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Rating agencies say No to review (HL)

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INTERNATIONAL credit-rating agencies say they have no plans to review their practices despite the call made by leaders of the Asia Pacific Economic Cooperation (Apec).

"Moody's practice is to assess economic development and it is not our job to create them," said Velvet Yoshinami, an official of the rating agency when contacted by Business Times in Tokyo yesterday.

"It is our belief that consistent ratings, whether or not they are well received by any one entity, contribute to the strength and efficiency and long-term global economic growth for all capital market participants," she said.

Moody's managing director Robert Becton made an identical statement in New York.

Yoshinami said the ratings are by nature subjective and an expression of Moody's "independent" opinions.

The Sixth Apec Economic Leader's Declaration issued at the end of the summit in Kuala Lumpur on Wednesday called for a review of the practices of international credit-rating agencies to promote greater effectiveness and to contribute to sustainable capital flows in light of the concerns expressed about the role of their recent performance.

Meanwhile, Reuter quoted an official of Standard & Poor's as saying that "S&P's ratings services have a very long and documented history of sharing our criteria and methodologies with all participants in the global capital markets. We would be happy to share these with Apec and any other interested parties."

According to the same report, Fitch IBCA's Asia director of corporate ratings John Banwell said rating agencies are already regulated.

"What regulates us is the need to be credible to investors and the moment we lose that credibility is the moment our business dies.

"So anything that would be detrimental to our credibility, be it, say, political interference or governmental interference that is not strictly market-based, would be detrimental to our business," he said.

Prime Minister Datuk Seri Dr Mahathir Mohamad had well before the Apec Declaration called for international rating agencies to be regulated in view of the "horrendous" harm they could do to economies.

Citing as example, he had said each time the Malaysian Government tried to borrow money abroad to revive the economy, the international rating agencies had downgraded the country's ratings, making it difficult to do so.

"It is about time that rating agencies are regulated... the damage they cause is horrendous... whenever they downgrade a country, it becomes poor," said Dr Mahathir earlier this month during a dialogue session at the close of an international conference on "Managing the Asian Financial Crisis".

In September, Dr Mahathir also said the Government is looking at ways to improve the effectiveness of local rating agencies to ensure that they are not unduly influenced by their overseas counterparts.

He told Parliament then that Western rating agencies such as Moody's and S&P had caused problems to the economies of many countries, especially the developing ones, due to unfair assessments, and the tendency to highlight negative factors while giving little weightage to underlying strengths.

These agencies, he said, have become arrogant as they feel they can

determine the destiny of countries. Dr Mahathir also said Malaysia was drawing up a strategy to deal with international rating agencies, which in any case should rightly only conduct rating exercises when requested to do so.

In September, Moody's downgraded Malaysia's rating to just a notch above "junk" status and cut its long-term foreign currency rating for bonds and notes to Baa3 from Baa2. It also downgraded the rating for the country's bank deposits to a "junk" Baa3 from Baal.

In his 1999 Budget speech, Dr Mahathir had said international credit-rating agencies' "actions have resulted in the escalation of Malaysia's borrowing costs in the international market and made it difficult for Malaysia to obtain external loans at reasonable costs."