



## Basel II: A business information provider's perspective

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## The importance of Business Information Providers in the Basel II Era

Business Information Providers are key players in the Basel II Era:

- by providing credit ratings:  
**Standardized Approach**

And/or

- by providing business data and/or services for model development:  
**Internal Risk Based Approach**



## The importance of Business Information Providers in the Basel II Era

In order to play this vital role, our companies must be recognized -especially for the Standardized Approach- as External Credit Assessment Institutions, ECAIs.

**For being an ECAI, we must fulfill certain regulatory criteria**



## ICAP's status towards becoming an ECAI

- One of ICAP's first priorities is to be recognized as the first ECAI by the Greek regulator.
- As we are the first applicant, the whole process takes time and the delays are inevitable. We spend therefore, a lot of time in formulating things, educating the market and lobbying.
- We expect to be recognized by the Bank of Greece as the first Greek ECAI by the end of 2007



## Regulatory criteria covered by ICAP

<b>Methodology</b>	
<b>Objectivity</b>	<b>Required Documentation on</b>
	Model development steps
	Model development techniques
	Data sources description
	Methods for validating the models' stability
<b>Independence</b>	<b>Required Documentation on</b>
	Development and testing of applications
	Access policy to algorithms and applications
	Architectural structure of systems
	Staff skills, abilities and sufficiency
	Procedures to ensure data quality
	Financial independence
	Principles of corporate governance
	Committees
	Independence of other services

## Regulatory criteria covered by ICAP

<b>Methodology</b>	
<b>Ongoing Review</b>	<b>Required Documentation on</b>
	Process for models and applications maintenance
	Process for models regular monitoring
<b>Transparency and disclosure</b>	<b>Required Documentation on</b>
	Creation of relevant material
	Website construction
<b>Individual Credit Assessments</b>	
<b>Credibility &amp; market acceptance</b>	<b>Required Documentation on</b>
	Market Acceptance
<b>Transparency and disclosure</b>	<b>Required Documentation on</b>
	Transparency and disclosure



## Regulatory criteria covered by ICAP -

<b>Mapping</b>	
<b>CDRs</b>	<b>Required Independence of other services</b>
	Procedure for constructing static pools
	Procedures for calculating CDRs
	Creation of relevant material

## Actions already done by ICAP

- Commentary on [CESR](#) call for evidence on Credit Rating Agencies (Aug. 2004)
- Commentary on [IOSCO](#) Code of Conduct Fundamentals for Credit Rating Agencies (Nov. 2004)
- Commentary on [Bank of Greece](#) First Draft for the recognition of the ECAs (Jan. 2005)
- Presentation of ICAP Business Activities and New ICAP Credit Rating to [Hellenic Capital Market Commission](#) executives (May 2005)
- Presentation of New ICAP Credit Rating to [Bank of Greece](#) executives (Jun 2005)
- Commentary on [CEBS](#) consultation paper on the recognition of ECAs (Sep. 2005)
- Presentation of ICAP actions for the fulfillment of the ECAI recognition criteria to [Bank of Greece](#) executives (Sept. 2006)
- Presentation of New ICAP Credit Rating to [Hellenic Bank Association](#) executives (Jan. 2007)
- Delivery of ICAP ECAI documentation to [Bank of Greece](#) executives (Apr. 2007)
- First feedback on ICAP documentation from [Bank of Greece](#) executives (May 2007)



## Benefits for Business Information Providers

### 1. MARKET PENETRATION

- New markets i.e. Banks, Leasing, Factoring, .....
- New Products i.e. Credit Risk Systems Development, Credit Modeling Development, Segmentation Analysis, Validation Services, ...

### 2. MARKET DEVELOPMENT

- Portfolio Credit Risk Services for companies, Monitoring of Credit Quality Events

### 3. CUSTOMER LOYALTY



## Indicative benefits for ICAP

### **Applications for Standardized Approach:**

4 Medium Size Greek Banks

-Attica Bank, Marfin Egnatia Bank, Proton Bank, Millennium Bank-

### **Applications for Internal Approach:**

2 Large Size Greek Banks

-Alpha Bank, Attica Bank for consumers lending-

### **Structured Data & Credit Ratings:**

5 Medium and Large Size Greek Banks

-Alpha Bank, Eurobank, Emporiki Bank, Piraeus Bank, Hellenic Bank-

### **Portfolio Credit Risk Services:**

120 Corporations

-Michelin, Philips, Bayer, Siemens, Sony, Würth, Lafarge, Abbott Laboratories, Hyatt, Athens International Airport, Pepsico-Ivi, Titan Cement, Shell, L'oreal, Nestle, etc.-



Many Thanks for your attention

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