

**ACRAA Working Paper
on
Harmonization of Ratings**

JCR-VIS Credit Rating Company Limited
Pakistan

Objectives

- **Harmonization of Ratings – One of the Key Objectives set by ACRAA at formation**
- **Interaction on Harmonization enhanced in November 2004;**
- **The need is to Identify Concrete Steps in this direction;**

Leasing Companies

Role of ACRAA

- **ACRAA has to Define for Itself a Role to Contribute to the Rating Culture in Asia;**
- **ACRAA would play a Vital Role in Improving the Standards of its Member CRAs;**

Harmonization

- **Depends on how ACRAA Defines Harmonization and Plans for its Implementation;**
- **Harmonization would result in Cross Border Investment Flows; However, more Developed Domestic Bond Markets are Required in Member Countries;**
- **Cross Border Investments are Subject to Sovereign Risks and Most of the Member CRAs assign Ratings on National Scales;**
- **Need for Assessment Quality of Ratings Arises; What Ensures Quality of Ratings**

What Constitutes Quality Rating Agency?

- **Major Parameters Already Defined by Basel Committee on Capital Adequacy;**
- **CRA's to be Recognized as External Credit Assessment Institution are Assessed on the Criteria of:**
 - **Objectivity**
 - **Independence**
 - **Disclosure**
 - **Resources; and**
 - **Credibility**
- **Risk Weights Assigned to Ratings of each CRA may serve as the Basis of Relative Quality of Ratings;**

What is Needed at Present

- **ACRAA is proposed to Harmonize the Best Practices amongst the Member CRAs in line with Basel-II Criteria;**
- **ACRAA can Create its own Code of Conduct for CRAs;**
- **Can also Provide Compliance Certification;**
- **It is Proposed to form a Working Committee to Finalize ACRAA's Approach to Harmonization;**
- **Establish Specific Deadline; and**
- **Devise Suggestions for Practical Implementation.**



Thank You

Leasing Companies