The Role of Big Rating Agencies in Intensifying the Economic Crises

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Abstract: Fitch, Standard & Poor's (S&P) and Moody's are the three big rating agencies on the planet, representing some of the strongest protagonists in the world of financing. Concretely, these three big rating agencies evaluate the creditworthiness of both companies and the countries requesting this, with the aim of giving the investors and idea concerning the investments to be made in the safest way. AAA is the highest rating granted by these agencies. Then follows the AA1 and the scale goes down to C. Any rating at/or below BBB is known as "junk" (trash). The more diminished the evolution perspectives granted by the rating agencies, the more a firm or a country gets closer to the state of payment incapacity of its debts. Thus there are indirectly intensified the economic crises. Creditors that keep on lending the respective country or firm are less optimistic with regard to the perspectives of getting their money back- and thus they shall levy higher interest rates. The higher the interest rates, the more difficult the reimbursing of debts or of the firm, or the government is to be made and it is more likely that this falls within payment incapacity.

Key words: Rating agencies'oligopoly, economic crises, payment incapacity, European rating agencies, governmental debts

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1 Introduction. The history of functioning of the rating agencies

The Euro Zone member states have different regulations for the activity of the rating agencies operating on their territory, which contradicts the fact that the currency of the respective states is common. Thus, the different regulations of the member states applied within the common monetary space produce tensions due to the different behavior of the rating agencies, further to the different rating marks granted to the same product and as a result of the different crediting costs in various countries of the Eurozone.

At the beginning of the 2008–2014 crisis, the question whether the rating agencies do or do not play according to the US rules was posed. After that, the Economic and Monetary Union member countries have adopted concrete measures of counteracting the negative effects resulted from the unitary regulations in the rating sector. Thus the European Commission Regulations of September 16-th 2009 on the rating agencies entered into force.

Although at world level there are over 70 rating agencies, only three of them -Standard & Poor's, Moody's and Fitch Ratings - truly count, in the sense that they are followed by governments, banks and investors in order to evaluate the credibility of governments and financial products. The rating agencies need a stricter supervising since their activities have a strong impact upon financing costs and can affect the financial stability. In September 2010, The International Regulations Bank, with its head office in Basel (Switzerland), took the decision by which the banks are required to put aside higher reserves. The Basel III regulations mark a significant step towards diminishing excessive risks that have taken the banking system on the verge of collapse in 2008.

In the previous years, the rating agencies started being criticized for conflict of interests, since they are often paid for ratings by the firms they, themselves analyze. In September 2010, the IMF underlined the fact that the decision-making bodies should continue their efforts of reducing the dependency on the rating agencies, and when possible, to remove or to replace the references to the ratings in legislation and regulations.

According to the IMF, the regulation bodies should supervise more strictly the evaluation agencies, especially in order to ensure that their methods are transparent and that there is no conflict of interests. The IMF recommendations are comprised in the Report on the Global Financial Stability of 2010 (GFSR), worked out by the IMF and made public at the end of September 2010, at Washington.

The same Report also mentions the incapacity of a large number of financial institutions of obtaining new short term financing, fact considered to be one of the characteristics of the global crisis mankind is currently undergoing. Being concerned particularly with aspects related to the liquidities risk in the financial system, the Report shows that the banks and non-banking financial institutions, especially those in the developed states, have more heavily relied on the short term financing from the markets, which has exposed them to significant risks, once these markets were wasted. As such, the repo type operations increased, without being known that the providers of guaranteed loans got to be rather the mutual funds, instead of banks. At the same time, during the crisis, there were underestimated the risks incurring from the use of insecure guarantees.

The IMF also considers necessary that the supervising bodies should encourage the operators on the financial markets to evaluate the guarantees all through a crediting cycle, in order to avoid the excessive financing at the times when the value of guarantees is high. The central entities attend to the repo markets must be subject to minimal regulations, whereas the central banks can provide liquidities in case of emergency, in periods of systemic shortages of liquidities, only to central entities proving a sound management. The IMF report determines that the liquidities demands submitted by the Basel Committee for Banking Supervision in 2010 represent an important step in the direction of reducing the risk of the liquidities crisis.

