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## **RYDE RATEPAYERS THE WINNERS FOLLOWING LANDMARK COURT RULING AGAINST RATINGS AGENCY STANDARD & POOR'S**

City of Ryde ratepayers are the winners following today's Federal Court ruling against ratings agency Standard & Poor's (S&P), ABN AMRO and Local Government Financial Services (LGFS), in relation to the ratings of bad financial products sold to local Councils in 2006, prior to the global financial crisis.

The landmark ruling found in favour of Ryde and a group of NSW local Councils who stand to recover about \$30 million in losses suffered during the 2008 world financial crisis.

City of Ryde General Manager John Neish, said: "This ruling is very welcome news in what has been a long and complex legal process.

"It is good to see that a significant portion of the \$1million of our ratepayers funds invested in these products will be recovered."

Law firm Piper Alderman who represented the claimants, with funding from IMF (Australia) Ltd), said the court found in favour of the Councils who alleged misleading conduct, breach of contract, breach of fiduciary duty and negligence.

City of Ryde Group Manager – Corporate Services, Roy Newsome, said: "Today's ruling vindicates our decision to buy these products that were sold to us as AAA rating.

"This highly recommended investment was made only after we did the proper due diligence and on the advice from LGFS who had an extensive knowledge of local government and understood the conservative approach that local government takes in respect of investments."

The Federal Court decision follows a ruling in September against Lehman Brothers Australia (now in liquidation) which found Lehman's breached its legal duties when it sold the toxic derivatives, known as collateralised debt obligations (CDOs), to a group of charities, councils and church groups who collectively lost around \$250 million.

### **Summary of Court's findings:**

- The Court found that S&P was negligent as it owed a duty of care to investors, did not have reasonable grounds for assigning the AAA rating and could not rely on its disclaimers that the rating was merely opinion.
- S&P was found to have engaged in misleading conduct by publishing the rating without having reasonable grounds for that opinion.
- ABN AMRO was found to have been negligent and guilty of misleading conduct for passing on the unreliable rating and for its involvement in procuring the rating.
- LGFS was found to have breached the fiduciary duty it owed to the Councils as it had a financial conflict of interest with its clients; and was found to be negligent for failing to adequately disclose the material risks of the product.