

Title: NUS credit rating system for Asian firms get soft launch  
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# NUS credit rating system for Asian firms gets soft launch

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A NEW rating system that will assess the financial health of about 1,000 Asian companies was soft-launched yesterday.

The facility is being developed by the National University of Singapore's Risk Management Institute (RMI) and is still in its testing stages.

The official release is expected next year but users can get a feel of how it will work by checking out the website at <http://www.rmi.nus.edu.sg/rmicri>

NUS Professor Jin-Chuan Duan announced the soft launch at the RMI's fourth annual risk management conference yesterday.

Prof Duan said: "There will be no conflicts of interest since we will not be accepting fees or funding from the firms we rate. Neither will we charge users."

The service will run along the lines of the Wikipedia site so it will be not-for-profit and count on voluntary con-

tribution of ideas, skills and time from individuals all over the world.

Users can add to the repository of information and so help other users, who can access the site for free and learn the probability of any one of the 1,000 firms defaulting on its loans.

For example, a check yesterday showed that the probability DBS Group Holdings will default any time in the next two years is a minuscule 0.8963 per cent, while United Overseas Bank's probability is lower at 0.5584 per cent.

RMI maintains the research infrastructure which comprises a comprehensive database of more than 20,000 listed Asian firms and around 5,000 delisted firms. These include more than 1,600 firms that have defaulted or gone bankrupt since 1990.

The ratings market has been dominated by global agencies Moody's, Standard & Poor's and Fitch.

The NUS system comes amid criticisms

of credit rating agencies for not downgrading some companies during the financial crisis.

Some critics say rating agencies face conflict of interests since debt issuers pay them for a rating.

This has led to calls for more independent research and more transparency in the agencies' methods.

The chief executive of private equity firm Orchid Capital, Mr Julian Sandt, welcomed the new ratings system.

"Even if you can't really rely on the exact numbers, there would still be a correlation between the default probability and the likelihood of a real default happening," he said.

Earlier at the conference, Monetary Authority of Singapore deputy managing director Ong Chong Tee said the economic crisis has provided all financial market stakeholders with a reason to reflect and an opportunity for reform.

"We may never be able to prevent the next big crisis but hopefully, the global community will be able to better manage the next crisis and the ensuing cost from the fallout," he said.

Mr Ong also said reforms to the global financial system will mean changes to the way market participants like banks, other financial institutions and investors interact.