

Circular No.: NSDL/CIR/II/27/2025

Date: July 18, 2025

Sub: Master Circular for Credit Rating Agencies.

Attention of Issuers/R&T Agents is invited to SEBI Circular No. **SEBI/HO/DDHS/DDHS-POD2/P/CIR/2025/101** dated July 11, 2025, regarding Master Circular for Credit Rating Agencies. (Copy enclosed).

All Issuers /R&T Agents are requested to take note of the above.

For and on behalf of

National Securities Depository Limited

**RAKESH M
MEHTA**

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**Rakesh Mehta
Vice President**

Encl: as above



MASTER CIRCULAR**SEBI/HO/DDHS/DDHS-POD2/P/CIR/2025/101****July 11, 2025**

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: Master Circular for Credit Rating Agencies

- I. Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999 ("CRA Regulations") prescribes guidelines for registration of Credit Rating Agencies (CRAs), general obligations of CRAs, manner of inspection and investigation and code of conduct applicable on CRAs. Multiple circulars have been issued, over the years, covering the operational and procedural aspects thereof.
- II. In order to enable the industry and other users to have access to all the applicable circulars/ directions at one place, Master Circular for CRAs has been prepared.
- III. This Master Circular is a compilation of the existing circulars as on date, with consequent changes. The stipulations contained in these circulars have been detailed chapter-wise in this master circular. Accordingly, the list of existing circulars for CRAs which have been superseded by this Master Circular is placed at [Appendix](#).

IV. Notwithstanding such rescission-

- a. anything done or any action taken or purported to have been done or taken under the rescinded circulars, prior to such rescission, shall be deemed to have been done or taken under the corresponding provisions of this Master Circular;
- b. any application made to the Board under the rescinded circulars, prior to such rescission, and pending before it shall be deemed to have been made under the corresponding provisions of this Master Circular;
- c. the previous operation of the rescinded circulars or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the rescinded circulars, any penalty, incurred in respect of any violation committed against the rescinded circulars, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty as aforesaid, shall remain unaffected as if the rescinded circulars have never been rescinded.

V. 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.

VI. This issues with the approval of the Competent Authority.

Yours faithfully,

Ritesh Nandwani
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Department of Debt and Hybrid Securities
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Chapter I : REGISTRATION REQUIREMENTS

1. Online Registration Mechanism for Securities Market Intermediaries

- 1.1. SEBI has operationalized SEBI Intermediary Portal (<https://siportal.sebi.gov.in>) for the intermediaries, *inter alia* for CRAs, to submit all the registration applications online. The SEBI Intermediary Portal shall include online application for registration, processing of application, grant of final registration, application for surrender / cancellation, submission of periodical reports, requests for change of name/ address/ other details, etc., Link for SEBI Intermediary Portal is also available on SEBI website – www.sebi.gov.in.
- 1.2. All applications for registration/ surrender/other requests will be made through SEBI Intermediary Portal only. The applicants will be separately required to submit relevant documents viz. declarations/ undertakings required as a part of application forms prescribed in relevant regulations, in physical form, only for records without impacting the online processing of applications for registration.
- 1.3. In case of any queries and clarifications with regard to the SEBI Intermediary Portal, intermediaries may contact on 022-26449364 or may write at portalhelp@sebi.gov.in.

2. Grant of Prior approval for change in control to CRAs

- 2.1. All registered CRAs are required to obtain prior approval of SEBI in case of change in control.
- 2.2. In case a CRA holds multiple registrations with SEBI, it shall make only one application to SEBI addressed to "Chief General Manager, DDHS, SEBI" accompanied by the following information about itself, the acquirer and the directors/ partners of the acquirer:

- 2.2.1. Whether any application was made in the past to SEBI seeking registration in any capacity but it was not granted? If yes, details thereof.
 - 2.2.2. Whether any action has been initiated / taken under SCRA/SEBI Act or rules and regulations made thereunder? If yes, status thereof along with corrective action taken to avoid such violations in the future. The acquirer shall also confirm that it shall honour all past liabilities / obligations of the applicant, if any.
 - 2.2.3. Whether any investor complaint is pending? If yes, steps taken and confirmation that the acquirer shall resolve the same.
 - 2.2.4. Details of litigation, if any.
 - 2.2.5. That all the fees due to SEBI have been paid.
 - 2.2.6. That there will not be any change in the Board of Directors of incumbent, till the time prior approval is granted.
 - 2.2.7. That the incumbent shall inform all its existing investors / clients in order to enable them to take informed decision regarding their continuance or otherwise with the entity with new management.
- 2.3. The prior approval granted by SEBI shall be valid for a period of 180 days from the date of communication.

3. Transfer of business by SEBI registered intermediaries to other legal entity

- 3.1. SEBI has been receiving registration applications pursuant to transfer of business (SEBI regulated business activity) from one legal entity which is a SEBI registered Intermediary (transferor) to other legal entity (transferee). In this regard, following is clarified:
- 3.1.1. The transferee shall obtain fresh registration from SEBI in the same capacity before the transfer of business if it is not registered with SEBI in the same capacity. SEBI shall issue new registration number to transferee different from transferor's registration number in the following scenario:
 - 3.1.1.1. "Business is transferred through regulatory process (pursuant to merger / amalgamation / corporate restructuring by way of order of primary regulator /govt / NCLT, etc.) or non-regulatory process (as per

private agreement /MOU pursuant to commercial dealing / private arrangement) irrespective of transferor continues to exist or ceases to exist after the said transfer.

3.1.2. In case of change in control pursuant to both regulatory process and non-regulatory process, prior approval and fresh registration shall be obtained. While granting fresh registration to same legal entity pursuant to change in control, same registration number shall be retained.

3.1.3. If the transferor ceases to exist, its certificate of registration shall be surrendered.

3.1.4. In case of complete transfer of business by transferor, it shall surrender its certificate of registration.

3.1.5. In case of partial transfer of business by transferor, it can continue to hold certificate of registration.

4. Guideline for CRAs on Suspension, Cancellation or Surrender of Certificate of Registration:

4.1. In order to facilitate orderly migration of credit ratings of listed or proposed to be listed, non-convertible securities, securitized 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:

4.1.1. 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 –

4.1.1.1. 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;

4.1.1.2. not take any new clients or fresh mandates;

- 4.1.1.3. allow its clients to withdraw any assignment given to the CRA, without any additional cost to such clients;
 - 4.1.1.4. facilitate an orderly migration of assignments as desired by clients to other CRA(s) holding a certificate of registration under SEBI (Credit Rating Agencies) Regulations, 1999 ('CRA Regulations');
 - 4.1.1.5. continue to comply with the provisions of the CRA Regulations and circulars thereunder, till the time the CRA holds the certificate of registration;
 - 4.1.1.6. continue to co-operate with SEBI with regard to sharing of information when requested and payment of fees as required under CRA Regulations;
 - 4.1.1.7. 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.
- 4.2. The CRA, on and from the date of acceptance of the Request, or when it is commencing the winding up process, shall:
- 4.2.1. return the certificate of registration so cancelled to SEBI;
 - 4.2.2. not represent itself to be a holder of certificate for carrying out the activity for which such certificate had been granted;
 - 4.2.3. suspend undertaking activity for which such certificate had been granted;
 - 4.2.4. 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;
 - 4.2.5. make provisions as regards liability incurred or assumed by it;
 - 4.2.6. 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
- 4.3. Additionally, in case of suspension of the certificate of registration, the CRA, during such period of suspension, shall –

- 4.3.1. suspend undertaking activity for which such certificate of registration had been granted;
 - 4.3.2. continue to co-operate with SEBI on matters pertaining to the activities of the CRA undertaken by it under CRA Regulations;
 - 4.3.3. make provisions as regards liability incurred or assumed by it;
 - 4.3.4. 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.
- 4.4. 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.
- 4.5. Surrender of Certificate of Registration
- 4.5.1. If a CRA wishes to surrender the registration voluntarily, it shall transfer, wherever relevant, its existing business/ client accounts to another SEBI registered intermediary, before they make request to SEBI for accepting the surrender of the certificate of registration.
 - 4.5.2. The CRA may, if it so desires, make a representation for dispensing with the procedure, along with the application, for surrender in terms of the first proviso to Regulation 33B of Securities and Exchange Board of India (Intermediaries) Regulations, 2008 in the prescribed format placed as **Annexure 1**.
 - 4.5.3. In all cases of transfer of business or client accounts to another registered intermediary, the clients shall not be subjected to any additional cost.
- 4.6. 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.

