

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4623
ANSWERED ON:23.04.2010
CREDIT RATING AGENCIES
Shekhar Shri Neeraj

Will the Minister of FINANCE be pleased to state:

- (a) whether Government has set up a committee to regulate credit rating agencies;
- (b) if so, the details thereof;
- (c) whether the committee has submitted its report;
- (d) if so, the details of recommendations; and
- (e) steps being taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI NAMO NARAIN MEENA)

- (a): Yes, Sir. A committee was set up to make recommendations on the subject.
- (b): At the instance of the High Level Coordination Committee on Financial Markets (HLCCFM) Government had set up a committee on the inter regulatory issues emanating from the activities of Credit Rating Agencies (CRAs). The Committee had representation from all the financial sector regulators, viz. Reserve Bank of India, Securities and Exchange Board of India, Insurance Regulatory and Development Authority and Pension Fund Regulatory and Development Authority.
- (c): Yes, Sir.
- (d): The major recommendations include lead regulator model for CRAs, disclosure of other activities carried out by CRAs or their subsidiaries, disclosure of default and transition statistics and governance norms for CRAs.
- (e): SEBI has mandated a half yearly internal audit for Credit rating Agencies to be conducted by Chartered Accountants, Company Secretaries or Cost and Management Accountants who are in practice and who do not have any conflict of interest with the CRA. Further CRAs require prior approval of SEBI for any change in status or constitution in CRAs resulting in change of control, change in managing director / whole time director etc.