

Special Report

Association of Credit Rating Agencies in Asia (ACRAA)

- History and Future Prospects of ACRAA -

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ACRAA was founded in September 2001 at the initiative of Japan Credit Rating Agency, Ltd. (JCR). The membership doubled from 15 credit rating agencies (CRA) in 10 jurisdictions at the time of establishment to 30 CRAs in 13 jurisdictions by the end of 2014. In 2015, three more CRAs in three countries are expected to join ACRAA.

ACRAA will enter into its fifteenth year in September 2015. The circumstances surrounding the member CRAs have changed dramatically since the time ACRAA was set up. The activities of ACRAA and its members are evolving. This report aims to share the author's observations on the recent operational environment and business development of the member CRAs in Asia as well as the future prospects of ACRAA. It begins with a brief introduction of ACRAA's history.

1 History of ACRAA*1

(1) Establishment

ACRAA was founded in September 2001. Prior to that, the Finance Ministers from the Asia-Pacific Economic Cooperation (APEC) members issued a joint ministerial statement at their meeting in April 1997 that highlighted the "important role independent rating agencies play in developing the region's capital markets and attracting cross-border capital flows".*2 Since then, interests have grown among the authorities in Asia on the need to develop a credit rating system in the region through workshops and research.

The private sector responded to this. In October 2000, RAM, a rating agency from Malaysia, based on the suggestion of the Asian Bankers Association (ABA) and in cooperation with JCR, compiled a report entitled "The Development of Regional Standards for Asian Credit Rating Agencies - Issues, Challenges and Strategic Options". Subsequently, JCR proposed to the domestic CRAs that existed at that time in Asia, to

assemble and discuss the strategy the domestic CRAs should adopt to support the development of bond markets in Asia. Sixteen CRAs in Asia participated in a workshop on "Development Strategies for Asian CRAs: Issues and Challenges in Forming a Regional Caucus" that was held in Tokyo in March 2001. It was jointly organized by JCR and ABA in cooperation with the Asian Development Bank Institute (ADBI).

At the workshop, JCR proposed to establish a regional forum where CRAs in Asia can co-operate with one another and exchange views and opinions. This garnered strong support by the other CRAs. After a series of preparatory meetings, the inaugural meeting to form the Association of Credit Rating Agencies (ACRAA) was held in Manila, the Philippines on 14 September 2001.

(2) Objectives

ACRAA's objectives are defined in its Articles of Association as follows:

- (i) To develop and maintain cooperative efforts that

*1 ACRAA's history for the first 10 years is elaborated in its 10 year anniversary publication "A Brief History of ACRAA 2001-2011 and Selected Articles on Best Practices and Training References for Domestic Credit Rating Agencies", available at <http://acraa.com/images/pdf/2ND%20ACRAA%20Publication.pdf>.

*2 http://www.apec.org/~media/Files/MinisterialStatements/Finance/97_fmm_jms.pdf

Chart & Graph 1 ACRAA Member Credit Rating Agencies

Original Members (As of Sep 2001)		Current Members (As of end-2014)
Bangladesh	Credit Rating Information & Services Limited (CRISL)	Credit Rating Agency of Bangladesh Limited (CRAB)
		Credit Rating Information & Services Limited (CRISL)
		Emerging Credit Rating Ltd.
		National Credit Ratings Ltd.
China		China Chengxin International Credit rating Co., Ltd. (CCXI)
		China Lianhe Credit Rating Co., Ltd.
		Dagong Global Credit Rating Co., Ltd (Dagong)
		Shanghai Far East Credit Rating Co., Ltd. (SFECR)
		Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.
India	Credit Analysis and Research Limited (CARE) Credit Rating Information Services of India, Ltd. Investment Information & Credit Rating Agency Ltd.	Brickwork Ratings India Pvt. Ltd.
		Credit Analysis and Research Limited (CARE)
		CRISIL Limited
		ICRA Limited
		SMERA Ratings Limited
Indonesia	PEFINDO Credit Rating (PEFINDO) P.T. Kasnic DCR Indonesia	PEFINDO Credit Rating Indonesia (PEFINDO)
		PT ICRA Indonesia
Japan	Japan Credit Rating Agency Ltd (JCR)	Japan Credit Rating Agency Ltd (JCR)
Kazakhstan		Rating Agency of Regional Financial Center of Almaty City
Korea	Seoul Credit Rating & Information, Inc. (SCRI)	Korea Investors Service, Inc. (KIS)
		Korea Ratings Corporation (Korea Ratings)
		NICE Investors Service Co., Ltd. (NICE)
		Seoul Credit Rating & Information, Inc. (SCRI)
Malaysia	Malaysian Rating Corporation Berhad (MARC) Rating Agency Malaysia Bhd (RAM)	Malaysian Rating Corporation Berhad (MARC)
		RAM Rating Services Bhd
Pakistan	JCR-VIS Credit Rating Co. Limited (JCR-VIS) Pakistan Credit Rating Agency Limited (PACRA)	JCR-VIS Credit Rating Co. Limited (JCR-VIS)
		Pakistan Credit Rating Agency Limited (PACRA)
The Philippines	Philippine Rating Services Corporation (PhilRatings)	Philippine Rating Services Corporation (PhilRatings)
Sri Lanka		Lanka Rating Agency Ltd
Taiwan	Taiwan Ratings Corp (TRC)	Taiwan Ratings Corp (TRC)
Thailand	TRIS Rating Co. Limited (TRIS)	TRIS Rating Co. Limited (TRIS)

