CDSL/OPS/RTA/POLCY/2023/20 **February 7, 2023**

SEBI CIRCULAR - AMENDMENTS TO OPERATIONAL CIRCULAR FOR CREDIT RATING AGENCIES

Issuers / RTAs are advised to refer CDSL Communique no **CDSL/OPS/RTA/POLCY/2023/11** dated January 16, 2023, regarding the issuance of SEBI circular no **SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2023/6** dated January 06, 2023, for **Operational Circular for Credit Rating Agencies**.

SEBI has now issued Circular no. **SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2023/19** dated February 03, 2023, regarding **Amendments to Operational Circular for Credit Rating Agencies [refer Annexure].**

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

Queries regarding this communiqué may be addressed to: **CDSL – Helpdesk** Emails may be sent to: helpdesk@cdslindia.com and telephone numbers (022) 2305-8624, 2305-8639, 2305-8642, 2305-8663, 2305-8640, 2300-2041, 2300-2033 or 08069144800.

sd/-

Nilesh Shah
Asst. Vice President - Operations

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2023/19 **February 03, 2023**

To,

All Registered Credit Rating Agencies,

All Registered Debenture Trustees,

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

Recognized Stock Exchanges,

All Depositories registered with SEBI

Dear Sir / Madam,

Subject: Amendments to Operational Circular for Credit Rating Agencies

1. Vide Circular no. SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2023/6 dated January 06, 2023, SEBI has issued an 'Operational Circular for Credit Rating Agencies' (Operational Circular).

2. The following amendments are being made to Operational Circular:

- *Para 5.6.1 shall stand modified as follows:*

  In addition to the standardized rating scales prescribed for various instruments, subsequent to discussions with various stakeholders, the following rating scale viz. Expected Loss (EL) based Rating Scale may be used by CRAs for ratings of projects/ instruments associated with infrastructure sector to begin with:

Rating symbols should have CRA's first name as prefix	
Rating symbol	**Definition**
EL 1	Instruments rated "EL 1" are considered to have the lowest expected loss, over the life of the instrument
EL 2	Instruments rated "EL 2" are considered to have very low expected loss, over the life of the instrument
EL 3	Instruments rated "EL 3" are considered to have low expected loss, over the life of the instrument
EL 4	Instruments rated "EL 4" are considered to have moderate expected loss over the life of the instrument.
EL 5	Instruments rated "EL 5" are considered to have high expected loss, over the life of the instrument
EL 6	Instruments rated "EL 6" are considered to have very high expected loss, over the life of the instrument
EL 7	Instruments rated "EL 7" are considered to have highest expected loss, over the life of the instrument

- *Para 8.2.2 shall stand modified as follows:*

  8.2.2 Policy for request for review/appeal by Issuer against the rating being assigned to its securities

- *Para 11.8.3 shall stand deleted and para 11.9 shall be inserted as follows:*

  11.9 "Para 11.2 to 11.4 of Operational Circular shall be applicable latest by March 31, 2023"

- *Para 12.6 shall stands deleted and para 12.2 shall stand modified as follows:*

12.2 Press Release for Withdrawal of Rating of a rated security : At the time of withdrawal of any credit rating of securities that are listed, or proposed to be listed, on a recognized stock exchange, and other credit ratings that are required under various SEBI Regulations or circulars thereunder, the CRA shall assign a rating to such security and issue a press release as per the format prescribed in the Annexure 13. However, in cases where there are no outstanding obligations under the security rated by the CRA or the company whose security is rated is wound up or merged or amalgamated with another company, CRA shall not assign any rating. Further, the Press Release shall also mention the reason(s) for withdrawal.

- *Para 12.3.3 shall be inserted as follows:*

  12.3.3 received an undertaking from the other CRA(s) that a new rating has been assigned to such security.

- *Para 12.4.4 shall be inserted as follows:*

  12.4.4 received an undertaking from the other CRA(s) that a rating is available on such security.

- *Para 16.2 shall stand modified as follows:*

  16.2 MD/ CEO of a CRA and any person within CRA who has business responsibility shall not be a member of rating committees of the CRA.

- *Para 17 shall stand modified as follows:*

  17. Request by Issuers for review/appeal of ratings provided by CRAs: Cases of request by an issuer for review/appeal of the rating(s) provided to its security/ies shall be reviewed by a rating committee of the CRA that shall consist of majority of members that are different from those in the Rating Committee of the CRA that assigned the earlier rating, and at least one-third of members are independent. ("Independent" would mean people not having any pecuniary relationship with the CRA or any of its employees).

- *Para 24A shall be inserted as follows:*

  24A. Guidelines on the listed securities/instruments/products falling under the purview of other financial sector regulator/s or authority/ies'

  Certain instruments/products/securities are regulated by other financial sector regulator/s or authority/ies and could be listed or unlisted. The issuers of such instruments/products/securities and any person connected therewith (such as CRAs) shall abide by the rules/regulations/directions/guidelines applicable to or governing such instruments/products/securities as prescribed by such financial sector regulator or authority whether such instruments/products/securities be listed or unlisted.

Further, if such instruments/products/securities are listed on a Recognised Stock Exchange, the rules/ regulations/ directions/ guidelines specified by the Board from time to time shall continue to be applicable.

