The International Non-Profit Credit Rating Agency: The Viability of a Response

Daniel Cash[*]

The International Non-Profit Credit Rating Agency (INCRA) is an attempt to alter the way in which the economy approaches the rating of debt. By advancing a non-profit ideal, based upon long-term considerations, the agency hopes to penetrate an industry that has been widely recognised as being culpable in the creation of the Financial Crisis of 2008.Yet this project is in its infancy. This article is therefore an attempt to detail what the INCRA project is and what it hopes to do. Once these aspects have been established, the article offers a potential regulatory avenue that may assist the Bertelsmann Foundation with having its aim of establishing the INCRA project realised.

In October 2014, it was reported that the International Non-Profit Credit Rating Agency (INCRA) project was, or at least would consider rating Turkey's economy[1]. Although this may not appear to be out of the ordinary, given that the INCRA Project has produced unsolicited sovereign credit ratings for the United States of America, Brazil, France, Germany, Italy and Japan at the time of writing, this short article proposes that this turn of events compels one to determine the viability of the project at this stage of its development.

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[*] Doctoral Candidate, Department of Law, Durham University (U.K.) Daniel.cash@durham.ac.uk. I would like to thank Annette Heuser, Executive Director of the Bertelsmann Foundation, and Anneliese Humpert, Project Manager at the Bertelsmann Foundation for their support and evaluations of earlier drafts. The usual responsibilities remain my own.

[1] 'INCRA Seeks to Assess Turkey's Economy' [2014] Daily Sabah.

This issue is important because Turkey, rated Baa3 with a negative outlook by Moody's Investor Services[2] and BBB- by Fitch Ratings[3] (both one notch higher than 'speculative grade'), has been recognised as being on a collision course with 'The Big Three' credit rating agencies[4]. These sovereign ratings signify the agencies' opinion regarding the Turkish government's ability to fulfill its debt obligations to investors, rather than being an assessment on Turkey more generally. However, the insistence of Turkish President Mr. Recep Tayyip Erdogan that the Big Three's approach constitutes nothing short of an ideological attack[5] upon his country demonstrates the importance of evaluating the development of the INCRA project, given its new apparent association with such a complicated and charged situation. Given also that the exposure to capital markets is crucial for an emerging market, and that a rating agency is deemed fundamental to determining that exposure[6], this issue is of pressing importance to the fortunes of the Turkish people, and any other market that comes into conflict with the ratings agencies.

The article will therefore endeavor to assess a number of important issues regarding the INCRA Project and the Credit Rating Environment more generally. Firstly, it is important to understand what the INCRA project is, what it stands for and what it aims to do. This will be an extremely important exercise if we are to attempt to determine the prospect of success for the INCRA project. Finally, the article will attempt to hypothesize what conditions need to be

[2] 'Turkey, Government of, Credit Rating' [2015] Moody's.
[3] 'Turkey' [2015] Fitch Ratings.
[4] Carolyn Cohn 'Turkey's investment grade cheers turn to tears' [2013] Reuters.
[5] Daniel Dombey 'Erdogan proposes Turkish ratings agency' [2012] Financial Times. This allegation is in opposition to research that suggests that CRA certification should lead to an increase in exposure to capital markets, see Kee-Hong Bae, Lynnette Purda, Michael Walker, and Ligang Zhong 'Credit rating initiation and accounting quality for emerging-market firms'[2013] 44 Journal of International Business Studies 216-234.
[6] Yilmaz Bayar & Cuneyt Kihc 'Effects of Sovereign Credit Ratings on Foreign Direct Investment Inflows: Evidence from Turkey' [2014] 4 Journal of Applied Finance & Banking 2 91-109.

in place, of which four are proposed, for INCRA to become a viable alternative to the Big Three; Moody's, Standard and Poor's, and Fitch.

