
SEC Moves To Bolster Oversight of Rating Agencies

By Editor Test *Wed, Sep 30, 2009*

The SEC voted Sept.17 to address conflicts of interest, reveal rating shopping, and promote accountability.

In response to the failure of the major credit rating agencies to protect the public from flawed securities in recent years, the Securities & Exchange Commission voted on September 17 to adopt or propose measures to require greater disclosure, foster competition, address conflicts of interest, shed light on rating shopping, and promote accountability.

The Commission has proposed or decided on:

- Giving competing credit rating agencies access to the necessary underlying data about structured finance products so they can offer unsolicited ratings.
- Requiring greater disclosure of potential sources of revenue-related conflicts.
- Determining the use of “ratings shopping” by requiring issuers to disclose any “preliminary ratings” obtained from other rating agencies.
- Eliminating a current provision that exempts NRSROs from being held liable when their ratings are used in conjunction with a registered offering.
- Changing the Commission’s rules and forms to remove certain references to credit ratings by nationally recognized statistical rating organizations (NRSRO).
- Reopening the public comment period to allow further comment on Commission proposals to eliminate references to NRSRO credit ratings from certain other rules and forms.

In 2006, Congress passed the Credit Rating Agency Reform Act that provided the SEC with authority to impose registration, recordkeeping, and reporting rules on credit rating agencies registered as Nationally Recognized Statistical Rating Organizations (NRSRO). Currently, 10 credit rating agencies are registered with the Commission as NRSROs.

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