- *Para 27.3.2 shall stand modified as follows:*

27.3.2 **Initial Rating**

Scenario	**Timelines – immediately but not later than**
Communication of the rating assigned to issuer	2 working days of rating committee meeting
Acceptance of Rating or request for review/appeal of Rating by the Issuer	5 working days of communication of rating by the CRA to the Issuer
Disclosure of rating as non-accepted Rating	In case rating is not accepted by the Issuer within a month of communication of rating by the CRA to the Issuer, the same shall be disclosed as Non-Accepted Rating on the CRA's website
Dissemination of Press Release on CRA's website and intimation of same to Stock Exchange/Debenture Trustee	2 working days of acceptance of Rating by the Issuer

- *Para 27.5.2 shall stand modified as follows:*

27.5.2 All non- accepted ratings shall be disclosed on the CRA's website for a period of 12 months from the date of such rating being disclosed as a non-accepted rating on the CRA's website in the following format:

S. No	**Name of the Issuer**	**Sector**	**Security Type**	**Issue Size (INR millions)**	**Date of Non-acceptance**	**Listing Status (Listed/proposed to be listed)**	**Rating assigned**	**Whether the rating was accepted by the issuer, subsequent to the non-accepted**	**Date of subsequent acceptance of final rating assi**	**Final rating accepted by the issuer**	**Whether the issuer requested for a review/ appeal subsequent to disclosure of unaccepted rating?**	**Whether review/appeal of the disclosed unaccepted rating was grant**

								ratings disclosure? (Yes/ No)	**gned**			**ed by CRA.**

- *Annexure 19 shall stand modified as follows:*

ANNEXURE 19

Format for Half-Yearly Rating Summary Sheet

S.No.	Parameter	No. of ratings	Amount of debt rated (INR millions)
1.	**New Ratings**		
2.	**Upgrades**		
a.	Total Upgrades		
b.	Upgrades from Non-Investment to Investment Grade		
3.	**Downgrades**		
a.	Total Downgrades		
b.	Downgrades from Investment to Non - Investment Grade		
4.	**Defaults**		
a.	Total Defaults		
b.	Default from Non- Investment Grade		
c.	Default from Investment Grade:		
	AAA		
	AA		
	A		
	BBB		
5.	**Change in Ratings assigned post request of review/appeal by Issuer in surveillance cases**		
a.	Ratings wherein request of review/appeal by the Issuer		
b.	Rating that have undergone revision post request of review/appeal by Issuer		
6.	**Ratings Withdrawn**		
7.	**Rating Distribution for outstanding ratings as on 31st March/ 30th September**		
a.	AAA		
b.	AA		
c.	A		
d.	BBB		

S.No.	Parameter	No. of ratings	Amount of debt rated (INR millions)
e.	BB		
f.	B		
g.	C		
h.	D		

- *Annexure 20 shall stand modified as follows:*

Annexure 20

Details of new credit ratings assigned during last six-months

New Ratings assigned between Apr – Sep/ Oct – Mar									
S. No	Name of the Issuer	Sector etc.)	Securities Type etc.)	Issue Size (INR millions)	Listing Status (Listed/ Proposed to be listed)	Whether the issuer requested for a review/ appeal of rating?	Whether review/appeal of the rating was granted by CRA.	Rating assigned prior to request for review/ appeal by the issuer	Final Rating Assigned

- *Annexure 21 shall stand modified as follows:*

Annexure 21

Movement* of Each Credit Rating

Upgrades

Rating Upgrades between Apr – Sep/ Oct – Mar									
S. No	Name of the issuer	Sector	Security Type etc.)	Listing Status (Listed / Proposed to be listed)	Rating prior to revision	Rating post revision	Date of Press release for Rating upgrade	Notch difference	Trigger Event (Quarterly Results, Exchange Disclosures, Annual Surveillance etc.)

Downgrades

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Rating Upgrades between Apr – Sep/ Oct– March									
S. No	Name of the issuer	Sector	Security Type	Listing Status (Listed / Proposed to be listed)	Rating prior to Revision	Rating post Revision	Date of Press Release for Rating downgraded	Notch difference	Trigger Event Quarterly Results, Exchange Disclosures, Annual surveillance etc.)

**Will cover only rating changes. Reaffirmations shall be excluded"*

- *Annexure 24 shall stand modified as follows:*

Annexure 24

List of Defaults Separately for Each Rating Category (on half-yearly basis)

Long Term Scale

S. No	Name of the Issuer	Sector	Security Type	Issue Size (INR millions)	Listing Status (Listed / Proposed to be listed)	Rating prior to Default	Trigger Event	Date of trigger of event/ receiving intimation	Date of Default Recognition
Rating prior to default - AAA category									
1									
2									
Rating prior to default - AA category									
1									
2									
Rating prior to default - A category									
1									
2									
Rating prior to default – BBB category									
1									
2									
Rating prior to default – BB category									

S. No	Name of the Issuer	Sector	Security Type	Issue Size (INR millions)	Listing Status (Listed / Proposed to be listed)	Rating prior to Default	Trigger Event	Date of trigger of event/ receiving intimation	Date of Default Recognition
1									
2									
Rating prior to default – B category									
1									
2									
Rating prior to default – C category									
1									
2									

Short Term Scale

S. No	Name of the Issuer	Sector	Security Type	Issue Size (INR millions)	Listing Status (Listed/ Proposed to be listed)	Rating prior to Default	Trigger Event	Date of trigger of event/ receiving intimation	Date of Default Recognition
Rating prior to default - A1 category									
1									
2									
Rating prior to default – A2 category									
1									
2									
Rating prior to default – A3 category									
1									
2									
Rating prior to default – A4 category									
1									
2									

3. 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 Securities and Exchange Board of India (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. This circular is issued with the approval of competent authority.

4. This circular is available on SEBI website at www.sebi.gov.in under the categories "Legal Framework -> Circulars" .

Yours faithfully,

Deena Venu Sarangadharan
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