

## Law & Industry Daily

# Illinois AG Sues Standard & Poor's

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CHICAGO, Jan. 26 (LID) – Illinois Attorney General Lisa Madigan (D) filed a lawsuit against Standard & Poor's Ratings Services, alleging the company misrepresented the value of residential mortgage-backed securities (RMBS) sold to investors.

By assigning inflated ratings to risky mortgage-backed investments since at least 2001, Madigan said the credit-rating firm played a direct role in the housing market meltdown.

Filed Wednesday in Cook County Circuit Court, the lawsuit alleges that S&P fraudulently assigned its highest rating of AAA to risky investments backed by subprime loans as part of a corporate strategy to increase revenues and market share.

Madigan said S&P, a unit of McGraw-Hill Cos., in its pursuit of higher profits, abandoned its independence and objectivity, at the expense of investors including pension funds and 401(k) managers.

The home-loan debt backing the securities collapsed in 2007 and 2008, making the paper worthless. This happened in the wake of mounting losses in the collateralized debt obligation (CDO) market despite being assigned top-notch AAA ratings.

“Publically, S&P took every opportunity to proclaim their analyses and ratings as independent, objective and free from its desire for revenue,” Madigan said. “Yet privately, S&P abandoned its principles and instead used every trick possible to give deals high ratings in order to retain clients and generate revenue. The mortgage-backed securities that helped our market soar – and ultimately crash – could not have been purchased by most investors without S&P's seal of approval.”

A spokesman for New York-based S&P said that the lawsuit is “without merit.”

The 47-page lawsuit alleges violations of the Illinois Consumer Fraud and Deceptive Business Practices Act (815 ILCS 505/1-1 seq.) and the Uniform Deceptive Trade Practices Act (815 ILCS 510/1-1 seq.).

The attorney general's office said the complaint cites emails and other communication among S&P employees that shows the company acted with malfeasance in the years before the housing market collapse.

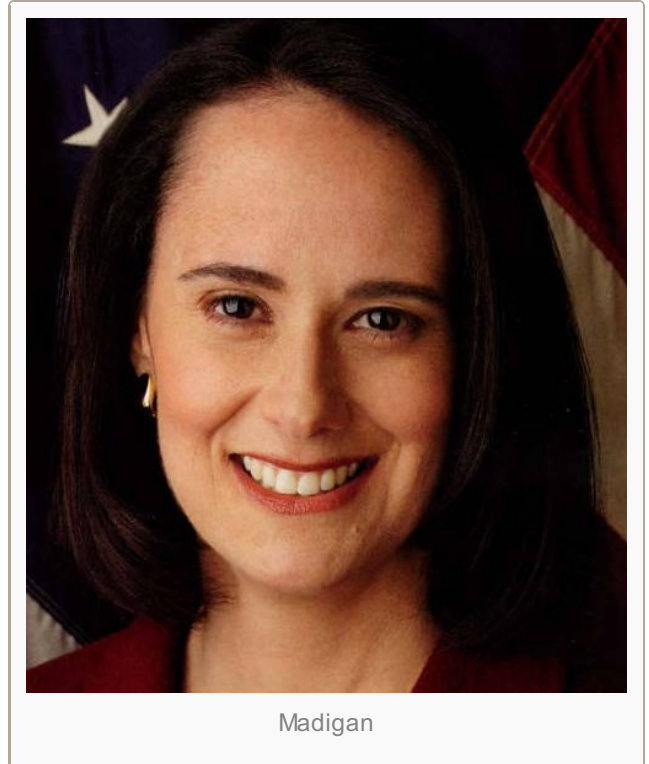
The lawsuit seeks civil penalties, disgorgement of ill-gotten gains and payment of court and investigative costs.

Standard & Poor's is one of nine credit-rating agencies designated a Nationally Recognized Statistical Rating Organization (NRSRO) by the U.S. Securities and Exchange Commission.

The case is *The People of the State of Illinois v. The McGraw Hill Cos. and Standard & Poor's Ratings Services LLC*, No. 12CHO2535, Cook County District Court (Chicago).

### **More information:**

A copy of the AG's complaint is available at



[http://illinoisattorneygeneral.gov/pressroom/2012\\_01/S&P\\_COMPLAINT\\_01-25-2012\\_11-45-15.pdf](http://illinoisattorneygeneral.gov/pressroom/2012_01/S&P_COMPLAINT_01-25-2012_11-45-15.pdf).

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