

NATIONAL UNIVERSITY OF SINGAPORE — RISK MANAGEMENT INSTITUTE

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The National University of Singapore's (NUS) Risk Management Institute (RMI) was established in 2006 as a research institute dedicated to financial risk management with support from the Monetary Authority of Singapore under the Risk Management and Financial Innovation program. RMI seeks to complement, support and develop Singapore's financial sector's knowledge and expertise in risk management to address the challenges arising from globalization, structural change and volatile markets.

Credit Rating Initiative

RMI's major research project is a credit rating initiative undertaken in response to criticism of credit rating agencies in the wake of the 2008-2009 financial crisis. As a non-profit endeavour, the initiative takes a "public good" approach to credit ratings with the goal of keeping the rating system current, evolutionary and organic. To that end, RMI spurs research and development in credit rating methodologies.

The primary component of the initiative is a probability of default (PD) estimation system that provides updates on a daily basis to ensure their relevance and currency. Currently, PDs are available for 30 economies in North America, Western Europe and Asia-Pacific. Estimates for 2,200 selected firms are available to the public; full access to over 28,000 firms will be granted free of charge to qualified professionals at the discretion of RMI. Future phases will expand coverage globally.

A key objective is to demonstrate the feasibility of a transparent, independent ratings system. RMI sources ideas globally, providing infrastructure and welcoming contributions from external researchers and practitioners. Implementation quality and editorial control are maintained by taking a 'selective Wikipedia' approach to managing contributions. Regulators can use RMI's estimates to inform their supervisory activities. Industry practitioners can use the outputs to augment their analyses. And companies can leverage the expertise



and data developed by the initiative to enhance their internal credit systems.

In addition, two RMI publications bridge the gap between academic research and practice. The *Global Credit Review* presents developments in global credit markets, regulatory frameworks, and theoretical and empirical research

on credit risk annually. RMI's *Quarterly Credit Report* analyzes credit conditions across regions, economies and sectors based on PD estimates.

Training and Education

RMI works with the financial industry to help practitioners enhance their risk management proficiency. The institute has provided PRM™ Certification Training since 2007. A Masters of Science in Financial Engineering has been offered through NUS since 1999. These courses help students and professionals gain the skills, know-how and financial intuition to analyse, interpret and communicate risk effectively, while providing a thorough grounding in the mathematics and IT skills required to implement risk and pricing models.



ABOUT THE AUTHOR

Jin-Chuan Duan has been the director of RMI since 2007. He holds a joint appointment as the Cycle and Carriage Professor of Finance at NUS Business School.