How U.S. ratings giants affect the eurozone

Credit rating agencies assess the creditworthiness of bond issuers – countries that borrow money – with a three-letter score. A change to the score means a change to the interest a country must pay its debt-holders

S&P / Moody's ratings for risk of government debt default

AAA / Aaa	AA / Aa	A / A	BBB / Baa	BB / Ba	B / B	CCC / Caa
Minimal	*Very low*	*Low*	*Moderate*	*Real*	*High*	*Very high*

Lower interest rates — **Higher interest rates**

STANDARD & POOR'S: Founded 1860 by Henry Poor

Moody's: Founded 1909 by John Moody

FitchRatings: Founded 1913 by John Fitch

S&P Ratings revenue *(2010)*: **$1.70bn**

Moody's: **$1.47bn**

Fitch: **$554m**

Seven other agencies: $196m
All 10 agencies (eight in U.S, one each in Canada and Japan) are approved by U.S. financial watchdog – ***Securities and Exchange Commission (SEC)***

Triple-A rated country

Agency downgrades rating of country

Government sells debt at bond auction: Interest rate of ***AAA gilt-edged*** bond is low because repayment of money borrowed is considered ***risk free***

Lower rating pushes down value of bond and raises interest rate

Regulated investment funds: Pension and insurance funds – which can only hold AAA-rated bonds – are forced to sell

With more sellers than buyers, value falls and interest rates rise

Michel Barnier: EU Commissioner for Internal Market and Services has called for regulation on ratings firms to reduce their power during eurozone crisis

Downgrade from AAA to AA typically raises cost of borrowing by 0.5%
For France, with government debt at 87% of GDP, this would cost taxpayers an extra $12.8bn a year

Sources: Bloomberg, BBC   Picture: Getty Images