Source: ACRAA

promote interaction and exchange of ideas, experiences, information, knowledge and skills among credit rating agencies in Asia and that would enhance their capabilities and their role of providing reliable market information.

(ii) To undertake activities aimed at promoting the adoption of best practices and common standards that ensure high quality and comparability of credit ratings throughout the region, following the highest norms of ethics and professional conduct.

(iii) To undertake activities aimed at promoting the development of Asia's bond markets and cross-border investment throughout the region.

(3) Membership

ACRAA's membership is open to any credit rating agencies in Asia. The number of member CRAs has increased from 15 CRAs in 10 jurisdictions at the time of establishment to 30 CRAs from 13 jurisdictions by the end of 2014. In 2015, three more CRAs from three countries are expected to become ACRAA's new members.

(4) Organization

ACRAA's organization consists of: (i) General Meeting, (ii) Board of Directors, (iii) Secretariat, and (iv) Committees. The General Meeting is held once a year, attended by all members' official representatives

or their alternates. Every other year, the General Meeting elects a Board of Directors whose tenure is for two years.

ACRAA's Board, the main body to promote its activities, is composed of the Directors elected at the General Meeting. The incumbent Directors are the representatives from five member CRAs including JCR. The current Chairman is Mr Faheem Ahmad from JCR-VIS in Pakistan. Board meetings are held at least twice a year. The Board decides on policy matters and activities, discusses the budget and accounting, and considers and approves applications for new members. A standing Secretariat, established in Manila, the Philippines, provides practical support. Mr Santiago Dumlaog Jr, originally from PhilRatings, has been serving as ACRAA's Secretary General since its establishment.

The Board of Directors has created various committees for the smooth accomplishment of activities. The Chairpersons of these committees come from these Board members. The set of committees first established were the Training Committee and the Best Practice Committee. Subsequently, the Board has, step by step, set up the Membership Committee, the Communications Committee, the Research and Special Studies Committee, the Regulatory Relations Committee, and the New Horizons Committee. ACRAA's activities are mainly carried out by these committees, which are summarized in the sections below.

(5) Training

One of the important pillars of ACRAA's activities is the joint training of analysts from member CRAs. Training workshops have been held several times a year since the establishment of ACRAA. The purpose is to improve the member CRAs' rating methodologies and quality of analysts. Themes are selected based on the members'

needs. Two levels of workshops are held: one to jointly discuss a methodology for new financial instruments and the other to give training to junior analysts.

