



## 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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