The International Non-Profit Credit Rating Agency

INCRA is a concept created and developed by the Bertelsmann Foundation (German: Bertelsmann Stiftung) since the end of 2011. Primarily, the concept builds upon analysis conducted by The Bertelsmann Foundation's Transformation Index, which quantifies and compares a nation's quality of governance from self-collected data[7] and the Sustainable Governance Indicators project, which 'examine[s] governance and policymaking in the 41 OECD member states in order to evaluate each country's need for an ability to carry out reform'[8]. It is this foundation of nation state research that has prompted the promotion of an ideal concerned with applying 'forward looking indicators'[9] to the credit rating of sovereign entities.

The INCRA project argues that a more comprehensive set of indicators is required if a meaningful evaluation of a country's *long term* socioeconomic and political situation, and thus the prospects of debt repayment, is to exist[10]. This, theoretically, would serve the purpose of promoting a better understanding of a country's socioeconomic, institutional and

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[7] Bertelsmann Stiftung 'Transformation Index BTI 2014: Political Management in International Comparison' [2014].

[8] Bertelsmann Stiftung 'Sustainable Governance Indicators' [2014].

[9] See Bertelsmann Stiftung 'INCRA Country Ratings Report' [2012]. (Included in the evaluation of a country are indicators such as: Economic Fundamentals, Public Sector Fiscal Policy, Monetary Policy, Capital Markets and Financial Risk and the External Sector. In addition, the Forward Looking Indicators are: Rule of Law, Transparency Accountability, Social Cohesion, Future Resources, Strategic Capacity, Implementation, Adaptability and Crisis Management.)

[10] Bertelsmann Stiftung 'Blueprint for INCRA – An International Non-Profit Credit Rating Industry: Executive Summary' [2012]

political infrastructure with the expressed hope that this would 'better align them with the needs and expectations of investors'[11].

This then is a clear response to the multifaceted European Sovereign Debt Crisis[12]. It is also a response to the business model that has come to define the modern day elite Credit Rating Agency. The INCRA project attempts to transform this accepted business model by affirming that, for sovereign debt analysis at least, the task can be undertaken by considerably fewer, well incentivised people[13]. By increasing the remuneration packages afforded to its analysts, the INCRA project suggests that the opportunity for malpractice may be lessened somewhat, with the Non-Profit perspective hopefully ensuring the 'transparency, accountability and quality of the ratings'[14].

However, there is one issue that is the central subject with regards to any business and that is cost. As the team at the Bertelsmann Foundation have taken a comprehensive approach to this ideal for an alternative rating agency, the inclusion of a thorough business plan makes for fascinating reading. To combat the conflict of interest that is seemingly at the center of most condemnations of the Big Three; the 'Issuer-Pays' model[15], the Bertelsmann Foundation

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[11] Bertelsmann Stiftung 'Blueprint for INCRA – An International Non-Profit Credit Rating Industry' [2012] 27.
[12] For a comprehensive analysis of the European Sovereign Debt Crisis see Phillip R Lane 'The European Sovereign Debt Crisis' [2012] 26 The Journal of Economic Perspectives 3; Michael G Arghyrou and Alexandros Kontonikas 'The EMU Sovereign-Debt Crisis: Fundamentals, Expectations and Contagion' [2012] 22 Journal of International Financial Markets, Institutions and Money 4; Giovanni Calice, Jing Chen and Julian Williams 'Liquidity Spillovers in Sovereign Bond and CDS Markets: An Analysis of the Eurozone Sovereign Debt Crisis' [2011] 85 Journal of Economic Behavior and Organization; Daniel Daianu, Carlo D'Adda, Giorgio Basevi and Rajeesh Kumar (eds) *The Eurozone Crisis and the Future of Europe: The Political Economy of Further Integration and Governance* (Palgrave 2014).
[13] Bertelsmann Stiftung (n 11).
[14] ibid 17.
[15] For an analysis see Deryn Darcy 'Credit Rating Agencies and the Credit Crisis: How the 'Issuer Pays' Conflict Contributed and What Regulators Might Do About It' [2009] Columbia Business Law Review 605; John C Coffee Jr 'Ratings Reform: the Good, The Bad, and The Ugly' [2011] 1 Harvard Business Law Review

