

# JOURNAL OF BANKING AND FINANCE LAW AND PRACTICE

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A NOTE FROM THE EDITOR ..... 111

## ARTICLES

### **Fallout from the global financial crisis: Credit rating agencies in the frame – Tony Ciro**

The global financial crisis (GFC) which had its genesis in the United States housing bubble led to catastrophic financial consequences for the entire global economy. Similar to other crises in the past most notably, the Great Depression of the 1930s, the GFC had severe ramifications on the real economy. The fallout from the GFC also highlighted the role that credit rating agencies (CRAs) played in the GFC. CRAs were responsible for issuing credit assessments on a range of financial products that were linked with the US housing bubble and its subsequent collapse. Complex financial derivatives which included structured collateralised debt obligations (CDOs) were not well understood by a majority of end-users. Typically, the CDOs were rated by CRAs as AAA investment grade financial products. The assessment and issuance of the AAA rating was crucial in allowing financial intermediaries to market these products to end-users. Some of the end-users which included government agencies, pension funds and local government authorities were required to invest surplus funds in only AAA rated financial instruments. Unfortunately, some of these CDOs were not AAA rated investment grade and consequently led end-users to be exposed to considerable financial risk and financial loss. The recent Federal Court and Full Court case concerning *ABN AMRO Bank NV v Bathurst Regional Council* [2012] FCA 1200 and (2014) 224 FCR 1 highlights the risks involved in issuing misleading and negligent credit ratings with structured financial derivatives. .... 112

### **Pulling back the shades: Demystifying vulture funds – Adam Watterson**

Despite the mystique that has surrounded vulture funds since their inception, there is a growing need for an understanding of these firms due to their increasing presence within the Australian insolvency and distressed debt markets. This article seeks to remove some of that mystique by providing insights into the objectives, investment strategies, corporate structures of vulture funds, as well as the commercial landscape in which these deals take place. .... 131

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