THE OFFICE OF
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DENISE L. NAPPIER

NEWS

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RESPONSE BY TREASURER DENISE L. NAPPIER ON STATE'S $900,000 SETTLEMENT WITH BOND RATING AGENCIES

"We welcome this kind of settlement that is tangible and directly reduces the cost associated with selling bonds. The credit rating system of the past was biased and unfair," State Treasurer Denise Nappier said. "And, after nearly a decade of calling for reform, the changes I advocated for not only came to fruition, but today's settlement is true recompense for Connecticut taxpayers."

Treasurer Nappier has long called for rating agencies to recalibrate municipal bond rating to a single rating scale, leveling the playing field between corporate and government issuers of debt.

Following sustained efforts by Nappier and a group of State Treasurers -- just prior to the July 2008 lawsuit that led to today's settlement -- two of the three credit rating agencies, Moody's Investors Service and Fitch Ratings abandoned their practice and began using single rating scales for all types of debt – marking a historic step forward for the municipal credit markets. Standard & Poor's followed in the wake of federal legislation known as the Dodd-Frank Act.

According to Nappier, the unified rating scale is more likely to benefit the investing public -- retail or individual buyers of debt -- because unlike large institutional investors, they were generally unable to differentiate between the inconsistent rating standards without adequate transparency.

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Treasurer Nappier first took a leadership role on the matter in 2003 when Connecticut stepped forward as the first government issuer to secure a credit rating from Moody's on a corporate equivalent basis resulting in a higher rating for a Connecticut bond issue.

"Like points on a mortgage, the Treasury generates expenses and fees prior to selling bonds," Treasurer Nappier said. "This $900,000 credit will be used to reduce such costs by providing the State free credit ratings for the foreseeable future."

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