propose that INCRA's model be maintained through an endowment fund. The aim of the endowment fund, supported by governments, NGOs, foundations and private donors, is to make INCRA an independent and sustainable entity, thus removing the conflict of influence through payment[16]. To support this model, INCRA would envelop a Stakeholder council, whose primary function would be to separate the funders from the operational business[17]. To mitigate the influences of individual governments, it has also been proposed that supranational organizations such as the World Bank, IMF, or the EU contribute to the endowment fund rather than individual governments.

With the projected initial financial requirement being $400 million, the Directors are correct in stating that whilst it may seem a considerable amount for a start-up Non-Profit organisation, it would be a relatively 'small investment if divided among multiple funders. Put in perspective to the hundreds of billions of dollars already paid for public bailouts, that have been the result of faulty risk analysis, it is a relatively moderate and safe call'[18]. Also, in an attempt to promote transparency, the Bertelsmann Foundation has envisioned a four-way governance structure that includes the Funders, Management Body, Stakeholder Council and the Credit Policy Committee, which would be charged with ensuring the quality of the ratings. Such moves can be seen as a direct response to the opaque[19] structures employed by the Big Three. Whilst there are some issues with the project, as will be discussed in the last section, the notion of instilling an alternative that is founded upon honorable and genuine principles should be commended at every stage of its development.

231; Ulrich G Schroeter 'Credit Ratings and Credit Rating Agencies' in Gerard Caprio (Ed) *Handbook of Key Global Financial Markets, Institutions, and Infrastructure* (Academic Press 2013).

[16] Bertelsmann Stiftung (n 10).

[17] ibid.

[18] ibid.

[19] John Flood 'Rating, Dating, and the Informal Regulation and the Formal Ordering of Financial Transactions: Securitizations and Credit Rating Agencies' in Michael B Likosky (ed) *Privatizing Development* (Brill Academic Publishing 2005) 161 'Although the raters claim to be transparent, in fact their systems are opaque'.

This notion of a direct response to the actions of the leading Credit Rating Agencies leads us to the next section of this analysis. Whilst we have witnessed in this section the response offered by the Bertelsmann Foundation, it is now imperative that we ask 'what are they responding to?' While the misgivings of the industry may be obvious to concerned onlookers, the actual mechanics of their culpability are complex and intertwined with a number of key socioeconomic and political factors. To make sense of these complexities, we will now endeavor to assess just some of the most criticised conflicts that have been promoted as 'inherent' to the business model of the modern day Credit Rating Industry.

The Inspiration for Organisational Responses

The Bertelsmann Foundation's promotion of the INCRA project does not stand alone in this post-crisis era. While the INCRA project is the focus of this article, the work of The National University of Singapore's Risk Management Institute also contributes to this field of theoretical non-profit reactionary endeavors. The Credit Research Initiative[20] (CRI), established in 2009, offers a daily and organic database of credit research across a number of continents for more than 60,000 listed firms[21]. This, together with INCRA, demonstrates the innovative response to the actions of the leadings CRAs surrounding the Financial Crisis. But, what were these actions that catapulted the Ratings Industry so forcibly into the public consciousness? While that question has a multitude of answers, this section will focus on the operational conflicts that have come to dominate the critique of the industry over recent decades.

[20] National University of Singapore, Risk Management Institute, *Credit Research Initiative* [2014].
[21] ibid.

The issue of fee payment is inherently central to nearly every debate regarding the Credit Rating industry[22]. However, as we shall see in the next section, the specifics of the INCRA project do not combat this problem (although the philosophy may, in terms of highlighting the advantages of a non-profit system). The reason why the INCRA project cannot offer any specific alternative to the controversial 'issuer-pays' model is because the revenue streams for established CRAs that emanate from the rating of sovereign debt are remarkably low in comparison to corporate debt[23] and the rating of structured products. In light of this fact, it is important to evaluate why the Foundation deems this endeavor so important before we move on.