- 4.7. 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.
- 4.8. 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.
- 4.9. 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.
- 4.10. In order to facilitate the migration of credit ratings as mentioned above, Para 12.1 to 12.5 of the Master Circular issued under SEBI (Credit Rating Agencies) Regulations, 1999 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.
- 4.11. 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. Further, at the time of withdrawal, the CRA shall assign a credit rating in the format of press release prescribed at **Annexure 13**.
- 4.12. With respect to credit ratings of Issuers Not Cooperating, Para 11.9.2 of the Master Circular shall not be applicable when the said non-cooperation was with a CRA whose certificate of registration has been cancelled, suspended or surrendered.

Chapter II : RATING OPERATIONS

5. Rating Scale, Rating Symbols and Definitions

5.1. Standardization of Rating Symbols and Definitions

- 5.1.1. The Corporate Bonds and Securitization Advisory Committee of SEBI recommended that the rating symbols and their definitions should be standardized.
- 5.1.2. Pursuant to the above, in consultation with the CRAs and considering the international practices, standardized symbols and their definitions have been devised for the following:
 - 5.1.2.1. Long term securities;
 - 5.1.2.2. Short term securities;
 - 5.1.2.3. Long term structured finance instruments;
 - 5.1.2.4. Short term structured finance instruments;
 - 5.1.2.5. Long term mutual fund schemes; and
 - 5.1.2.6. Short term mutual fund schemes.
- 5.1.3. The symbols and definitions as given in **Annexures 2-7** shall be used for the new ratings/ reviews by the CRAs.
- 5.1.4. for ratings of Capital Protection Oriented Schemes, as required under Regulation 38A of SEBI (Mutual Fund) Regulations, 1996, CRAs shall use rating scales (i.e. symbols and their definitions) for 'structured finance (SO)' instruments as prescribed at **Annexure 4-5**.
- 5.1.5. For existing outstanding ratings, the CRAs shall:
 - 5.1.5.1. disclose new rating symbols and definitions on their websites;
 - 5.1.5.2. update their rating lists on their websites; and

5.2. Alignment of Rating Scales Used by CRAs

- 5.2.1. CRAs, in terms of Regulation 9(f) of SEBI (Credit Rating Agencies) Regulations, 1999, undertake ratings of various financial instruments under the guidelines of different financial sector regulators or authorities.
- 5.2.2. In order to standardise the usage of rating scales, CRAs are advised to align their rating scales with the rating scales prescribed under the

guidelines of respective financial sector regulator or authority in terms of Regulation 9(f) of SEBI (Credit Rating Agencies) Regulations, 1999.

5.3. Issuer Rating/ Corporate Credit Rating

5.3.1. Issuer Rating/Corporate Credit Rating indicates the degree of safety of the issuer or the rated entity with regard to timely servicing of all its debt obligations.

5.3.2. Pursuant to the consultation with the CRAs, standardized symbols and their definitions have been devised for Issuer Rating/ Corporate Credit Rating. The new symbols and definitions as given in **Annexure 8** shall henceforth be used for the new ratings/ reviews by the CRAs for Issuer Rating/ Corporate Credit Rating.

5.4. **Structured finance products:** A CRA may undertake rating of structured finance products, namely, instruments/ pay-outs resulting from securitization transactions. In such cases, apart from following all the applicable requirements in case of non-structured ratings, the rating symbols shall clearly indicate that the ratings are for structured finance products.

5.5. **Rating symbol for securities having explicit Credit Enhancement feature** The standardized symbols and definitions for credit ratings of securities having explicit credit enhancement given at **Annexure 9-10**.

5.6. Expected Loss (EL) based Rating Scale

5.6.1. 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

5.6.2. [CRAs may, in addition to the standardised rating scale, extend the EL-based Rating Scale for rating of Municipal Bonds which are issued for financing infrastructure assets.]¹

5.6.3. For existing outstanding ratings, the CRAs shall be guided by the other rating scales prescribed by SEBI from time to time.

6. Operations Manual/ Internal governing document

- 6.1. The Operations Manual/ Internal governing document, formulated by the CRA, shall, inter-alia, cover operating guidelines, criteria, policies and procedures related to the rating process.
- 6.2. The contents of the Operations Manual/ Internal governing document, as well as any changes to the same, shall be communicated to employees promptly, and training of employees on the same shall be conducted at regular intervals.
- 6.3. The following shall be specified in the Operations Manual/ Internal governing document of CRAs:

¹ Circular No. SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/70 dated May 15, 2025

- 6.3.1. Basic Minimum information required for conducting the Rating Exercise
- 6.3.2. External entities (bankers, auditors etc.) that need to be contacted
- 6.3.3. Mode of seeking information from external entities. CRAs should endeavour to obtain such information/confirmation in writing.
- 6.3.4. Policy regarding internal approvals and timelines at each step of the Rating Exercise.
- 6.3.5. Policy regarding monitoring and review of ratings, including the timelines within which such review is to be completed.

7. Rating Criteria

- 7.1. Each CRA shall frame detailed rating criteria, include the same in its Operations Manual/ Internal governing document and disclose the same on its website.
- 7.2. Periodicity of review shall be disclosed on the CRA's website. While disclosing the revised criteria on their website, CRAs shall also provide a reference/ hyperlink to the original criteria (before revision), so as to enable investors to discern the changes made to the same.
- 7.3. The criteria shall be placed on the CRA's website in a user-friendly manner in order to facilitate easy and ready access of the same by investors.
- 7.4. Press Release, related to rating action, shall provide a reference/ hyperlink to the specific criteria applied for the rating.
- 7.5. At least, the following rating criteria shall be formulated by each CRA and should be reviewed periodically, criteria on:
 - 7.5.1. Default recognition (Definition of default to be followed by all CRAs is provided in the **Annexure 11**)
 - 7.5.2. Financial ratios (Explaining how a CRA analyses various financial ratios including adjustments made to financial statements for the interpretation of financial ratios)

7.5.3. Consolidation of companies

7.5.4. Parent support/group/government support- CRAs may review their rating criteria with regard to assessment of holding companies and subsidiaries in terms of their inter-linkages, holding company's liquidity, financial flexibility and support to the subsidiaries, etc.

