

Paper 240-2010

An Internal Rating Modeling Framework for Low-Default Portfolios

Luca Zaniboni and Angela Giovanna Ventura, SAS Institute Inc., Milan, Italy
Naeem Siddiqi, SAS Institute Inc., Toronto, Canada

ABSTRACT

A core input to credit risk measurement and the development of portfolio strategies is the probability of default (PD) per borrower. As such, any methodology that derives PD estimates will determine the accuracy and soundness of the results derived from the models, as well as the quality of the decisions that are made using the PD estimates.

In this paper, a framework for dealing with low-default portfolios is presented. This framework is based on a shadow rating approach. While the specific project in this paper was performed on large corporate entities, this approach can be applied to both SME and consumer sectors where external ratings are available on at least part of the portfolio.

The analyses and modeling techniques described in this paper have been executed using a custom node for SAS[®] Enterprise Miner[™] 5.3. This node has a set of parameters that enable you to customize it. The node is upgradable for SAS Enterprise Miner 6.1.

**This paper was removed from the Proceedings at the request of the authors on June 17, 2010.
For additional information, check with the authors.**

CONTACT INFORMATION

Your comments and questions are valued and encouraged. Contact the author at:

- Luca Zaniboni
- SAS Institute Inc
- Milan, Italy
- E-mail: luca.zaniboni@ita.sas.com

SAS and all other SAS Institute Inc. product or service names are registered trademarks or trademarks of SAS Institute Inc. in the USA and other countries. ® indicates USA registration.

Other brand and product names are trademarks of their respective companies.