The Bertelsmann Foundation stresses that the recent European Sovereign-debt crisis 'has made it obvious that (how to conduct and assess sovereign risk) needs to be addressed from two angles: 1) the legal set-up of a credit rating entity and; 2) the methodology it employs to rate sovereign debt'[24]. In concurrence, Gartner, Griesbach and Jung illustrate the dangers in not confronting this issue in the most direct way possible:

> It could even be cataclysmic if these sovereign debt ratings were driving government bond yields irrespective of the development of the underlying economic fundamentals. This would put the fate of entire nations into the hands of private

[22] For a general analysis of the 'Issuer Pays' model see Richard Cantor and Frank Packer 'The Credit Rating Industry' [1994] Federal Reserve Bank of New York Quarterly Review 4; Herwig M Langohr and Patricia T Langohr *The Rating Agencies and Their Credit Ratings: What They Are, How They Work, And Why They Are Relevant* (Wiley 2008); Timothy E Lynch 'Deeply and Persistently Conflicted: Credit Rating Agencies in the Current Regulatory Environment' [2009] 59 Case Western Reserve Law Review 2; Panayotis Gavras 'Regulatory Abdication as Public Policy: Government Failure and the Real Conflicts of Interest of Credit Rating Agencies' [2010] 10 Southeast European and Black Sea Studies 4; Giulia Rognoni *Credit Rating Agencies: A Look Into Conflicts of Interest* (Lambert Academic Publishing 2011).

[23] See Moody's *2013 Annual Report* [2014].

[24] Bertelsmann Stiftung (n 11).

> agencies because bad ratings, which are not in line with economic fundamentals, could be justified *ex post via* self-fulfilling prophecies. Then, even innocent lambs could be turned into, and treated like, pigs[25].

This concept is particularly intriguing when we remember the current grievances that the Turkish government has with the leading rating agencies. The issue, or at least potential issue of rating agency involvement in national affairs, through their sovereign ratings, is not confined to the recent European Crisis and has been well analyzed for a number of years[26]. Hence, the Foundation's understanding that sovereign ratings both affect the nation's cost of borrowing and may also have a 'mechanical, pro-cyclical' effect due to regulatory provisions[27] provides sufficient justification for the formulation of an INCRA-like response to the recent crisis.

Although there proved to be limited contagion from the raft of downgrades given to a group of European nations[28], the fact still remains that any erroneous sovereign ratings have the potential to cause widespread chaos. This is perhaps the primary reason for the formulation of the INCRA project. Furthermore, as Professor Frost affirms, there is very little evidence that has been published regarding the agencies' methodological mechanisms, resulting in widespread frustration and confusion regarding the 'mystery' surrounding agency

[25] Manfred Gartner, Bjorn Griesbach, Florian Jung 'PIGS or Lambs? The European Sovereign Debt Crisis and the Role of Rating Agencies' [2011] 17 International Advances in Economic Research 289.
[26] See Carmen M Reinhart 'Default, Currency Crises, and Sovereign Credit Ratings' [2002] 16 The World Bank Economic Review, for an understanding of the impact of debt ratings upon currency stability. See also Timothy J Sinclair 'Passing Judgement: Credit Rating Processes as Regulatory Mechanisms of Governance in the Emerging World Order' [1994] 1 Review of International Political Economy, for an earlier and more general assessment of the mechanisms involved in the rating process.
[27] Bertelsmann Stiftung (n 11) 4.
[28] See Joshua Aizenman, Mahir Binici, Michael Hutchinson 'Credit Ratings and the Pricing of Sovereign Debt during the Euro Crisis' [2013] 29 Oxford Review of Economic Policy.

methodological specifics[29]. This is further evidence of the need for some kind of alteration, as an increase in operational transparency would be of direct benefit to investors, nations, and issuers[30].