7.5.5. Manufacturing, trading companies, and services sector

7.5.6. Banks and financial institutions

7.5.7. Securitization transactions

7.5.8. Public finance

7.5.9. Infrastructure ratings

8. Rating Process

8.1. CRAs are mandated to have in place a proper rating process and disclose the same on their website.

8.2. Each CRA shall frame detailed guidelines on the following, include them in its Operations Manual/ Internal governing document and disclose the same on its website:

8.2.1. General nature of compensation arrangements with rated entities

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

8.2.3. Policy for placing ratings on credit watch

8.2.4. Guidelines on what constitutes non-cooperation.

8.2.5. Gift policy

8.2.6. Confidentiality policy

8.2.7. Policy on outsourcing of activities

8.2.8. Policy on provisional ratings

8.2.9. FAQs on ratings

8.2.10. Disclosure on managing conflict of interest

- 8.3. Any change in the rating process or policies shall be disclosed on the CRA's website, while also providing a reference/ hyperlink to the original provision/ process/ policy, to enable the investors to discern the changes made to the same.
- 8.4. A CRA shall keep the following records in support of each credit rating and review/ surveillance thereof:
- 8.4.1. The important factors underlying the credit rating and sensitivity of such credit rating to changes in these factors,
 - 8.4.2. Summary of discussions with the issuer, its management, auditors and bankers which have a bearing on the credit rating,
 - 8.4.3. Decisions of the rating committee(s), including voting details and notes of dissent, if any, by any member of the rating committee, and
 - 8.4.4. If a quantitative model is a substantial component of the credit rating process, the rationale for any material difference between the credit rating implied by the model and the credit rating actually assigned.
 - 8.4.5. These records should be maintained till five years after maturity of securities and be made available to auditors and regulatory bodies when sought by them.
- 8.5. During the rating process, CRAs shall record minutes of the meeting with issuer management and incorporate it in the rating committee note.
- 8.6. CRAs shall meet the audit committee of the rated entity, at least once in a year, to discuss issues including related party transactions, internal financial control and other material disclosures made by the management, which have a bearing on rating of the listed NCDs.
- 8.7. In order to achieve a consistent approach, CRAs, in consultation with SEBI, shall frame a uniform Standard Operating Procedure (SOP) in respect of tracking and timely recognition of default, which shall be disclosed on the website of each CRA.
- 8.8. The CRAs shall at all times observe high standards and fairness in conduct of the business and any act of omission or commission in contravention of the provisions of

clauses 12 and/or 23 of Code of Conduct , as specified under Third Schedule of the SEBI (Credit Rating Agencies) Regulations, 1999, in letter or spirit, may result in violation of the provisions of section 12A of the Securities and Exchange Board of India Act, 1992 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

9. Monitoring and Review of Ratings

9.1. Monitoring of repayment schedules

9.1.1. CRAs have to be proactive in early detection of defaults/ delays in making payments. In this regard, CRAs are required to track the servicing of debt obligations for each security rated by them, ISIN-wise, and look for potential deterioration in financials which might lead to defaults/ delays, particularly before/ around the due date(s) for servicing of debt obligations, on the basis of monitoring of indicators including, but not restricted to, the following:

9.1.1.1. Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) not being sufficient to meet even the interest payments for last 3 years

9.1.1.2. Deterioration in liquidity conditions of the Issuer

9.1.1.3. Abnormal increase in borrowing cost of the Issuer

9.1.1.4. Any other information indicating deterioration in credit quality/ debt servicing capability of the Issuer.

9.1.2. While carrying out “Monitoring of Repayment Schedules”, CRAs shall analyse the deterioration in the liquidity conditions of the issuer and also take into account any asset-liability mismatch.

9.1.3. The CRA shall also monitor the Exchange website for disclosures made by the Issuer in this regard.

9.2. Material Events requiring a review

9.2.1. CRAs shall carry out a review of the ratings upon the occurrence of or announcement/ news of material events including, but not restricted to, the following:

- 9.2.1.1. Quarterly/ Half-yearly/ Annual results
- 9.2.1.2. Merger/ Demerger/ Amalgamation/ Acquisition
- 9.2.1.3. Corporate debt restructuring, reference to NCLT and winding-up petition filed by any party /creditors.
- 9.2.1.4. Significant decline in share prices/bond prices of the issuer or group companies which is not linked to overall market movement
- 9.2.1.5. Significant increase in debt level or cost of debt of the issuer company
- 9.2.1.6. Losses, sharp revenue de-growth etc. based on publicly disclosed financial statements, which are not in line with CRA's earlier estimates
- 9.2.1.7. Granting, withdrawal, surrender, cancellation or suspension of key licenses or regulatory approvals.
- 9.2.1.8. Disruption/ commencement/ postponement of operations of any unit or division of the listed entity.
- 9.2.1.9. Any attachment or prohibitory orders against the Issuer
- 9.2.1.10. Any rating action taken by an International Rating Agency with respect to rating assigned to the Issuer/ Instruments issued by the Issuer.
- 9.2.1.11. sharp deviations in bond spreads of securities vis-à-vis relevant benchmark yield. (CRAs shall devise a model to track deviations in bond spreads)

9.2.2. CRAs shall publish on their website press release regarding the rating action (including reiteration of existing rating), if warranted, immediately, but not later than 7 [working]² days of occurrence of the said event.

9.3. **'No Default Statement' to be sought from the Issuer on a monthly basis**

9.3.1. In order to enable timely recognition of default by the CRA, the CRA shall seek a 'No Default Statement (NDS)' from the Issuer at the end of each month, which shall be provided to the CRA by the Issuer on the first working day of the next month.

9.3.2. The NDS shall require the Issuer to explicitly confirm to the CRA that it has not

² Circular No. SEBI/HO/DDHS/DDHS-PoD-3/P/CIR/2025/002 dated January 7, 2025

delayed on any payment of interest/ principal in the previous month.

9.3.3. In case there have been delays in the payment of interest/ principal by the Issuer, the Issuers shall state the same in this statement and the CRA shall promptly conduct a rating review and disseminate the rating action through Press Release within 2 [working]³ days of receipt of such statement.

9.3.4. A standardized format of the NDS is provided at **Annexure 12**.

10. Rating Press Release

10.1. Standardization of Press Release for Rating Actions

10.1.1. CRAs are mandated to issue a Press Release after assigning a rating. With a view to harmonizing the format of the Press Release, it has been decided that all CRAs shall follow a standardized template, which is attached as **Annexure 13**. It may be noted that this template specifies the minimum information that must be covered in the Press Release. CRAs can include additional information, while maintaining the basic format of the Press Release.

10.1.2. While the Press release for the initial rating of bonds, debentures, etc. shall disclose information about the rated amount of the securities, the subsequent Press Releases shall also disclose additional details of the rated security, viz. coupon, maturity date, etc.

10.1.3. **Rating Outlook:** A 'rating outlook' indicates CRA's view on the expected direction of the rating movement in the near to medium term. Each CRA shall assign a rating Outlook and disclose the same in the Press Release. It is stated that following standard descriptors shall be specified for "Rating Outlook":

10.1.3.1. Stable

10.1.3.2. Positive

10.1.3.3. Negative

10.1.4. Rating Outlooks may not be assigned for:

10.1.4.1. Short term ratings

³ Circular No. SEBI/HO/DDHS/DDHS-PoD-3/P/CIR/2025/002 dated January 7, 2025

- 10.1.4.2. Ratings in the 'C' and 'D' categories
- 10.1.4.3. Ratings on watch
- 10.1.4.4. 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.
- 10.1.4.5. Credit quality ratings of mutual fund schemes, provided surveillance of the fund's holdings is carried out by the CRAs on a monthly basis.
- 10.1.5. **Rating Watch:** 'Rating watch' indicates a CRA's view on the expected direction of the rating movement in the short term. The CRA shall use following Standard descriptors to when an issuer / security is placed on "Rating Watch":
 - 10.1.5.1. "Rating Watch with Positive Implications"
 - 10.1.5.2. "Rating Watch with Developing Implications"
 - 10.1.5.3. "Rating Watch with Negative Implications"
- 10.1.6. Press Release related to review of rating shall also carry the rating transition/ history of all securities of that issuer, rated by the CRA in the past 3 years, irrespective of whether the security is currently outstanding or not.
- 10.1.7. While CRAs are required to monitor and analyse the relevant factors that affect the creditworthiness of an issuer and discuss the same in the rating notes considered by the rating committee for assignment of ratings, such relevant factors may also be suitably incorporated in the press release regarding the rating action.
- 10.1.8. In order to enable investors to understand underlying rating drivers better and make more informed investment decisions, CRAs shall make the following specific disclosures in the section on "Analytical Approach" in the Press Release:
 - 10.1.8.1. When a rating factors in support from a Parent/ Group/ Government, with an expectation of infusion of funds towards timely debt servicing, the name of such entities, along with rationale for such expectation, may be provided.
 - 10.1.8.2. When subsidiaries or group companies are consolidated to arrive at a rating, list of all such companies, along with the extent (e.g. full,

proportionate or moderate) and rationale of consolidation, may be provided.

