

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:3174  
ANSWERED ON:15.03.2013  
RATING AGENCIES  
Meghwal Shri Arjun Ram

**Will the Minister of FINANCE be pleased to state:**

- (a) Whether the rating agencies are restrained from providing fee based service other than credit rating and research to its customers;
- (b) If so, details thereof and reason therefor;
- (c) Whether any agency has opposed the same; and
- (d) If so, the details thereof and reaction of the Government thereto?

**Answer**

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

(a) & (b) According to SEBI (Credit Rating Agencies) Regulations, 1999, a credit rating agency (CRA) shall not offer fee-based services to the rated entities, beyond credit ratings and research.

Further, SEBI Guidelines require a CRA to disclose annually:

- (a) Its total receipt from rating services and non-rating services,
- (b) Issuer wise percentage share of non-rating income of the CRA and its subsidiary to the total revenue of the CRA and its subsidiary from that issuer, and
- (c) Names of the rated issuers who along with their associates contribute 10% or more of total revenue of the CRA and its subsidiaries

The aforesaid provisions have been made to avoid any conflict of interest and to ensure arm's length relationship between credit rating activity and other activities of CRA.

- (c) As per available records, no rating agency has opposed the aforesaid guidelines.
- (d) Does not arise in view of the reply (c) above.