with a U.S. branch or agency satisfies the “well capitalized” requirement in order to be treated as a financial holding company eligible to engage in expanded activities, Board rules provide

¹⁴ 12 CFR part 208.

¹⁵ *See* 12 CFR 208.71(a)(3), (b)(1)(ii).

¹⁶ *See* Pub. L. No. 106-102, § 121(a), 113 Stat. 1338, 1374 (1999) (codified at 12 U.S.C. § 24(a)(3)); Act § 939(d).

¹⁷ 12 CFR 208.34(d)(2)(xii).

¹⁸ 12 CFR 211.4(a)(2)(C)-(D) (providing that a foreign branch of a member bank may underwrite, distribute, buy, sell, and hold obligations of (1) the national government or political subdivision of any country, where such obligations are rated investment grade, or (2) an agency or instrumentality of any national government where such obligations are rated investment grade and are supported by the taxing authority, guarantee or full faith and credit of that government).

that the Board may consider the foreign bank's long-term debt ratings.¹⁹

Transactions between Member Banks and Their Affiliates

The Board's Regulation W,²⁰ which governs transactions between member banks and their affiliates, exempts certain securities from the quantitative limits applicable to most affiliate transactions based on the securities' credit ratings. Specifically, Regulation W exempts a member bank's purchase of municipal securities from a securities affiliate if the security has received any rating from an NRSRO.²¹

Development of Alternative Standards of Creditworthiness

Shortly after passage of the act, the Board and the banking agencies formed an interagency working group to begin developing alternative standards of creditworthiness to be substituted in the capital requirements. This group has been meeting on a regular basis and researching and exploring possible alternative standards. Additionally, in order to encourage public participation in the development of alternative standards of creditworthiness, the Board and the banking agencies issued an advance notice of proposed rulemaking (ANPR) in August 2010, inviting public comment on alternative standards of creditworthiness. The agencies also convened a roundtable discussion with market experts in November 2010.

ANPR

On August 25, 2010, the Board and the banking agencies published in the *Federal Register* an ANPR regarding alternatives to the use of credit ratings in the risk-based capital rules for banking organizations.²² The ANPR described the areas in the risk-based capital rules where the agencies rely on credit ratings and requested public comment on potential alternatives to the use of credit ratings. The ANPR also described a wide range of approaches of varying complexity and risk-sensitivity that the agencies were considering for alternative standards of creditworthiness and requested comments on these approaches,

as well as comment on any other possible approaches.

The Board received approximately 25 comment letters in response to the ANPR from banking organizations, bank trade associations, risk analytics firms, credit rating agencies, and other market participants.²³ In general, many commenters expressed concern about the statutory mandate of section 939A and suggested it could lead to competitive distortions across the international banking industry. Commenters also indicated that section 939A could reduce the risk sensitivity of bank risk-based capital ratios if risk weights become more uniform by asset class because workable alternatives cannot be found or are too costly. Most commenters emphasized the need for alternative standards of creditworthiness to be risk sensitive. Commenters representing less complex banking organizations also indicated that any alternative standard should be reasonably simple to implement, be defined to allow banking organizations of varying size and complexity to arrive at the same assessment of creditworthiness for similar exposures, and take account of the costs and burdens imposed on small firms.

The Board will take these comments into consideration as it continues to develop alternative standards of creditworthiness to substitute in the risk-based capital rules and its other regulations that reference or rely on credit ratings.

Interagency Roundtable

On November 10, 2010, the Board and other banking agencies hosted an interagency roundtable discussion on "Creditworthiness Standards under the Dodd-Frank Act." Bankers, academics, asset managers, market analysts, and other market participants met with staff and principals from the agencies to share ideas about alternatives to credit ratings in the risk-based capital rules.

Roundtable panelists offered views on factors that the agencies should consider in developing alternatives to credit ratings. Panelists generally emphasized that, in order to be useful to community banks, alternative standards of creditworthiness for such exposures should be simple to apply. Panelists also generally favored the use of cash-flow analysis, produced internally or provided by third parties, to help deter-

¹⁹ 12 CFR 225.92(e)(1).

²⁰ 12 CFR part 223.

²¹ 12 CFR 223.42(g)(1).

²² 75 *Fed. Reg.* 52283 (August 25, 2010).

²³ A complete list of the public comments that the Board received on the ANPR is located at: www.federalreserve.gov/generalinfo/foia/index.cfm?doc_id=R%2D1391&doc_ver=1.

mine risk-based capital requirements for securitization exposures.

A complete summary of the roundtable discussion, along with printed materials prepared by panelists, can be found on the Board's website.²⁴ The Board also expects to take the comments provided at the roundtable discussion into consideration as it continues to develop alternative standards of creditworthiness.

