



# Credit Scoring: World Wide Quality & Lessons learned

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# Topics

- World wide scoring.
  - One size fits all?
  - Interpretation: AAA = AAA?
- Quality of scoring models
  - Quality, what is that?
  - Criteria and business requirements
- Experiences and improvements
  - Crisis
  - Innovation by co creation

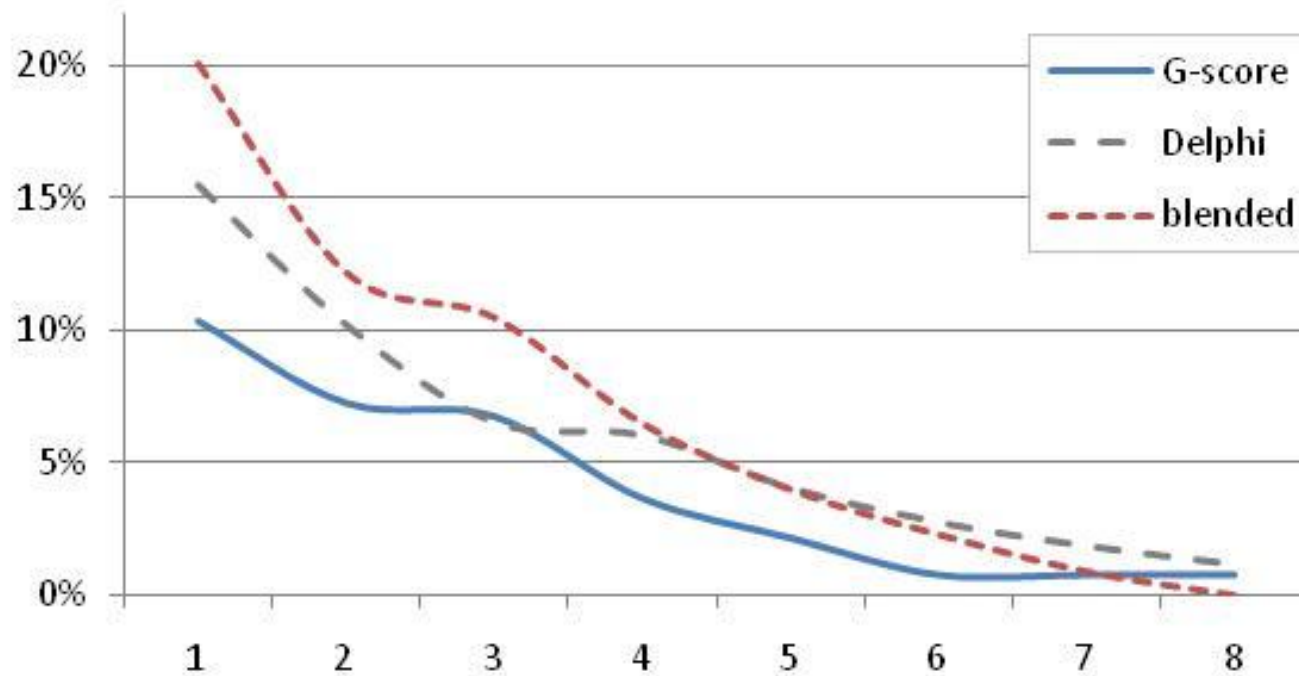
# World wide quality and Granularity

- High granularity of scores results in best quality
  - use the best/detailed (market) data available
- Multiple models based on availability & accuracy of
  - DEFAULT data
  - INPUT data

Guarantees optimal use of data, and fine tune multiple models to market/data conditions in order to get higher quality results.

# Blending 2 scores

1 yr default rates on sole traders



# Many models: Interpretation of scores?

- Standardization of presentation and notation of scoring model outcomes.
  - PD %  
attention: what is the definition of default!
  - PD rating scales (example rating classes AAA, B, etc)  
attention: what is the mapping!