The Probability of Permeation

The Bertelsmann Foundation has attempted to do something that is extraordinarily difficult in entering the credit rating industry and making a substantial contribution. An historical assessment dictates that entry into the ratings market is very unlikely to hold. A practical assessment reveals that the mechanisms of the industry actively deter new entrants to the market, and those that are successful in this quest are usually devoured by the leading participants soon after arrival. In addition, to do this under the guise of introducing a new ideal to the market further adds to the difficulties faced by the INCRA project. Yet, whilst pessimism in this sense is actually realism, there are factors that allude to the possibility of success for the INCRA project. Whilst an almost perfect scenario is required, whereby the majority of the factors that will discussed in this section *must* be realised, there is the potential for inclusion into the market place. This section will determine what these key factors are. It will then offer a small number of suggestions that may further facilitate the successful establishment of the INCRA project. By doing so, it is hoped that some contribution can be made to the understanding of the INCRA project and crucially where it goes from this point on.

[29] Carol Ann Frost 'Credit Rating Agencies in Capital Markets: A Review of Research Evidence on Selected Criticisms of the Agencies' [2007] 22 Journal of Accounting, Auditing & Finance 476.
[30] International Organization of Securities Commissions *Report on the Activities of Credit Rating Agencies* [2003] cited in Frost (n 29).

What follows has to be considered in light of one fundamental understanding. As the Foundation explains:

> INCRA has the potential to become a cornerstone of a functional financial system of the future. What it needs now is the political *will* and support of visionary leaders around the world[31].

Without this political will the INCRA project will not succeed. However, the success of the project depends upon systemic support, not political will in the broadest sense. For example, the endowment of $400 million can be attained without the support of the G20, the IMF or the World Bank as intimated by the Foundation. As the INCRA system has been formulated to safeguard the integrity of the rating process, the financial backing can theoretically come from anywhere (to a certain extent), which increases the scope of potential investors. The point here though is that it is systemic support that is required, in terms of regulatory approval. Without the recognition and approval of the SEC, INCRA cannot become a factor in the ratings industry.

The recognition from the SEC would at least allow INCRA to be accepted by investors as being *potentially* worthy of consideration. This recognition would come in the form of NRSRO designation. However, as we have seen, to move from acceptance to reliance involves a number of factors of which the recognition of the SEC is only one. But, it is fundamental; so this must be realised if INCRA is to be successful. Although there is a very

[31] Bertelsmann Stiftung (n 11) 38 (Emphasis added).

specific reason for this need other than admittance to the industry, which will be covered soon, it is important to note that should INCRA be recognised by the SEC, there would be a number of opportunities subsequently available to INCRA, with the direction that it would take being determined from that point. Yet, as was mentioned earlier, there are a number of issues that mean the recognition of the SEC, if it were to be a solitary event, would not be enough. So, if it were to be attained, INCRA would then have to develop ways with which it could increase its reputation in the eyes of investors. The sole way that INCRA could do this is by being extraordinarily accurate with its ratings, perhaps in conjunction with a clearly transparent approach to rating nations. Only this consistent and open approach will garner favor with investors who are systemically bound to the Big Three.

Next, this ‘open approach’, and the factors that INCRA is exposing to scrutiny, needs protecting at all costs. What is meant by this is that were INCRA to be recognised, and were it to begin to establish itself in the marketplace, then its needs would exponentially grow. With its increased requirements would come an increased need for funding. An endowment of $400 million may sound a lot but it really is not relatively speaking. It is this situation that makes INCRA extraordinarily vulnerable to wealthy and powerful entities that may seek to gain influence over the agency, in return for financial support. It is therefore imperative that the central component of INCRA, its non-profit composition, be maintained. Though this sounds obvious for an agency entitled the International *Non-Profit* Credit Rating Agency, this situation would more than likely become reality were the agency to develop.

