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CFA Centre for Financial Market Integrity Member Poll on Credit Rating Agencies

April 2009

Purpose & Methodology

On 15 April 2009, the CFA Institute Centre for Financial Market Integrity will provide testimony from the investor's perspective during the U.S. SEC select roundtable investigating credit rating agency (CRA) issues. In recent months the Centre has suggested several reforms in this area, greatly strengthened by CFA Institute member input; in this next round of testimony we would like to provide the SEC with the latest perspectives of those members who use and are familiar with CRA services. As such, a short, four question survey was sent to a sample of members for their input.

The survey was delivered to 19,983 members Monday, 31 March 2009. Of those, 1,186 responded to the survey (5.9 percent).¹ The margin of error based on this number of responses is ± 2.8 percent at the 95 percent confidence level. The survey closed on Friday, 3 April 2009.

Findings are presented in aggregate and by region. Regional differences were tested for significance at the 95 percent confidence level. Column letters are used to interpret statistically significant results; in the tables below, if one or more column letters appear in a cell, it indicates that the cell containing the letter has a value that is significantly larger than the cells referenced by letters. Cells with significant differences are highlighted in blue. Cells with red text indicate a sample size of less than 30.

¹ Number of responses varies by question as not all respondents answered each question and 'not sure' responses were excluded



Summary of Results

Overall, 60 percent of members feel credit ratings from national Credit Rating Agencies are not valid and 40 percent feel they are valid.

- There are no significant differences by region

Similarly, 60 percent indicate these ratings are not useful in making investment decisions.

- Again, there are no significant differences by region.

About half (51 percent) of members disagree with the U.S. government's steps to deemphasize reliance on credit by removing any requirement for credit ratings in order to sell corporate debt securities.

- 29 percent of members agree with the U.S. government's steps
- A significantly higher proportion of members in Latin America are neutral on the topic ('neither agree nor disagree') (40 percent) compared to members in EMEA (18 percent) and North America (20 percent).

Finally, the majority of members believe more needs to be done to regulate CRAs (79 percent)

- 15 percent feel current regulation is adequate and 6 percent feel less regulation is needed
- A significantly higher proportion of members in Europe, Middle East, Africa (85 percent) feel more needs to be done compared to members in North America (77 percent).

How valid do you feel credit ratings from national CRAs are?

	Region				
	Total	Asia Pac (B)	EMEA (C)	Latin America (D)	North America (E)
Sample Size	1,182	113	200	20	849
Not valid (bottom two box)					
Count	714	70	116	13	515
Column %	60%	62%	58%	65%	61%
Valid (top two box)					
Count	468	43	84	7	334
Column %	40%	38%	42%	35%	39%

* Statistically significant result within this Column Variable at 95%

Significant Difference within Groups: BCDE. Upper case at 95%

Cells with red text indicate that Unweighted Count for regular variables and Unweighted Mentions for multi-response variables is less than 30

How useful do you find such ratings in making investment decisions?

	Region				
	Total	Asia Pac (B)	EMEA (C)	Latin America (D)	North America (E)
Sample Size	1,182	113	200	20	849
Not useful (bottom two box) Count	707	69	112	11	515
Column %	60%	61%	56%	55%	61%
Useful (top two box) Count	475	44	88	9	334
Column %	40%	39%	44%	45%	39%

* Statistically significant result within this Column Variable at 95%

Significant Difference within Groups: BCDE. Upper case at 95%

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US government's steps

To what extent do you agree or disagree with the recent US government's steps to deemphasize reliance on credit by removing any requirement for credit ratings in order to sell corporate debt securities?

	Region				
	Total	Asia Pac (B)	EMEA (C)	Latin America (D)	North America (E)
Sample Size	1,183	112	200	20	851
Disagree (bottom two box) Count Column %	598 51%	53 47%	98 49%	9 45%	438 51%
Neither agree nor disagree Count Column %	242 20%	25 22%	35 18%	8 40% CE	174 20%
Agree (top two box) Count Column %	343 29%	34 30%	67 34%	3 15%	239 28%

* Statistically significant result within this Column Variable at 95%

Significant Difference within Groups: BCDE. Upper case at 95%

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What is your opinion on the current state of CRA regulation?

Excludes 'not sure' responses

	Region				
	Total	Asia Pac (B)	EMEA (C)	Latin America (D)	North America (E)
Sample Size	1,055	108	175	17	755
More needs to be done to regulate CRAs Count Column %	832 79%	90 83%	148 85% E	16 94%	578 77%
Current regulation is adequate Count Column %	160 15%	14 13%	19 11%	1 6%	126 17%
Less regulation is needed Count Column %	63 6%	4 4%	8 5%	0 0%	51 7%

* Statistically significant result within this Column Variable at 95%

Significant Difference within Groups: BCDE. Upper case at 95%

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