

**MEMO# 23566**

June 19, 2009

## **Joint Forum Issues Final Paper on Use of Credit Ratings**

[23566]

June 19, 2009

TO: SEC RULES MEMBERS No. 63-09  
EQUITY MARKETS ADVISORY COMMITTEE No. 29-09  
MUNICIPAL SECURITIES ADVISORY COMMITTEE No. 23-09  
FIXED-INCOME ADVISORY COMMITTEE No. 13-09  
MONEY MARKET FUNDS ADVISORY COMMITTEE No. 23-09      RE: JOINT FORUM ISSUES FINAL  
PAPER ON USE OF CREDIT RATINGS

The Joint Forum [\[1\]](#) released the final version of its paper entitled Stocktaking on the use of credit ratings, which identifies the regulatory and legislative uses of credit ratings by banking, securities, and insurance supervisors from 26 separate regulatory agencies, representing 12 countries (“respondents”). [\[2\]](#) It also describes respondents’ assessments regarding the impact of their use of credit ratings.

The paper was developed in response to a request from the Financial Stability Forum for the Joint Forum to conduct a survey of the uses of credit ratings by its member regulatory authorities in the banking, securities and insurance sectors. In compiling a list of the use of credit ratings by respondents, the paper reveals that credit ratings are used, among other reasons, for the purposes of determining net or regulatory capital, asset identification/categorization, addressing securitizations and covered bond offerings, regulations related to disclosure, and rules governing prospectus eligibility. In addition, the paper includes brief comments on whether respondents believe their regulations and supervisory policies unintentionally give credit ratings an official seal of approval that discourages investors from performing their own due diligence.

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**endnotes**

[1] The Joint Forum, established to address issues common to the banking, securities and insurance sectors, consists of the Basel Committee on Banking Supervision, the International Organization of Securities Commissions and the International Association of Insurance Supervisors.

[2] Stocktaking on the use of credit ratings, The Joint Forum, June 2009, available at: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD291.pdf>.

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