In addition to this concept, INCRA must maintain its viewpoint that conflicts should be eliminated, not managed. The complete separation of analytical and commercial entities has to be maintained to separate it from the leaders of the industry. It cannot incorporate additional business ventures to supplement its rating operations through increased revenues for the same reason. It is these elements, amongst an array of others, which must be adhered to if INCRA is to differentiate itself from the Big Three, and develop a meaningful bond with investors, as opposed to the seemingly forced bond between investors and the Big Three.

These are just a small number of the issues facing INCRA in the immediate future. As the Foundation rightly acknowledge, there also needs to be change in the organizational behavior of investors; a change in the attitude displayed by governments; and a massive overhaul of the culture regarding the inclusion of the non-profit sector[32]. However, the Foundation appears intent on the notion that it is the G20 that can bring INCRA to life. Although the G20 have the capability to assist in the funding of INCRA, one may doubt whether such a forward-thinking, non-profit credit rating agency is on the agenda for the largest countries in the world. Would it not make more sense for the largest countries to create a purely publicly-funded and publicly-controlled credit rating agency instead? Some have suggested that this is precisely what is required to offset the 'public good' provision that is seemingly inherent within the provision of credit rating services by private parties[33].

It is therefore highly advised that the INCRA project seeks private sponsorship rather than governmental, in order to offset the obvious support for the ratings industry. We must not forget that the ratings industry did not become embedded on its own; the actions of the US Government directly created this situation, through regulatory measures. To subsequently

[32] ibid.
[33] Akos Rona-Tas and Stefanie Hiss 'The Role of Ratings in the Subprime Mortgage Crisis: The Art of Corporate and the Science of Consumer Rating' in Michael Lounsbury and Paul M Hirsch *Markets on Trial: The Economic Sociology of the U.S. Financial Crisis, Part 1* (Emerald Group Publishing 2010) 149.

rely upon them (and their G20 counterparts) to enact change seems counterintuitive, although it is understood why the Foundation feels that its involvement could prove crucial (by way of its political and financial potential).

Before concluding, the article will offer two differing visions for the future of the INCRA project. Both transform the nature of the INCRA project admittedly, but they *potentially* increase the probability of success of entering such a unique market.

Firstly, it is suggested that INCRA merge with the CRI. By enveloping the firm-rating CRI with the sovereign-rating expertise of INCRA, the resulting entity would contain considerable, and more importantly ethical, credit rating knowledge. If the CRI could be extended to rate structured products in a similar manner, which could only be realised were the CRI to gain additional financial support (the like of which INCRA may have already garnered at that point), then the combined entity would be able to provide credit ratings for Nations, Firms, and structured products, which would bring it directly into competition with the Big Three. In doing so, the combined entity would promote the ideal of combining non-profit and ethical methods of financial analysis. The global scale would change the nature of business in this sector, perhaps irreversibly.

Though is it clear that this combination would consist of a large number of logistical issues, the synthesis would create something more significant than either of the systems could have imagined alone. The differences between the two systems are clear, and would provide a huge hurdle that would need to be overcome. However, there is a *crucial* attachment in that they both desire to positively amend the credit rating industry (the actions and methodologies of the Big Three primarily). This unifying sentiment would be the foundation upon which the combined entity would be built.

Secondly, if this new entity were to become a reality, there is a position for it other than competing for direct business with the Big Three, which of course would likely result in failure, owing to the numerous failed attempts from other agencies who have attempted to gain any substantial segment of the market share. If we consider that both the need to establish a reputation and championing the ideal of non-profit are key factors in the potential success of INCRA or CRI, then the perfect system would allow for both of these phenomena to be realised.

This is where the 'Rule 17g-5 Program'[34] potentially makes the proposed combination of INCRA and CRI viable, in that it perhaps offers a fantastic opportunity to break the barriers set by the industry at present. In what seems like a perfectly-worded statement for the proposed INCRA/CRI entity, the SEC state that:

> Another potential benefit of the Rule 17g-5 Program is that it could possibly promote competition and mitigate barriers to entry naturally arising in the credit rating industry by allowing smaller NRSROs to compete for market share by developing a track record through the publication of unsolicited ratings[35].