10.1.9. The Press Release shall include a specific section on “Liquidity”, which shall highlight parameters like liquid investments or cash balances, access to unutilized credit lines, liquidity coverage ratio, adequacy of cash flows for servicing maturing debt obligation, etc. CRAs shall also disclose any linkage to external support for meeting near term maturing obligations.

10.1.10. With regard to Structured Finance products, the CRA shall include all the assumptions/ covenants made while carrying out the review of such products in the Press Release.

10.2. Disclosure of rating sensitivities in press release

10.2.1. The disclosure of factors to which the rating is sensitive, is critical for the end-users to understand the factors that would have the potential to impact the credit worthiness of the entity.

10.2.2. Accordingly, in order to improve transparency, the CRA shall have a specific section on ‘Rating Sensitivities’ in the Press Release which shall explain the broad level of operating and/ or financial performance levels that could trigger a rating change, upward and downward.

10.2.3. Such factors shall be disclosed in quantitative terms to the extent possible, discernible to the investors, and should not read like a general risk factor.

10.3. Disclosure on liquidity indicators: In order to make the disclosures meaningful to the end users, it has been decided to mandate disclosure of liquidity indicators using standardized terminology. Accordingly, CRAs shall disclose the liquidity indicators using one of the following indicators and give an explanation thereon:

10.3.1. Superior / Strong

10.3.2. Adequate

10.3.3. Stretched

10.3.4. Poor

An indicative description for these liquidity indicators is provided at **Annexure 14**.

- 10.4. **Structured Finance Products:** While publishing the ratings of structured finance products and their movements, a CRA apart from following all the applicable requirements in case of non-structured ratings shall also disclose the track record of the originator and details of nature of underlying assets while assigning the credit rating. The track record shall include a brief description of the financials of the originator, rating migrations to speculative categories and defaults.

11. Policy in respect of non-co-operation by the issuer

- 11.1. In case of non-cooperation by the issuer (such as not providing information required for rating, non-payment of fees for conducting surveillance), in line with the existing Regulations, the CRA shall continue to review the security, on an ongoing basis throughout the security's lifetime, on the basis of best available information, in accordance with the rating process and policies set forth in its Operations Manual/ Internal governing document.

- 11.2. CRAs shall have a detailed policy in this respect which shall include the following:

- 11.2.1. Non-submission of material information including (but not limited to) the following:

- 11.2.1.1. Non-submission of quarterly financial results or performance results or audited financial results within prescribed timelines

- 11.2.1.2. Current and past operational details including details about capex plans

- 11.2.1.3. Debt obligations and repayment details

- 11.2.1.4. Any other issue felt appropriate by CRA as per internal assessment or as laid down by CRA in its internal policy/manual.

- 11.2.2. The criteria/ methodology in respect of assessing the risk of non-availability of information from the issuers including non-cooperative issuers.

- 11.2.3. The steps to be taken under various scenarios in order to ascertain the status of non-cooperation by the issuer company.

- 11.3. CRAs shall follow a uniform practice of three consecutive months of non-submission of No-default Statement (NDS) (or inability to validate timely debt servicing through other sources) as a ground for considering migrating the ratings to INC and shall tag such ratings as INC within a period of [5 working days]⁴ of three consecutive months of non-submission of NDS. The CRA in its judgement may migrate a rating to the INC category before the expiry of three consecutive months of non-receipt of NDS.
- 11.4. CRAs shall also formulate a policy on “Minimum/ Indicative Information requirement” in terms of various sectors or types of ratings (limited to credit ratings 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), etc. and disclose it on their website.
- 11.5. In case of non-cooperation by the issuer, 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’.
- 11.6. Over time, the number of issuers that are non-cooperative with CRAs have increased, with a vast majority of INC issuers being unlisted and small entities. In this regard, to provide enhanced transparency and information regarding non-cooperative issuers to various stakeholders, market participants and investors, the following is being prescribed:
- 11.6.1. A CRA shall disclose two lists of issuers who are non-cooperative with the CRA, separately for:
- 11.6.1.1. Securities that are listed, or proposed to be listed, on a recognized stock exchange, and
- 11.6.1.2. Other ratings

⁴ Circular No. SEBI/HO/DDHS/DDHS-PoD-3/P/CIR/2025/002 dated January 7, 2025

11.6.2. The aforementioned lists shall be disclosed in the following format:

S. No.	Name of Non-cooperative issuer	Date of categorization of issuer as non-cooperative	Link to the webpage hosting the issuer's press releases

11.6.3. The above disclosure shall be updated on a daily basis.

11.7. Information to be disclosed through Press Release: The rating action(s) in such cases shall be promptly disclosed through press release(s), which shall mention, at least, the following:

11.7.1. Date of Press Release

11.7.2. Details of security

11.7.3. Rating Action and Indicative/updated rating based on best available information

11.7.4. A brief write-up on the non-co-operation by the Issuer/ Borrower and the consistent follow-up done by the CRA for getting the information.

11.7.5. Hyperlink/ reference to the applicable "Criteria"

11.7.6. Limitations regarding information availability (shall have a suitable caveat cautioning the investors/lenders /public)

11.7.7. Rating History for last three years

11.7.8. Name and contact details of the Rating Analyst(s)

11.8. 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-co-operation.

11.9. Action to be taken by CRAs in case of issuer remains non-cooperative for more than 6 months

11.9.1. If an issuer has outstanding ratings as non-cooperative for more than 6 months, then the CRA shall downgrade the rating assigned to the security

of such issuer to non-investment grade with INC status.

11.9.2. No CRA shall assign any new ratings to an issuer, if the issuer is categorized as non-cooperative with all the CRAs for a continuous period of preceding 12 months, until the issuer resumes cooperation or the rating is withdrawn.

11.10. Para 11.2 to 11.4 of the Master Circular shall be applicable latest by March 31, 2023. Para 11.6 of the Master Circular shall be applicable with effect from July 15, 2023, and CRAs shall report on their compliance with this circular (as ratified by their respective board of directors) to SEBI within one quarter.

11.11. Monitoring of the provisions under Para 11.6 shall be done in terms of the half-yearly internal audit for CRAs, mandated under Regulation 22 of the SEBI (Credit Rating Agencies) Regulations, 1999 and guidelines issued thereunder.

12. Withdrawal of ratings

12.1. Withdrawal of ratings of Open-Ended Mutual Fund Schemes

12.1.1. 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.

12.1.2. Ratings of the aforementioned schemes can be withdrawn after receiving request for withdrawal from the Asset Management Company (AMC) in case of mutual funds;

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.

12.3. Withdrawal in case of Single Ratings outstanding on rated security: In terms of Regulation 16(3) of SEBI (Credit Rating Agencies) Regulations, 1999, a CRA may withdraw a rating, subject to the CRA having:

12.3.1. rated the security continuously for 5 years or 50 per cent of the tenure of the security, whichever is higher.

