

HEARINGS SCHEDULED ON HOUSE BILL TO REGULATE MUNICIPAL BOND RATING SERVICES

Representative John Murphy (D-NY), chairman of the House Finance Subcommittee, has scheduled two days of hearings June 23-24 on a bill which would require federal regulation of persons rating municipal securities offerings. The bill would affect rating services such as Standard & Poor's and Moody's.

Murphy, who recently assumed chairmanship of the subcommittee handling securities legislation, introduced the bill (HR 675) January 14, 1975. It would require municipal bond rating services to register with the Securities and Exchange Commission as investment advisers and, therefore, be subject to all of the applicable SEC regulations.

The bill contains a provision which would allow persons to file complaints against the rating services with the SEC and authorize the SEC to order hearings on the complaints. If the Commission determines that a rating agency has violated securities laws it would be required to order the agency to issue a new rating.

The bill would require the SEC to establish rules and regulations containing standards for making municipal bond ratings and requirements for assuring that the procedures for determining such ratings are fair to issuers and guarantors of the bonds.

Murphy's move to call up the bill at this time is in part a reaction to the Senate Banking Committee's May 17 report on the New York City loan program, according to a spokesman for the Congressman. In delivering the report, Banking Committee Chairman William Proxmire (D-Wis) warned that Congress will not extend the \$12.6 billion federal loan program beyond 1978.

Murphy believes that the rating services wield "an incredible amount of power" within the financial community and that "the slightest pressure from the federal government or from rating firms can have a critical impact" on the city's financial condition, according to the spokesman.

The Congressman "talks regularly" with city officials and has consulted with Felix Rohatyn, who heads the Municipal Assistance Corporation ("Big Mac") regarding the bill, according to the spokesman. However, he said, no formal endorsements have been made. The new Finance Subcommittee Chairman is interested in using his position to provide remedies applicable to New York City's financial situation, the spokesman indicated.

Meanwhile, a representative of Standard & Poor's rating service in New York said the company "obviously would oppose the bill."

John Pfeiffer, head of the municipal finance division, said, "There is political pressure regarding the New York City situation" behind the bill. "I'm sure it has some inference there," he said.

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SECURITIES REGULATION BRIEFS

Venue In '34 Act Suit Against Bank Governed By National Bank Act: The U.S. Supreme Court rules that venue in a suit against a national banking association charged with violating the '34 Act is governed by § 94 of the National Bank Act rather than by § 27 of the '34 Act.