Recent training workshops focused on "Securitization Products" in September 2014 and "Power Sector" in December 2014. The former was chosen as it is regaining attention in the region six years after the Lehman shock. The latter was deemed relevant particularly due to the introduction of the public private partnership (PPP) initiatives in various countries as a way to develop infrastructure. In 2015, three workshops are planned: "Sovereign Ratings" in light of the internationalization of local bond markets; "Bank Loan Ratings" given the significant role the ratings can play to improve the management of bank loans; and "Infrastructure Ratings" in front of vast demand for infrastructure development in Asia.^{*3}

(6) Standardization through Best Practice

The other important traditional pillar of ACRAA's activity is the discussions on best practice in the rating process and rating business. ACRAA has been regularly organizing Best Practice Dialogues among the representatives of the member CRAs (mostly CEOs). Throughout these dialogues, member CRAs' various practices have been shared, and the best practices have been identified.^{*4}

The discussions at the Best Practice Dialogues have borne concrete deliverables. First, two sets of "Code of Ethics" were adopted for rating agencies and concerned individuals in October 2002.^{*5} Subsequently, the "Best Practice Checklist" and the "Handbook of International Best Practice in Credit Rating"^{*6} have been successively compiled. Those efforts culminated in the "Code of Conduct Fundamentals for Domestic Credit Rating Agencies (CCF-DCRA)" in April 2011.^{*7}

^{*3} ACRAA received significant support from the Asian Development Bank (ADB) for these training workshops in the initial period. The past records of ACRAA's Training Workshops are found on ACRAA's website: http://acraa.com/training_workshops.asp

^{*4} The past records of ACRAA's Best Practice Dialogues are found on ACRAA's website: http://acraa.com/Dialogues_cond.asp

^{*5} The Code of Ethics to be followed by rating agencies and the Code of ethics to be followed by concerned individuals are available at: http://acraa.com/best_practices.asp

^{*6} This handbook is published by the ADB, available at ADB's website:

https://asianbondsonline.adb.org/features/credit_rating_practices/OREI_Handbook_on_International_Best_Practices_WEB.pdf

^{*7} The CCF-DCRA is available at: <http://acraa.com/images/pdf/DCRA.pdf>

The CCF-DCRA, prepared in reference with the “Code of Conduct Fundamentals for Credit Rating Agencies” by the International Organization of Securities Commissions (IOSCO)^{*8}, aimed to define and explain the norms which domestic CRAs should observe in four dimensions: (i) Quality and integrity of the rating process, (ii) Domestic CRA’s independence and avoidance of conflicts of interest, (iii) Domestic CRA’s responsibilities to the investing public and issuers, and (iv) Disclosure of the code of conduct and communication with market participants. At ACRAA, the status of all member CRAs’ observance on the listed norms in the CCF-DCRA are monitored regularly. The results are reported to the Board as well as the General Meeting.

(7) Regulatory Relations

Domestic CRAs typically have relations with regulators on two fronts: (i) Use of credit ratings to protect the financial investors and to ensure financial stability (through maintaining soundness of financial and corporate sectors), and (ii) Regulations over CRAs and their rating process. The first usage is most represented by (a) a mandatory obligation to solicit a rating in issuing local currency bonds and (b) use of external ratings in calculating banks’ capital adequacy ratio in the framework of Basel II regulations. In addition, in Pakistan and Bangladesh, it is obligatory to have a rating from a local rating agency when more than a certain amount of borrowing is made from banks. In Indonesia, there was a wariness of rising corporate external debt, and the country’s central bank has made it mandatory to have a rating of at least “BB-” when private companies borrow from overseas effective January 2016.^{*9}

Meanwhile, against the backdrop of expanded role of credit ratings in the financial market and the lessons from the global financial crisis in 2008, financial

regulators have recently intensified the regulations over CRAs. At the G20 Summit held in Washington DC, US, in November 2008, the G20 leaders declared to “exercise strong oversight over credit rating agencies.”^{*10} In its Action Plans, they set out that “Regulators should take steps to ensure that credit rating agencies meet the highest standards of the international organization of securities regulators” as immediate actions, and “Credit Ratings Agencies that provide public ratings should be registered” as medium-term actions.^{*11} Accordingly, regulations over the rating process have been tightened and a registration system has been introduced in many countries. In Japan, the Financial Instruments and Exchange Act was amended to introduce the official regulations over CRAs from April 2010. In Pakistan, membership of ACRAA and observance of ACRAA’s CCF-DCRA were made mandatory for CRAs.^{*12}

Given the heightened importance of regulations over ratings and CRAs, ACRAA formed the Regulatory Relations Committee, which aims to share regulatory information among the members and to interact with the regulators so as to gather information and exchange views.

