US lawmakers seek stricter rules for credit raters (Reuters)

WASHINGTON, July 14 (Reuters) - Credit rating agencies could be subjected to stiffer rules for rating structured products such as mortgage-backed securities, under new legislation introduced on Monday.

The bill, by Rep. Gary Ackerman, a Democrat from New York, and Rep. Mike Castle, a Republican from Delaware, is designed to ensure that investors can rely on the ratings.

Rating agencies Moody's Corp (MCO.N: Quote, Profile, Research), McGraw-Hill Cos Inc's (MHP.N: Quote, Profile, Research) Standard & Poor's and Fimalac SA's (LBCP.PA: Quote, Profile, Research) Fitch Ratings have been accused of inaccurately rating securities linked to mortgages that later deteriorated.

The bill would require the Securities and Exchange Commission to define what structured products could be rated by nationally-recognized rating firms registered with the SEC.

The products would include securities whose future performances can be reasonably forecast, such as those with a established track records and proven default rates.

The structured products would also have to be homogenous. For example a product could not combine subprime and prime mortgages.

It would also mean that some new products, such as those that include tranches of subprime mortgages would not qualify as a product that could be rated with an SEC-designated rating.

The bill most likely will not pass this year given that there are few legislative days remaining before a new administration takes over in January.

Also, the SEC has already proposed its own set of reforms, including one to reduce Wall Street's reliance on credit raters and another to differentiate between corporate bonds and structured products.

The SEC had no immediate comment. (Reporting by Rachelle Younglai; Editing by Andre Grenon)