12.3.2. received an undertaking from the Issuer that a rating is available on that security.

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

12.4. Withdrawal norms in case of multiple ratings outstanding on rated security: In case of multiple ratings on a security (where there is no regulatory mandate for multiple ratings), a CRA may withdraw a rating earlier than stipulated in the aforementioned circular, provided the CRA has:

12.4.1. rated the security continuously for 3 years or 50 % of the tenure of the security, whichever is higher; and

12.4.2. received No-objection Certificate (NOC) from 75 % of bondholders by value of the outstanding debt for withdrawal of rating; and

12.4.3. received an undertaking from the issuer that another rating is available on that security.

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

12.5. Rating Withdrawal of Perpetual Debt Securities that are listed or proposed to be listed on a recognized stock exchange

12.5.1. As per the current rating withdrawal provisions it is seen that in case of ratings of perpetual debt securities, such as AT-I bonds, that are listed or

proposed to be listed on a recognized stock exchange, a credit rating cannot be withdrawn unless the security is redeemed. Often, this can result in the issuer of such bonds to stop cooperating with the CRA.

12.5.2. Therefore, to facilitate withdrawal of ratings of perpetual debt securities that are listed or proposed to be listed on a recognized stock exchange, it is proposed to revise withdrawal norms of ratings of such securities. Accordingly, a CRA may withdraw ratings of such securities provided that the CRA has:

- 12.5.2.1. rated such security/ies continuously for 5 years; and
- 12.5.2.2. received an undertaking from the Issuer that a rating is available on such security/ies; and
- 12.5.2.3. received an undertaking from the other CRA(s) that a rating is available on such security/ies.

13. Provisional Rating by CRAs

13.1. In order to strengthen and standardize the policies on provisional rating, subsequent to consultation with various stakeholders, including CRAs, it has been decided to prescribe as under:

- 13.1.1. **Rating Symbol:** All Provisional Ratings ('long term' or 'short term') for security shall be prefixed as 'Provisional' before the rating symbol in all communications viz. rating letter, press release / rating rationale, etc.
- 13.1.2. **Standardized Term:** A rating shall be considered as provisional, and not final, when it is contingent upon occurrence following steps or execution of following documents, as applicable:
 - 13.1.2.1. execution of letter of comfort, corporate guarantee, or other forms of explicit third-party support;
 - 13.1.2.2. execution of documents such as debenture trust deed/ debenture trustee agreement, legal agreements/ opinions, representations and warranties, final term sheet;
 - 13.1.2.3. assignment of loan pools or finalisation of cash flow escrow

arrangements;

13.1.2.4. setting up of debt service reserve account;

13.1.2.5. opening of escrow account; or

13.1.2.6. For a proposed Real Estate Investment Trust (REIT) or Infrastructure Investment Trust (InvIT), pending formation of a trust - only after receipt of SEBI Registration. However, the process of obtaining rating may commence at the stage of the sponsor filing with SEBI for the registration of the Trust, subject to declaration from the sponsor to this effect being submitted to the CRA.

In no case shall a rating, including provisional rating, be assigned by a CRA for an issuer/ client evaluating strategic decisions, such as funding mix for a project, acquisition, debt restructuring, scenario-analysis in loan refinancing etc.

13.1.3. **Validity period**

13.1.3.1. The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the security. The final rating assigned after end of 90 days shall be consistent with the available documents or completed steps, as applicable.

13.1.3.2. An extension of 90 days may be granted on a case-to-case basis by the CRA's rating committee(s), in accordance with the policy framed by the CRA in this regard.

13.1.3.3. No CRA shall assign any provisional rating to a security upon the expiry of 180 days from the date of its issuance.

13.1.4. **Disclosures in the press release / rating rationale:** In addition to the disclosures already made by CRAs, the following disclosures shall be included in press release / rating rationale while assigning provisional

ratings:

- 13.1.4.1. Pending steps/ documentation considered while assigning provisional rating.
- 13.1.4.2. risks associated with the provisional nature of the credit rating, including risk factors that are present in the absence of completed documentation / steps.
- 13.1.4.3. rating that would have been assigned in absence of the pending steps/ documentation considered while assigning provisional rating. In cases where the absence of said steps/ documentation would not result in any rating being assigned by the CRA (for instance, in case of provisional rating for REIT/ InvIT – pending formation of trust), the CRA shall specify the same in the press release.
- 13.1.4.4. While assigning provisional rating to a security proposed to be issued, the press release shall specify that in case the security is subsequently issued, the provisional rating would have to be converted into final rating as per the validity period prescribed at Para 13.1.3 above.
- 13.1.4.5. While assigning provisional rating to an issued security, the press release shall specify the rating and timeline implications as per the validity period prescribed at Para 13.1.3 above.
- 13.1.4.6. Furthermore, in case of provisional ratings for cases mentioned in Para 13.1.2.6 above, the following disclosures shall also be required, wherever applicable:
 - a. the broad details of the assets that are proposed to be held by the REIT/ InvIT, the proposed capital structure, etc.

b. the rating rationale should disclose that the CRA has taken an undertaking from the sponsor stating that the key assumptions (relating to the assets, capital structure, etc.) are in consonance with the details filed by the sponsor with SEBI.

c. In case of change in provisional rating due to change in aforesaid key assumptions, the press release shall state that the rating by the CRA is based on a declaration from the issuer that similar changes have been made in the filing with SEBI.

13.1.5. Unaccepted provisional rating: In case the provisional rating assigned is not accepted by the issuer (or sponsor, in case of REITs/InvITs), then in the "non-accepted ratings" published by CRAs on their website the following supplementary disclosures shall be provided:

13.1.5.1. the details of the steps taken for assigning the provisional rating. For instance, in case of REITs/ InvITs, such disclosure shall contain the broad details of the assets to be housed under the Trust, the proposed capital structure, etc.

13.1.5.2. the rating referred to in Para 13.1.4.6 viz. rating that would have been assigned in absence of the said steps/ documentation.

14. Ratings having Explicit Credit Enhancement feature

14.1. CRAs shall assign the suffix 'CE' (Credit Enhancement) to rating of securities having explicit credit enhancement. It is reiterated that credit ratings, where the credit enhancement is external (or from third party), but the rated security is not

bankruptcy remote of the issuer/ originator, will carry the 'CE' suffix. A list of such support considerations for CE-suffix is specified at **Annexure 15**.

14.2. In order to strengthen the rating process as well as to promote transparency, the following measures are being mandated for credit ratings, wherein any of the support considerations specified at Annexure 15 ("specified support considerations") is considered in the rating process:

14.3. In order to bring further transparency and to enable investors to understand the extent of credit enhancement provided by third party/ parent/ Group Company or specified support considerations, the press release for credit ratings, with or without the CE-suffix, backed by specified support considerations shall contain the following disclosures:

14.3.1. Unsupported ratings without factoring in the explicit credit enhancement or specified support considerations, and

14.3.2. Supported rating after factoring in the explicit credit enhancement or specified support considerations

Further, the Press Release shall also contain a detailed explanation of all the covenants of the security.

14.4. It is reiterated that while assigning such credit ratings, CRAs shall conduct independent due diligence on the nature of specified support consideration and form a definitive internal view / opinion, and, wherever warranted, obtain an independent external legal opinion for ascertaining the strength of the credit enhancement.

14.5. Furthermore, for such credit ratings, it is reiterated that CRAs shall verify the documentation related to the specified support considerations to ensure inter alia the following:

14.5.1. The support is unconditional, irrevocable, and legally enforceable till all

the obligations of the rated security has been paid to the investors.

