Credit ratings have inadvertently contributed to financial instability. This paper recommends that ratings of governments or companies should be seen as one of several tools to measure risk, and not as the sole and dominant one. Over-reliance leading particularly to abrupt downgrades, can lead to deleterious selloffs of securities with the potential for broader spillovers, triggering further sell-offs. Actions by ratings agencies to make changes in ratings less abrupt have been counter-productive: much market reaction occurs when warnings are released rather than when the actual rating changes. And sovereign ratings could have taken better account of debt composition and contingent liabilities. Investors must also be weaned off credit ratings too, and perform their own risk assessments according to their size, sophistication, and the instruments being rated. The main ratings agencies should be subjected to increased oversight