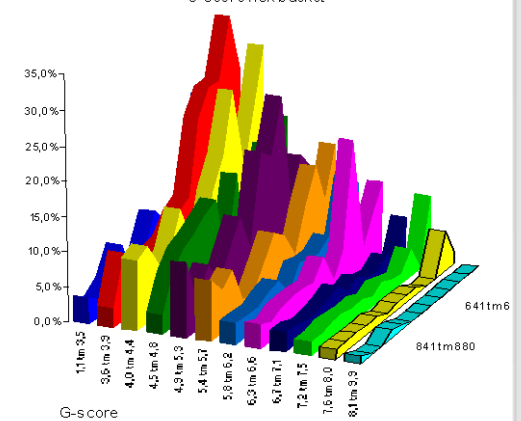
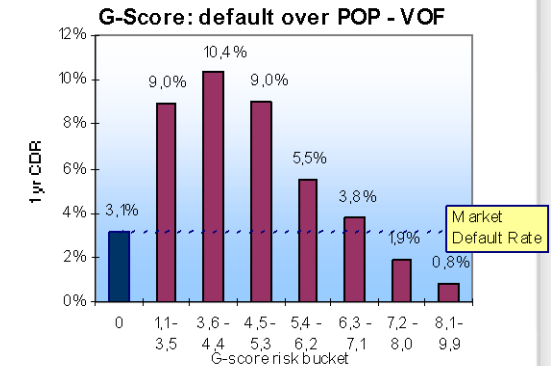
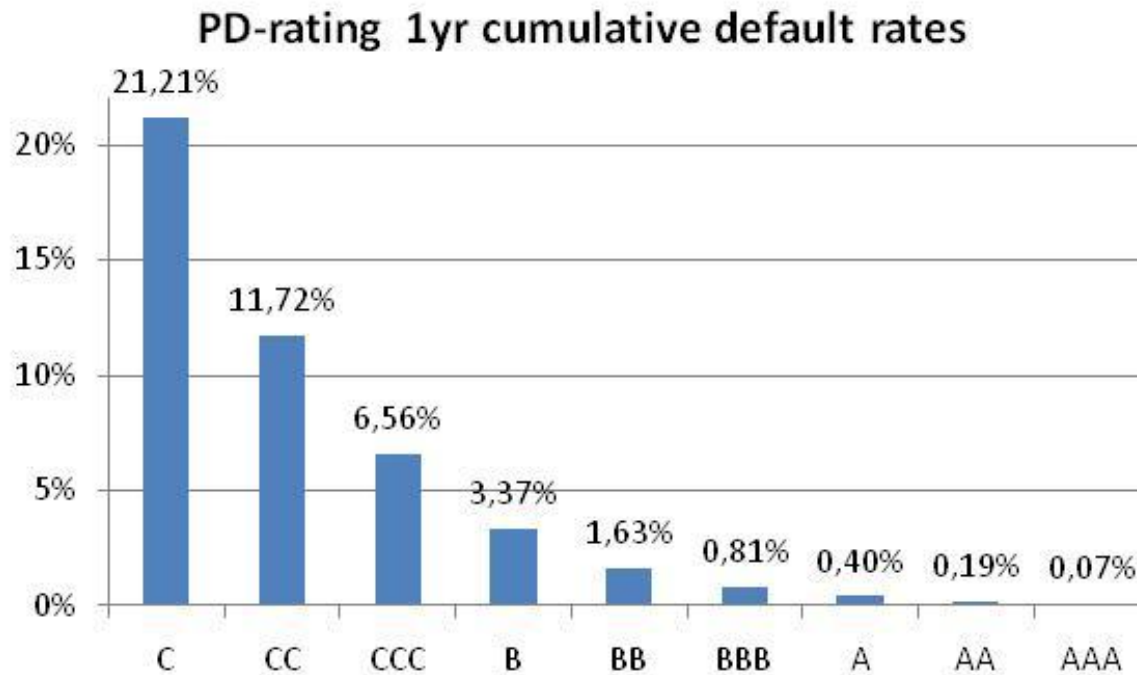
Basel committee publishes a mapping, with default rating classes.

