SEC Votes to Strengthen Oversight of Rating Agencies

By Editor Test *Fri, Sep 18, 2009*

The SEC voted unanimously September 17 to create rules that would bolster oversight of credit ratings agencies.

The Securities and Exchange Commission voted unanimously yesterday to create rules that would improve the quality of credit ratings by requiring greater disclosure, fostering competition, helping to address conflicts of interest, shedding light on rating shopping, and promoting accountability.

One rule will force certain investors to rely less on credit ratings and more on their own research. Another requires the agencies to disclose rating histories and requires them to share information about securities they have rated with competitors so they too can rate the securities, the New York Times reported.

“These proposals are needed because investors often consider ratings when evaluating whether to purchase or sell a particular security,” said SEC Chairman Mary Schapiro. “That reliance did not serve them well over the last several years, and it is incumbent upon us to do all that we can to improve the reliability and integrity of the ratings process and give investors the appropriate context for evaluating whether ratings deserve their trust.”

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.