

# FINANCIAL TIMES

## **Let Investors Rate the Agencies**

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Letter to the Editor

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"Who rates the rating agencies?" asks your May 30 editorial. Somebody did: the US government, by granting official approval to certain rating agencies as Nationally Recognised Statistical Rating Organisations ("NRSROs") through the Securities and Exchange Commission. On top of that, through numerous regulations it required banks and other investors to use their ratings. This put the US government stamp of approval on certain opinions about the future (which is what a credit rating is)--what a bad idea. Thus, the government both restricted the supply of the favoured ratings and increased demand by mandating their use. What a surprise: the price went up and the dominant rating agencies became enormously profitable.

Who should rate the rating agencies? The investors who choose to use them or buy them, of course.

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