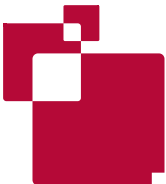


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RATINGS AGENCIES AND SOVEREIGN CREDIT RISK ASSESSMENT

NICOLAS VERON AND GUNTRAM B. WOLFF, DECEMBER 2011

1. Sovereign credit risk assessment is a complex task that involves the evaluation of a country's ability to service its external debt. This task is often performed by credit ratings agencies (CRAs) such as Standard & Poor's (S&P), Moody's, and Fitch. These agencies use a variety of factors to assess a country's creditworthiness, including its economic performance, political stability, and social indicators. The resulting credit ratings are used by investors and other market participants to make informed decisions about the risk of investing in a particular country. However, the role of CRAs has become increasingly controversial in recent years, particularly in the wake of the global financial crisis and the subsequent sovereign debt crisis in Europe. This paper examines the role of CRAs in sovereign credit risk assessment and discusses the challenges they face in the current environment.

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3 A EUROPEAN RATINGS FOUNDATION

In July 2011 the European Parliament adopted a resolution on the need for a European ratings foundation. The resolution calls for the establishment of a European ratings foundation, which would be a public body, independent of the state, and would be responsible for the supervision of the ratings agencies operating in the EU. The resolution also calls for the establishment of a European ratings foundation, which would be a public body, independent of the state, and would be responsible for the supervision of the ratings agencies operating in the EU. The resolution also calls for the establishment of a European ratings foundation, which would be a public body, independent of the state, and would be responsible for the supervision of the ratings agencies operating in the EU.

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3. National rating agencies are supervised by national authorities in each EU member state. The European ratings foundation would be responsible for the supervision of the ratings agencies operating in the EU. The foundation would be responsible for the supervision of the ratings agencies operating in the EU. The foundation would be responsible for the supervision of the ratings agencies operating in the EU.

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