

CLOSING STATEMENT

CHAIRMAN EDOLPHUS TOWNS

COMMITTEE ON OVERSIGHT AND GOVERNMENT
REFORM

HEARING: CREDIT RATING AGENCIES AND THE NEXT
FINANCIAL CRISIS

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Winston Churchill once described Soviet Russia as “a riddle, wrapped in a mystery, inside an enigma.”

After listening to today’s testimony, I think he could just as easily have said that about the way credit rating agencies operate.

Today we had testimony from two former senior employees at Moody’s, who described a culture of secrecy, a place where putting things in writing was frowned upon. Can you imagine working at a place where the very act of writing a memo or sending an email is suspect?

This culture of secrecy extended to companies outside Moody’s as well. Moody’s tells us they retained an outside law firm, Kramer Levin, to investigate Mr. Kolchinsky’s allegations of illegal conduct at Moody’s.

But this morning we learned that this outside firm was given only oral instructions. Moody’s says there is no written statement of work and no contract specifying the work to be done.

In addition, this outside firm is not expected to produce any written report of its findings and has no schedule for completion.

On top of that, Kramer Levin says this is their “normal” behavior – they never produce written reports. Instead, they give their clients oral briefings.

In other words, the Moody’s business model could be summed up as, “Leave No Fingerprints.”

This might be alright if the credit rating agencies hadn’t played a starring role in the collapse of the financial system. For that reason, this cannot continue. It’s very clear to me at this point that effective legislation is needed, along with effective oversight.

The testimony we heard today is just the opening chapter of what promises to be a sordid story. We intend to pursue this further.

Finally, I want to thank our two witnesses, Mr. Kolchinsky and Mr. McCleskey, who had the courage to come forward to testify about what they saw at Moody’s. I am aware that testifying before Congress is never easy. We appreciate your participation.