Credit Benchmark

Economics Nobel Prize Highlights Credit Risk as "Crucial Information"

October 2022

The recent award of the 2022 Nobel memorial prize in Economics to Bernanke, Diamond and Dybvig for their work on banking regulation and liquidity is well-timed. As the era of low interest rates draws to a close in the face of post-Covid adjustments and international tensions, it is a reminder that the global financial system has already weathered the 2008/9 crisis and the pandemic, largely thanks to the insights from these economists.

Government intervention in financial markets is rising – power company bailouts (Europe), currency intervention (Japan), record reverse repos to absorb excess investor cash (US Fed) and direct buying of Government bonds (UK). These are signs of stress as investors and business adjust to a high inflation / high interest rate environment. This stress has had a knock-on effect to funds – whether it is banks having to rein in lending to hedge funds, pension funds cutting their interest rate swap exposure, or mutual funds having to manage withdrawals (and halting them in the case of some illiquid property funds).

Figure 1 shows the credit distribution for global funds.

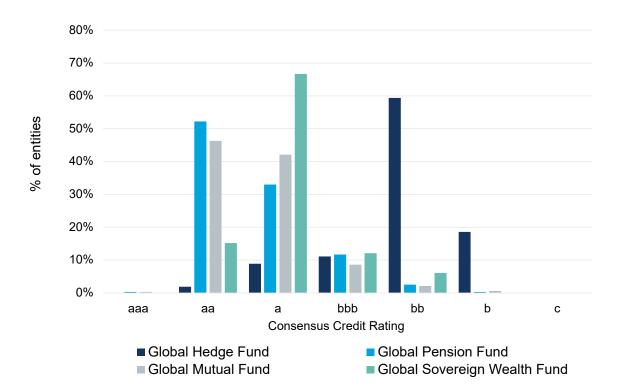


Figure 1: Credit Distribution of Global Funds, Aug-22

Sovereign Wealth funds (\$10trn) are concentrated in the **a** category; Pension Funds (\$50trn) dominate the **aa** category. Mutual funds (\$45trn) are spread across **aa** and **a**, while Hedge Funds (\$5trn) are predominantly in the **bb** category.

One of the key insights from the Nobel Prize Winners is this: <u>"A bank crash leads to loss of crucial information that banks</u> acquire (and can pass on to others) on savers and borrowers. Without such assurances about the credit-worthiness of businesses and households, liquidity cannot be quickly re-established." This highlights the connection between credit and liquidity, making the point that credit assessments are a form of market information.

Consensus ratings published by Credit Benchmark are, in effect, the same "crucial information" that Bernanke, Diamond and Dybvig describe, contributed monthly by 40+ large banks. Current coverage extends to more than 60,000 legal entities; half of that is in funds, the once overlooked and unrated but now increasingly critical element in global financial plumbing.

Credit Benchmark®

Credit Consensus Ratings and Analytics

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Credit Benchmark provides Credit Consensus Ratings and Analytics based on contributed risk views from 40+ of the world's leading financial institutions, including 15 GSIBs, domiciled in the US, Continental Europe, Switzerland, UK, Japan, Canada, Australia and South Africa.

For regulatory and business reasons, these financial institutions have each created their own regulated internal credit rating agency to assess the creditworthiness of tens of thousands of obligors. Credit Benchmark collects, aggregates and anonymises this information to provide an independent, real-world perspective of risk, delivered twice monthly to our partners.

Credit Benchmark fills an information gap left open by traditional credit risk content providers by offering a timely, comprehensive view of credit risk which proves complementary to issuer-paid rating agencies and third party model vendors. The first of its kind "credit consensus" data reflects the expertise of more than 20,000 credit analysts across the contributing group – a powerful example of the wisdom of crowds.

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- > Credit Risk Management
- > Systematic Credit Trading
- > Securities Finance
- > Supply Chain Risk
- > Trade Credit Insurance

- > Fund Management
- > Regulation, RWA & Capital
- > Onboarding, KYC & Relationship Management
- > Point-in-Time (PIT) Impairments
- > Accounts Payable & Receivable



10 Million

Contributed Credit Risk Estimates Per Year 40 Million+ Estimates Collected Since Launch



60,000+

Entities Covered



2x Twice Monthly

Twice Monthly Frequency

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75% Unrated by Major Credit Rating Agencies



1,200+ Aggregates



160+ Countries



80+ Months of Data



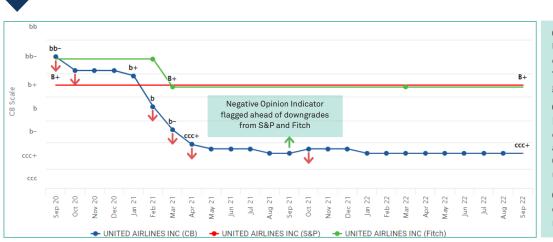
50+ Data Metrics



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Real-world risk views with unparalleled consensus coverage





Credit Consensus Rating: Unique measure of creditworthiness based on the views of 40+ leading global financial institutions

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Opinion Indicator: Month over month observation-level net downgrades or upgrades

Credit Benchmark Web App: Entity-Level Data Sample

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	Untitled 🗹				Result Count 44628	Modify Columns	Export
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	CB000000009	IHS GLOBAL CAN	ADA LTD	bbb-	Unrated	Unrated	
Start creating your first screener	CB000000025	GYP HOLDINGS II	I CORP	bb	Unrated	Unrated	
Start	CB000000080	GESTIELLE CEDOLA DUAL BRAND		a-	Unrated	Unrated	
	CB000000087	TRANE TECHNOL	OGIES LUXEMBOURG FINANCE SA	bbb+	Unrated	Unrated	
	CB000000088	TECK HIGHLAND	VALLEY COPPER PARTNERSHIP	bbb	Unrated	Unrated	

Credit Benchmark Web App: Data Screen Sample

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