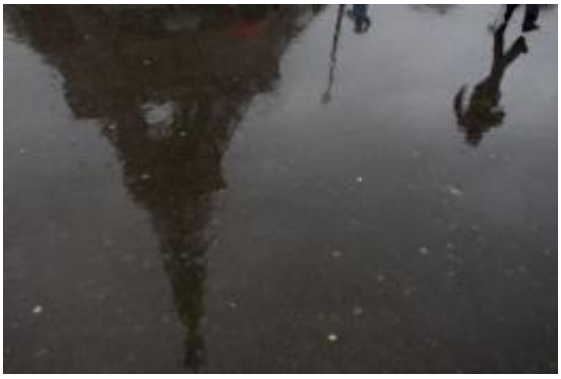
S&P: Year-old web change caused France rating error

November 11 2011



A picture taken on November 1, shows the reflection of a man walking past the Eiffel Tower in Paris. Embarrassed ratings agency Standard & Poor's said Friday that its erroneous downgrade of France arose when an automatic email was sent out after an old web page on French banks was changed.

Embarrassed ratings agency Standard & Poor's said Friday that its erroneous downgrade of France arose when an automatic email was sent out after an old web page on French banks was changed.

As European officials called for a crackdown on the behavior and power of ratings agencies, S&P explained Thursday's emailed downgrade announcement as an accident related to a test adjustment left on its client website last year.

"Standard & Poor's has determined that yesterday's erroneous message

regarding a downgrade resulted from a technical error wholly unrelated to the sovereign rating on France," the company said in a statement.

It said that in December 2010, it had placed its Banking Industry Country Risk Assessment (BICRA) for France on the company's main Global Credit Portal.

They did this as a test, but eventually did not place the other country BICRA rankings on the portal.

When S&P on Thursday issued a new review of BICRA rankings, the ranking page for France on the portal automatically was made "N/A", or "not available".

That triggered emails to subscribers notifying them of a downgrade of France, which has a top-flight AAA rating, sparking short-lived havoc in the markets before S&P sent out a correction.

"The system mistakenly interpreted this change as a 'downgrade' and triggered a message to a limited number of subscribers who had signed up to receive e-mail alerts," S&P said.

S&P has since reiterated France's rating of "AAA/A-1+' with a stable outlook."

But coming when French finances were already under heavy pressure and with ratings agencies already threatening downgrades, and with turmoil building over already-devalued Italy's finances, the error infuriated EU policy makers.

Dubbing the S&P mistake "serious", the EU's internal markets commissioner Michel Barnier said Friday that the incident underlined "that in the current tense and volatile market situation, market players

must exercise discipline and demonstrate a special sense of responsibility."

Barnier said he would propose reforms that would reduce reliance in the European Union on ratings, increased competition and transparency in sovereign debt ratings, and toughen liability for misconduct.

S&P said it "has taken immediate steps to prevent a similar error from happening again."

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