(8) Study over Rating Comparability

ACRAA set out “to ensure comparability of credit ratings throughout the region” as one of its objectives. When domestic CRAs assign ratings in each of their jurisdictions, they start by giving “AAA” to the issuer with the highest credit standing (normally sovereignty) first, followed by “AA”, “A”, etc., depending on the different credit strengths of issuers. That said, general factors leading to corporate default differ from one jurisdiction to another, such as macroeconomic stability, depth of industrial base and financial markets, support by the government and banks, competition among companies and profitability level, bankruptcy

^{*8} <http://www.fsa.go.jp/inter/ios/f-20041224-3/04.pdf>

^{*9} JCR is also accredited as one of the recognized CRAs for this regulation. <http://www.jcr.co.jp/reportqa/pdfen/2015011610e.pdf>

^{*10} http://www.mofa.go.jp/policy/economy/g20_summit/2008/declaration.pdf

^{*11} http://www.mofa.go.jp/policy/economy/g20_summit/2008/declaration.pdf#action

^{*12} http://www.secp.gov.pk/SMD/pub_smd/SecAnalysis-2014/CodeOfConductCRA_20140113.pdf

framework and social tolerance. The distance to default, as represented by “cumulative default rates (CDR)”, may differ greatly for the same rating level (e.g., “AA”) across jurisdictions. Also, the sovereignty’s credit strength, normally given the highest rating of “AAA” in the local scale, may vary across jurisdictions. As such, the “local rating scales” of each CRA, which is the summary of the distance to default according to each rating level, are quite different from one another.

Then, what will the rating of company X with “AA” rating in country X, be in country Y? In other words, when an investor in country Y would like to invest in company X which has “AA” rating in country X, what would be its rating using the scale of country Y? In order to address such challenges, ACRAA has established the Research and Special Studies Committee and undertaken a study to explore the comparability across rating scales. So far, the Committee has attempted to map out the corresponding levels based on the CDR statistics of each member. However, this does not take into account the foreign exchange convertibility and transfer risks that, however, cannot be ruled out for cross-border investments. On the other hand, should the sovereign rating levels in a global rating scale be simply incorporated, then, in the case of a country with a very low level of sovereign rating, all the ratings would be within a very limited narrow range, not very practical to show the different credit strengths among issuers. Therefore, when a rating is needed in a foreign country, it is now necessary to solicit a rating from a rating agency in that jurisdiction. This will remain an important issue especially as the local issuers and the local capital markets are being internationalized.

(9) Others

In addition, ACRAA has set up the Membership Committee (to screen CRAs that apply to become a

member and to monitor the observance of the members’ CCF-DCRA), the Communications Committee (to build and maintain ACRAA’s website and the virtual discussion forum in its website), and the New Horizons Committee (NHC). The NHC was formed in December 2013 to review the current activities of ACRAA and to decide new or revised activities, programs and projects which will give more relevance to ACRAA as a regional organization (Read below for details).

2

Changing Environment Surrounding ACRAA Member CRAs

(1) Corporate Bond Market and Mandatory Rating Requirement

Assuming that the principal role of CRAs is to assign ratings for companies that issue corporate bonds and provide them to investors, then how is the current situation of local currency corporate bond markets in Asia, a key operational environment for ACRAA member CRAs?

