

subsequent calibration issue as indicated by the proposed method.

CONCLUSION

The nature of rating models can vary with the rating philosophy of a financial institution. According to new Basel standards, even if the rating philosophy is mainly point-in-time orientated, the model output should be calibrated to the cycle average default experience.

Thus, it is intuitive to argue that every lending institution would rather like to know whether its models achieve the power represented by a monotonically increasing sequence of cycle average default rates assigned to its rating grades. For such an institution to become price-competitive, the model power should closely match the discriminatory power expectation built into its rating scale through such a sequence of cycle average default rates.

The methodology discussed in previous sections endeavours to benchmark performance of a rating model using its expected and actual default observations. This approach, resulting in a modified accuracy ratio, also incorporates calibration information, which the widely used accuracy ratio is lacking.

While the author acknowledges that the methodology should be further tested with a variety of data sets, the proposed approach results in an intuitively appealing benchmark based on internal expectations of a lending institution. This benchmark represents a measure of error between the expected and observed performance.

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Raising international standards

In line with Finsia's vision of 'Raising standards in the finance industry' our international area is responding to significant growth in hosting international students' education here in Australia.

We are meeting growing demands from financial institutes around the world in terms of delivering education on site at the Finsia premises. Finsia International again recently hosted two international students from the State Securities Commission, Vietnam: Pham Nguyen Hoang, Deputy Manager of Training Division, Securities Research and Training Centre (SRTC) and Nguyen Thuy Hoan, Acting Head of Division, Information Division, Securities Research and Training Centre.

Finsia hosts luncheon

Mr Martin Wheatley, CEO Securities & Futures Commission Hong Kong, presented his insights on "Investment Management Opportunities in Hong Kong and China" during a Finsia Boardroom luncheon on 6 March 2007.

We extend our sincere thanks to Giles Gunsekera SF Fin and his colleagues at Principal Global Investors for kindly sponsoring this luncheon which was held in their Sydney office.

KARP study tour

Finsia has entered into an agreement with the Korea Association of Risk Professionals (KARP) to provide a three and a half week financial markets study tour program in Australia for 30 graduate students specialising in finance from Korean universities. Finsia will be responsible for the design and implementation of the study tour program, training facilities and equipment.

The objectives of the intensive study tour will be to:

- Identify the key influences on the development of the Australian finance and banking markets
- Understand the key market regulators of the Australian financial markets and their specific role in maintaining the integrity of the markets
- Understand the financial markets exchanges and their role in market facilitation, supervision and reporting
- Explore new and popular products of the Australian banking and finance markets
- Analyse the changing role of corporate finance and the funding options that are available via debt and equity
- Explore the key issues in mergers and acquisitions and the increased activity in the Australian market place
- Understand the new strategies implemented by financial risk managers in the current environment.



(L-R): Howard Cook (formerly Finsia), Nguyen Thuy Hoan (SSCV), John Unkles F Fin (Finsia), Pham Nguyen Hoang (SSCV) and Sue Jeffery (Finsia).

“We found the whole experience of coming down to Australia for a study term a very rewarding and fulfilling experience, and we will definitely be coming back for more study. What attracted us to Finsia was that the courses were very practical and we had the opportunity to interact with participants from within the financial sector. The transfer of knowledge and experience from Finsia’s leading practitioners provided an opportunity that was otherwise not available and assisted us immensely in ongoing development of our practical skills.”

Finsia and PNBi helping quality gains in Malaysia



Deputy Prime Minister Datuk Seri Najib Razak (pictured) welcomed the contribution that foreign educators such as Finsia make to Malaysia by fostering an atmosphere of competitiveness which would see local institutions raising their quality and attractiveness to foreign students to study in Malaysia.

Najib was speaking at the 2007 convocation for the PNB Investment Institute (PNBi) in which 90 students received their certificates, diplomas and post graduate diplomas. PNBi is a joint venture between Permodalan Nasional Bhd and Finsia.

Najib commended PNB for its involvement in two important sectors in the economy: financial services and education, both vital to lift the economy to a higher plane.

He also commended PNBi for increasing the marketability of unemployed graduates through the PNB Investment Training Program and the PNB Group Executive Trainee Program. Ninety-five unemployed graduates are enrolled in the programs.

Najib supported comments by PNB chairman Tan Sri Ahmad Sarji Abdul Hamid and Finsia executive general manager John Unkles F Fin concerning capability and integrity, both essential for individual career and personal development.

The ceremony was also honoured with the presence of Dato’ Mustapa Mohamed F Fin Minister of Higher Education. **J**

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