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THE CREDIT RATING MULTIPLYING EFFECT ON IRB APPROACH

In spite of crisis the influence of ratings, both external and internal, was sufficiently increased past years. At the same time there is a limited number of entities (such as banks, corporate, financial instrument etc.) which poses the ratings.

In this respect elaboration and development of the approaches and methods are especially actual because they provide the opportunities for multiplying rating agencies efforts to realize regulatory innovations generated by Basel II and Basel III for risk management in commercial banks. The same methods can be used for different business regulatory decisions including restriction of auction or tender list of participations.

Internal rating based approaches (IRB Approaches according Basel agreements) increased the interest to external ratings and their models based on the public information. The next attractive point is the formation of rating models system also as the credit rating multiplying effect on basis of rating scales comparison.

The additional aim of proposed paper is also to compare bank ratings from the different points of view: between rating agencies and regions, from ownership type and volume stand-point. Special attention will devoted to dynamic analysis rating models including stability and significance.

The paper analyzes the specifics of Russian rating practice. Bank rating statistics and comparison are presented. Dynamic of rating numbers are analyzed for Russian rating agencies which are almost the half of contact ratings. Rating comparison at the Russian financial reporting system includes comparison the types of ownership, rating types and specific of ratings at the crisis time.

Also the specific the rating modeling for resident and non-resident banks and financial companies are included. For this purpose are used two data sets for national and international financial reporting. Last data set includes information about ratings, financial and macro indicators of banks from 86 countries from 1995 till 2010 years. Also Russian bank's data was used at the national reporting system for 150+ banks during 2006–2010 years.

Basic econometric order logit models were fulfilled and the unified list of explanatory variables for three main rating agencies (Moody's Investors Service, Standard & Poor's и Fitch Ratings) was estimated. The comparability of these rating models is demonstrated. This connected to list of explanatory variables. Quality of these models was estimated and possibility of these models' utilization is demonstrated for practice.

The paper contains comparison of main international rating agencies, distinctions. The difference was determined between factors which are important for such ratings. Regional and federal groups, macro and market indicator's influence on the ratings and there models are analyzed.

Besides bank rating models the system must include the corporate, sovereign and bond rating models. Some of them were presented at the paper also in general. The specific features of such models are discussed. The particular differences are demonstrated between ratings for corporations from different industries as well as differences at the regional affiliations.

Important part of research connected to the mapping of the rating scales. We developed the criteria for comparison of rating scales, principals of choosing basic scale, criteria for distance method as part of extreme problem, algorithmic and data base organize specific, etc. We think the methods could be used not only for international agencies scales but also for 10 scales of the international and national agencies which were included at the Russian Ministry of Finance list of rating agencies.

Such approach gives us opportunity for multiplied rating agencies efforts because we can use alternative opinion in the banking risk management research. Professionals have also opportunity to combine these estimations with internal ratings of some financial institution to increased effect.

The discussed results can help to fulfill basic instruments for practical applications of such models to the risk management problems which are based on the public information and remote estimation of ratings.

Bank and government financial regulators may be perspective consumers of proposed methods. They can use such methods for multiplication of rating estimations and opportunities provided by rating methodologies.

Karminsky, A. The credit rating multiplying effect on IRB approach [Текст] / Alexander Karminsky // Міжнародна банківська конкуренція: теорія і практика: матеріали VII Міжнародної науково-практичної конференції (24-25 травня 2012 р.). – Суми: УАБС НБУ, 2012. - С. 26-28.