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Credit Benchmark Readies Launch for 2014

London-based startup consensus credit ratings provider Credit Benchmark has begun its proof-of-concept phase with an undisclosed number of contributing banks, ahead of a full production launch scheduled for early next year.

During the proof-of-concept phase, banks that produce proprietary internal ratings can test how the service will work without going through a lengthy sign-up process, and can be involved in designing how the service will ultimately look.

"We now have data on our servers, and have a large group of banks at various stages of getting involved and setting up the technical connections to contribute data," says Credit Benchmark chief executive Elly Hardwick. "The proof-of-concept ultimately becomes a demo for the product—what the data will be, how it will look-and our aim is to productize that early in the New Year."

During the proof-of-concept, Credit Benchmark aims to sign up a minimum of three contributors for every entity so that the data is more valuable and an individual firm's rating can never be inferred, and to create a 24-month historical time-series that will allow users—for example, credit risk professionals seeking to validate their models by assessing whether they are consistently above or below the consensus—to see progressions over time, the rate of change, and to look at obligors against a peer group. Participants will receive the data in return for contributing during this phase, and once the service goes live, will receive discounted service compared to other interested parties that do not produce internal ratings to contribute.

In addition, the vendor plans to deepen its coverage of ratings from regional banks on local issuers-whereas its early contributors are currently split 50-50 between North America and the UK and Europe—to be able to group contributions by geography, and effectively "look at an obligor through the eyes of a local bank, regional bank, or banks in a different region," she says.

Credit Benchmark's contribution and distribution process is still very manual, though Hardwick says the vendor will automate its internal processing and output to deliver its data via an API into a spreadsheet add-in, and will develop a user interface for users to define watchlists and set up alerts to be notified of any rating movements-and may in later stages develop a light web interface for corporate clients just wanting to see their own rating and those of their peer group—though she says the vendor is "very unlikely" to produce a desktop product to view the data.

"We are very comfortable about going to market with something that doesn't have all the bells and whistles yet.... When we launch, we anticipate the service being a monthly or twice-monthly update. That's still exponentially more information than is available at the moment, and will become more frequent as we become more automated," Hardwick says, though she adds that even if Credit Benchmark updates every time a rating changes, some banks may only update their ratings once every 12 months, so the data "is never going to be real time."

Elly Hardwick
Credit Benchmark

"There are around 50 or 60 internal ratings-based banks around the world... and no one has been able to leverage that, so we've set up an arms-length organization to create a consensus view of credit risk estimates," Hardwick says. "But with just 50 or 60 of these banks... the number of potential contributors is relatively finite, so longer term we aim to attract insurers and big buy-side firms that produce a lot of credit risk estimates. If we can take all that in and filter it, there is huge potential to broaden that base."

Max Bowie