



TWT Gazette

October 2011
Issue 1

Index

1 Rating Agencies / Rating Agenturen

Über / About

TWT

Trans World Technologies (TWT) is a commercial network with contacts and project experience in many countries around the globe.

TWT is about commerce, trade and political consulting

Besides consulting, project development and foreign marketing support TWT is working on analysis, studies and articles concerning current economic, technological and political questions.

Lobby, Communication, Consulting, Trade and Systems are typical offers from TWT; - Teaming Partner, Outsourcing Services, Technologies, International & Intercultural

Independent. With core competencies

Energy & Environment

Research, Development und Production,

Infrastructure

Mobility, Aviation & Space

National Security

TWT International c/o

TWT GmbH Trans World Technologies

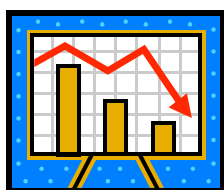
www.twt-info.com

contact@twt-info.com

Rating Agencies

International conspirators or useful observers and sensible control “

2010 the international rating agencies started to receive special attention when especially EU governments felt rising pressure from the financial markets.



In good economic times everyone likes to refer to good ratings preferably from the three renown rating agencies.

Politicians, bankers and managers in such times do little to distinguish the organization, role, function, potential, reliability and influence of the big three.

Everything has changed since the start of the global financial crisis. Rating Agencies seemingly did not recognize the exploding risks and failed to serve as effective financial warning system. Probably they even had a good share of contribution to the crisis. It was however not the first time that rating agencies made negative headlines because of faulty ratings.

The public first time took wider notice as early as 1997 when top rated ENRON suddenly went bust. People were unpleasantly surprised but largely ignored the issue partially because it looked like an isolated case and partially because people at that time still took rating agencies more as advisers providing an opinion.

Experts in the field anyway were always more critical about the performance and misgivings of rating agencies.

The vast majority of people however preferred to ignore any criticism and instead not only increased trust in the ratings but to a large extent made them actually integral part of their business models.

This is hardly the fault of the rating agencies although they obviously hugely benefited from this trend and actually did a lot to encourage it. No doubt they in the future will have to concentrate on their core business and try to regain credibility.

The real fault clearly lies with the user of rating agency results accepting them to easily as only truth and even remodeling the financial system around undisputed rating without limiting the fallout risks.

In so far it would be an even bigger mistake to think that rating agencies could have pro actively conspired. The financial crisis happened because we let it happen. We let it happen because we ignored warnings and we accepted that our representatives and institutions to readily followed the general sentiments without taking a real professional and balanced approach towards the financial markets and their mechanisms.

Rating agencies remain also in the future important elements of the economic system but they should be understood again more like external observers providing additional information for a more balanced control of enterprises. There most likely needs to be better regulation and competition regarding the influence and market position of rating agencies by looking not so much only to the three market leaders but also by integrating other rating entities from different regions and cultures.

The goal should be to have and to take rating agencies not as market makers but as only one element for again more balanced control in the complex puzzle of markets. *Dirk P. Schneider*