Although the agencies have been sued at court several times 2008-2014 crisis, the greatest part of these trials were closed or rejected. In 2012, an Australian court determined (stated) that S&P has misguided the investors by granting a triple A rating to certaing shares the value of which subsequently collapsed (dropped). At the beginning of the year 2013, S&P paid 1.4 billion Euro in order to get away with the accusations (charges) expressed distinctly mainly by the American Justice Department, according to which the agency has granted triple A ratings to certain structured financial products, based upon American mortgage credits, despite the increased risks on the residential market.

2 The oligopoly of the rating agencies

The three big Anglo-Saxon rating agencies- Fitch, Standard and Poor's and Moody's – have been criticized for the role played by them at the beginning of the financial crisis in 2008 and, as well, in 2010, for attacks on the bonds of certain states from the Euro zone, such as Greece or Spain .

In the last few years, several European officials have attacked the three big rating agencies. Moreover, the ex-European commissioner for financial services, Michel Barnier, has re-launched, at the beginning of May 2010, the idea of creating a European rating agency, which should evaluate especially the debts of states. Jean-Claude Juncker, the president in office of the European Commission declared himself to be in favor of such an idea, the same as officials in Germany and France. The German Finance Minister Wolfgang Schŕuble, has declared that Germany works in close cooperation with France in order to break the oligopoly of the three big rating agencies.

On July 13-th, 2010, the ex-president of the European Central Bank (ECB), Jean-Claude Trichet, has criticised the monopoly on the rating market of the three big Anglo-Saxon rating agencies, at a moment when discussions were under way with regard to the creation of a European agency of financial evaluation: « In general, the rating agencies have the tendency of amplifying the upward or downward trends registered on the financial markets. This contravenes the financial stability. It is probably the time to stop continuing to have a world oligopoly of the three agencies. But the basic problem, nevertheless, is to alleviate and even annul this effect of pro-cyclic amplifying, to which the rating agencies also contribute to".

ESMA – a new institution and the ESDCRM – a new European mechanism

ESMA – (the European Securities and Markets Authority) started its activity on July 1-st 2011, and for the European Sovereign Debt Crisis Resolution (ESDCRM) only the concept is finalized (Everling, Mureşan, 2011). ESMA has its headquarters in Paris. The first ESMA president is the Dutchman Steven Maijoor who came to office on April 1-st 2011.

After 4 years since the triggering of the stock market crisis in the US in 2007, followed by the monetary and financial crisis, with its widespread into the real economy of the Euro-Atlantic zone, after as many years of intense work in search of proper solutions by the experts and public servants of the developed states governments in order not to be put down by the free markets and by the financial brokers, two new institutionalized and operational instruments for the supervising of the financial markets of the Euro zone: ESMA and ESDCRM were proposed as a response to the crisis.

The crisis that started between 2007–2009 and the crisis in Greece of 2010–2011 have clearly shown that Procedure of Excessive Deficit and the Pact for Stability and Growth , that was part of the EU institutional reform of 1996, with its monetary and financial convergence criteria at the ground of the Euro, are not sufficient any longer for the Euro to continue to exist in a world that has become, since its adopting in 1999, a lot more changed and globalized, without being added new dimensions and mechanisms to the Monetary Union.

The answer to the crisis of 2007–2009 was made immediately by enhancing the discipline and by the more prompt applying of punishments (penalties) in the Procedure and the Pact. But these did not suffice, so that there was further on a need for fiscal and economic stabilizing, obtained, unfortunately by pumping new financial funds by states, brought into the financial-banking system based on contracting new public debts. As we know, apart from the approximately 3 thousand billion dollars pumped into the US economy and administration, other hundreds of billion Euros was pumped into the Euro currency in order to save a series of banks and to avoid the collapse of the banking system, as well as for stimulating the demand in the real economy..

But this proved to be not enough, either. Thus, on the average term, the creation of ESMA was necessary, as a new EU agency, whereas on the average- long term it is necessary the adopting of new monetary and fiscal policy instruments in the Euro zone and even for the entire EU.

Initially, the European Council of March 13-14-th, 2008 has adopted a series of conclusions in order to respond to the main deficiencies identified within the financial-banking system further to the crisis triggered in 2007. One of the objectives was improving the better working (functioning) of the single market in the Euro zone, inclusively of the role of the rating agencies. During the crisis of 2007–2009 the rating agencies did not manage to reflect sufficiently the financial and monetary state of the countries they evaluated, in the top ratings of which there being reflected *post factum* the worsening of the market conditions.

