

Title: NUS offers free global credit ratings of firms

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Low risk

STI COMPANIES	PROBABILITY OF DEFAULT (%)	
	1 YEAR	2 YEARS
DBS Group	0.4846	0.8963
CapitaLand	0.3099	0.6756
Jardine Matheson	0.3057	0.6579
Noble Group	0.2952	0.7131
Neptune Orient Lines	0.2890	0.7013
Capitamall Trust	0.2873	0.7154
Jardine Strategic	0.2725	0.5969
Olam International	0.2367	0.6168
UOB	0.2231	0.5584
Golden Agri	0.2109	0.6204
Genting Singapore	0.2061	0.4760
Wilmar International	0.1804	0.5049
Comfortdelgro Corp	0.1734	0.4812
OCBC	0.1524	0.4437
Keppel Corp	0.1416	0.4452
Jardine C&C	0.1331	0.3989
SembCorp Industries	0.1318	0.4151
City Developments	0.1282	0.4394
Fraser and Neave	0.1094	0.3899
ST Engineering	0.1025	0.3691
StarHub	0.0991	0.4128
SingTel	0.0981	0.3508
Hongkong Land	0.0967	0.3435
SembCorp Marine	0.0943	0.3574
Singapore Airlines	0.0714	0.3286
SPH	0.0249	0.1931
SIA Engineering	0.0186	0.1576
Singapore Exchange*		
CapitaMalls Asia*		
SMRT Corp*		

Note: *There is no data in the database for this company

ECONOMIES	% OF COMPANIES LIKELY TO DEFAULT	
	1 YEAR	2 YEARS
Australia	4.1027	4.6935
China	2.9684	4.7043
Taiwan	2.1071	2.9316
Malaysia	1.9779	2.9828
Singapore	1.6540	2.2682
Thailand	1.3866	2.4883
Hong Kong	1.3294	1.5628
Philippines	1.2441	2.1679
South Korea	1.1821	1.3040
Indonesia	1.0057	1.6327
Japan	0.9761	1.3517

NUS offers free global credit ratings of firms

Most S'pore firms have low default risks; DBS has highest risk in STI

By LYNETTE KHOO

[SINGAPORE] For the first time, investors are able to assess credit ratings of listed companies worldwide without charge – made possible by a free-for-all system launched yesterday by the National University of Singapore (NUS).

This new credit rating system, which uses probabilities of default, covers more than 1,000 companies from 12 Asian economies for a start.

Based on provisional credit ratings last updated on July 14, most Singapore companies have a low risk of default.

DBS has the highest probabilities of default among the local banks as well as blue chips in the Straits Times Index (STI).

But its probabilities of default are still low by any account, analysts noted.

DBS's probabilities of default – at 0.4846 per cent for the one-year period and 0.8963 per cent for two-year period – are higher than Bank of China's 0.2726 and 0.4523 per cent, and Hong Kong's Bank of East Asia's 0.1076 and 0.256 per cent.

Reflecting the defensive nature of their stocks, SIA Engineering and Singapore Press Holdings have the lowest probabilities of default among STI companies.

Regionally, Australia has the highest percentage of companies at risk of a default within one year, while China has the highest percentage of companies at risk in the two-year period.

These credit ratings are available on the NUS website. The Singapore coverage now comprises 47 listed companies, mostly blue chips.

This initiative by NUS Risk Management Institute (RMI) is costing \$7 million and is partly funded by the Monetary Authority of Singapore's Financial Sector Development Fund and revenue from NUS educational programmes.

Following a call for proposals, 11 global research teams consisting mostly of academics and an internal RMI team, are currently working on different rating models.

The credit ratings in the system are now based on provisional methodology called forward default intensity method before the winning model is selected.

NUS RMI hopes to re-release rating reports for the

500 largest Asian companies by July next year.

Being a not-for-profit undertaking, the RMI rating methodology is also non-proprietary and can be challenged and improved by external parties.

RMI also maintains a database of more than 20,000 listed companies and around 5,000 de-listed companies in Asia.

"We have the intention to complete the whole Asia (coverage)," director of RMI and professor at NUS Business School Duan Jin-Chuan told reporters yesterday.

Speaking at the Fourth Annual Risk Management conference organised by NUS RMI, Dr Duan said credit ratings are a "public good" and the not-for-profit model is an obvious alternative to the major credit rating agencies.

It is free from the conflict of interest seen in these agencies where the service is paid by issuers, he said.

NUS is confident of doing better than major credit rating agencies like Moody's, S&P and Fitch Ratings despite its smaller-scale operation.

Dr Duan said the quality assurance of the rating system comes from the million pairs of eyes watching – much like Wikipedia.