

03 May 2023

To: Firms registered in BCA's Contractors Registration System (CRS)

Dear Sir/Madam,

## **CIRCULAR ON CHANGE IN CREDIT RATING SYSTEM USED FOR HIGHER-GRADE FIRMS IN BCA'S CONTRACTORS REGISTRATION SYSTEM ("CRS")**

### **Objective**

This circular informs all firms registered in the CRS that BCA has appointed a new credit rating agency to provide credit rating assessment for higher-grade CRS firms (hereafter defined as firms with an A1, A2, B1, or B2 grade in a CW workhead, an M1 grade in the FM01 workhead, or a L6 grade in a CR or ME workhead) from 2023 to 2024.

### **Change of credit rating vendor**

2 To assist Government agencies in assessing the financial capabilities of firms participating in public sector construction tenders, BCA has been providing credit rating information of higher-grade CRS firms to Government agencies. The credit rating is assessed by a third-party vendor (previously Experian Pte Ltd, currently Singapore Commercial Credit Bureau ("SCCB")) based on established methodologies and the audited financial accounts submitted annually to BCA as part of CRS registration requirements. As the credit rating information is made available to Government agencies, it also minimises the need for firms to buy credit rating reports and submit to Government agencies for each tender.

3 In Jan 2023, BCA awarded to the Singapore Commercial Credit Bureau ("SCCB") a contract to supply credit rating reports for a period of two years from 2023 to 2024. SCCB is an established and reputable credit rating agency that has been providing credit rating services for firms across different business sectors. Higher-grade CRS firms submitting their audited financial accounts to BCA from 1 Jan 2023 onwards will have their latest credit rating reflected using SCCB's Credit Assessment ("CA") Rating instead of Experian's Default Probability ("DP") Rating on BCA's eBACS portal (<https://www.bca.gov.sg/ebacs/>). A firm's latest CA Rating will be reflected on the eBACS portal about 1 – 2 months after the submission of their audited financial accounts to BCA.

4 ***The DP Rating assigned to a firm in previous Financial Years (if any) will still be retained on the eBACS portal***, as Government agencies may still require that information for tender evaluation and the monitoring of financial performance of their current firms.

## Interpretation of CA Rating

5 Under the CA Rating system, firms are rated on a scale from 1 to 6, with CA1 having the lowest risk of default and CA6 having the highest. A firm's CA Rating is determined holistically considering both financial and non-financial factors. The description for each of the bands has been reproduced below. For more information on CA Rating, please visit SCCB's website (<https://sccb.com.sg/credit-risk-report/credit-rating-approach-and-methodology/>).

| CA Rating | Risk Level    | Capacity to undertake projects | Probability of Default (%) |
|-----------|---------------|--------------------------------|----------------------------|
| CA1       | Minimal       | Strong                         | < 0.01                     |
| CA2       | Low           | Good                           | 0.58                       |
| CA3       | Average       | Fair                           | 1.03                       |
| CA4       | Above Average | Limited                        | 1.33                       |
| CA5       | Fairly High   | Weak                           | 2.91                       |
| CA6       | High          | Very Weak                      | 4.44                       |

## Comparison of CA Rating with DP Rating

6 As SCCB and Experian adopt different methodologies to arrive at their ratings, **it is not possible to produce a definitive, one-to-one mapping between CA and DP Ratings.** Nevertheless, BCA has reproduced below the description for each of the DP Rating bands for firms' reference. Please note that the probability of default published by SCCB and Experian are generated from two different models and are not directly comparable (e.g. a 2.91% default probability under CA5 in CA Rating does not mean that CA5 directly corresponds to DP5 in DP Rating even though the default probability of 2.91% falls within the range of 1 – 3% for DP5).

| DP Rating | Grading          | Financial Status | Probability of Default (%) |
|-----------|------------------|------------------|----------------------------|
| DP1       | Investment Grade | Premium          | < 0.1                      |
| DP2       | Investment Grade | Premium          | > 0.1 & <= 0.2             |
| DP3       | Investment Grade | Strong           | > 0.2 & <= 0.4             |
| DP4       | Investment Grade | Strong           | > 0.4 & <= 1               |
| DP5       | High Yield       | Moderate         | > 1 & <= 3                 |
| DP6       | High Yield       | Moderate         | > 3 & <= 8                 |
| DP7       | High Risk        | To Monitor       | > 8 & <= 14                |
| DP8       | High Risk        | To Monitor       | > 14                       |

## Clarifications

7 In the transitional phase, we seek firms' understanding that it may take longer than usual for the latest credit rating of a firm to be reflected on the eBACS portal. For clarification on this circular, please direct your queries to <https://www.bca.gov.sg/feedbackform/>.

Thank you.

Yours faithfully

LIM PUAY SHAN  
DEPUTY DIRECTOR, PROCUREMENT POLICIES DEPARTMENT  
BUILDING AND CONSTRUCTION AUTHORITY