

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4091

ANSWERED ON:03.12.2010

ACCOUNTABILITY OF CREDIT RATING AGENCIES

Bapurao Shri Khatgaonkar Patil Bhaskarrao;Gaikwad Shri Eknath Mahadeo;Yaskhi Shri Madhu Goud

Will the Minister of FINANCE be pleased to state:

- (a) whether some highly rated structured finance instruments collapsed during the recent time;
- (b) if so, the details thereof for each of the last three years, instrument-wise;
- (c) the steps taken by the Government to make credit rating agencies accountable in this regard;
- (d) whether the Government has issued any fresh guidelines to rating firms to disclose their methods of rating a particular company; and
- (e) if so, the details thereof?

Answer

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

- (a): Some highly rated (above Investment Grade) structured finance instruments collapsed in recent time,
- (b): In the last three Financial Years, there were defaults in the above mentioned instruments in 2009-10 and 2010-11. In 2009-10. there were defaults in 27 instruments. These instruments were issued by Barclays Bank PLC, Unitech Ltd., Wockhardt Ltd. Cholamandalam Investment Finance Company Ltd. and ICICI Bank Ltd. In 2010-11 (till November) there was default in one instrument issued by ICICI Bank Ltd.
- (c): SEBI has taken steps for increasing transparency and accountability of credit rating agencies (CRAs) through greater disclosures. These include half yearly internal audit of all SEBI registered CRAs and mandatory disclosure of rating procedure,
- (d): No, Sir.
- (e): Not applicable in view of reply to (b) above.