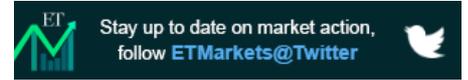


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# SEBI enhances disclosure rules for credit rating agencies

By [Reena Zachariah](#), ET Bureau | Updated: Nov 01, 2016, 10.15 PM IST[Post a Comment](#)

MUMBAI: The [Securities and Exchange Board of India](#) has tightened rules for credit rating agencies, in an attempt to arrest rating shopping by companies.



The regulator has asked rating agencies to disclose how they rate a company, the rating history, responsibility of analysts and also ask the rating committee to explain if there is a sudden downgrade among other things.

ET first reported about the proposed changes for credit rating agencies by [Sebi](#) in its edition dated September 23.

Sebi has asked credit rating agencies (CRAs) not to suspend the rating of an instrument abruptly but continue with the rating process till the instrument's perpetuity even if the issuer is non-cooperating.

"In case of non-cooperation by the issuer (such as not providing information required for rating, non-payment of fees for conducting surveillance)..the credit rating agency shall continue to review the instrument on an ongoing basis throughout the instrument's lifetime, on the basis of best available information..," Sebi said in a circular on Tuesday.

Industry participants said, it would be difficult to carry out the rating process for unlisted companies if an issuer is non-cooperative as not much information is available in the public domain unlike listed companies.

At present, if an issuer is not cooperative then rating agencies just suspend the rating of an instrument.

"Sebi felt suspension of rating was not the solution," said a person familiar with the development.

"The agreement between the issuer and the rating agency is governed by the [Indian Contract Act](#). Now, even if the issuer terminates the contract with the rating agency, Sebi has said you can't withdraw the rating," said an official with a rating agency.

Rating agencies would have disclose through a press release details about the instrument, a brief write up on the non-cooperating by the issuer and the consistent follow up done by it for getting the information and the rating history for last three years.

"In case an issuer, having not co-operated with a CRA in the past, approaches another CRA for rating, the new CRA shall, in its press release, disclose the aspect of non-cooperation," Sebi said.

Rating agencies will now also have to disclose unaccepted rating by an issuer.

At present, if an issuer is not accepting a rating, the agency doesn't have to disclose it.

"The guidelines will bring in greater transparency and consistency in ratings process across the industry which will help investors and lenders to take an informed decision," said Rajesh Patel, Chief Executive Officer, India Ratings and Research.

The regulator has also mandated rating agencies to give an outlook, in line with international practise.

"Sebi has set the ball rolling for a larger debate whether the rules has to be revised further in the days to come," said an industry participant.

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