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COMMUNIQUE TO REGISTRAR & TRANSFER AGENTS

CDSL/OPS/DP/POLCY/2022/181

October 14, 2022

SEBI CIRCULAR - SUSPENSION, CANCELLATION OR SURRENDER OF CERTIFICATE OF REGISTRATION OF A CREDIT RATING AGENCY

Issuers / RTAs are advised to refer to **SEBI Circular no. SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2022/140** dated **October 13, 2022**, regarding **Suspension, Cancellation or Surrender of Certificate of Registration of a Credit Rating Agency** [refer Annexure].

Issuers / RTAs are advised to take note of the same.

Queries regarding this communiqué may be sent to **CDSL – Helpdesk** through e-mail on helpdesk@cdslindia.com or call us on **08069144800**.

sd/-

Nilesh Shah
Asst. Vice President - Operations

SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2022/ 140

October 13, 2022

To

All Credit Rating Agencies (CRAs) registered with SEBI

Issuers who have listed and/or propose to list Non-Convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities or Commercial Paper

Recognized Stock Exchanges

All Depositories registered with SEBI

Dear Sir/ Madam,

Sub: Suspension, Cancellation or Surrender of Certificate of Registration of a Credit Rating Agency

1. Securities and Exchange Board of India (SEBI) Act, 1992 read with Securities and Exchange Board of India (Intermediaries Regulations), 2008 and Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999 ("CRA Regulations"), *inter alia* provide for cancellation, suspension or surrender of certificate of registration of a Credit Rating Agency (CRA).
2. In order to facilitate orderly migration of credit ratings of listed or proposed to be listed, non-convertible securities, securitised debt instruments, security receipts, municipal debt securities or commercial paper, and other regulated products pursuant to cancellation, suspension, or surrender of certificate of registration of a CRA to another SEBI-registered CRA, the following are hereby prescribed, subject to the requirements of corresponding cancellation or suspension order(s) passed by SEBI ("**the Order**"), if any:

2.1. On and from the date of the Order, or the date of submission of request for surrender of certificate of registration (“**the Request**”) to SEBI, as applicable, the concerned CRA shall -

- 2.1.1. disclose prominently on its website, the Order or the Request, as the case may be, and communicate the same to its clients within 15 days of the Order or the Request;
- 2.1.2. not take any new clients or fresh mandates;
- 2.1.3. allow its clients to withdraw any assignment given to the CRA, without any additional cost to such clients;
- 2.1.4. facilitate an orderly migration of assignments as desired by clients to other CRA(s) holding a certificate of registration under CRA Regulations;
- 2.1.5. continue to comply with the provisions of the CRA Regulations and circulars thereunder, till the time the CRA holds the certificate of registration;
- 2.1.6. continue to co-operate with SEBI with regard to sharing of information when requested and payment of fees as required under CRA Regulations;
- 2.1.7. take such other action including providing any records or documents within the time period and in the manner, as may be required under the CRA regulations or as may be directed by SEBI.

2.2. The CRA, on and from the date of acceptance of the Request, or when it is commencing the winding up process, shall -

- 2.2.1. return the certificate of registration so cancelled to SEBI,
- 2.2.2. not represent itself to be a holder of certificate for carrying out the activity for which such certificate had been granted;
- 2.2.3. suspend undertaking activity for which such certificate had been granted;
- 2.2.4. until it is wound up, continue to co-operate with SEBI on matters pertaining to the activities of the CRA undertaken by it till it held the certificate of registration under CRA Regulations;

- 2.2.5. make provisions as regards liability incurred or assumed by it;
 - 2.2.6. until it is wound up, take such other action including providing any records or documents within the time period and in the manner, as may be required under the CRA regulations or as may be directed by SEBI
- 2.3. Additionally, in case of suspension of the certificate of registration, the CRA, during such period of suspension, shall -
- 2.3.1. suspend undertaking activity for which such certificate of registration had been granted;
 - 2.3.2. continue to co-operate with SEBI on matters pertaining to the activities of the CRA undertaken by it under CRA Regulations;
 - 2.3.3. make provisions as regards liability incurred or assumed by it;
 - 2.3.4. take such other action including providing any records or documents within the time period and in the manner, as may be required under the CRA regulations or as may be directed by SEBI.
- 2.4. In case of cancellation of certificate of registration, the credit ratings assigned by the CRA shall be valid till such time the client withdraws the assignment and/or migrates the assignment to other CRA as specified or the CRA is wound-up, whichever is earlier.
- 2.5. In case of surrender of certificate of registration, the credit ratings assigned by the CRA whose certificate of registration is being surrendered, shall be valid till such time the client withdraws the assignment and/or migrates to another CRA, or the date of acceptance of surrender by SEBI, whichever is earlier.
- 2.6. In case of suspension of certificate of registration, the credit ratings assigned by the CRA, whose certificate of registration is suspended, shall not be valid during the period of suspension.

- 2.7. Upon cancellation or surrender or suspension of certificate of registration of a CRA, the concerned CRA's services cannot be used by listed entities or issuers for compliance with requirements of various SEBI regulations which require credit ratings from a CRA registered with SEBI.
- 2.8. Listed entities or issuers who have obtained credit rating from a CRA whose registration is cancelled or suspended or surrendered, desirous of obtaining credit rating for regulatory purposes, shall obtain credit rating(s) from another SEBI-registered CRA(s) holding a valid certificate of registration under CRA Regulations.
- 2.9. In order to facilitate the migration of credit ratings as mentioned above, the following provisions of SEBI circulars issued under CRA Regulations shall not be applicable, for the concerned CRA, from the date of Order of cancellation/suspension of certificate of registration or from the date of request of application of surrender of certificate of registration by the CRA :
- 2.9.1. Para 2(I) to Para 2(III) of circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2017/28 March 31, 2017,
 - 2.9.2. Para 2 of Circular No SEBI/HO/MIRSD/DOP2/CIR/P/2018/95 dated June 06, 2018,
 - 2.9.3. Para 3(b) of circular No SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dated January 03, 2020,
 - 2.9.4. Para VII of circular SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2022/ 113 dated August 25, 2022.
- 2.10. In case of cancellation or suspension or surrender of certificate of registration of a CRA, the credit rating assigned by such CRA shall be treated as withdrawn upon an issuer furnishing an undertaking that another rating is available for listed or proposed to be listed, non-convertible securities, Securitised Debt Instruments,



Security Receipts, Municipal Debt Securities or Commercial Paper or other regulated products, from other SEBI-registered CRA, together with confirmation from such other CRA on availability of such rating. The CRA whose certificate of registration has been cancelled or suspended or surrendered shall comply with the requirements of SEBI Circular No. SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dated November 1, 2016.

- 2.11. With respect to credit ratings of Issuers Not Cooperating, Para 3(a) of Circular No. SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dated January 03, 2020, *inter alia* states that, “If non-cooperation by the issuer continues for further six months from the date of downgrade to non-investment grade, no CRA shall assign any new ratings to such issuer until the issuer resumes cooperation or the rating is withdrawn.” The aforesaid provision shall not be applicable when the said non-cooperation was with a CRA whose certificate of registration has been cancelled, suspended or surrendered.
3. This circular is issued with the approval of competent authority, 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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