The most adequate way of correcting these conflict generating insufficiencies, consists in adopting measures with regard to the conflicts of interests, the quality of ratings, transparency and internal governance of the rating agencies, as well as to the supervising of their activities. It was therefore necessary the creation of ESMA.

ESMA has as its main attributions the supervising of and ensuring a minimal relevance to the rating system in the Euro zone. In what concerns the mechanism of granting the rating, the EU Regulations No.1095 on ESMA stipulates that a credit rating agency from a third country must fulfil these criteria, which constitute general conditions existing in advance for the integrity of the credit rating activities exercised by an agency. The purpose of fulfilling the criteria is preventing the necessity of intervention by the competent authorities and of other public authorities from the respective third countries within the ratings of the EU resident countries.

By these would-be interventions, ESMA imposes an adequate policy regarding the management of the conflicts of interests, rotation of rating analysts and the existence of a procedure of periodical and permanent disclosing of information. Moreover, the ESMA regulations stipulates as well, that the rating users are urged to educate themselves and other users and to diminishing their credulousness concerning the rating grades granted by the agencies. Therefore, in other words, the ratings users must not rely blindfoldedly, without a mature reflection, on the ratings issued by agencies.

The adverse effects of the decisions made by the rating agencies

S&P were accused by many that they have acted against the US, at the most improper (ill-time) moment, at the beginning of August 2011, when the US rating should not have been downgraded from triple A. In spite of all these, those from Standard&Poor’s are not the only ones who have lowered the US qualificative, the same thing being made also by Dagong Global Credit Rating, the Chinese rating agency.

After this move made by the rating agencies, the more pronounced fluctuations of the markets started, fact which makes the economists to be much more pessimistic, many of these awaiting and preparing themselves for a new crisis, one hitting on two fronts, named « the twin crises », that of the US and that of Europe, destroying the economies. Fragile in front of such news, the stock exchanges reacted accordingly: they have bent strongly, so that the damages registered as a reaction to the human pessimism amounted to 4 thousand billion dollars, in only a few days of August 2011.

In 1998, Moody wrote to a German insurance giant, Hannover Re. Although Hannover was not a client of Moody's, the agency declared that it decided to evaluate it free of charge. Moody's started to evaluate the state of Hannover Re's debt, but the insurance company had already resorted to the services of S&P and AM Best (a smaller agency). After 5 years, in 2003, Moody's lowered (brought down) the debt of the company Hannover Re to the state of junk and due to the respect for Moody's evaluations, the shareholders got panic-stricken, sold their shares, and Hannover Re lost 175 million dollars in a single afternoon. Moody's refused to make comments as to what trap was set ahead.

The German insurance company, Hannover Re was an example that has outlined the power of “The Three Big” rating agencies which evaluate approximately 95% of the firms on the world market. It is difficult, if not impossible, to do something against them… Some specialists hold that the agencies worsen the evolutions, because of the “cooling” effect the downgrading have upon investments. “The rating agencies have fueled (nourished) the beginning of the financial, monetary and later on, economic crisis of 2008 - Christian Noyer, the governor of the Bank of France stated. Noyer's opinion outlines the paradoxical position in which the rating agencies got to be. Now it is said that they are too rapid (fast) in downgrading the governmental bonds. 7 years before, they were too slow in lowering the position of the toxic debts that have triggered the financial crisis. “During the sub-prime mortgage credits crisis – Larry Eliot asserted economic editorialist at The Guardian – the rating agencies were very, very lax”.

In 2009, Moody's has worked out a report entitled “The fears of the investors with regard to the bad placement of the Greek government liquidities”. After 6 months, Greece was in search for a salvation plan. In the meantime, it was said that S&P has wrongfully calculated the US current debt of approximately 2.000 billion dollars, when the USA credit rating downgraded. The Press called then the head of the team who drew up the accusatory report as – “the strongest man in the world never heard of ”. But what if the S&P team and its boss were right? In the case of Greece it was seen that S&P was right. Whereas in the case of the USA the US cumulated debt was not incriminated, of around 16,000 billion dollars – almost as much as the USA GDP, but only the current debt, from the respective year. “S&P has shown an amazing lack of knowledge about the basic fiscal mathematics of the USA”, the ex- American finance minister, Timothy Geithner declared, after S&P downgraded the credit rating AAA of the USA in the month of August 2011. “I am not a fan of the conspiracy theories”', Rainer Bruederle declared, ex-German minister of economy, after S&P, then threatened that it would reduce the rating of 15 EU member states in December 2011: “But sometimes it is hard to reject the feeling that some American rating agencies and fund managers act against the EuroZone”, he stated .

