



## Credit Rating Agencies. What Impact Do They Have and Do We Really Need Them?

By Alexej Eichmann

GRIN Verlag Nov 2015, 2015. Taschenbuch. Book Condition: Neu. 211x34x5 mm. Neuware - Fachbuch aus dem Jahr 2015 im Fachbereich VWL - Geldtheorie, Geldpolitik, Note: 1,3, FOM Essen, Hochschule für Oekonomie & Management gemeinnützige GmbH, Hochschulleitung Essen früher Fachhochschule, Sprache: Deutsch, Abstract: This assignment analyses the impact of Credit Rating Agencies on the financial market focusing on corporate institutions. In the case of Enron, a former American energy, commodities and services company, it received good credit ratings up until four days before bankruptcy. Other examples like Lehman Brothers or WorldCom show, that Moody's, S&P and Fitch still rated these companies as safe investments days before their bankruptcy. Credit Rating Agencies influence about 80% of the world market capital. The industry is dominated by S&P and Moody's which lead to a lack of competition. Ratings have an impact on the overall economic performance, recently proofed by the financial crisis caused in the US subprime mortgage market. The conflict of interest occurs from the issuer-pay model where almost all credit ratings are paid by the issuer of the instrument. CRAs are governed by the International Organization of Securities Commissions (IOSCO) which established a 'Code for Conduct Fundamentals' for CRAs, a voluntary code...



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