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APEC Business Advisory Council

ONGOING CAPACITY BUILDING INITIATIVES FOR THE DEVELOPMENT OF THE DOMESTIC CREDIT RATING INDUSTRY

Suresh Menon
Executive Director
Rating Agency Malaysia Berhad

Chairman, Training Committee
Association of Credit Rating
Agencies in Asia (ACRAA)

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ONGOING CAPACITY BUILDING INITIATIVES FOR THE DEVELOPMENT OF THE DOMESTIC CREDIT RATING INDUSTRY

- **INTRODUCTION AND BACKGROUND OF ACRAA**
- **OBJECTIVES OF ACRAA**
- **CAPACITY BUILDING INITIATIVES**
- **MOVING FORWARD**

INTRODUCTION AND BACKGROUND OF THE ASSOCIATION OF CREDIT RATING AGENCIES IN ASIA (ACRAA)

- **Formed in 2001**
- **Original membership of 15 DCRA's**
- **Current membership of 25 spread across 14 Asian countries**
- **Governed by a Board of Directors comprising:**
 - **Mr. Kazuo Imai** – *Chairman* (JCRA, Japan)
 - **Mr. Pranab Kumar Choudhury** - *Vice Chairman* (ICRA, India)
 - **Mr. Rajagopalan Ravimohan** - *Chairman, Best Practices Committee* (CRISIL, India)
 - **Mr. Suresh Menon** - *Chairman, Training Committee* (RAM, Malaysia)
 - **Mr. Santiago F. Dumlaog, Jr.** - *Secretary-General* (Philippines)

- **Bangladesh**
 1. Credit Rating Information & Services Ltd.
 2. Credit Rating Agency of Bangladesh Ltd.
- **People's Republic of China**
 1. Dagong Global Credit Rating Co., Ltd.
 2. Shanghai Far East Credit Rating Co., Ltd.
 3. Chengxin International Credit Rating Co.
- **India**
 1. CRISIL Limited
 2. ICRA Limited
 3. Credit Analysis & Research Limited
- **Indonesia**
 1. PEFINDO Credit Rating Indonesia
 2. P.T. Moody's

LIST OF MEMBERS (cont'd)

- **Japan**
 1. Japan Credit Rating Agency, Ltd.
- **Kingdom of Bahrain**
 1. Islamic International Rating Agency
- **Korea**
 1. Seoul Credit Rating & Information, Inc.
 2. Korea Investors Service, Inc.
 3. Korea Ratings Corporation
 4. National Information & Credit Evaluation, Inc.
- **Malaysia**
 1. Rating Agency Malaysia Berhad
 2. Malaysian Rating Corporation Berhad

LIST OF MEMBERS (cont'd)

- **Pakistan**
 1. JCR-VS Credit Rating Co., Ltd.
 2. Pakistan Credit Rating Agency Limited
- **Philippines**
 1. Philippines Rating Services Corporation
- **Sri Lanka**
 1. Lanka Rating Agency Limited
- **Taiwan**
 1. Taiwan Ratings Corporation
- **Thailand**
 1. TRIS Rating Co., Ltd.
- **Uzbekistan**
 1. Ahbor Rating

OBJECTIVES OF ACRAA

OBJECTIVES OF ACRAA

- To promote **interaction & exchange of ideas, experiences and information** among the credit rating fraternity in the region
- To undertake activities aimed at promoting adoption of **Best Practices & Standards**
- To undertake activities aimed at promoting the **development of Asia's bond markets and cross-border investment**

CAPACITY BUILDING INITIATIVES

CAPACITY BUILDING INITIATIVES

- **3 Committees under the Board**
 1. Training Committee
 2. Best Practice Committee
 3. Regulatory Relationship Committee

- **Committees formed in line with ACRAA's desire to fulfill its objectives**

- **Two main activities**
 1. Joint Training Workshops
 2. Best Practices Dialogues



CAPACITY BUILDING INITIATIVES

~ *Training Workshops* ~

DATE & VENUE	TOPICS DISCUSSED
9 - 10 May 2007 <i>Hyderabad, India</i>	Real Estate Investment Trusts (REITs) for Rating Agencies
15 - 16 November 2006 <i>Bangkok, Thailand</i>	Basel, Asset Quality and Rating Agencies
26 - 27 June 2006 <i>Kuala Lumpur, Malaysia</i>	Criteria Harmonisation
7 - 8 November 2005 <i>Shanghai, People's Republic of China</i>	The Fundamentals of Corporate Credit Analysis

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CAPACITY BUILDING INITIATIVES