Working Group Efforts

As mentioned above, a banking agency working group has been developing alternative standards of creditworthiness since enactment of the act. This effort has been in conjunction with other interagency work on revisions to the capital requirements pursuant to other provisions of the act and agreements of the Basel Committee on Banking Supervision (BCBS), culminating in the BCBS publication titled *Basel III: a global regulatory framework for more resilient banks and banking systems* (Basel III).²⁵

To the extent practicable, the Board expects to rely on the alternative standards of creditworthiness developed by the interagency working group for the capital requirements to provide a basis for substitute standards of creditworthiness in other Board regulations that currently rely on credit ratings. This approach is consistent with the requirement in section 939A(b) of the act that federal agencies must establish, to the extent feasible, a uniform standard of creditworthiness to substitute for credit ratings.²⁶ In most cases, this effort is expected to involve seeking public comment on various proposed changes in a public rulemaking process.

Considerations in Developing Alternative Standards of Creditworthiness

Market participants had used credit ratings for decades prior to their incorporation into banking regulations to provide independent views of the creditworthiness of countries, companies, and various debt instruments. Credit ratings provided a uniform, market-driven, and transparent tool (in combination

with other factors) for assessing the credit risk of banking organization's exposures, and they provided a methodology familiar to both supervisors and market participants. However, credit ratings have proven in a number of important situations to have several shortcomings, including issues related to possible conflicts of interest and weaknesses in modeling.

Alternative standards of creditworthiness must be developed that avoid these weaknesses. To be effective, alternative standards must also reflect market developments rapidly, adjust for new information and changes in market practice and methodology, and not increase the risk of regulatory arbitrage as new financial methods and structures are developed.

Importantly, alternative standards must also have broad applicability and be sensitive to the risk posed by different exposures. Less risk sensitivity tends to encourage financial institutions to take on riskier assets, especially where the standard of creditworthiness being used would assign assets with different relative risks to the same category for regulatory capital or other purposes. For example, under less risk-sensitive capital rules, banking organizations have incentives to hold riskier exposures within each asset class because they can assume that risk without holding commensurately higher capital.

Alternative standards also must be developed with an awareness of the potential increase in regulatory burden for a range of banking organizations. In particular, the burden on small banking organizations is higher for any alternative that requires more extensive financial analysis of exposures because smaller banking organizations often do not have resources to conduct such analysis. Higher-cost alternatives may cause smaller institutions artificially to shift investments to asset types that require less costly credit reviews.

Alternative standards are especially useful when they incorporate market participants' views rather than only the supervisor's view of creditworthiness. Supervisors generally do not have the resources independently to rate the creditworthiness of individual assets on a regular basis across hundreds of regulated institutions.

Moreover, alternative standards of creditworthiness are also most effective when they result in generally consistent treatment of assets across regulated entities and when supervisors are able to apply the standards consistently. Consistent application by both

²⁴ Available at www.federalreserve.gov/newsevents/files/credit_ratings_roundtable_20101110.pdf.

²⁵ Available at www.bis.org/publ/bcbs189.pdf (as revised June 2011).

²⁶ Act, § 939A(b).

regulated entities and supervisors avoids fostering discrepancies in the implementation of capital and other rules important to the safe and sound operation of financial institutions.

With these goals in mind, the agencies are working together to develop and adopt a framework for

assessing the creditworthiness of market investments that is, to the fullest extent possible, effective in identifying and grading risk, consistently applied, and least burdensome. The agencies expect to continue to invite public participation in the development of these alternatives.

