



THE VINCENT C. ROSS INSTITUTE OF ACCOUNTING RESEARCH
44 West Fourth Street, Suite 10-180, New York, NY 10012

Baruch Lev, Director
Seymour Jones, Associate Director

Ross Roundtable

on

Conflicts of Interest at Credit Rating Agencies

Date/Time: Tuesday, April 5, 2011/ 4:00pm to 6:00pm

Location: New York University
Leonard N. Stern School of Business
44 West Fourth Street, Barr-Kawamura Commons, Room 5-50
New York, NY 10012

Contact: 212-998-4143 or email aallison@stern.nyu.edu

Registration: [Credit Ratings Roundtable Registration](#) before April 1

Roundtable Coordinators:

Seymour Jones, *Clinical Professor of Accounting, Department of Accounting,
Taxation & Business Law*

Pepa Kraft, *Assistant Professor of Accounting, Department of Accounting,
Taxation & Business Law*

Mark Lilling, *CPA, Lilling & Company, LLP*

Roundtable Theme:

Experts from the finance sector, industry, regulatory agencies, government, legal and accounting professions and academia will discuss key issues related to conflicts of interest at credit rating agencies.

Recent events in the subprime mortgage crisis as well as previous accounting scandals (Enron) have highlighted the potential for conflicts of interests at credit agencies. In this context, rating agencies have been criticized for underestimating default risk. The issuer-pays business model creates a tension between the raters' desire to please issuers and investors' demand for unbiased ratings. Furthermore, investors use of ratings are not only in valuation, but also to comply with regulation.

In addition, issuers use ratings in private debt agreements such as loans based on performance pricing. Both the regulatory and the contractual use of ratings can exacerbate the conflicts of interests.

The Roundtable will discuss the following issues:

1. How are ratings determined? How do they relate to audited financial statements?
2. What adjustments are made to financial statements that serve to support ratings?
3. In light of recent evidence on rating inflation in the structured finance market, is there significant potential for conflicts of interest with corporate issuers?
4. What are the implications/feedback loop of the use of ratings in performance-pricing loans and rating triggers? Performance pricing loans have become widespread. A substantial proportion of these loans contain pricing grids based on changes in ratings. Furthermore, rating triggers allow loans counterparties to accelerate principal repayment. These types of contractual provisions may exacerbate temporary liquidity shortfalls. How do rating agencies assess credit risk for issuers who have such rating-based contracts outstanding?
5. What are the unintended consequences of regulation? The recent passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act increased rating agencies' liability, making them subject to the same legal liability as auditors and security analysts. In response, some certified rating agencies have refused to have their ratings incorporated in public prospectuses for structured securities, citing legal liability concerns.
6. Furthermore, the number of certified (NRSRO) rating agencies has doubled since September 2007. What is the impact of potential competition on the rating process: higher quality ratings or more rating shopping?

Confirmed Roundtable Presenters

- **David Auerbach**, Pryor Cashman LLP
- **Seymour Jones**, NYU Stern
- **Pepa Kraft**, NYU Stern
- **Mark Lilling**, Lilling & Company, LLP
- **Roy Smith**, NYU Stern
- **Larry White**, NYU Stern

CONTINUING PROFESSIONAL EDUCATION CREDITS (CPE)

Learning Objectives:	The Ross Roundtable provides a forum for "public opinion shapers" -- business writers, financial analysts, educators, corporate financial executives, regulators, etc. -- to discuss with policymakers important developments in capital markets and the financial world. To provide ample opportunity for participants to voice their opinions, the size of the Roundtable is limited
Delivery Method:	Group-live
Program Level	Update
Prerequisites:	Adequate business and/or academic experience.
To register please visit:	Credit Ratings Roundtable Registration or Contact 212.998.4143
Complaint Resolution Policy: For information regarding complaint and program cancellation policies, please contact our office at 212.998.4143	
Earn 2 CPE credits (based on a 50 minute credit hour).	



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