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SEC Brings First Enforcement Action Against Credit Ratings Agency

On January 21, the Securities and Exchange Commission (SEC) [announced](#) a settlement with a credit rating agency regarding its rating of certain commercial mortgage-backed securities (CMBS). According to the announcement, the ratings agency agreed to pay the SEC more than \$58 million to settle the SEC's charges, plus an additional \$19 million to settle parallel cases announced by the New York Attorney General (\$12 million) and the Massachusetts Attorney General's office (\$7 million). The SEC alleged that the ratings agency (i) misrepresented its conduit fusion CMBS ratings methodology; (ii) published a "false and misleading article purporting to show that its new credit enhancement levels could withstand Great Depression-era levels of economic stress;" and (iii) failed to maintain and enforce internal controls regarding changes to its surveillance criteria. In a separate administrative order, the SEC instituted a litigated administrative proceeding against the former head of the agency's CMBS Group for "fraudulently misrepresent[ing] the manner in which the [ratings agency] calculated a critical aspect of certain CMBS ratings in 2011."

Read more: SEC CMBS Order [#1](#), [#2](#) and [#3](#); USA Today ([SEC charges ratings agency over ratings](#)); [Forbes.com](#)