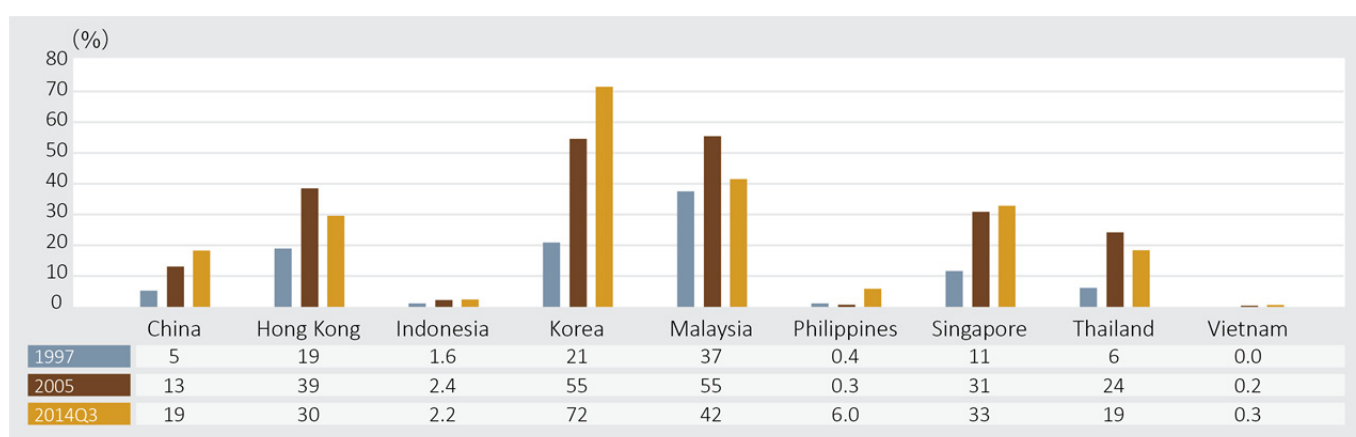
The “Asia Bond Monitor”^{*13} published by the Asian Development Bank (ADB) reveals that (i) the size of local currency bond markets in terms of GDP as of the end of September 2014 was 72% in Korea and 42% in Malaysia, both way bigger than that in Japan at 16%, while those in the Philippines and Indonesia remain still limited at 6.0% and 2.2%, respectively, and (ii) their size in terms of GDP has expanded sharply between the end of 2005 and the end of September 2014 in Korea (from 55% to 72%), China (from 13% to 19%), and the Philippines (from 0.3% to 6.0%) while those in other ASEAN+3 countries remain rather stagnant.

The number of issuer ratings by domestic CRAs stands at 123 for TRIS from Thailand, 82 for PEFINDO from Indonesia, and 28 for PhilRatings from the Philippines.^{*14} In most emerging market countries, their regulators have imposed a mandatory rating requirement for bond issuers. As such, the role of the

^{*13} <http://asianbondsonline.adb.org/regional/abm.php>, (portal)
http://asianbondsonline.adb.org/documents/abm_mar2006.pdf (Figures as of end of 1997),
http://asianbondsonline.adb.org/documents/abm_apr2007.pdf (Figures as of end of 2005)
http://asianbondsonline.adb.org/documents/abm_nov_2014.pdf (Figures as of end of September 2014)

^{*14} According to the publicly available information on the websites of each rating agency.

Chart & Graph 2 Size of Local Currency Bond Markets (% of GDP)



Source: ADB "Asia Bond Monitor"

domestic CRAs has been officially secured as an essential infrastructure in their bond markets. Nevertheless, an attempt has been observed to lift such requirement in the markets where the local bond market has developed significantly. For example, Malaysia's Prime Minister Najib Razak announced in June 2014 the abolishment of such rating requirements in Malaysia from January 2017. This drew close attention by ACRAA member CRAs.

(2) Use of Ratings in Banking Supervision (Basel II)

The ratings assigned by CRAs have been widely used in the official banking regulations. In June 2004, the Basel Committee on Banking Supervision announced "Basel II: International Convergence of Capital Measurement and Capital Standards: a Revised Framework", in which credit ratings that are assigned by External Credit Assessment Institution (ECAI), as determined by national authorities, were allowed to be used in banks' calculation of their capital adequacy ratio using the standardized approach. As a result, those banks that choose the standardized approach may calculate their capital adequacy ratio by applying the risk weights corresponding to each rating level given by ECAI (e.g., 20% for AA, 50% for A, 100% for BBB and BB) to their loan assets. In Asian countries, this standardized

approach under the Basel II was widely used. Accordingly, even in countries with a bank-dominated financial system with underdeveloped bond markets (e.g., India and Bangladesh), bank borrowers rushed to solicit ratings from domestic rating agencies. CRISIL, the largest domestic CRA in India, has assigned bank loan ratings to 12,614 as of the end of March 2013. In Bangladesh, there are now eight domestic rating agencies to meet the same demand, with two more new rating agencies in the offing.

Nevertheless, the Financial Stability Board (FSB) submitted a report to G20 Finance Ministers and Central Bank Governors Meeting in October 2010 entitled "Reducing Reliance on CRA Ratings".^{*15} Under the principles to reduce reliance on CRA ratings in standards, laws and regulations, it stipulated that "Banks must not mechanistically rely on CRA ratings for assessing the creditworthiness of assets". Subsequently, in December 2014, the Basel Committee on Banking Supervision issued a consultative document on the "Revisions to the standardized approach for credit risk" which aimed to reduce the reliance on external credit ratings in the standardized approach.^{*16} Revisions in the use of credit ratings in the banking supervision and regulations are underway.

