

CIRCULAR

CIR/MIRSD/3/2012

March 01, 2012

To
All Credit Rating Agencies Registered with SEBI

Dear Sir/Madam,

Sub: Guidelines for Credit Rating Agencies

1. According to SEBI (Credit Rating Agencies) Regulations, 1999 (the Regulations), a credit rating agency (CRA) has been defined as a body corporate which is engaged in the business of rating of securities offered by way of public or rights issues. The term "securities" has been defined in Clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956.
2. However it is observed that the CRAs registered with SEBI also carry out rating of other securities / instruments and loans / facilities provided by banks which are not regulated by SEBI. Such ratings are being used by the other regulators or their regulated entities for the specified purposes
3. Therefore, it is desirable that in addition to the review/accreditation process put in place by these regulators, if any, such ratings should also be governed by the same stringent norms as applicable for rating of securities issued by way of public and rights issues.
4. In view of the above, it has been decided in consultation with the CRAs and also with other regulators that for the above mentioned ratings, CRAs shall follow the applicable requirements pertaining to rating process and methodology and its records, transparency and disclosures, avoidance of conflict of interest, code of conduct, etc, as prescribed in the Regulations and circulars issued by SEBI from time to time.
5. The half-yearly internal audit for the CRAs as prescribed by SEBI shall also cover the above mentioned ratings.



6. This circular is issued in exercise of the powers conferred by Section 11(1) of Securities and Exchange Board of India Act, 1992 and Regulation 20 of the Regulations.
7. This circular is available on SEBI website at www.sebi.gov.in under the categories "Legal Framework" and "Circulars".

Yours faithfully,

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