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- Gini, distribution, CDR (technical quality)
- Coverage
- Speed and uptodateness
- Delivery (structured data, workflow integration, etc)
- Presentation (interpretation)
- Services (value add / monitoring, benchmarking, decision engines)
- Price
- Customer complaints (type 1)
- Usage / users

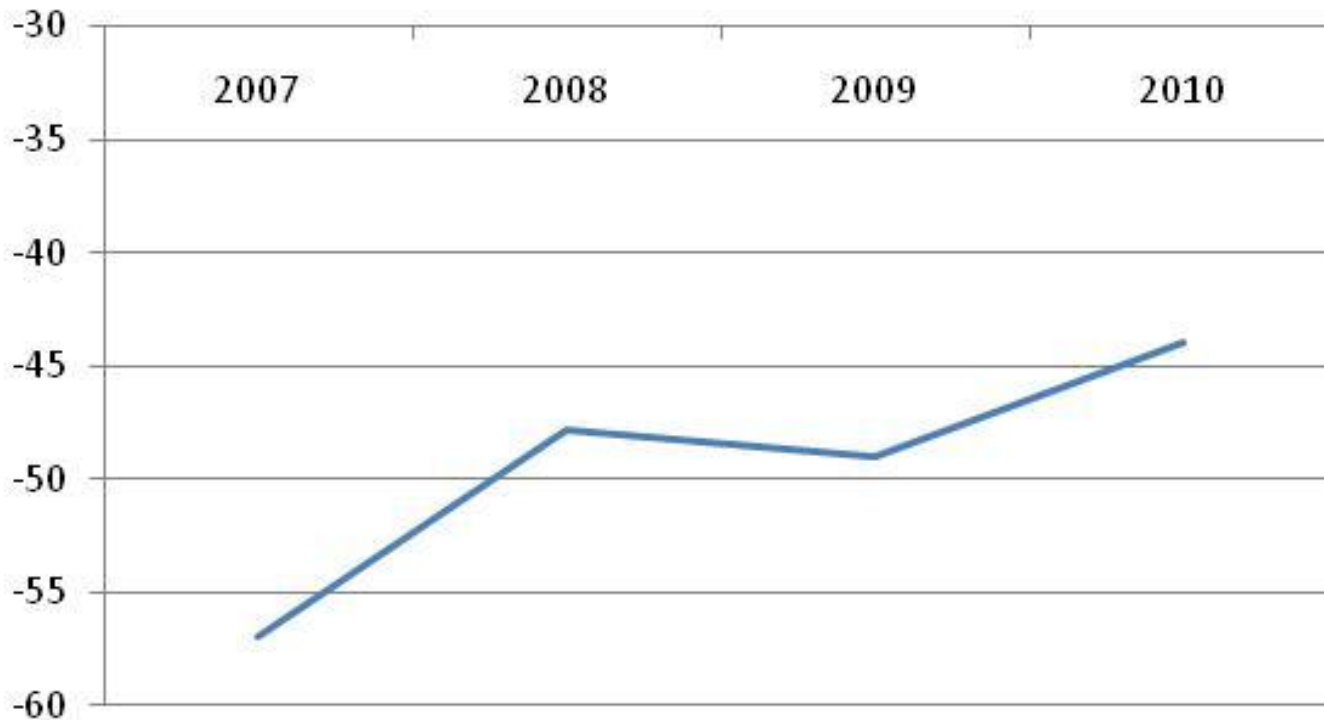


# Experiences

- More educated users and customers
- More awareness of the value of info and ratings
- *Trend?* Social business media: publish your own ratings
- Crisis; sudden death cases. Changing rules of the game.
  - Frequency of calibrating of models must go up
  - More need for behavioral data (accuracy)
- Break down Chinese wall between information suppliers and users (and objects).

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Solvability ratio of defaulted companies



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