14.5.2. CRAs shall undertake independent examination of financial strength of the support provider to ascertain the ability to honour the obligations guaranteed by the support provider.

14.5.3. The support provider has a lower probability of default on a continuous basis, compared with the rated issuer, till the time such ratings are outstanding.

14.6. The CRAs shall devise a model to assess the adequacy of credit enhancement structure under various scenarios including stress scenarios. Such assessment shall also be disclosed in the press release regarding the rating action.

14.7. **Monitoring:** Monitoring of provisions at Para 14 shall be done in terms of the half-yearly internal audit for CRAs, mandated under Regulation 22 of the SEBI (Credit Rating Agencies) Regulations, 1999 and this master circular issued thereunder.

15. Post Default Curing Period

15.1. After a default is cured and the payments regularized, a CRA shall generally upgrade the rating from default to non-investment grade after a period of 90 days based on the satisfactory performance by the company during this period. CRAs may deviate from the said period of 90 days on a case to case basis, subject to the CRAs framing a detailed policy in this regard. The said policy shall also be placed on CRA's website. Cases of deviations from stipulated 90 days, if any, shall be placed before the Ratings Sub- Committee of the board of the CRA, on a half yearly basis, along with the rationale for such deviation.

15.2. The CRA shall frame a policy in respect of upgrade of default rating to investment grade rating and place it on its website.

15.3. The policies framed as above may include scenarios like change in

management, acquisition by another firm, sizeable inflow of long-term funds or benefits arising out of a regulatory action, etc., which fundamentally alter the credit risk profile of the defaulting firm.

15.4. [The following scenarios of non-payment of debt (principal and/ or interest) may arise due to reasons beyond the control of the issuer, namely, failure to remit payment due to absence of correct information or due to incorrect or dormant investor account furnished by the investor(s) or due to notice/ instruction received from a government authority to freeze the account of investor(s). In the aforesaid scenario, the CRA shall confirm and verify the availability of adequate funds with the issuer and also confirm and verify:

15.4.1. the proof of failure of the required payment of debt (principal and/ or interest),

15.4.2. the reasons for failure being as specified above, and

15.4.3. the required amounts being duly paid into a separate escrow account maintained with a scheduled commercial bank by the issuer on the due date of payment.

15.5. For all such instances, as specified at Para 15.4 above, the CRA shall furnish the following details to the Stock Exchanges, Depositories and Debenture Trustee on the same day as the dissemination of the rating Press Release on the CRA's website:

Name of the security	ISIN	Amount to be paid	Due date of payment	Amount of payment made	Amount of payment failed	Reasons for failure of payment

The Stock Exchanges, Depositories and Debenture Trustees shall disseminate the above information on their websites.

15.6. CRAs shall sensitise their clients, i.e. the issuers, to avail of the penny-drop verification facility offered by banks to avoid occurrence of failure to remit the required payments of debt (principal and/ or interest) and/or other suitable measures to prevent such occurrence.]⁵

16. Functioning and Evaluation of Rating Committees/Sub-Committees

16.1. Each CRA shall define the obligations, responsibilities, areas of conflict of interest, etc. of rating committee members in its Operations Manual/ Internal governing document. The following shall be specifically set out in the Operations Manual/ Internal governing document of each CRA and disclosed on its website:

16.1.1. Eligibility for becoming committee/sub-committee members

16.1.2. Composition of committee/sub-committee

16.1.3. Minimum quorum required

16.1.4. Duties of committee members

16.1.5. System of voting and recording of dissent.

16.1.6. Managing conflict of interest in the rating committee/sub-committee.

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.

16.3. Rating committees of a CRA shall report to a Chief Ratings Officer (CRO).

16.4. Minutes of each case discussed at the committee shall be maintained and signed (digitally or manually) by the Chairperson. Standard format for the Minutes of Rating Committee Meeting is placed at the **Annexure 16**.

16.5. The process of discussion of case by circulation must be avoided, unless there is urgency in taking a rating action.

⁵ Circular No. SEBI/HO/DDHS/DDHS-PoD-3/P/CIR/2024/160 dated November 18, 2024

16.6. Chairperson(s) of each rating committee/sub-committee of the CRA shall, on an annual basis, undertake a review of the decisions taken by the Committees in that year, which would, inter alia, include:

16.6.1. Ratings assigned by the rating committees/ sub-committees including ratings assigned based on best available information in cases of non-cooperation by the issuer.

16.6.2. Sharp changes in ratings.

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).

18. Rating Agreement between the Issuer and the CRA

18.1. Rating Agreement to be signed between Issuer and CRA prior to commencement of rating exercise:

18.1.1. Regulation 14 of SEBI (Credit Rating Agencies) Regulations, 1999 requires CRAs to enter into a written agreement with each client whose securities it proposes to rate.

18.1.2. In this regard, it has come to the notice that in some instances, CRAs have provided indicative ratings to Issuers without entering into a written agreement with such Issuers and have thereafter not disclosed such ratings on their websites.

18.1.3. CRAs are advised to refrain from giving Indicative Ratings without having a written agreement in place. In case such Indicative Ratings are provided by the CRA, it shall be considered as aiding and abetting the Issuer in suppression of material information by the CRA which would be in contravention of Clause 12 of Code of Conduct of CRAs and may result in

violation of the provisions of section 12A of the Securities and Exchange Board of India Act, 1992 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 by the CRA.

18.2. Strengthening of Rating Agreement

18.2.1. The Rating Agreement, signed between the CRA and its client (issuer/ borrower), shall have an additional clause stating that –

"The client (issuer/ borrower) agrees to disclose the history and status (non-cooperation, non-payment of fees etc.) of previous rating relation with the earlier CRA(s) to the new CRA along with reasons for non- cooperation, etc. if applicable."

18.2.2. In order to ensure cooperation from the Issuer, as required under Regulation 14(d) of Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999, the following enabling clauses maybe built in the Rating Agreement:

18.2.2.1. *"The client (issuer/ borrower) agrees to provide the information sought by the CRA immediately, but not later than 7 days from the date of seeking such information by the CRA."*

In cases of delay/ default in servicing debt obligations, the information shall be provided immediately. Failure to provide the same immediately shall be considered as suppression of material information and may result in violation of the provisions of section 12A of the Securities and Exchange Board of India Act, 1992 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003"

18.2.2.2. *"The client (issuer) agrees to inform the CRA details about the security/ies in the format below immediately, but not later than 7 days from the date of placing the security/ies. For security/ies*

already listed, the information will be provided at the time of signing the agreement.”

Security type	ISIN	Issue Size (INR Cr)	Coupon Rate	Coupon Payment Dates	Terms of Redemption	Redemption date	Name and contact details of Debenture Trustee	Details of top 10 investors

18.2.2.3. *“The client (Issuer/ borrower) undertakes to provide the CRA a No Default Statement on a monthly basis wherein the Issuer shall explicitly confirm that it has not delayed on any payment of interest/ principal in the previous month. Such statement shall be provided to the CRA on the first working day of the next month.”*

19. Governance Norms of CRAs

- 19.1. One third of the board of a CRA shall comprise of independent directors, if the board is chaired by a non-executive director. In case the board of the CRA is chaired by an executive director, half of the board shall comprise of independent directors.
- 19.2. The board of a CRA shall constitute the following committees:
 - 19.2.1. Ratings Sub-Committee
 - 19.2.2. Nomination and Remuneration Committee
- 19.3. The Chief Ratings Officer (CRO) shall directly report to the Ratings Sub- Committee of the board of the CRA.
- 19.4. The Nomination and Remuneration Committee shall be chaired by an independent director.

