

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5830
ANSWERED ON:30.04.2010
CREDIT RATING AGENCIES
Singh Shri Sushil Kumar

Will the Minister of FINANCE be pleased to state:

- (a) whether Securities and Exchange Board of India (SEBI) has recommended that the share holding pattern of credit rating agencies should be made public so that their relationships with rated companies is in the public domain;
- (b) if so, the details thereof;
- (c) whether the Government has accepted the recommendation of SEBI in this regard; and
- (d) if not, the reasons therefor?

Answer

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

- (a): The Committee on Comprehensive Regulation for Credit Rating Agencies (CRAs) set up by the High Level Coordination Committee on Financial markets with 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 had inter alia recommended that shareholding pattern of credit rating agencies be made public.
- (b): The Committee recommended that all registered rating agencies may be required to disclose publicly on their websites their shareholding pattern and the names of the owners.
- (c):The regulators are required to implement the recommendations. 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.
- (d): Does not arise in view of reply to (c) above.