European evaluations

The Prosecutor's Office in Trani (Italy) had opened at the end of 2010 an investigation regarding the manipulation of the market, further to a complaint worded (expressed) by local consumers' associations against a report of Moody's; the report made public in May 2010 yielded a negative effect upon the Italian shares. Moody's warned in that report particularly upon the risks the repercussions of a possible downgrading of certain European countries such as Italy would presuppose (imply) upon the banking system of the respective countries, the way it happened in Greece.

The investigation made by the Prosecutor's Office was further on extended upon the S&P agency, too, after the publishing of communiques concerning Italy, in the spring and summer of 2011, The Prosecutor's Office estimating that these contained ill-founded judgments with regard to this country, judgments which have had a negative effect upon the market. In May 2011, the S&P agency published a first communique announcing that it intends to decrease Italy's grade, and in July of the same year it published another communique in which it outlined the risks the objectives of reducing the deficit are confronted with, in spite of presenting a new austerity plan. In September 2011, S&P reduced Italy's rating from A+ to A, to further on reducing it on January 20-th 2012, to BBB+.

Only a day before, on January 19-th 2012, the Italian police has searched into the head office of the S&P Agency in Milan, within the investigation for manipulating the market launched in 2010 against its rival Moody's, investigation that was subsequently extended, as already mentioned, upon S&P as well. Both agencies declared themselves to be surprised by and amazed at these investigations with regard to the independence of the evaluations made by them, being of opinion that such charges are entirely ungrounded. The agencies stated that they shall strongly defend their activities and reputation, inclusively that of their analysis.

At the beginning of the month of October 2015, the prosecutors from Italy were ready to reopen the wounds made (caused) by the debt crisis from the Euro Zone attacking a decision of downgrading Italy's sovereign (top) rating, made during the crisis, decision which placed the creditworthiness of this highly industrialized country at the same level with that of Kazahstan (Apostoiu, 2015). Five employees of the rating agency Standard&Poor’s and one of Fitch's are accused that they have caused unjustified damages to Italy by the role played in the rating decisions taken in 2011 and 2012. The case is a key one in a series of trials initiated at world level against the biggest credit rating agencies in the world for the role played by it in the financial crisis. What is unusual related to the trial that might be launched in Trani, south of Italy, is the fact that individual employees of agencies are accused, apart from agencies; having in mind the time elapsed since the S&P decision of downgrading Italy's rating, some of them having already left S&P and Fitch.

The Italians view the prosecutors' endeavor with skepticism. Italy's state auditor was recently scoffed at after having suggested that he might require the payment of damages of over 200 billion Euro since S&P did not take into account Italy's history, art and landscape at the moment of downgrading the country. Since 2012, Italy's rating has been continuously decreasing, to a stage over the junk statute, following the fragile economic growth and of one of the highest debt level in the world. At the end of September 2015, the judges from Trani have rejected the request for transferring the trial to Rome or Milan submitted by the defense. S&P and Fitch have rejected the accusations.

3 The concerted attack of the three American rating agencies

The three big rating agencies - have been strongly criticized at global level not only for having anticipated the credit crisis of 2008-2009, but also for having had a major contribution to the triggering of it by lack of involvement. The United States have reacted with indignation in August 2011 to this, when S&P left the world's biggest economy without the maximum “AAA” rating, however, they did not go as far as to bring an action against the agencies (Oncu, 2012). At the end of 2011, Fitch placed under surveillance, with negative implications, the qualificatives of Belgium, Cyprus, Ireland, Italy, Slovenia and Spain.

By mid-January 2012, Fitch had announced that it did not intend to lower the triple A qualificative granted to France provided that the situation in the Euro Zone would not worsen. Then, together with Fitch, Standard&Poor's announced on January 19-th 2012 that it downgraded the rating of ten countries in the Euro Zone – a step/grade or two and had maintained that of other 7, the decision being justified by the fact that the

European leaders had taken insufficient political measures for the recovery of the financial system. Thus, the qualificatives granted to Austria, France, Malta, Slovakia and Slovenia were downgraded a step lower, while the qualificatives for Italy, Cyprus, Portugal and Spain lost two steps/grades. Germany, Holland, Belgium, Estonia, Finland, Ireland and Luxemburg maintained their ratings.

