2008-12-05　SEC Opts for Minor Changes with Bond Raters

Summary:

Financial Week calls the SEC's latest rules for rating agencies "a dud" while Georgetown professor James Angel says it's like "repainting the deck chairs on the Titanic after it sank."

The main ratings agencies (S&P, Moody's and Fitch) have come under increasing fire for providing artificially high ratings and failing to lower them in line with fallout from the subprime meltdown.

With the stated goal of increasing disclosure, the SEC issued the new rules which will

- Prohibit ratings agencies from rating any debt they help structure
- Require disclosure within six months of a random sample of 10% of any ratings paid for by issuers
- Ban employees doing the rating from fee negotiations and accepting gifts of more than $25 from the issuers

However, the new rules omit more drastic proposals.

Critics assert the new rules will do little to reduce the unhealthy conflict of interest which arises when a company pays an agency to rate it; a situation that some argue results in more favorable than warranted ratings which can negatively impact investors and markets.

Link to Original:

http://www.financialweek.com/apps/pbcs.dll/article?AID=/20081205/REG/812059957/-1/FWDailyAlert01 Financial Week is edited for the "C-Suite" with circulation of approximately 55,000.

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SEC's Long-Anticipated Crackdown on Bond Raters a Dud, Say Critics