Appendix: References to Credit Ratings in Federal Reserve Regulations

Citation	Description
Risk-Based Capital Rules	
General Risk-Based Rules	
12 CFR 208 & 225, App. A, III.B.3.a.iv	Providing that an eligible asset-backed commercial paper (ABCP) liquidity facility may only be used to fund assets or exposures that are externally rated investment grade at the time of funding, if the assets that the facility is required to fund against are externally rated assets or exposures at the inception of the facility.
12 CFR 208 & 225, App. A, III.B.3.a.v	Defining “externally rated” to mean that “an instrument or obligation has received a credit rating” from an NRSRO.
12 CFR 208 & 225, App. A, III.B.3.a.xi	Defining “nationally recognized statistical rating organization” to mean “an entity recognized by the Division of Market Regulation of the Securities and Exchange Commission . . . as a nationally recognized statistical rating organization for various purposes.”
12 CFR 208 & 225, App. A, III.B.3.a.xviii	Defining “traded position” as a position that is externally rated and is retained, assumed, or issued in connection with an asset securitization, where there is a reasonable expectation that the rating will be relied upon by unaffiliated investors to purchase the position.
12 CFR 208 & 225, App. A, III.B.3.c-e	Establishing risk weights for asset-backed securities with reference to whether the security “has received an external rating on a long-term position.”
12 CFR 208 & 225, App. A, III.B.3.f.i-iii	Establishing risk weights for positions not rated by an NRSRO.
12 CFR 208 & 225, App. A, III.B.6	Defining “asset-backed commercial paper program” as a program that primarily issues externally rated commercial paper backed by assets or other exposures held in a bankruptcy-remote, special purpose entity.
12 CFR 208 & 225, App. A, III.C.2.d	Establishing that exposures to securities firms that have “a long-term issuer credit rating, or a rating on at least one issue of long-term debt, in one of the three highest investment-grade rating categories from a nationally recognized statistical rating organization” receive a 20 percent risk weight. The risk weighting also applies if the exposure is guaranteed by the firm’s parent company and the parent company has such a rating.
12 CFR 208 & 225, App. A, III.D	For off-balance-sheet items, assigning credit equivalent amounts to appropriate risk categories according to, inter alia, external credit ratings.
Market Risk Rule	
12 CFR 208 & 225, App. E, 5, Table 2 (B)	Providing that the qualifying category of covered debt positions, for the purpose of assigning specific-risk weighting factors, includes instruments “rated investment-grade by at least two” NRSROs or “rated investment-grade by one” NRSRO and not less than investment grade by any other credit rating agency.
Advanced Approaches Rules	
12 CFR 208 App. F & 225 App. G, I.2	Defining “applicable external rating” and “applicable inferred rating” with reference to external ratings assigned by NRSROs.
12 CFR 208 App. F & 225 App. G, I.2	Defining “asset-backed commercial paper program” as a program that primarily issues externally rated commercial paper-backed by assets or other exposures held in a bankruptcy-remote, special purpose entity.
12 CFR 208 App. F & 225 App. G, I.2	Defining a non-U.S.-based “eligible double default guarantor” as a foreign bank, non-U.S.-based securities firm, or non-U.S.-based insurance company in the business of providing credit protection that is either subject to consolidated supervision that is comparable to the supervision of a similar U.S.-based company, or has issued and outstanding an unsecured long-term debt security without credit enhancement that has a long-term applicable external rating of at least investment grade.
12 CFR 208 App. F & 225 App. G, I.2	Defining “eligible securitization guarantor” as, inter alia, an entity that has issued and outstanding an unsecured long-term debt security without credit enhancement that has a long-term applicable external rating in one of the three highest investment-grade rating categories (or that has a probability of default (PD) assigned by the bank that is lower than or equal to the PD associated with a long-term external rating in the third highest investment-grade category).
12 CFR 208 App. F & 225 App. G, I.2	Defining “external rating” as a credit rating that is assigned by an NRSRO.
12 CFR 208 App. F & 225 App. G, I.2	Defining “financial collateral” as, inter alia, long-term debt securities that have an applicable external rating of one category below investment grade or higher, or short-term debt securities that have an applicable external rating of at least investment grade.
12 CFR 208 App. F & 225 App. G, I.2	Establishing that a securitization exposure has an inferred rating equal to an external rating issued by the same issuer and secured by the same underlying exposures if the securitization in question does not have an external rating.
12 CFR 208 App. F & 225 App. G, I.2	Defining “NRSRO” as an entity registered with the SEC as a nationally recognized statistical rating organization under section 15E of the Securities Exchange Act.
12 CFR 208 App. F & 225 App. G, II.11(c)(2), (4)	Defining “non-qualifying securitization exposures” and “low-rated securitization exposures” with reference to the ratings based approach (RBA).
12 CFR 208 App. F & 225 App. G, III.32, Table 3; (b)(2)(iii)(B)-(C)	Establishing standard supervisory market price volatility haircuts based on investment grade.
12 CFR 208 App. F & 225 App. G, III.32, Table 4 and FN 3	Creating columns in the conversion factor matrix for OTC derivative contracts labeled “Credit (investment-grade reference obligor)” and “Credit (non-investment-grade reference obligor).”
12 CFR 208 App. F & 225 App. G, III.33(C)	Allowing the substitution of the rating grade of the provider of protection for certain guaranteed positions.
12 CFR 208 App. F & 225 App. G, III.35(e)	Allowing a bank to assign an obligor rating to a counterparty for which it is not otherwise required on the basis of the applicable external rating of any outstanding unsecured long-term debt security issued by the counterparty.
12 CFR 208 App. F & 225 App. G, V.42(a)-(b)	Establishing hierarchy of approaches and referencing the RBA.
12 CFR 208 App. F & 225 App. G, V.43(a)	Requiring an originating banking organization to use the RBA to calculate its risk-based capital requirement for a securitization exposure if the exposure has two or more external or inferred ratings, and prohibiting an originating banking organization from using the RBA if the exposure has fewer than two external or inferred ratings.