After losing the excellence grade AAA by downgrading Austria on January 19-th 2012 by the rating agency Standard & Poor's, the representatives of the Austrian lands have expressed their opinions with regard to the applying of rectifying measures put forward. At the same time, the lands themselves have rejected repeatedly the proposals of the federal government, considered to be to the detriment of the local administrations and of the competences devolving from these. In an interview made with each and every regional governor individually, the Austrian daily paper Der Standard has outlined the attitude of the lands to the savings measures. The answers got have indicated the fact that the majority of the lands wanted concrete plans and targets for savings, and some of them had already started to apply those measures.

One day before the fatidic decision of the American rating agencies - on January 18-th 2012 – as if to justify their zeal because he was fully aware of their opinions, Jean-Claude Juncher, at that time president of the Eurogroup, currently president of the European Commission was declaring at a press conference at Luxembourg, that “the EuroZone is on the verge of an economic recession”, thus requiring to be found ways of sustaining the economic growth. “The budgetary Consolidation is an approach that has no alternatives. We must consolidate the public finances, but we must draw attention upon the need to endow Europe with a real growth policy, too”, Juncher also declared, who was then also prime-minister of Luxembourg. Like other European politicians, he minimized the decreasing of the rating of 9 states of the Euro Zone and of the European Fund for Financial Stability (EFFS) by Standard&Poor's: “The EFFS does not face problems in attracting funds from the markets in order to further lend the states in need”, the president of the Eurogroup declared, specifying that this means that the “shareholder” governments of the mechanism would not have to supplement their guarantees for the EFFS to regain the best qualificative, that of triple A. Anyway, Germany, which is the main contributor to the EFFS, would not accept such an addition.

“The same as others, I think that we must not pay a too great importance, nor a too great attention to the opinions issued by the rating agencies. I take them seriously and I want them to take me seriously, too”, Juncher also added, thus expressing his regret that these agencies did not take into account the efforts made by the states in the Euro Zone.

Then, Fitch Ratings has downgraded, on May 30-th 2012, the ratings of eight regions in Spain, among which that of Madrid, with one to three steps/grades, alleging structural budgetary deficits affecting the country, in full financial crisis. Apart from Madrid, the rating of which was reduced with a step/grade to the A-level, the other regions with downgraded qualificatives were Catalonia (with two grades/steps, to BBB), Astoria (with two grades/steps to BBB+), Andaluzia (with three grades/steps to BBB), The Basque Country (with two grades/steps to A+), Murcia (three steps/grades to BBB), The Canary Islands (with three grades/steps to BBB) and Cantabria (two steps/grades to BBB+). The decision was taken at a time when Spain was confronted with extreme tensions on the financial markets. The revising on the decrease of the ratings of the regions has reflected the difficult economic environment from Spain, marked by low budgetary incomes, as well as the structural budgetary deficits of the administrations, that have required considerable supplementary efforts to reduce them. Fitch has then evoked the difficulties in accessing the long term financing by the regions, some of them strongly indebted, given the conditions in which the interests rose sharply; Fitch stated that it appreciated the plan for budgetary stability of the government in Madrid, as well as the numerous austerity measures taken for the reducing of the budgetary deficit, but it added that there were applied but limited structural measures for ensuring the functioning of basic services, such as education and health.

It was then when at the beginning of June 2012, the other American agency of financial evaluation Moody's, has lowered the extreme limit rating of Greece, at the minimum level of “CAA 2”, highly speculatively, because of the risk existent at that time that the country would exit the Euro Zone. Moody's noted, still, that the Hellenic state's exiting the Euro Zone“ is not what the agency considers as the most likely scenario”. Greece's exiting the Euro Zone would have led to important losses for investors, further to the re-denomination of the state debt and of the bonds issued by private entities following the Greek laws and would have caused severe turbulences and perturbations in the country's banking system, as well as dislocations in the real economy. The economic impact would have yielded supplementary losses for the bond owners, irrespective whether they were issued under the aegis of the Hellenic state or of another country.

It was also at the beginning of June 2012, when in a foreseen (pre-established) scenario, the third American rating agency, Standard and Poor's estimated that the chances are “at least one in three” that Greece would get out of the Euro Zone, whereas in the report made public it also added that this fact should not have automatically negative consequences upon the peripheral countries (Mârza, 2012).

