

Significant Risk Transfer: Global Adoption and Coming of Age

Supporting SRT with Consensus Credit Ratings and Analytics

For decades European and Canadian banks have issued Significant Risk Transfers (SRT) AKA credit risk transfers. This niche credit transaction has grown to over \$20 billion of equity issuance annually.

Since 2023 regulatory tailwinds, balance sheet pressure and higher interest rates have accelerated SRT growth, driving major US GSIBs, US regional and US community bank issuance. PIMCO estimate “over \$7 billion of SRT issuance in Q4 2023 alone” and predict that “2024 will see record activity.”

The SRT market is developing its own standards, protocols, data and transactional ecosystem. Established practices are being adapted and refined in light of new entrants, new portfolios, the pursuit of efficiencies and the economies of scale.

Consensus Credit Ratings, data analytics and workflow tools are benefiting issuers, investors and regulators at this exciting stage of the SRT market’s development.

SRT investors use our data to verify their own credit view and those of issuers

Credit Benchmark data is used by 30+ SRT investors to provide transactional, decision-support and workflow efficiencies. We help our SRT clients to:

- › **Enhance trade transparency with precise entity mapping.** Our mapping service facilitates efficient due diligence by identifying the exact legal entities in disclosed pools.
- › **Accelerate underwriting in an opaque market.** Real-world Consensus Credit Ratings allow investors to assess whether a position fits within their desired portfolio risk profile.
- › **Better mitigate risk by understanding sectoral changes and correlations over time.** Our sectoral indices are built from highly granular data, combining over 1M monthly datapoints.
- › **Build credibility - internally and externally.** Consensus data helps stakeholders understand and communicate the characteristics of underlying assets to support strategic decisions.

Credit Benchmark fills a critical information gap by offering a timely, comprehensive and independent view of credit risk. The dataset complements data available from issuing banks, traditional credit rating agencies and third-party model vendors. Consensus Credit Ratings encapsulate the expertise of 20,000+ credit analysts; a powerful example of “the wisdom of crowds.”

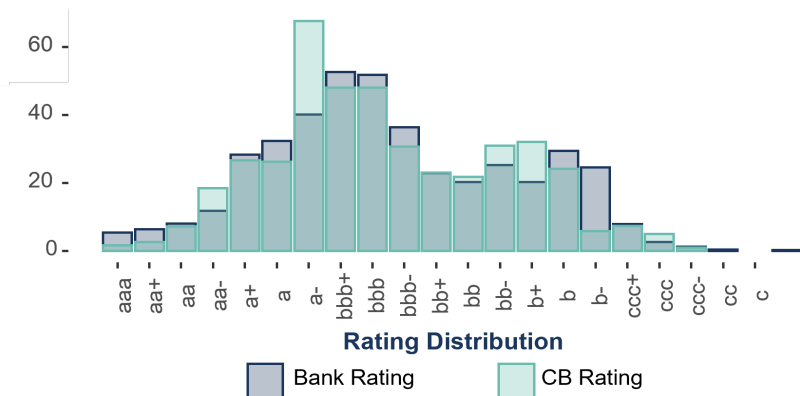
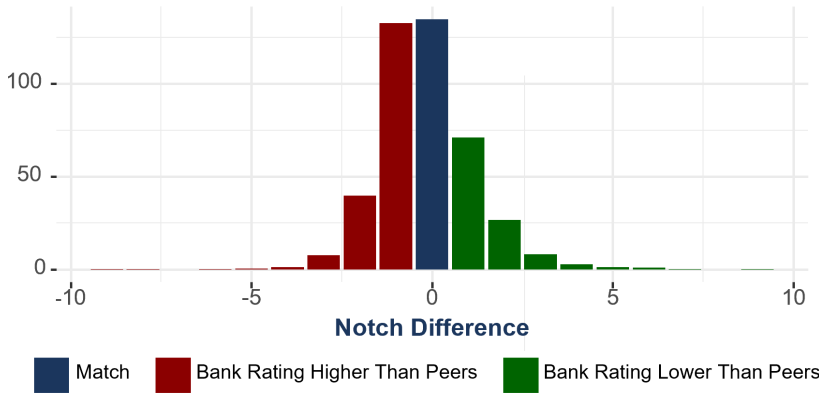
About the Data

