

GOVERNMENT OF THE DISTRICT OF COLUMBIA
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Contact: Rob Marus, Communications Director: 202.724.5646; robert.marus@dc.gov
Ted Gest, Public Information Officer: 202.727.6283; ted.gest@dc.gov

Attorney General Racine Announces District Will Receive \$21 Million in Settlement with Wall Street Firm Standard & Poor's

Settlement Stems from Losses to District Consumers Resulting from 2008 Financial Crisis

WASHINGTON, D.C. – Attorney General Karl A. Racine announced today that his office, the U.S. Department of Justice, and 19 state attorneys general have reached a \$1.375 billion settlement agreement with Standard and Poor's Financial Services LLC (S&P). The settlement resolves allegations that S&P misled investors regarding its ratings of structured-finance securities, notably during the run-up to the 2008 financial crisis.

In February 2013 then-Attorney General Irvin B. Nathan, having directed an inquiry into S&P activities affecting the District, announced that the Office of the Attorney General (OAG) had filed a complaint against S&P in D.C. Superior Court. The complaint alleged that, contrary to the company's repeated public statements that its ratings of structured-finance securities were objective and independent, S&P allowed its desire for business from issuers of securities to influence the process by which it assigned ratings to securities.

"S&P made express representations to the public that its ratings were independent and objective, and investors were entitled to rely on those representations when making investment decisions regarding securities rated by S&P," said Attorney General Racine. **"Unfortunately, instead of being objective, many of the ratings were driven by S&P's own financial interest in attracting business from the issuers."**

Structured-finance securities backed by subprime mortgages were at the center of the financial crisis that roiled the national and global economies beginning in 2008. These financial products, including residential mortgage-backed securities (RMBS) and collateralized debt obligations (CDOs), derive their value from the monthly payments consumers make on their mortgages. S&P has been the leading credit-rating agency for these types of securities.

As part of the settlement, S&P will pay the District \$21,535,714 to resolve allegations that S&P's conduct violated the District's consumer-protection and securities laws. Further, S&P has agreed to a detailed Statement of Facts regarding its conduct from 2004 to 2007 related to its rating of RMBS and CDOs.

“Given the central role played by credit ratings in the market for structured-finance securities, S&P’s misrepresentations as to its objectivity and independence had enormous repercussions for both individual and institutional investors,” Attorney General Racine said. **“Because District consumers were harmed by this action, I’m proud that we were able to recover more than \$21.5 million from S&P to help our city serve its residents.”**

Attorney General Racine commended former Attorney General Nathan, Deputy Attorney General Ellen Efros, Public Advocacy Section Chief Bennett Rushkoff, and former Assistant Attorneys General Grant Moy, James Vietti, and Raffi Melanson for their work on the case. He also thanked the District’s Department of Insurance, Securities and Banking; the District’s Office of the Chief Financial Officer; and the D.C. Retirement Board for their substantial contributions, as well as the District’s federal and state partners for their cooperation, coordination, and assistance.

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