

## **Thirty International Treasurers Organizations Urge SEC To Act Now On Credit Rating Agency Reform**

Brussels, December 13<sup>th</sup>, 2004 – Treasury associations representing debt issuers and institutional investors from around the world unanimously agreed at a recent meeting in Sydney Australia that the Securities Exchange Commission (SEC) needed to respond urgently to serious issues raised about the conduct of credit rating agencies.

The thirty International Group of Treasury Associations (IGTA) members stated that prompt SEC action is required to effectively address the issues, including the process by which the SEC designates credit rating agencies, conflicts of interest, abusive practices and transparency in the ratings process and to avoid fragmented and duplicative regulation that would harm global capital markets. Examples of market abuses identified recently in a front page Washington Post story include the practice of unsolicited ratings and the punitive impact of the unexplained withdrawal of ratings.

“Credit ratings, especially those from rating agencies that are recognized by the SEC in the United States, are crucial to the efficient operation of global capital markets,” said Olivier Brissaud, Honorary Secretary of IGTA. “The SEC has been looking at this issue for over a decade but the time for analysis has passed and the time for action by the SEC is now. The entry of other regulators will only cause confusion and inefficiency. Given the important role that NRSROs fulfill, appropriate checks and balances are necessary to achieve a high standard of quality in the rating process”

“By creating the Nationally Recognized Statistical Rating Organization (NRSRO) designation, the SEC granted a significant competitive advantage that has led to the near-monopoly conditions that exist in the credit ratings market today,” said Jim Kaitz, CEO of the Association for Financial Professionals (AFP). “Only the SEC can clarify the process by which this powerful recognition is attained and maintained. We would then expect regulators globally to follow this line. The adoption of a voluntary code and the resulting increase in transparency surrounding the rating process will stimulate competition, innovation and creativity, which are the most appropriate solution to the issues raised by market participants.”

IGTA supports a limited regulatory framework for the recognition process, ongoing oversight, conflicts of interest, abusive practices and the protection of non-public information to which rating agencies are privy. IGTA endorses the framework set out in the *Code of Standard Practices for Participants in the Credit Ratings Process* that was developed by the United States' Association for Financial Professionals (AFP), the United Kingdom's Association of Corporate Treasurers (ACT) and France's Association Française des Trésoriers d'Entreprise (AFTE).

The *Code of Standard Practices* includes recommendations for regulators, rating agencies and issuers that are designed to restore confidence in the credit rating process by creating enhanced transparency, protecting non-public information, guarding against conflicts of interest, and improving communications with market participants.

**Note for editors:**

The International Group of Treasury Associations (IGTA) was formed to enhance activities of Treasury Associations across nations. It encourages the highest standards of professional ethics and best practice among treasury professionals world -wide and campaigns to raise the profile of the treasury profession. For further information please visit [www.igta.org](http://www.igta.org)

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