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RATING SYSTEMS

New Asian kid on the block?

NUS unit's project aims to compete with big agencies

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A RESEARCH unit at the National University of Singapore is developing a new corporate credit-rating system that it believes will give the big rating agencies like Standard & Poor's, Moody's Investors Service and Fitch Ratings a run for their money.

The new rating system, which is expected to be completed in two years, is in response to what it has perceived as failings of the credit rating agencies during the global financial meltdown.

The project, touted to be the first such academic endeavour, will cover 500 Asian listed firms across 11 markets, including Singapore.

Launched by the NUS Risk Management Institute (RMI) yesterday at its third Risk Management Conference, the project will involve up to 50 researchers and has a budget of about $7 million, which will be funded independently.

RMI senior research fellow Dr Oliver Chen said that, despite the problems associated with the credit rating agencies, such as their lack of timely downgrades and conflict of interest with fee-paying customers, all investors and institutions are still dependent on them.

"So, what we want to try to do is help to improve the job ... by providing scientific competition," he said.

Apart from improving the credit ratings system, another way to improve financial regulation is to focus on the resilience of the markets itself, where financial products like credit derivatives operate.

The Monetary Authority of Singapore's director of financial risk in its specialist risk supervision division, Mr Shaji Chandrasenan, speaking at the same seminar in his personal capacity, said that while the current emphasis has largely been on targeting financial institutions, more work needs to be done in the markets aspect.

"One of the biggest lessons we've learnt from this crisis is that the data we collected from the credit derivatives markets were not full. There were a lot of shadow banks and hedge funds which were participants but we didn't have the data, and we weren't able to simulate any market or credit risks ... correctly," he said.