



## Press Releases and News

Title: NUS RMI plans credit rating system  
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### **NUS RMI plans credit rating system**

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AMID mounting criticism of credit rating agencies for not downgrading ratings for troubled companies earlier, a Singapore university looks to launch its own credit rating system to rate some 500 Asian firms by 2011.

The National University of Singapore (NUS) will set up a non-profit rating system with up to eight partner teams, mostly made up of academics, to suggest new methods that will face off against rating systems currently used.

NUS is expected to invest \$7 million in the project over five years.

'A lot of problems have been attributed to the credit rating agencies during this crisis,' Oliver Chen, programme director at NUS's Risk Management Institute (RMI), said at its third annual conference yesterday.

Hoping to offer 'scientific competition', Mr Chen said that the new methods will challenge the 'one-dimensional' ratings associated with current agencies.

Critics say that rating agencies have conflicting interests since debt issuers pay them for a rating, leading some to call for more independent research and more transparency in the agencies' methods.

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

The NUS project will be funded by RMI, which in turn is partly funded by the Monetary Authority of Singapore's Financial Sector Development Fund and revenue from its educational programmes.

Out of 20,000 companies reviewed, 500 that cut across the 11 countries in the region - including Australia - and industries will be rated.

The listed companies and the new methods developed by NUS and its partners will be presented to corporate players and academics at next year's conference.

Separately at yesterday's conference, the head of MAS's financial risk supervision division, Shaji Chandrasenan, said that in looking at structured products, MAS did not have complete data on all participants. 'There were a lot of shadow banks and hedge funds that were participants but we didn't have the data, so we weren't able to simulate the impact from market and credit risks.'

Deutsche Bank vice-chairman Malcolm Knight said in his speech yesterday that with banks moving to an 'originate to distribute' model - they originate loans, securitise them and sell them - the industry should now be able to measure the default correlation risk for asset-backed securities.