



الوكالة الإسلامية الدولية للتصنيف
Islamic International Rating Agency

*Islamic Financial Sector Development Working Group
Consultative Meeting*

**RATINGS – THE WAY TOWARDS ECONOMIC STABILITY AND
POVERTY ALLEVIATION**

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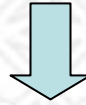
Achieving Economic Development & Poverty Alleviation

- **Efficient financial infrastructure required to achieve the two goals**
- **Debt markets in the region are still undeveloped**
- **Efficient financial markets required for economic growth and poverty alleviation**



The Need for Efficient Financial Markets

Vibrant financial markets



Efficient allocation of financial resources



Economic growth



Job creation & Poverty alleviation

The efficiency of financial markets is marred by information asymmetry between lenders and borrowers

The Role of Credit Rating Companies

- **Eliminate the information asymmetry by providing an independent opinion on debtor's risk profile**
- **Rigorously analyze the past, present and probable future**
- **The independence and neutrality is of utmost importance**



Benefits of Credit Rating Culture

- **Enhances the transparency of financial markets**
- **Provides basis for well-informed investment decision making**
- **Induces an organization's management to improve internal practices to earn superior ratings and save financial costs**
- **Assists regulators in bringing stability in the financial system**



The Need for Regional Rating Agencies

- **The global rating agencies are mostly concentrated in USA and Europe**
- **Other countries felt the need for independent, unbiased, more accessible and cost-effective rating companies**
- **Regional rating agencies emerged in late 1980s in Japan and later in India, China and Malaysia etc.**



Emergence of IIRA

- **Islamic International Rating Agency (IIRA) was established with the support of Islamic Development Bank**
- **IIRA became operational in June 2005**
- **IIRA aims to play its role in the development of the regional financial market by providing an assessment of the risk profile of entities and instruments which can be used as a basis for investment decisions**



IIRA's Mission

- **To introduce standards for greater disclosure and appropriate governance**
- **To help clients understand and manage risks**
- **To maintain high standards of objectivity, independence, transparency and consistency in providing rating services**
- **To provide effective tools for informed investment decisions thereby channeling resources to their most effective uses**



IIRA's Initiatives for the Development of Financial Markets

- **The launch of a unique rating product – “Shari’a Quality Rating”**
- **Complete specialized credit rating services for Islamic banks, Takaful companies and other corporate entities**
- **Equipped to provide rating services to conventional institutions as well**
- **The creativity and initiative-taking process to continue in future for the development of industry**



What is Needed

- **Introduction of ‘Rating Culture’ in financial markets**
- **Through credit ratings, institutions will earn respect and acceptance in international financial market. It will also lead to increased integration of regional and international institutions**
- **Voluntary submission to rating exercise is the preferred approach**
- **As experienced in some other countries, the regulatory initiatives also help develop the rating culture**



Thank You

