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MADIGAN: U.S. DOJ & 14 STATES JOIN IN LITIGATION AGAINST STANDARD & POOR'S

Washington — As Attorney General Lisa Madigan's lawsuit against Standard & Poor's proceeds in Illinois, Madigan today commended U.S. Attorney General Eric Holder and 14 of her state counterparts for joining her in filing lawsuits against Standard & Poor's (S&P) for the company's role in assigning high ratings to risky investments that contributed to the housing market crash.

"Standard & Poor's was a trigger for the destruction of our economy," Madigan said. "While the big banks and lenders built mortgage-backed bombs, it was S&P's faulty ratings that detonated them."

Madigan joined Holder and her state counterparts today in Washington, D.C., to announce the latest filings. The U.S. Department of Justice and states' lawsuits allege similar misconduct as laid out by Madigan in her January 2012 lawsuit against S&P, which alleged the company compromised its independence as a ratings agency by fraudulently assigning its highest ratings to risky mortgage-backed investments as a corporate strategy to increase its revenue and market share. Madigan alleged further that S&P ignored the increasing risks posed by mortgage-backed securities, instead giving the investment pools ratings that were favorable to its investment bank client base and S&P's profits.

Madigan continues to vigorously pursue her case in Cook County Circuit Court, where she recently defeated a Motion to Dismiss in which S&P unsuccessfully argued that the 1st Amendment protected the company from liability. That development is largely seen as helping to pave the way for today's multi-state and federal actions.

Madigan's [original complaint](#) cites numerous internal emails and conversations among S&P employees in the run up to the housing market's crash that demonstrate the company misrepresented its ratings as objective and independent. In one such exchange, in April 2007, an online conversation revealed employees discussing S&P ratings, with an employee stating an investment "could be structured by cows and we would rate it."

Madigan said investors relied on S&P ratings because they were historically rooted in the agency's purported independence and objectivity. S&P's internal code of conduct states its goal is to "promote investor protection by safeguarding the integrity of the rating process." But, Madigan's lawsuit cites congressional testimony by a former managing director of S&P who revealed that "profits were running the show," with ratings being assigned to risky investments to help drive profit margins for their clients.

S&P, a subsidiary of McGraw-Hill Companies, is one of the nation's largest credit ratings agencies responsible for independently rating risk on behalf of clients and investors. Madigan said in the run up to the financial crisis, S&P consistently misrepresented the risk of mortgage-backed securities, assigning these securities its highest seal of approval – or AAA rating. This misrepresentation spurred investors to purchase securities that were far riskier than their ratings revealed.

Assistant Attorneys General Vaishali Rao, Vijay Raghavan and Kaitlin Caruso are handling the Illinois case for Madigan's Consumer Fraud Bureau.

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