4 Suggestions (Proposals) for the European Rating Agency

Having in mind and focusing on all the transformations generated by the rating agencies, the reactions were there to come at once. The German Institute for Economic Research (DIW) from Berlin proposed, in January 2012, for the Bundesbank, the central German bank, to assume the functions of a rating agency. According to DIW, Bundesbank is the only public body having the necessary staff to counteract the power of the three big rating agencies. “Within the Bundesbank there is widespread knowledge about the financial markets, that I do not think are used sufficiently in the current crisis”, the economist Mechtild Schroeten from DIW said. The situation might change “if there existed the courage and wisdom of setting up the first public agency of risk evaluation within the Bundesbank”, the economist Mechtild Schroeten added, who also said that on short term she does not see (envisage) the possibility for the countries in the Euro Zone to create a rating agency in order to face the crisis, which actually happened.

The President of the European Support Fund for the Euro Zone (EFFS), Klaus Regling stated that the Euro shall resist the sovereign countries' debt crisis and will not collapse, adding that the investors' concerns with regard to a possible disappearance of the single currency are ill-founded. From here to the assertion that “No country shall be constrained to leave the Euro Zone”, was but a step. The erroneous logic series f actions of the EFFS president continued, among others, “the downgrading, on January 16-th (2012 – n.n.), with one step/grade to AA+, a EFFS rating by the Standard and Poor's agency has had little repercussions, since the other two big evaluating agencies, Moody's and Fitch, have chosen to confirm the AAA grade granted to the EFFS. In Regling's opinion, “it doesn't serve anything to be made such a fuss about all this, as long as it is only about a single evaluating agency. The EFFS grade actually depends directly on those of the states from the Euro Zone which guarantee it and illustrates the best evaluation of their debt”.

The first European Rating Agency (ERA) was meant to compete with the three big international agencies Standard & Poor's, Moody's Investors Services and Fitch Ratings. The same as the three big agencies, ERA would have covered all ratings, both for countries and for mportant companies throughout the world. The ERA founders had in mind a system of remuneration based on investitors and not on issuing bonds, the ex-system being considered the source of the conflicts of interests. The critics have accused Standard&Poor's, Moody's and Fitch that they have contributed to the triggering of the financial and economic crisis, granting very good qualifications to doubtful financial instruments.

The project of the first European Rating Agency (ERA) started to take shape at the beginning of May 2012, when 13 juridical persons came together, willing to finance this agency, and the first ratings has to be published in 2013. The initiators of the project managed to collect commitments amounting to 130 million Euro, out of a required total of around 300 million Euro, Markus Krall stated, ERA director-to-be, at a hearing in the French Senate.

Markus Krall has worked since 2010 – for almost two years since the outburst of the financial, monetary and economic crisis- to the project of the first European rating agency, after having resigned from the position of partner of the German consultancy group Roland Berger, in order to avoid a conflict of interests: “Our objective is to collect 300 million Euro, but we shall proceed in several stages. In a first stage, we aim at obtaining half the sum... Further on, we hope to be able to start perfecting the infrastructure, so that within approximately one year to be able to start attributing ratings”, Krall said.

Referring to the promises made, Markus Krall disclosed that 13 banks, insurance companies and financial markets have promised to participate each with 10 million Euro. “We are looking for the majority of investors outside Germany”, Markus Krall also declared, adding that the 13 investors already found are not in their majority German. “We are open to investors outside Europe and we have been approached by American and Asian investors”, Krall also said.

At the end of April 2012, the financial evaluating Agency Standard and Poor's has revised the rating of 16 Spanish banks with two stages and on the decrease, from A to BBB plus, the sovereign (top) credit rating of Spain, warning that the country might be compelled to make more loans in order to support the banking sector. The main banks vised by S&P were Santander – the first Spanish bank, Banco Bilbao Vizcaya

Argentaria – the second big bank in Spain, Banco de Sabadell, Ibercaja Banco, Kutxabank, Banca Civica, Bankinter, CaixaBank and Bankia.

The rating perspective of Spain was being negative then, which meant that a new downgrading could follow. The revising on the decrease of the sovereign (top) credit rating of Spain has lead to the increase of the borrowing costs of the country, since the investors have requested higher interest rates in order to compensate for the increased risk caused by the downgrading. S&P has appreciated that the downgrading of Spain's sovereign (top) rating has had negative implications upon banks, taking into account the Madrid Government's support granted to the banking sector.

