

CIRCULAR

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To

All Credit Rating Agencies (CRAs) registered with SEBI

Sub: Guidelines for dealing with Conflict of Interest for investment/ trading by CRAs, Access Persons and other employees

1. SEBI (Credit Rating Agencies) Regulations, 1999 (hereinafter referred to as "the Regulations") and SEBI circular dated May 3, 2010 require every CRA to formulate the policies and internal code for dealing with the conflict of interest.

2. **Applicability**

(i) These Guidelines shall be applicable in case of investment / trading by CRAs and Access Persons connected to CRAs and in case of disclosures to all employees of CRAs.

Explanation: "Access Persons" means officials of CRA appointed as Chief Executive or by any other designation (such as CEO/MD/President or by whatever name called who are performing functions similar to those of the Chief Executive), the employees of CRA doing the function of analyst, or compliance, or heads of the departments or divisions or any other employee as decided by CRA and the members of the Rating Committee of the CRA.

(ii) These guidelines shall cover transactions for purchase or sale of securities either individually or jointly or in the name of their dependents or as a member of HUF.

3. With a view to adopt best industry practices and systems by CRAs for managing conflict of interest in case of investment/ trading in securities (except schemes of Mutual Funds) done by CRAs or their Access Persons as defined hereunder, the following guidelines, framed in consultation with CRAs are laid down:

a. CRAs shall adopt adequate systems, procedures and policies to ensure that they address conflict of interest while making their own investments in securities.

b. The CRAs, their employees and Access Persons shall not take undue advantage of any price sensitive information that they may have about any company.

c. **Access Persons to seek prior approval for transactions**

i. An Access Person shall apply to the Compliance Officer for prior approval of transactions for purchase or sale of securities of the companies which have been rated or graded by the CRA or whose securities / instruments / facilities have been rated or graded by the CRA.

- ii. The Compliance Officer of the CRA shall apply to the Chief Executive of the CRA for such prior approval.
 - iii. The CEO/Compliance Officer shall ensure that there is no conflict of interest while considering the request for prior approval.
 - iv. Such approvals, if granted, shall be valid for 7 working days from the date of approval.
- d. **Disclosures**
- i. Any person, who becomes an employee of the CRA, shall submit a statement of holding of all securities in respect of persons mentioned at 2(ii) above to the Compliance officer or Chief Executive, as the case may be, within 7 working days of joining CRA.
 - ii. All employees of CRA including the Access Persons shall submit the following details to the CEO/Compliance Officer, as the case may be:
 - a. Details of purchase or sale transactions effected within 7 working days from the date of transaction.
 - b. A consolidated statement of holding of all securities within 30 working days from the end of the Financial Year.
 - iii. The members of the Rating Committee shall upfront declare / disclose their interest, if any, to the Chief Executive Officer or Compliance Officer, as per the policy of the CRA, in the securities /instruments/ facilities that are considered for rating / grading by the CRA.
- e. **Restrictions on employees holding ownership of securities of the issuer.**
A CRA shall ensure that employees involved in the rating / grading process shall not have ownership of the securities of the issuer.
- 4. The CRAs shall devise their policies and procedures for effective implementation of these guidelines by October 01, 2013. The policies adopted by them in this regard shall be disclosed on their websites.
 - 5. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with Regulation 17 of SEBI (Credit Rating Agencies) Regulations, 1999 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
 - 6. This circular is available on SEBI website (www.sebi.gov.in) under the categories "Legal Framework" and "Circulars".

Yours faithfully,

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