*15 <http://www.fsa.go.jp/inter/fsf/20101029-2/01.pdf>

*16 <http://www.bis.org/bcbs/publ/d307.htm>

(3) Globalization of companies and bond markets

In recent years, Asian economies have grown steadily, having weathered the shocks from the global financial crisis and the European debt crisis. Multinational companies from Japan, Korea and Taiwan have been shifting their production base to overseas. Banks and corporates' cross-border investment among ASEAN have been increasing in view of the establishment of the ASEAN Economic Community at the end of 2015.

Along with these developments, local bond markets in Asia are also becoming internationalized. There is an increasing number of cases of domestic CRAs in Asia assigning ratings to foreign companies that raise funds in the local bond markets. JCR has a long history of assigning ratings on foreign entities that issue Samurai bonds. Similarly, domestic CRAs in Thailand and Indonesia have started to assign ratings on Japanese leasing companies that operate sales-financing locally.^{*17} Also, Malaysian domestic CRAs have assigned ratings on Korean policy based banks that raised funds in Malaysia.^{*18}

3

Recent Business Developments of ACRAA Member CRAs

How are the ACRAA member CRAs responding to these evolving business environments? This section aims to share the author's observation regarding how and where the domestic CRAs are heading to.

The first direction is operational diversification. Many CRAs have expanded the scope of rated entities from the banks and companies that are relatively large and can issue bonds, to sovereign, municipalities, securitized products (e.g., ABS), Islamic finance and small medium enterprises (SME).^{*19} Also, a number of

CRAs have embarked on ancillary businesses related to credit ratings such as macroeconomic research, seminar, consulting, training, provision of analytical tools, index statistics, and credit information.^{*20} Some CRAs have even started "Sharia Quality Rating" to indicate a degree of Sharia compliance in line with the development of Islamic finance and Islamic banking.

The second move is toward neighboring emerging market countries. CARE Ratings from India is now working with the African Development Bank to establish a rating agency based in Mauritius, from which they intend to operate in the African continent. JCR-VIS from Pakistan is collaborating with the Islamic Development Bank to develop the Islamic International Rating Agency (IIRA), based in Bahrain, to assign both credit ratings and Sharia Quality Ratings in Islamic countries.

The third wave is international alliances among leading CRAs in each jurisdiction. CARE Ratings from India and MARC from Malaysia have, together with SR Rating Group from Brazil, Global Credit Rating Company Limited from South Africa and Companhia Portuguesa de Rating, S.A. from Portugal, established ARC Ratings, S.A., a global rating agency. Meanwhile, JCR-VIS from Pakistan and Dagon from China signed a Memorandum of Understanding (MOU) in September 2013 to promote "Dual Ratings" to Pakistani companies that issue RMB denominated bonds.^{*21}

4 Future Prospects of ACRAA

(1) ACRAA Members' Views at New Horizons Committee

As observed above, the environment surrounding the ACRAA member CRAs is changing rapidly. Those domestic CRAs are making various efforts to adapt themselves. Under such circumstances, have the

^{*17} For example, TRIS in Thailand has assigned ratings on Bangkok Mitsubishi UFJ Lease Co., Ltd., Thai ORIX Leasing Co., Ltd., TISCO Tokyo Leasing Co., Ltd, and Toyota Leasing (Thailand) Co., Ltd. Also, PEFINDO in Indonesia has assigned ratings on PT Toyota Astra Financial Services and PT Summit Oto Finance, a subsidiary of Sumitomo Corporation.

^{*18} For example, RAM in Malaysia has assigned ratings on Korea Development Bank and Industrial Bank of Korea.

^{*19} India's CRISIL has assigned ratings to more than 60,000 SMEs thus far.

^{*20} Indonesia's PEFINDO has been publishing PEFINDO25, an index of 25 blue chip SMEs in Indonesia. PEFINDO has also established PT PEFINDO Credit Bureau with Japan's Credit Information Center (CIC), aiming to start credit information services in Indonesia by the third quarter of 2015.

