

**Dottorato di Ricerca in Diritto ed Economia**

**XII CICLO**

**Funzione del rating ed efficienza del mercato dei  
capitali**

*Analisi, giustificazione economica e prospettive di miglioramento  
dell'attività di risk assessment*

**ABSTRACT**

**Tutor:**

**Prof. Simone Maria Sepe**

**Candidato:**

**Francesco Di Sandro**

The “worldwide credit crisis” raised several critical aspects of the financial markets. Commentators (scholars, bankers, regulators, financial press) argued that the activity of Credit Rating Agencies (CRAs) is one of the most important causes of such a crisis. CRAs are, indeed, cyclically criticized for lack of timing, positivity, and accuracy in risk assessments.

The posthumous evaluation of speculative nature of some financial instruments, ranked as “*investment grade*” until few days before the bankruptcy, has negatively influenced the market reliance on CRAs.

The main reason of the present situation is linked to the level of *accuracy* employed to analyze all the information concerning the issuer and/or the issue. In other words, it seems that CRAs do not compete on the accuracy of ratings, with the result that investors are often not informed about the quality and the risk of their investments. Thus, it is evident that CRAs need proper incentives capable to create a real competition on the ground of information provided to investors (such as the appropriate degree of information extraction, processing, and incorporation of those significant facts into the ratings).

Policymakers have undertaken a number of initiatives intended to address perceived problems with such ratings: enhancing competition, promoting transparency, reducing conflicts of interest, and reducing ratings-dependent regulation. These approaches are all broadly consistent with the dominant academic theory of rating agencies, the reputational capital model, which is taken to imply that under the right circumstances a well-functioning reputation mechanism will deter low-quality ratings.

The aim of this paper is to fix discrete problems with the rating market so that the reputation mechanism can work properly. On the ground of a broad analysis of the rating market as a “two-sided market”, it will be presented an original solution able to discipline the risk assessment procedures.

The proposal allows the presence of a new subject into the market, such as the “arbitro designatore”, which can intermediate the direct commercial links between issuers and Rating Agencies. Indeed, the main concern is how to eliminate the conflicts of interest created by the “issuers-pay model”. Since it would be impossible to go back to the “investors-pay model” (due to free riding or information leakage), a good possibility to get rid of these conflicts is to involve the “arbitro” as described below.

When a potential issuer wants to apply for credit ratings, it is required to contact the “arbitro” (not the Agency), which is completely in control of the ratings process. The idea is to cut any direct commercial links between issuers and CRAs. The potential issuer would pay the fee to the “arbitro”. The latter would then engage an Agency on the basis of a specific ranking built upon the past Agencies’ performances. This structure would eliminate any perverse incentives for lax behavior by CRAs. This would also solve the conflict of interest between issuers and investors, since the arbitro’s profit maximization depends on appropriately aggregating the interests of the two sides of the market.

The final result would be a more accurate, precise and timely risk assessment processes, in order to produce high quality ratings and, accordingly, a better off capital markets.