
Cahill Wins Dismissal in Securities Class Action for Standard & Poor's

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A Cahill litigation team prevailed on behalf of McGraw Hill Financial, Inc., and its wholly owned subsidiary Standard & Poor's Financial Services LLC ("S&P"), in a securities class action arising from ratings S&P assigned to Fannie Mae's preferred stock in the first half of 2008. Alleging that S&P intentionally, recklessly, and/or negligently issued false and misleading ratings regarding Fannie Mae Preferred Stock, Series T, Plaintiffs asserted New York common law claims sounding in fraud and negligent misrepresentation on behalf of a putative class.

On June 24, U.S. District Judge for the Southern District of New York, Paul Engelmayer, dismissed Plaintiffs' claims, finding that the putative class action was precluded by the Securities Litigation Uniform Standards Act of 1998. Judge Engelmayer also dismissed with prejudice Plaintiffs' fraud claim. Judge Engelmayer found that, as a matter of law, S&P's credit ratings are opinions that are only actionable if "the holder of the opinion reflected in the rating did not believe the opinion at the time it was made." Judge Engelmayer held that Plaintiffs' allegations concerning S&P's purportedly "debilitating conflicts" and "strong competitive and financial pressure to deliver favorable" ratings failed "by a wide margin to allege adequately that S&P did not believe" its ratings. The Court also dismissed without prejudice Plaintiffs' negligent misrepresentation claims.

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