- › Credit Benchmark collects, aggregates and anonymises the internal risk views of expert credit analysts at 40+ major banks globally, almost half of which are GSIBs
- › The output of these combined risk views form entity-level Consensus Credit Ratings as well as macro-level credit indices
- › The underlying risk views are the same used by banks for regulatory purposes, such as RWA calculations

Global Coverage

- › 110,000 Corporate, Financial, Sovereign and Fund counterparts with Consensus Credit Rating coverage
- › 1,200+ geography, industry and sector credit indices covering 160+ countries
- › 9+ years of historical credit data collected (100+ months)
- › 1,000,000+ risk observations collected monthly; 80,000,000+ collected since launch

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Knowing the consensus creditworthiness of a portfolio speeds up execution - at levels that make sense for both parties. SRT is a relationship-driven business that is maturing quickly and the paucity of data available from traditional sources is restricting growth.

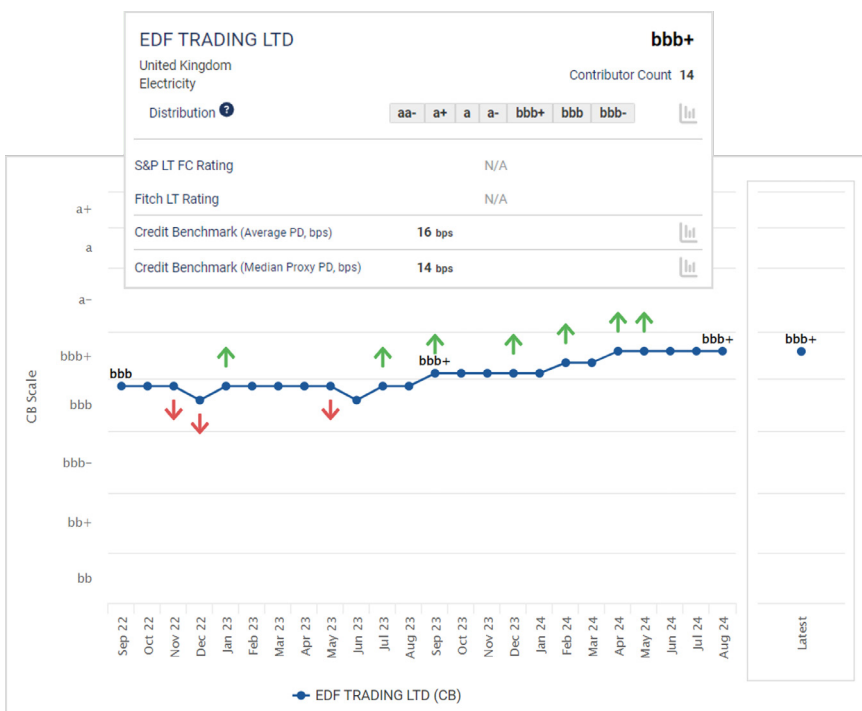
Our ability to facilitate the comparison of an individual issuer's or investor's credit risk view in a portfolio versus the consensus view – whether on a disclosed or undisclosed basis – helps both parties verify the risk in that portfolio, thereby helping expand the market.

Obligor-level data is available on 110,000 individual names.

Consensus Credit Rating: Unique measure of creditworthiness – based on the views of 40+ banks.

Consensus Analytics: Insights into the depth, dispersion, movement, and directional of the Consensus Credit Rating.

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



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When evaluating portfolios, especially on undisclosed deals, we can provide insightful industry- and sector-level analysis based on the pool profile given by the issuer bank (typically also a data contributor to Credit Benchmark).

This analysis can be useful to track the overall rating distribution or more specifically the percentage of Investment-Grade/High-Yield ratings in particular sectors of interest through time.