^{*21} <http://www.jcrvis.com.pk/Images/PR-Dagong-13.pdf>

expected roles of ACRAA evolved as well? What kind of roles does ACRAA intend to play in the future? In order to review the current activities of ACRAA and to determine new or revised activities, programs and projects which will give more relevance to ACRAA to the members, ACRAA set up the New Horizons Committee. In September 2014, a roundtable discussion was held among the CEOs of member CRAs. To preview the future direction of ACRAA, the crux of the roundtable discussions is introduced in this section.

First, the usefulness of ACRAA's conventional activities of joint training and best practice dialogues was reaffirmed even under the current environment. Some member CRAs have been recently established. Also, new financial instruments are intermittently developed in the financial markets today, which are also brought into emerging markets very quickly. As such, the member CRAs affirmed the usefulness of conducting the joint training. Even for the best practice dialogues, many participating CEOs found it beneficial to have the opportunity to candidly exchange their views and opinions regarding their operational environment and their strategy.

Secondly, many participated CEOs emphasized the need for ACRAA to siphon the members' opinions and express them as a single voice, and to interact with regulatory authorities as a regional organization in Asia. One participant stated, "While we are aware of the initiative to reduce the reliance on CRAs in the international fora such as G20, some countries in Asia have seen marked improvement in the banking sector's asset quality after the use of external ratings had started under Basel II. The situations may not be the same in both advanced and developing countries. How to use the external ratings to ensure financial stability may need to be explored individually according to each country's situation. ACRAA may be in a position to collect and disseminate this intelligence." It was, therefore, suggested to

collaborate with the European Association of Credit Rating Agencies (EACRA) as they may share the similar interests as ACRAA. ^{*22}

Thirdly, the members stressed that ACRAA would be a valuable nexus of locally-based CRAs in Asia that possess the broadest knowledge and information about local industries and local companies in Asia with neutral characteristics. It was, therefore, proposed that ACRAA should make the joint training open to external participants, publish Asia Credit Guidebooks, organize Asia Credit Seminars, and conduct Analyst Certificate Program. It was also pointed out that a new role may be found in the course of strengthening the ties with banks given the CRAs' expertise in credit analysis and possession of default data especially when the banks' risk management needs to be constantly enhanced. To do that, ACRAA may find it beneficial to collaborate with the Asian Bankers Association (ABA).

Finally, the potential benefit of alliances among member CRAs was underscored. In the report entitled "Development of Regional Standards for Asian Credit Rating Agencies" published in 2000, a plan was posed to standardize the rating processes among domestic CRAs and to eventually create a "regional credit rating agency". In reality, there exist more than one CRA in each jurisdiction. Mapping the different rating scales is not practical across borders at this stage. As such, high hurdles remain for ACRAA member CRAs to be sublimed to the "regional credit especially among those rating agency". That said, as the capital markets and the companies are increasingly globalized, alliances among the CRAs with solid operational base and accumulated credit information may potentially enhance the convenience of market players greatly for both issuers and investors. In fact, some member CRAs have started to form an alliance, conduct marketing jointly, and assign ratings in each scale by each rating committee under the name of "Dual Ratings". This may become more prevalent in the years to come,

^{*22} EACRA is a platform of cooperation among independent CRAs in Europe established in November 2009, whose members now count 16 CRAs from 10 jurisdictions. Embracing the promotion of the interests of the EU-based CRAs as one of its objectives, it is preparing and expressing a common position paper toward the regulatory authorities in Europe. For details, <http://www.eacra.fr/>

especially among those CRAs that have known each other through ACRAA's platform, to more proactively cope with their clients' needs that are getting more and more globalized.

(2) Seminar in Tokyo to commemorate its Fifteenth year

It has been fourteen years since it was agreed to establish ACRAA in Tokyo in March 2001. ACRAA will enter into its fifteenth year in September 2015. To herald the entering into its fifteenth year, ACRAA members' CEOs decided to gather again in Tokyo this summer.

JCR, as a CRA that leads ACRAA, plans to organize a commemorative seminar on this occasion, together with ACRAA. Readers of this article are cordially invited to participate in the seminar, meet and exchange views with the representatives of ACRAA member CRAs, and understand the latest snapshot of growing Asian CRAs.

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