[34] Securities and Exchange Commission (n 59) 54.
[35] Securities and Exchange Commission [2012] 'Report to Congress on Assigned Credit Ratings' 78.

The Rule 17g-5 Program is a system created under the Exchange Act[36], that allows for an NRSRO that is not hired by the issuer of a structured product to obtain the same information the hired NRSRO receives in order to offer an unsolicited and tracked rating, with the aim of preventing the arranger of the structured product from selected NRSROs that can *exclusively* determine the ratings for that product[37]. Clearly then, this would be the perfect opportunity for the combined entity to demonstrate to investors the efficiency of the non-profit, forward thinking ideal. If the combined entity could develop methods, based on their current outlook, that would increase the accuracy of the ratings of structured products, which as we have seen already is rather low compared to corporate debt, then the reputation of the new agency would rise exponentially.

The SEC even goes as far to state that the Rule 17g-5 Program would be 'less burdensome and costly to implement than other alternatives'[38]. Additionally, the majority of the concerns of the SEC regarding the Rule 17g-5 Program revolve around incentivising NRSROs to engage in this system as the levels of compensation would be minimal at first instance, as the agency would be not be hired. This is obviously a problem for for-profit NRSROs but is clearly perfect for the combined entity proposed here. Therefore, there is a clear gap available for the proposed entity to fill.

It is acknowledged that a proposal of this kind requires a lot more detail, and it is hoped that further research may be conducted on this issue to provide a solid foundation upon which a detailed proposal could be put forward. The proposal stems from a concern that an

[36] 17 CFR 240. 17g-5 (a)(3) and (b)(9).
[37] Securities and Exchange Commission (n 74) 54.
[38] Securities and Exchange Commission (n 74) 78.

extraordinary opportunity to implement a cultural change within such a critical sector of the economy will be missed if one relies upon governments to implement the change. There is an abundance of evidence to show that, in places where change can be affected, there is no appetite to do so. Therefore, it is contested here that private individuals and organizations must be the ones who manipulate the marketplace in favor of ethics and sensible economics, rather than profit cultivation at any expense.

Conclusion

The INCRA project is at the stage now where its advancement thus far, and the potential of its future, needs to be assessed. This piece has aimed to establish what INCRA is and what it aims to do, contextualise its importance, and hypothesise its chances of success. Arguably, these aims have been achieved. However, what has been learnt is of importance to the INCRA project. In attempting to influence one of the most embedded and unique sectors of the financial landscape, the Bertelsmann Foundation has proposed to undertake a gargantuan task. The Foundation should be commended for a number of reasons. The despicable conduct of the Big Three in the lead-up to the financial crisis should have initiated an overwhelming amount of private action aimed at toppling the system they dominate. It didn't. It provoked a wave of academic and political criticism, public anger and rumored reform. But, eight years on from the crisis it is clear to see that little has changed. The market share remains the same, the institutional protection remains intact, and unfortunately the brashness with which the Big Three conduct their business has been intensified rather than lessened. The Foundation has attempted *real* reform in the way of cultural alteration, which is extraordinarily commendable. Yet, this is not an economy that respects such endeavors.

This article referred to the economic situation in Turkey at the beginning to highlight the very public battle that INCRA may potentially enter. Such exposure can be very positive to a project like INCRA that is in its infancy. What would be the most interesting part of the INCRA rating of Turkey is the comparison with Moody's and Fitch's ratings, as INCRA advertises itself on taking longer-term socioeconomic factors in consideration. What any difference in rating that may occur means is another matter altogether. If INCRA were to be established and its ratings differed substantially from those of the Big Three, then questions would perhaps need to raised regarding the methodologies of the Big Three, and this in effect is the potentially important role projects such as INCRA and the CRI can play in the provision of credit ratings.

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17 CFR 240. 17g-5.

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