

## Senate inquiry faults ratings agencies

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Senator Carl Levin is on the warpath:

*The top two US ratings agencies — Moody's and Standard & Poor's — were unduly influenced by investment bankers who paid their fees and wilfully ignored signs of fraud in the lending industry in the lead-up to the financial crisis, a congressional investigation has found.*

E-mails and other documents released on Thursday by the Senate subcommittee on investigations, ahead of a full report due on Friday, showed that positive ratings for complex mortgage-backed securities and collateralised debt obligations were sometimes used as a negotiating tactic between the firms and bankers.

"The credit rating agencies allowed Wall Street to impact their analysis, their independence and their reputation for reliability," said Carl Levin, Democratic senator who heads the Senate panel.

As example:

*In 2007, a Moody's analyst told a Merrill Lynch investment banker that a rating could not be finalised until the "fee issue" was resolved.*

*The banker responded: "We are OK with the revised fee schedule ...â€šÃ„Ã¢We are agreeing to this under the assumption that ...â€šÃ„Ã¢you will work with us furtherâ€šÃ„Ã¢...â€šÃ„Ã¢to try to get some middle ground with respect to the ratings."*

And again:

*The same year, Moody's chief credit officer told Ray McDaniel, chief executive, in an e-mail that pressure from bankers, issuers and investors, and "internal emphasis on*

*market share", constituted a "risk to ratings quality".*

And yet these are the same people who can apparently force the UK to cut essential public spending.

What nonsense.