~ *Training Workshops* ~

DATE & VENUE	TOPICS DISCUSSED
22 - 24 June 2005 <i>Kuala Lumpur, Malaysia</i>	Rating of Securitisations, CDOs and Synthetic Securitisations
16 - 17 Nov 2004 <i>Manila, The Philippines</i>	Corporate Credit Rating Methodology and Criteria
29 - 30 April 2004 <i>Kuala Lumpur, Malaysia</i>	Credit Rating for General Insurance Companies
10 - 11 September 2003 <i>Bangkok, Thailand</i>	Advanced Securitisation: Auto Loan Receivables

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CAPACITY BUILDING INITIATIVES

~ *Training Workshops* ~

DATE & VENUE	TOPICS DISCUSSED
10 - 11 March 2003 <i>New Delhi, India</i>	Financial Analysis of Banks
29 - 30 August 2002 <i>Kuala Lumpur, Malaysia</i>	Infrastructure Project Finance
4 - 5 June 2002 <i>Manila</i>	Securitisation
6 June 2002 <i>Manila</i>	Conference to Strengthen the Credit Rating Discipline in Asia

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CAPACITY BUILDING INITIATIVES

~ *Training Workshops* ~

- About 12 workshops have been conducted so far
- Specialised topics chosen for CRAs
- Conducted by Resource Speakers
 - External
 - Internal
- Customised for credit rating function
- Customised also for different levels of experience
 - Advanced
 - Basic
- Financial support from ADB's Regional Technical Assistance Programme (RETA)

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CAPACITY BUILDING INITIATIVES

~ *Best Practices Dialogue* ~

DATE & VENUE	TOPICS DISCUSSED
3 April 2007 <i>Jakarta, Indonesia</i>	<ul style="list-style-type: none">■ Investing in Investor Education – Are we doing enough?■ GCRA vs DCRA■ Is there a responsibility on CRAs for developing debt markets? – Action points for developing debt markets
21 November 2006 <i>Manila, The Philippines</i>	<ul style="list-style-type: none">■ Managing Activities with Potential Conflicts of Interest - Ratings and Advisory Businesses■ Trustee's Role in Credit Enhanced Instruments – Should Rating Agencies Monitor?■ The Ethics of using Pricing as a Tool of Competitive Advantage

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CAPACITY BUILDING INITIATIVES

~ *Best Practices Dialogue* ~

DATE & VENUE	TOPICS DISCUSSED
2 June 2006 <i>Bali, Indonesia</i>	<ul style="list-style-type: none">■ Steps to Accelerate Cross Border Investment in Asia■ ACRAA Best Practices Adoption – Status and Way Forward■ “Rating Harmonisation” - Agenda for Action
3 June 2005 <i>Manila</i>	<ul style="list-style-type: none">■ Role of Rating Agencies under Basel II – Issues in Harmonisation and Mapping with Global Agencies.■ Cross Sector Consistency of Ratings - How to Manage and Measure.■ “Through-the-Cycle” Rating – Striking a Balance between Volatile Ratings and insensitive / inaccurate ratings.

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CAPACITY BUILDING INITIATIVES

~ *Best Practices Dialogue* ~

DATE & VENUE	TOPICS DISCUSSED
18 November 2004 <i>Manila, The Philippines</i>	<ul style="list-style-type: none">■ Dealing with Lack of Information or Withholding of Information.■ Conflict of Interest - How Rating Agencies Handle Conflict.■ Harmonisation of Rating Standards and Rating Practices: Some Concrete Initial Steps.
12 September 2003 <i>Bangkok, Thailand</i>	<ul style="list-style-type: none">■ Meaning of Default■ Factoring Corporate Governance into Credit Ratings

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CAPACITY BUILDING INITIATIVES

~ *Best Practices Dialogue* ~

DATE & VENUE	TOPICS DISCUSSED
12 March 2003 <i>New Delhi, India</i>	Rating of Well-Secured Debts
28 August 2002 <i>Kuala Lumpur, Malaysia</i>	<p>Areas covered:</p> <ul style="list-style-type: none">■ Code of Ethics;■ Rating Process;■ Code of Conduct for Rating Agencies■ Communication

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CAPACITY BUILDING INITIATIVES

~ Best Practices Dialogue ~

- About 8 Best Practices dialogues, each with 2 or 3 relevant topics
- Deals with conduct of the credit rating business as a whole rather than rating specific criteria
- A checklist of Best Practices was initially introduced
- A compendium of Practices of all ACRAA members has recently been published

MOVING FORWARD...

Challenges

- Divergence in stages of development
- Funding constraints
- Globalisation of the rating industry
- Retention of expertise

Issues for Deliberation

- Regional CRA?
- Harmonisation?
Can only bring divergent practices to common standards
- Regular forums or dialogues with ABMI – WG4?

Issues for Deliberation (cont'd)

- Audit of standards of each DCRA?
- Be more prescriptive rather than suggestive in implementing Best Practices?
- Assist in setting up other DCRAs?

DISCUSSION...

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APEC Business Advisory Council

Thank You

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