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Moody's Investors Service

Moody's Investors Service and Moody's Risk Management Services jointly hosted the first meeting of the **Moody's Academic Advisory and Research Committee** in New York City on Thursday, August 30th.

The advisory committee comprises North American and European academic risk experts, and was formed earlier this year by Moody's to study and advise in the areas of credit risk analysis and portfolio management. The nine-member committee joins experts from top universities in North America and Europe to discuss developments in credit markets, review the research findings of the various committee members, and explore opportunities for collaborative research. The Committee is chaired jointly by one academic member and two Moody's associates.

At the inaugural meeting, academics and researchers from Moody's presented and discussed the results of eight different research projects dealing with default and bankruptcy prediction, loss given default, rating migration, and default correlation. These are all topics of high import to investors, bankers and portfolio risk managers, as well as to the academic community, since they bear directly on the risk and profitability of lending and investing activities and strategies.

"Moody's has always believed that academic research in economics and finance will help produce better management of credit-sensitive portfolios," said Moody's Investors Service president John Rutherford, who was in attendance. "This meeting was extremely informative. The thinking that went into the research, and the discussion that arose around the presentations, represents some of the very best in finance today. We are pleased to have such an accomplished group of researchers as our advisory group members."

John Hull of the University of Toronto is the Committee's first academic chair. "This was an exciting first meeting and the consensus among the members is that it was extremely productive," said Professor Hull. "Having now seen the Committee in action, I am even more enthusiastic about the collaboration."

The academic participants of the Committee are:

- Darrell Duffie, James I. Miller Professor of Finance, Stanford University
- Stephen Figlewski, New York University and Editor of the Journal of Derivatives

- David Heath, Orion Hoch Professor and Director of the Center for Computational Finance, Carnegie Mellon University
- John Hull, Maple Financial Group Professor of Derivatives and Risk Management, Joseph L. Rotman School of Management, University of Toronto, Director, Bonham Centre for Finance, University of Toronto
- David Lando, University of Copenhagen
- William Perraudin, Professor of Finance, Birkbeck College, University of London
- Alan White, Peter L Mitchelson/Sit Investment Associates Foundation Professor of Investment Strategy, Joseph L. Rotman School of Management, University of Toronto.

The Moody's chairs are Roger M. Stein, Managing Director of Quantitative Risk Analytics, Moody's Risk Management Services, and Richard Cantor, Managing Director, Ratings Research and Analysis, Moody's Investors Service.

"We could not have hoped for a better first meeting," said Stein. "The presentations and the discussions that followed, both during the day and subsequently, have already led to new research directions and collaborations as well as provided valuable feedback on product directions."

Mr. Cantor said, "The meeting provided an excellent forum for discussion of ratings related issues such as rating migration and consistency, and also allowed the academic members to gain a much richer understanding of the rating process."

Moody's Investors Service is a leading provider of credit ratings and credit-related research in the global financial markets. It produces state-of-the-art research on the performance of credit ratings as predictors of investor credit losses on bonds and other rated obligations. Meetings with academic experts help the company keep abreast of the best available tools to improve the accuracy and timeliness of its ratings and quality of its research.

Moody's Investors Service has been expanding its traditional credit rating services franchise by providing quantitative risk analytic products through its Moody's Risk Management Services subsidiary. The subsidiary's RiskCalc(TM) default prediction models and LossCalc recovery models allow users to predict the probability and severity of default for obligors based on financial data and equity market information. They have been designed to help financial institutions and corporate treasury departments extend credit, structure securitizations, and determine adequate levels of capital allocation under the new proposed Basel regulatory directives or internal guidelines.

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