



RUKMINI DEVI
Institute of Advanced Studies

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Guest Lecture on Credit Rating Agencies and the Financial Crisis

Topic	Guest Lecture on “Credit Rating Agencies and the Financial Crisis” by Prof. Madhu Vij, presently working as professor at Faculty of Management Studies, University of Delhi.
Date of the Event	January 16 , 2013
Aim of the activity	<p>The main objectives of the initiative were:</p> <ul style="list-style-type: none">• To understand the role of Financial Services in Business organizations and to give an insight into the strategic, regulatory, operating and managerial issues concerning select financial services.• Examine the present status and developments that are taking place in the financial services sector.
Description of the Event	<p>In this session the speaker briefed about how to “Develop an integrated knowledge of the functional areas of financial services industry in the real world situation”.</p> <p>The crisis in financial sector was discussed initially, a brief overview of credit rating agencies was given in which madam stated that credit rating agencies are private companies that evaluate large debtors and the financial instruments those debtors issue.</p> <p>There are three U.S. firms that dominate the CRA market:</p> <ul style="list-style-type: none">• Standard and Poor’s (S&P)• Moody’s Corp.• Fitch Ratings, a British Firm, is the third-most prominent. Together, these three firms hold 95 percent of the ratings

market.

In addition to the three big firms, approximately 100 other CRAs specialize in rating various instruments, industries or national markets.

Madam highlighted on the fact about: how the global credit crisis began in 2007 and peaked in 2008 and 2009, with the economic aftershocks but did not impact the Indian economy.

The session was divided in three broad sessions :-

- The focus was on how the crisis are still being felt globally with no sign of abatement, is largely traceable to the residential real estate mortgage market.
- The role of security and exchange commission was discussed. The significant aspects of the rating process were also conferred in which example of Coal India was stated.
- The Adverse Business Models were also presented where in role of political and economic stability was given.

Issues such as CRA are not auditors, Credit rating changes with time, Regulation of CRA and Raters were conversed.

In the concluding stage of the session the factors of success of CRA were given and a new beginning of future with the help of CRA was focused. A CRA's only product is information, and therefore investors must perceive that information as timely, unbiased, and accurate. The ongoing crisis has proven that ratings can be inaccurate, untimely, and affected by CRA conflicts of interest.

This session was an eye opener of sorts for students studying credit rating.