

## Corporate & Financial Weekly Digest

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### **Financial Reform Legislation Imposes New Requirements Relating to Asset-Backed Securities**

On July 15, the U.S. Senate voted to pass the Dodd-Frank Wall Street Reform and Consumer Protection Act (H.R. 4173), which contains, among other things, provisions addressing risk retention, conflict of interest issues, and the treatment of Nationally Recognized Statistical Rating Organizations (NRSROs) under existing securities laws. The bill will now go to President Obama for his signature. The bill contains a 5% risk retention requirement for issuers of “asset-backed securities”, including collateralized debt obligations, but exempts “qualified residential mortgages.” For commercial mortgaged-backed securities, specified alternative forms of retention for commercial mortgages “may” be accepted as alternatives to retention, at the discretion of federal regulators. Additionally, portions of the bill will remove exemptions for NRSROs under Rule 436(g) of the Securities Act of 1933, which currently excludes NRSROs from being treated as “experts” when their ratings are used for a registered offering, and under Regulation FD. The legislation also amends the Securities Act of 1933 to prohibit any sponsor, underwriter, or placement agent of an asset-backed security, or any affiliate of any such entity, from engaging “in any transaction that would involve or result in any material conflict of interest...”

Please click [here](#) for the unofficial conference report of H.R. 4173.

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