A report made by the International Monetary Fund (IMF), published also at the end of April 2012 underlined the fact that the biggest banks in Spain were sufficiently capitalized and profitable in order to cope with a decline in the economic conditions, although the group of the ten state-supported banks was considered as vulnerable. The stress tests made by the IMF for approximately 90% of the Spanish banks have shown that most of them would be capable to face the worsening of the economic situation. Still, the IMF has held that a careful and thorough strategy for the "rapid and adequate clearing" of the banks with problems was essential for the solid banks not to be affected by the diminishing of trust of the markets in the banking sector.

The IMF has also warned upon the fact that, although the authorities in Madrid are focusing on solving the problems in the financial sector, some banks could have difficulties in accepting the new regulations concerning the capital. The perception (view) of the markets on enhanced risks on the sovereign (top) rating and the banking sector could add new pressure upon banks, particularly in the case of those with high demands of financing.

5 Conclusions

The rating agencies are financed by the companies and/or countries they evaluate. If a company or a country wants to be evaluated, it must pay a rating agency a considerable amount of money, according to the size of the company or the respective country. Theoretically, this thing creates a conflict of interests, the company or country pays the rating agency that evaluates it in order to grant it, according to its own "subjective" method, the rating expected... A specialist in analyses of the kind, Alexandra Ouroussoff has spent 6 years interviewing persons involved in the rating agencies. The conclusion of her studies was clear: the agencies are as efficient as far as their clients are sincere (honest).

In the first part of the crisis of 2008-2014, France, followed by Italy have been on top of the European countries that have understood the game of the American credit agencies … The Agreement which some countries, inclusively France, would have wanted to be stricter, should have changed the way in which the three main rating agencies work - Fitch, Moody's and Standard&Poor's, not accidentally from the USA, but paid, in the great majority of cases by Europeans themselves. According to the proposals of 2012, the ratings of the countries were to be revised at a six months interval and not at a year, as it used to be until then. Has anyone heard of ratings granted to the European countries by the three big American rating agencies ever since?

One of the strongest reform bills vised the juridical responsibility of the agencies for their decisions, although it was not clear how this could have been put into practice: "The possibility of asking for the payment of damages for the breach of EU regulations should be at hand for anyone. It is proper for the rating agencies to be exposed to a potential unlimited juridical responsibility when the regulations are breached intentionally or with great negligence", it was stated in the draft European Directive worked out at that time. Has anyone heard of this directive project (bill)?

Always accused that they are making the games of several strong investments funds in the world, the rating agencies have had a new regime after the crisis of 2008-2014. The EU member states have theoretically agreed upon consolidating the controls on the rating agencies, by a legislative proposal that quantifies the power of these bodies, which in their turn, evaluated the European states' sustainability of national debts, thus downgraded in the context of the economic crisis (Dumitrescu, 2012). The new regulations proposals had to become EU legislation after the end of their being discussed in the European Parliament and to facilitate the suing at court the rating agencies should it be considered that these make errors in evaluating and noting the sustainability of the national debts. The representatives of the EU member states have given their approval, by the half of May for supporting a draft European directive project, which should make more severe the European rules of functioning of these agencies, criticized that they have offered the maximum grade - triple A - to some countries, the debt levels of which proved to be unsustainable in the context of the financial crisis: ”The proposals aim at changing the legislation on the rating agencies in order to reduce the over trust of investors in the external credit ratings, to alleviate the risk of conflicts of interest to occur within activities of evaluating the credit rating and to enhance the transparency and competition in this sector”, it was shown at that time in a communique issued by the European Council. Has anyone heard of these directive proposals (draft)?

The American rating agencies mentioned have a more than direct link with the triggering and evaluation of the effects and consequences of a particular behavior followed by a firm or a country. For 2, 3 or 4 years of the 7 years that have elapsed since the latest and greatest economic and financial crises – the crisis of 2008-2014, that has negatively influenced the USA and the European Union - the three big American rating agencies afore-mentioned ”have set the rules of the game”. As usual, the European Union, was in this field too”at the back of the USA”, although it had tried to figure out and to make up its own rating agency. Nothing happened, the field has remained without any regulations and we, the consumers, naive citizens, are worriedly awaiting the next great crisis.

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