

Appendix B**Summary of Proposed
Securitization Related Reforms**

- Change incentive structure for securitization participants
- Risk retention of 5% of the credit risk of securitized exposures
- No hedging of retained risk
- Tie broker, originator and sponsor compensation to the long-term performance of the securitization
- Eliminate gain on sale accounting
- Require standardized, stronger representations and warranties
- Require enhanced disclosure requirements, including loan level disclosure and disclosure regarding the compensation for the broker, originator and sponsor
- Expand TRACE reporting to include ABS
- Require conflicts of interests policies and procedures for credit rating agencies
- Differentiate structured finance ratings
- Require credit rating agencies to explain the meanings of ratings for ABS and the way in which such ratings differ from corporate debt ratings
- Credit rating agencies should disclose information on methodologies and originator reviews