

CIRCULAR

SEBI/HO/MIRSD/MIRSD4/CIR/P/2017/28

March 31, 2017

**To
All Credit Rating Agencies Registered with SEBI**

Dear Sir/ Madam,

Sub: Enhanced Standards for Credit Rating Agencies (CRAs) - Clarifications

1. Please refer to SEBI Circular No. SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dated November 01, 2016 on Enhanced Standards for Credit Rating Agencies (CRAs). Based on the representations received from the industry and in consultation with CRAs, following has been decided:

I. Point 2D (I) of Annexure A of aforementioned Circular on 'Standardization of Press Release for Rating Actions'

Considering the nature of instruments, following details may not be provided under the head "Details of Instruments" of Annexure A2

- i. Interest rate/ coupon rate for all types of bank loan facilities.
- ii. Maturity details for working capital facilities (including cash credit facilities).
- iii. Tranche-wise interest rate and maturity details for money market instruments such as Commercial Papers, Certificate of Deposit and short-term NCDs which are reissued frequently. However, the range of duration of these instruments (e.g. 7 - 90 days) shall be provided in the press release.

II. Point 2D (III) of Annexure A of aforementioned Circular on 'Standardization of Press Release for Rating Actions'

Rating Outlooks may not be assigned for:

- i. Short term ratings
- ii. Ratings in the 'C' and 'D' categories
- iii. Ratings on watch
- iv. Ratings of securitization transactions backed by pool of loans, as CRAs are already mandated to disclose at least once in every six months the performance of the rated pool, as per provisions of CIR/MIRSD/CRA/6/2010 dated May 03, 2010.
- v. Credit quality ratings of mutual fund schemes, provided surveillance of the fund's holdings is carried out by the CRAs on a monthly basis.

III. **Point 5B of Annexure A of aforementioned Circular on ‘Policy in respect of non-co-operation by the issuer’ stands modified as under:**

In such cases, the credit rating symbol shall be accompanied by the suffix **“ISSUER NOT COOPERATING*”** in the same font size. The suffix shall be explained below and shall read as *‘Issuer did not cooperate; Based on best available information’*.

2. It is further clarified that

- I. Bank loans/ facilities generally being non-transferable in nature and their only user being banks, withdrawal of ratings is permitted. All norms/ standards prescribed in this regard vide Circular dated March 01, 2012 shall continue to apply.
 - II. Open ended Mutual Fund schemes being perpetual in nature and having no specified maturity, withdrawal of rating of such schemes is permitted. However, as units of such schemes are held by many investors, such ratings shall be placed on notice of withdrawal for at least 30 days, which shall be publicly available on the CRA’s website.
 - III. Ratings of the aforementioned facilities/ securities can be withdrawn after receiving request for withdrawal from the Asset Management Company (AMC) in case of mutual funds; or request for withdrawal from the Borrower along with No Objection from the lending bank(s) in case of Bank facilities.
 - IV. At the time of withdrawal, the CRA shall assign a rating to such facility/ security and issue a press release as per the format prescribed vide Circular dated November 01, 2016. The Press Release shall also mention the reason(s) for withdrawal.
3. All other conditions as specified in the aforementioned Circulars shall remain unchanged.
4. 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 Regulation 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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