
Kroll Firm to Expand Bond Rating Coverage.

With an infusion of new capital from a private-equity investor, Kroll hopes to double in size in the next three years.

Competition may be heating up in the credit rating business as Kroll Bond Rating Agency, armed with an infusion of new capital, expands its coverage of corporate and municipal bonds.

KBRA, which was founded by CEO Jules Kroll five years ago, has specialized in coverage of the structured finance market. Last week, it announced private-equity investor Wharf Street had acquired a majority stake, positioning it to pursue future growth and challenge the "Big Three" agencies — Moody's, Standard & Poor's, and Fitch Ratings.

"The last five years we've really built a name for ourselves in the structured finance market and are beginning to build a name for ourselves in municipals and financial institutions," KBRA president Jim Nadler told Reuters. "There is a real need for research in the band from A down to BB within the corporate finance sector, where we are not currently as active."

KBRA hopes to double in size in the next three years. "Everywhere we go, we need to prove ourselves and so far investors have been our best allies," Kroll said.

The firm has so far published more than 600 ratings linked to over $400 billion of issuance. The "Big Three" rating agencies issue around 95% of credit ratings globally, a total unchanged since the financial crisis.

According to Kroll, KBRA's goal is to offer deeper insight than competitors in areas where there is such a need. One possible area is airports where, Kroll said, other agencies have stuck to single-A ratings for the sector despite evidence that some airports were much more creditworthy.

Wharf Street now owns around 90% of KBRA after buying out early investors and much of Kroll's stake.

by Matthew Heller

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