

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2916
ANSWERED ON:30.03.2012
RATING AGENCIES 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) 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) 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 STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) Presently, six credit rating agencies (CRAs) are registered with SEBI, namely:

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

(b) (a) SEBI (Credit Rating Agencies) Regulations, 1999 have prescribed a comprehensive Code of Conduct to be followed by all SEBI registered CRAs which, inter alia, states that a CRA shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment in order to achieve and maintain objectivity and independence in the rating process.

(b) SEBI has mandated a half yearly internal audit for credit rating agencies which covers all aspects of CRA operations and procedures, including investor grievance redressal mechanism and compliance with the provisions of the securities laws. The Board of Directors of CRAs is required to consider the report and take appropriate measures to rectify the deficiencies and the CRAs send the Action Taken Report to SEBI.

(c) SEBI has prescribed various transparency and disclosure requirements for CRAs. These provide for various disclosures like 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. SEBI has also standardized rating symbols and definitions to be followed uniformly by the CRAs.

(c) CRAs are regulated by SEBI, as required under SEBI Act, 1992 CRAs are governed by the provisions of the SEBI (Credit Rating Agencies) Regulations, 1999 and guidelines/circulars issued there under.

(d) As per the records available, no evidence of any such instance has been observed.

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