

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1595
ANSWERED ON:04.03.2011
ACCOUNTABILITY OF CREDIT RATING QUESTION
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Will the Minister of FINANCE be pleased to state:

- (a) the details of credit rating agencies operating in India, presently;
- (b) the salient obligations entailed to licenses granted to these agencies, including accountability for failure to accord ratings on realistic basis;
- (c) the details of the authorities who oversee the conduct of the rating agencies, indicating the relevant rules/guidelines governing their conduct,
- (d) the instances, if any, of unrealistic ratings of companies/financial instruments conferred by the rating agencies since their advent in India; and
- (e) the action taken in respective cases?

Answer

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

(a): Presently, there are six credit rating agencies (CRAs) which are registered with Securities and Exchange Board of India (SEBI). These are:

1. CRISIL Limited
2. Fitch Ratings India Private Ltd.
3. ICRA Limited
4. Credit Analysis & Research Ltd.
5. Brickwork Ratings India Pvt Ltd
6. SME Rating Agency of India Ltd.

(b): SEBI (Credit Rating Agencies) Regulations, 1999, have prescribed a comprehensive Code of Conduct to be followed by all SEBI registered CRAs. The Code inter alia, requires CRAs to comply with the following :

exercise due diligence and independent professional judgment in order to achieve and maintain objectivity and independence in the rating process,

conduct half yearly internal audit which covers all aspects of CRA operations and procedures, including investor grievance, redressal mechanism and compliance with the provisions of the securities laws,

consider the internal audit report of the Board of Directors of CRAs including taking appropriate measures to rectify deficiencies, if any and send the Action Taken Report to SEBI, and;

follow various transparency and disclosure requirements prescribed by SEBI for CRAs including disclosure of rating procedure, default studies, income from rating services and non-rating services, measures to deal with conflict of interest, obligations in respect of rating of structured products, unsolicited credit ratings, etc

(c): CRAs are regulated by SEBI as per the provisions of the SEBI (Credit Rating Agencies) Regulations, 1999 and guidelines/circulars issued thereunder.

(d): No such instance has in the recent past come to the notice of SEBI.

(e): Not applicable in view of reply to (d) above.

