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PM: Rating agencies should do their work only on request

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RATING agencies should revert to undertaking ratings only on request and making available the information generated only to those who requested them, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

This was due to the considerable power they wield as countries and institutions pay a high price for their downgrading and their ratings tend to be followed by others, Dr Mahathir said at a dialogue in Kuala Lumpur yesterday.

The question-and-answer session was at the end of the two-day Managing The Asian Financial Crisis - Lessons and Challenges conference.

Dissecting the operations of the rating agencies following a question from the floor, Dr Mahathir said in the early days, ratings were done on request by people like prospective buyers of companies to help them decide whether to buy.

"Or a bank wants to lend and it asks for the information so that it can decide on rate of interest," he said.

Over time, it was not necessary to wait. Now they go around rating everybody and get paid by those using the information, he added.

He said it was probable banks own a part in rating agencies which, in turn, would make sure the banks as the shareholders, would benefit by a downgrading through charging borrowers a high interest rate.

"Are they being owned by banks or not? Let's have a little bit more transparency," Dr Mahathir said.

In reality, they were private businesses which had grown to become powerful for their ability to downgrade which meant countries and institutions will pay a high price.

And, Dr Mahathir said, these agencies did not provide the basis for their ratings.

"Do they have points given for certain things - so that we will know and take corrective measures? These rating agencies are so secretive," he said.

Dr Mahathir also questioned the motive in downgrading Malaysia's ratings when Pengurusan Danaharta Bhd and Danamodal Nasional Bhd were set up and ready to raise funds abroad. "It looks like they are bent on preventing us from recovering."

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