



News Release

Office of the Attorney General

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\$1.375 Billion State-Federal Settlement with Standard & Poor's

Tennessee Attorney General Herbert Slatery announced today that Tennessee, the U.S. Department of Justice, 18 states and the District of Columbia have reached a settlement with Standard & Poor's Financial Services LLC (S&P) resolving allegations that S&P misled investors when it rated structured finance securities in the lead-up to the 2008 financial crisis.

The settlement requires S&P to pay \$1.375 billion to the states and the Department of Justice. Tennessee will receive \$25 million for its role as a lead state in the enforcement actions against S&P.

The state and federal complaints against S&P alleged that, despite S&P's repeated statements emphasizing its independence and objectivity, the credit rating agency allowed its analysis to be influenced by its desire to earn substantial fees from its investment banking clients. The enforcement actions further alleged that S&P knowingly assigned inflated credit ratings to toxic assets packaged and sold by the Wall Street investment banks. The alleged misconduct began as early as 2001 and became particularly acute between 2004 and 2007.

Structured finance securities backed by subprime mortgages were at the center of the 2008 financial crisis. These financial products, including residential mortgage-backed securities and collateralized debt obligations, derive their value from the monthly payments consumers make on their mortgages.

"Standard & Poor's claimed that its ratings were objective, but as the states alleged, the company allowed its business interests to influence those ratings to the detriment of our national economy," said Attorney General Slatery. "I appreciate the cooperative work of the states who joined Tennessee in bringing these actions, and the Department of Justice in reaching today's settlement."

In addition as part of the settlement, S&P agreed to comply with all applicable state laws and for five years will cooperate with any request for information from any state expressing concern over a possible violation of state law. S&P also agreed to a statement of facts acknowledging conduct related to its analysis of structured finance securities.

"This settlement is the product of good teamwork among all the parties involved and will ultimately benefit all Tennesseans," said Tennessee Department of Commerce and Insurance Deputy Commissioner Bill Giannini.

In August 2014, the United States Securities and Exchange Commission adopted new requirements for credit rating agencies like S&P that address conflicts of interest and procedures to protect the integrity and transparency of rating methodologies and that provide for certifications to accompany credit ratings attesting that the ratings were not influenced by other business activities.

The S&P settlement documents may be viewed by going online to www.tn.gov/attorneygeneral and clicking on “Filings of Interest.”

Consumers may file complaints regarding a company’s misrepresentations or other deceptive conduct by going online to www.tn.gov/consumer or calling the TDCI Division of Consumer Affairs at (615) 741-4737 or toll-free in Tennessee at 1-800-342-8385.