20. Accountability of Rating Analysts of CRAs

- 20.1. Roles and responsibilities of the rating analysts of CRAs shall be clearly laid out in the CRA’s Operations Manual/ Internal governing document.
- 20.2. Analysts shall be responsible for undertaking the rating process and adhering to the timelines as specified in the Operations Manual/ Internal governing document.

21. Dealing with Conflict of interest

21.1. A CRA shall formulate the policies and internal codes for dealing with the conflict of interest.

21.2. A CRA shall ensure:

21.2.1. that its analysts do not participate in any kind of marketing and business development including negotiations of fees with the issuer whose securities are being rated,

21.2.2. that the employees' involved in the credit rating process and their dependents do not have ownership of the shares of the issuer.

21.2.3. prompt review of the credit ratings of the securities as and when any of its employees joins the respective issuer.

21.3. Avoiding conflict of interest while rating of structured finance products

21.3.1. While undertaking rating of structured finance products, apart from following all the applicable requirements in case of non-structured ratings, the following additional requirements shall also be complied with.

21.3.2. A CRA or its subsidiaries shall not provide consultancy or advisory services regarding the design of structured finance instrument.

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

21.4.1. 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.

21.4.2. 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.

21.4.3. With a view to adopting 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:

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

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

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

- a. 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 by the CRA or whose securities/instruments/facilities have been rated by the CRA.
- b. The Compliance Officer of the CRA shall apply to the Chief Executive of the CRA for such prior approval.
- c. The CEO/Compliance Officer shall ensure that there is no conflict of interest while considering the request for prior approval.

- d. Such approvals, if granted, shall be valid for 7 working days from the date of approval.

21.4.3.4. Disclosures

- a. Any person, who becomes an employee of the CRA, shall submit a statement of holding of all securities in respect of persons mentioned at Para 21.4.2. above to the Compliance officer or Chief Executive, as the case may be, within 7 working days of joining CRA.
- b. All employees of CRA including the Access Persons shall submit the following details to the CEO/Compliance Officer, as the case may be:
 - i. Details of purchase or sale transactions effected within 7 working days from the date of transaction.
 - ii. A consolidated statement of holding of all securities within 30 working days from the end of the Financial Year.
- c. 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 by the CRA.

21.4.3.5. Restrictions on employees holding ownership of securities of the issuer: A CRA shall ensure that employees involved in the rating process shall not have ownership of the securities of the issuer.

22. Unsolicited Credit Ratings

- 22.1. In case of unsolicited credit ratings, i.e. the credit ratings not arising out of the agreement between a CRA and the issuer, credit rating symbol shall be accompanied by the word “UNSOLICITED” in the same font size.
- 22.2. A CRA shall monitor and disclose credit rating during the life of the rated securities, as if it were a solicited rating.

23. Sharing of information regarding issuer companies between Debenture Trustees and CRAs

- 23.1. SEBI (Debenture Trustee) Regulations, 1993 require the Debenture Trustees (DTs) to share information regarding the issuer companies that are their clients, with CRAs. The purpose of the Regulations is to enable CRAs to perform their obligations effectively.
- 23.2. Registered DTs and CRAs shall share information with each other as specified in the **Annexure 17**. DTs and CRAs may share any other information from time to time in respect of issues/issuer companies which would help them in effective discharge of their duties.
- 23.3. DTs and CRAs shall assign designated email addresses for sending and receiving such information and ensure appropriate action, if any, based on the information received.

24. Mechanism for Sharing of Information by Credit Rating Agencies (CRAs) to Debenture Trustees (DTs)

- 24.1. SEBI (Credit Rating Agencies) Regulations, 1999 ("CRA Regulations") and circulars issued thereunder require sharing of certain information from CRAs to Debenture Trustees (DTs).
- 24.2. Due to the large quantum of information submitted daily by CRAs to DTs, as well as short timelines mandated for disclosure of this information by DTs, it is essential that the data shared by CRAs be structured and submitted in a specified format for easier accessibility and analysis of the submitted data.
- 24.3. Accordingly, based on discussion with CRAs and DTs, an excel template is placed as **Annexure 18**. CRAs shall use the same template for their daily submissions of rating revisions to D.Ts.

24.4. Such submissions shall be sent by CRAs to DTs on the same day as the day of rating revisions, on either the generic email ID being used for regulatory purposes, or email IDs/URL as may be communicated for this purpose by DTs.

25. Securities and Exchange Board of India (Credit Rating Agencies) (Second Amendment) Regulations, 2018:

Vide Gazette Notification No. SEBI/LAD-NRO/GN/2018/36 dated September 11, 2018, in respect of Securities and Exchange Board of India (Credit Rating Agencies) (Second Amendment) Regulations, 2018, as laid down under Regulation 9(f) of SEBI (Credit Rating Agencies) (Second Amendment) Regulations, 2018, a CRA may undertake the rating of financial instruments under the respective guidelines of the financial sector regulators/ authorities as specified in **Annexure 19**. CRAs may also undertake research activities, incidental to rating, such as research for Economy, Industries and Companies.

25A. 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.

[It is specified that the ratings undertaken by a CRA under the guidelines of the International Financial Services Centres Authority (IFSCA) shall be under the purview of IFSCA. Accordingly:

- i. Any issue arising from the activities of such SEBI registered CRAs in the International Financial Services Centre (IFSC) shall be dealt with by IFSCA under the powers exercisable under Section 12 and 13 of IFSCA Act and regulations and subsidiary instructions made thereunder.
- ii. IFSCA shall be responsible for dealing with complaints, enforcement actions and furnishing information to third parties, including statutory or judicial bodies, in respect to the services provided by the CRAs in the IFSC.]⁶

⁶ Circular No. SEBI/HO/DDHS/DDHS-PoD-3/P/CIR/2024/102 dated July 19, 2024

Chapter III : REPORTING AND DISCLOSURES

26. Probability of Default Benchmark

26.1. In order to enable investors to discern the performance of a CRA vis-à-vis a standardized PD benchmark scale, CRAs, in consultation with SEBI, shall prepare and disclose standardized and uniform PD benchmarks for each rating category on their website, for one-year, two-year and three-year cumulative default rates, both for short-run and long-run.

26.2. These benchmarks shall be prepared based on the following key principles:

26.2.1. Marginal Default Rate (MDR) approach, using monthly static pool, for last 10-year period.

26.2.2. The short-run benchmarks may account for spikes due to economic cycles or unforeseen events, and hence, may have a wider band. The same shall be computed based on a confidence interval of 99.7% over the weighted average of 1-year, 2-year and 3-year default rates pertaining to last 10- year period, making adjustments to achieve ordinality, wherever required.

26.2.3. The long-run benchmarks iron out economic cycles since these are over a longer tenure (10-year period) and may, therefore, be narrower. The same shall be computed based on a confidence interval of 95% over the weighted average default rates (1-year, 2-year and 3-year) pertaining to 10-year period, making adjustments to achieve ordinality, wherever required.

26.2.4. The same may be adjusted for rating withdrawals. For securities, the rating shall be included in the computation of default rates till the completion of the cohort or the maturity of the instrument, whichever is earlier.

26.2.5. Ratings of non-cooperative issuers shall be included in the cohort under the rating category in which the instrument is currently being rated.

26.2.6. The PD benchmark for the rating categories AAA, AA and A shall be as under, subject to any unexpected legal events/ mitigating circumstances impacting the default rates, with certain permitted tolerance levels:

26.2.6.1. For AAA:

- a. Zero for 1-year and 2-year default rate.
- b. Zero for 3-year default rate, with a tolerance level of 1%.

26.2.6.2. For AA:

- a. Zero for 1-year default rate.
- b. Zero for 2-year default rate with a tolerance level of 2%.

