



CIRCULAR

CIR/MIRSD/4/2011

June 15, 2011

All Credit Rating Agencies Registered with SEBI

Dear Sirs,

Sub: Standardisation of Rating Symbols and Definitions

1. It has been observed that the Credit Rating Agencies (CRAs) registered with SEBI use different rating symbols and definitions.
2. It has been felt that there need to be common rating symbols and definitions (i) for easy understanding of the rating symbols and their meanings by the investors, and (ii) to achieve high standards of integrity and fairness in ratings.
3. The issue was discussed in the meeting of Corporate Bonds and Securitisation Advisory Committee of SEBI. The Committee recommended that the rating symbols and their definitions should be standardised.
4. Pursuant to the above, in consultation with the CRAs and considering the international practices, standardised symbols and their definitions have been devised for the following:
 - a) Long term debt instruments;
 - b) Short term debt instruments;
 - c) Long term structured finance instruments;
 - d) Short term structured finance instruments;
 - e) Long term mutual fund schemes; and
 - f) Short term mutual fund schemes.
5. The new symbols and definitions as given in Annexures 1-6 shall henceforth be used for the new ratings/ reviews by the CRAs.
6. For existing outstanding ratings, the CRAs shall:
 - (i) disclose new rating symbols and definitions on their websites;
 - (ii) update their rating lists on their websites; and
 - (iii) inform their clients about the change in the rating symbols and definitions and specifying that this should not be construed as a change in the ratings.



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

7. The CRAs shall ensure compliance with the requirements specified at Clause 6 above, as early as possible but not later than 4 months from the date of issuance of this circular.
8. The CRAs shall communicate to SEBI, the status of the implementation of the provisions of this circular by October 31, 2011. They shall also place the compliance status of this circular before their Boards.
9. This circular is issued in exercise of the powers conferred by Section 11 (1) of Securities and Exchange Board of India Act, 1992 read with the provisions of regulations 13, 18 and 20 of SEBI (Credit Rating Agencies) Regulations, 1999 to protect the interest of investors in securities and to promote the development of, and to regulate, the securities market.

Yours faithfully,

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Encl: as above



ANNEXURE 1

I. Rating Symbols and Definitions for Long Term Debt Instruments

Long term debt instruments: The instruments with original maturity exceeding one year

Rating symbols should have CRA's first name as prefix

AAA - Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

AA - Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

A - Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.

BBB - Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk.

BB - Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations.

B - Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations.

C - Instruments with this rating are considered to have very high risk of default regarding timely servicing of financial obligations.

D - Instruments with this rating are in default or are expected to be in default soon.

Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories AA to C. The modifiers reflect the comparative standing within the category.



ANNEXURE 2

II. Rating Symbols and Definitions for Short Term Debt instruments

Short term debt instruments: The instruments with original maturity of upto one year

Rating symbols should have CRA's first name as prefix

A1 – Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk.

A2 - Instruments with this rating are considered to have strong degree of safety regarding timely payment of financial obligations. Such instruments carry low credit risk.

A3 - Instruments with this rating are considered to have moderate degree of safety regarding timely payment of financial obligations. Such instruments carry higher credit risk as compared to instruments rated in the two higher categories.

A4- Instruments with this rating are considered to have minimal degree of safety regarding timely payment of financial obligations. Such instruments carry very high credit risk and are susceptible to default.

D - Instruments with this rating are in default or expected to be in default on maturity.

Modifier {"+" (plus)} can be used with the rating symbols for the categories A1 to A4. The modifier reflects the comparative standing within the category.

III. Rating Symbols and Definitions for Long Term Structured Finance Instruments

Long term structured finance instruments: The instruments with original maturity exceeding one year

Rating symbols should have CRA's first name as prefix

AAA (SO) - Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

AA (SO) - Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

A (SO) - Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.

BBB (SO) - Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk.

BB(SO) - Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations.

B(SO) - Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations.

C (SO) - Instruments with this rating are considered to have very high likelihood of default regarding timely payment of financial obligations.

D (SO) - Instruments with this rating are in default or are expected to be in default soon.

Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories AA(SO) to C(SO). The modifiers reflect the comparative standing within the category.



ANNEXURE 4

IV. Rating Symbols and Definitions for Short Term Structured Finance Instruments

Short term structured finance instruments: The instruments with original maturity of upto one year

Rating symbols should have CRA's first name as prefix

A1 (SO) – Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligation. Such instruments carry lowest credit risk.

A2 (SO) - Instruments with this rating are considered to have strong degree of safety regarding timely payment of financial obligation. Such instruments carry low credit risk.

A3 (SO) - Instruments with this rating are considered to have moderate degree of safety regarding timely payment of financial obligation. Such instruments carry higher credit risk as compared to instruments rated in the two higher categories.

A4 (SO) - Instruments with this rating are considered to have minimal degree of safety regarding timely payment of financial obligation. Such instruments carry very high credit risk and are susceptible to default.

D (SO) - Instruments with this rating are in default or expected to be in default on maturity.

Modifier {"+" (plus)} can be used with the rating symbols for the categories A1(SO) to A4(SO). The modifier reflects the comparative standing within the category.



ANNEXURE 5

V. Rating Symbols and Definitions for Long Term Debt Mutual Fund Schemes

Long term debt mutual fund schemes: The debt mutual fund schemes that have an original maturity exceeding one year.

Rating symbols should have CRA's first name as prefix

AAmfs – Schemes with this rating are considered to have the highest degree of safety regarding timely receipt of payments from the investments that they have made.

AAmfs – Schemes with this rating are considered to have the high degree of safety regarding timely receipt of payments from the investments that they have made.

Amfs – Schemes with this rating are considered to have the adequate degree of safety regarding timely receipt of payments from the investments that they have made.

BBBmfs - Schemes with this rating are considered to have the moderate degree of safety regarding timely receipt of payments from the investments that they have made.

BBmfs - Schemes with this rating are considered to have moderate risk of default regarding timely receipt of payments from the investments that they have made.

Bmfs - Schemes with this rating are considered to have high risk of default regarding timely receipt of payments from the investments that they have made.

Cmfs - Schemes with this rating are considered to have very high risk of default regarding timely receipt of payments from the investments that they have made.

Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories AAmfs to Cmfs. The modifiers reflect the comparative standing within the category.



ANNEXURE 6

VI Rating Symbols and Definitions for Short Term Debt Mutual Fund Schemes

Short term debt mutual fund schemes: The debt mutual fund schemes that have an original maturity of upto one year.

Rating symbols should have CRA's first name as prefix

A1mfs - Schemes with this rating are considered to have very strong degree of safety regarding timely receipt of payments from the investments that they have made.

A2mfs - Schemes with this rating are considered to have strong degree of safety regarding timely receipt of payments from the investments that they have made.

A3mfs - Schemes with this rating are considered to have moderate degree of safety regarding timely receipt of payments from the investments that they have made.

A4mfs - Schemes with this rating are considered to have minimal degree of safety regarding timely receipt of payments from the investments that they have made.

Modifier {"+" (plus)} can be used with the rating symbols for the categories A1mfs to A4mfs. The modifier reflects the comparative standing within the category.