

Rating Properties and their Implications for Basel II-Capital

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Abstract

The article “Rating Properties and their Implication on Basel II-Capital” with its empirical analysis presents new insights on the verification of ratings. Within a consistent framework the basic properties *Association*, *Calibration*, *Discrimination* and *Refinement* of rating forecasts are defined and measures derived. It is shown that *Refinement* has an important influence on the Basel II capital since, ceteris paribus, an increase in *Refinement* leads to a lower average capital requirement.