



NEWS RELEASE

CALIFORNIA STATE TREASURER BILL LOCKYER

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Treasurer Lockyer Responds to Moody's Plan to Use Same Rating Scale for Government and Corporate Bonds

SACRAMENTO – State Treasurer Bill Lockyer issued the following statement regarding today's proposal by Moody's Investors Service to adopt a unified rating system under which Moody's would use comparable criteria to grade bonds issued by governmental entities and corporations.

“This is a major advance toward fairness for taxpayers, better information for investors and greater stabilization for our capital markets. I commend Moody's for taking this step, and for its thoughtful, reasoned response to the concerns of municipal bond issuers. We look forward to providing comments on the proposal. We will work to ensure the system Moody's adopts for taxpayer-backed bonds places primary emphasis on the risk of default. We do not oppose the use of other factors. But we strongly believe additional factors should have a clear, demonstrated relationship to the risk investors might not get paid.”

Lockyer has led a national effort to reform the system used by Moody's, Standard & Poor's and Fitch Ratings. Currently, the agencies hold government issuers to a higher standard than corporations. The result is that, even though the agencies' own studies show municipal bonds have a far lower default rate than corporate bonds, government issuers have a much harder time obtaining the highest ratings. Lower ratings have cost taxpayers billions of dollars in higher interest rates and bond insurance premiums.

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