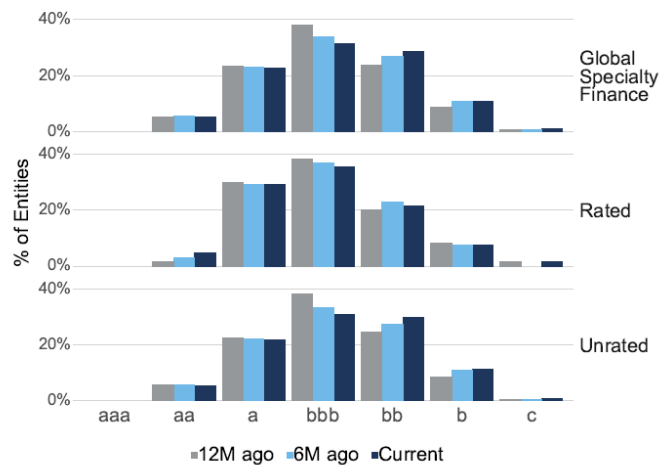
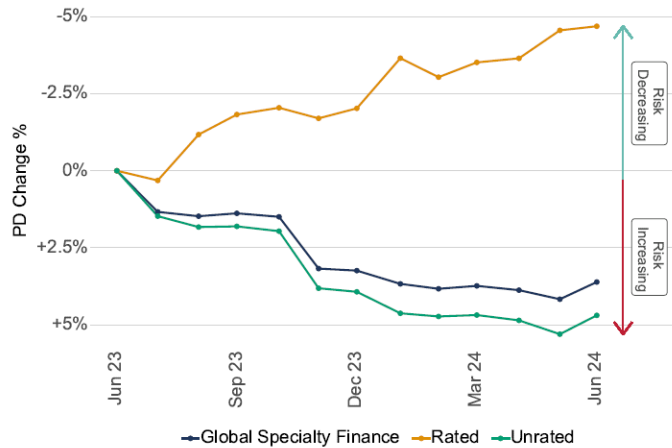
Credit transitions and correlations provide an important insight into portfolio credit risk over time.

Credit Benchmark's **Correlation Matrices** show industry and region correlations within a pool. Correlation Matrices can help with:

Concentration risk: Identifying and monitoring sectors that might impact systemic risk.

Portfolio construction for diversification: Building a more balanced portfolio by understanding whether sectors behave independently or not.

Scenario based credit risk model engine: Use correlations to model potential future trends in credit risk.



	Corporates	Basic Materials	Consumer Services	Consumer Goods	Health Care	Industrials	Oil & Gas	Technology	Telecommunications	Utilities
Corporates		49%	21%	62%	23%	87%	33%	45%	62%	18%
Basic Materials	49%		-46%	21%	67%	37%	13%	51%	34%	-9%
Consumer Services	21%	-46%		18%	-41%	24%	-31%	-29%	13%	-16%
Consumer Goods	62%	21%	18%		-2%	37%	6%	-28%	60%	9%
Health Care	23%	67%	-41%	-2%		2%	53%	29%	-5%	-38%
Industrials	87%	37%	24%	37%	2%		17%	49%	28%	17%
Oil & Gas	33%	13%	-31%	6%	53%	17%		36%	2%	-9%
Technology	45%	51%	-29%	-28%	29%	49%	36%		28%	21%
Telecommunications	62%	34%	13%	60%	-5%	28%	2%	28%		45%
Utilities	18%	-9%	-16%	9%	-38%	17%	-9%	21%	45%	

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	aaa/aa	a	bbb	bb	b	c	No. of entities
aaa/aa	85.7%	14.3%	0%	0%	0%	0%	14
a	0%	76.5%	20.2%	2.5%	0.8%	0%	119
bbb	0%	4.3%	65.1%	24.7%	4.3%	1.6%	255
bb	0%	0%	4.8%	68.7%	21%	5.5%	291
b	0%	0%	0.7%	10.1%	67.4%	21.7%	138
c	0%	0%	0%	0%	0%	100%	9

Credit Benchmark can provide **Credit Transition Matrices (CTMs)** to facilitate the modelling of default risk.

The transition matrices are constructed using the full breadth of Credit Benchmark’s dataset, which includes 110,000 entities, ensuring long term stability.

Credit Benchmark’s transition matrix offers investors an insight into rating migration as seen through the lens of the Contributing Banks’ credit rating models.

Data that works for you:

Credit Benchmark data is available via our Web App, Excel add-in, API, flat-file download, and third-party channels including Bloomberg and AWS.

[Contact us to learn more and request a demo of our data.](#)

Contact

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