(continued on next page)

Table—continued

Citation	Description
12 CFR 208 App. F & 225 App. G, V.43, Table 6	Establishing long-term credit rating risk weights under the RBA and internal assessment approach (IAA).
12 CFR 208 App. F & 225 App. G, V.43, Table 7	Establishing short-term credit rating risk weights under RBA and IAA.
12 CFR 208 App. F & 225 App. G, V.44	Allowing a bank to qualify to use the IAA based on, inter alia, the extent to which the bank's internal credit assessments are based on criteria used by NRSROs.
12 CFR 208 App. F & 225 App. G, V.46	Providing that a bank that has used the RBA or IAA for a securitization exposure whose external or inferred rating reflects the benefits of a credit risk mitigant may not use the credit risk mitigation rules.
12 CFR 208 App. F & 225 App. G, VI.54, Table 10	Using ratings to establish risk weights for the modified look-through approach for equity exposures to investment funds.
12 CFR 208 App. F & 225 App. G, VII.61(b)	Defining "qualifying operational risk mitigants" as insurance that is, inter alia, provided by an unaffiliated company that has a claims payment ability that is rated in one of the three highest categories by an NRSRO.
12 CFR 225 App. G, VIII.71, Table 11.5	Requiring explanation and review of the structure of internal rating systems and relation between internal and external ratings for portfolios subject to internal rating-based risk-based capital formulas.
12 CFR 225 App. G, VIII.71, Table 11.6	Requiring, for counterparty credit risk of OTC derivative contracts and repo-style transactions, a discussion of the impact of the amount of collateral a BHC would have to provide if the BHC were to receive a credit rating downgrade.
Other Board Regulations	
12 CFR 201.3(e)(1)-(5)	Specifying that if the Board requires any Term Asset-Backed Securities Loan Facility (TALF) advance, discount, or extension of credit to be against collateral that is rated by a credit rating agency, such credit rating agency must be an NRSRO, must have current publicly available methodologies specific to the asset-backed securities in the particular TALF asset sector, and must demonstrate that it has sufficient experience in the particular TALF asset sector.
12 CFR 206.3(b)(3) et seq.	Providing that an insured depository institution, in order to prevent excessive exposure to any individual correspondent, may rely on another party, such as a "bank rating agency" to assess the financial condition of the correspondent.
12 CFR 208.34(d)(2)(xii)	Requiring a state member bank that effects a debt securities transaction for a customer to notify the customer in writing that the security is unrated by an NRSRO, if that is the case.
12 CFR 208.71(a)(3), (b)(1)(i)-(ii)	Providing that, for the purposes of determining whether a state member bank may control a financial subsidiary pursuant to 12 U.S.C. 24a(a)(3) and 335, the bank meets the debt rating requirement if it has an issue of long-term unsecured debt outstanding that is currently rated within the three highest investment-grade rating categories by an NRSRO and the bank is one of the 50 largest insured banks. If the bank is one of the next 50 largest insured banks, the debt rating requirement is met if the bank or a long-term unsecured debt instrument it has issued is currently rated within the three highest investment-grade rating categories by an NRSRO.
12 CFR 208.74(b)	Providing that a state member bank that does not continue to meet the debt rating or alternative requirement of 12 CFR 208.71(b) may not purchase or acquire any additional equity capital of any financial subsidiary.
12 CFR 208.76(b)(7)	Requiring a state member bank to certify that it meets the debt rating or alternative requirement of 12 CFR 208.71(b), if applicable, in order to control an interest in a financial subsidiary.
12 CFR 208.77(f)	Defining "long-term issuer credit rating" as a written opinion by an NRSRO of the bank's overall capacity and willingness to pay on a timely basis its unsecured, dollar-denominated financial obligations maturing in not less than one year.
12 CFR 211.2(n)	Defining "investment grade" to mean a security that is rated in one of the four highest rating categories by two or more NRSROs, or one NRSRO if the security has been rated by only one NRSRO.
12 CFR 211.2(r)	Defining "NRSRO" as an organization so designated by the SEC.
12 CFR 211.4(a)(2)(C)-(D)	Allowing a foreign branch of a member bank to underwrite, distribute, buy, sell, and hold obligations of any national government or political subdivision if the obligations are investment grade, or the obligations of any agency or instrumentality of any national government if such obligations are investment grade and are supported by the taxing authority, guarantee, or full faith and credit of that government.
12 CFR 223.42(g)(1)	Exempting a municipal security from the quantitative limits of Regulation W if, inter alia, the security is rated by an NRSRO or is part of an issue of securities that does not exceed \$25 million.
12 CFR 225.92(e)(1)	Providing that the Board may consider the "long-term debt ratings" of a foreign bank with a U.S. branch or agency for the purpose of determining whether foreign bank is well capitalized and may be treated as a financial holding company.
12 CFR 250.166(b)(4)	Providing that subordinated debt with credit-sensitive features, such as a preset schedule that mandates interest rate increases as the credit rating of the underlying institution declines, generally does not qualify for inclusion in capital.