26.2.6.3. For A:

- a. Zero for 1-year default rate with a tolerance level of 3%.

26.2.7. For ratings on non-structured instruments, various instruments of an issuer with equal seniority level and having same rating shall not be included separately for default rate calculation. However, various instruments of an issuer having different seniority levels shall be included as separate instances, subject to a cap of three instances across all rating categories put together.

26.2.8. For ratings on structured instruments, various instruments, issued by a trust, with the same degree of seniority and hence having same rating shall not be included separately for default rate calculation. However, various instruments, issued by a trust, having different seniority levels shall be included as separate instances. Further, in order to avoid under-estimation of default rates in case of significantly higher number of tranches of differing seniority but same rating, a cap of three tranches per rating category per issuer may be applied.

26.2.9. The above PD benchmarks and tolerance levels may be re-indexed from time to time.

26.2.10. The above standardized and uniform PD benchmarks shall be disclosed on the website of each CRA for ratings of long-term and short-term instruments, on a consolidated basis for all financial instruments rated by a CRA.

26.2.11. CRAs may review their rating methodologies in order to align the same with the proposed PD benchmarks.

27. Periodic Disclosures

27.1. A CRA shall make all the disclosures stipulated below on their websites. In case of listed securities, the CRA shall also make disclosures to the stock exchanges as specified in the SEBI (Credit Ratings) Regulations, 1999. For ratings assigned and their periodic reviews, the CRA shall issue press releases which shall also be kept on their websites. Where a specific format has been prescribed, the disclosures shall be made in that format.

27.2. A CRA can make additional disclosures other than those stipulated above with the prior approval of its Board.

27.3. **Disclosures by CRAs on half-yearly basis:** CRA shall make following disclosures within 15 days from the end of each half-year (March / September):

27.3.1. **Disclosures on Credit Rating History, defaults and movement:** The following disclosures shall be prepared and disclosed for ratings of securities:

27.3.1.1. A Rating Summary Sheet presenting a snapshot of the rating actions carried out during the half-year shall be uploaded by the CRAs on their websites, in the format specified at **Annexure 20**. The disclosure in the “*Rating Distribution for outstanding ratings as on 31st March/30th September*” section of Annexure 20 shall also include number of INC ratings outstanding in each category also.

27.3.1.2. Details of new credit ratings assigned during last six-months (**Annexure 21**).

27.3.1.3. Movement of credit rating of all outstanding securities during the last six-months:

- a. Movement of each credit rating (Annexure 22),
- b. Movement of each credit rating from investment grade to

noninvestment grade and vice versa (Annexure 23) and

27.3.1.4. The history of credit rating of all outstanding securities (**Annexure 24**).

27.3.1.5. On half yearly basis, the list of defaults separately for each rating category (e.g. AAA, AA, A, BBB, BB, B, C) {(Annexure 25)}.

27.3.2. **Structured Finance Products:** A CRA shall disclose at least once in every six months, the performance of the rated pool, i.e., collection efficiency, delinquencies. A CRA shall also provide a detailed description of the underlying pools including ageing, Credit enhancements such as liquidity supports, first and second loss guarantee provided shall also be disclosed.

27.3.3. Disclosure of performance of CRAs on Stock Exchange and Depository website

27.3.3.1. Each CRA shall furnish data on sharp rating actions in investment grade rating category, as per the format specified in **Annexure 26**, to Stock Exchanges and Depositories for disclosure on website on half-yearly basis, within 15 days from the end of the half-year (31st March/ 30th September).

27.3.3.2. **Methodology for Computation of Sharp Rating Action:** In order to standardize the methodology of computation and disclosure of a 'sharp rating action', it is clarified that CRAs shall compare two consecutive rating actions. Therefore, a CRA shall disclose a sharp rating action, if the rating change between two consecutive rating actions is more than or equal to 3 notches downward. In other words, if the difference in credit rating between two consecutive press releases is more than or equal to 3 notches downward, the same has to be included in the disclosure on sharp rating actions.

27.3.3.3. In addition to disclosure of sharp rating actions excluding non-cooperative issuers, CRAs shall also separately disclose sharp rating actions including such actions on non-cooperative issuers.

27.3.3.4. The disclosure on sharp rating actions shall be limited to credit ratings 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.

27.3.3.5. The disclosure of sharp rating action in terms of Para 27.3.3.2 to 27.3.3.4 shall be applicable from H1 of Financial Year 2022-23.

27.4. Disclosures by CRAs on annual basis: CRA shall make following disclosures within 30 days from the end of each financial year (March):

27.4.1. Computation and disclosure of Default Rates

27.4.1.1. The CRA, shall publish information about the historical default rates of CRA rating categories and whether the default rates of these categories have changed over time, so that the public can understand the historical performance of each category and if and how rating categories have changed, and be able to draw quality comparisons among ratings given by different CRAs.

27.4.1.2. The cumulative default rates(CDR) shall be calculated in the following manner:

- a. CDR shall be calculated issuer-wise using the Marginal Default Rate (MDR) approach, using monthly static pools.
- b. The above may be adjusted for rating withdrawals. For securities, the withdrawn rating shall be included in the computation of default rates till the completion of the cohort or the maturity of the instrument, whichever is earlier. Accordingly, all DTs shall continue to report any delays/ default in payment on debentures to the CRA(s) having rated the said debenture for the lifetime of the instrument, irrespective of the rating on that instrument being withdrawn.
- c. Ratings of non-cooperative issuers shall be included in the cohort under the rating category in which the instrument is currently being rated.

27.4.1.3. Based on approach mentioned at Para 27.4.1.2, CRA shall disclose, on an annual basis, the average one-year, two-year and three-year cumulative default rates (based on weighted average) each for:

- a. Last 10-financial years period (Long-run average default rates)
- b. 24, 36 and 48 most recent cohorts, respectively (Short-run average default rates)

27.4.1.4. The format of the above disclosures is specified at Annexure 27. The above disclosures shall be made on a consolidated basis for all financial instruments rated by a CRA.

27.4.1.5. For the above purposes, the following terms shall have the meaning as under:

- a. **Static Pool:** Non-defaulted ratings that were outstanding at the beginning of any period.
- b. **Default:** Non-payment of interest or principal amount in full on the pre-agreed date. A CRA shall recognize default at the first instance of delay in servicing of interest or principal on the rated debt instrument.
- c. **Default Rate:** The number of defaults among rated entities in the static pool as a percentage of the total number of entities in the static pool.
- d. **Averaging:** All averaging across static pools for default rate computations must be based on the weighted average method where the weights are the number of ratings in each static period.

27.4.1.6. The historical data on the default rates disclosed every year shall be archived and made available on the website of each CRA for last 10 years.

27.4.1.7. In order to achieve a consistent approach, CRAs, in consultation with SEBI, shall frame a uniform Standard Operating Procedure (SOP) in respect of tracking and timely recognition of default, which shall be disclosed on the website of each CRA.

27.4.1.8. In addition to disclosure on cumulative default rates (CDR) which includes non-cooperative issuers and various types of credit ratings, CRAs from Financial year 2022-2023, shall also disclose, separately,

two other CDRs limited to credit ratings of securities that are listed, or proposed to be listed, on a recognized stock exchange:

- a. CDR (ii), wherein ratings of non-cooperative issuers shall be included in the cohort under the rating category in which the instrument is currently being rated.
- b. CDR (iii), wherein ratings of non-cooperative issuers shall be excluded in the cohort under the rating category in which the instrument is currently being rated.

27.4.2. Disclosure of Average Rating Transition Rates for long-term Instruments

27.4.2.1. Transition studies are central to evaluating the performance of a CRA and provide an insight on the stability of ratings over a period of time. In order to promote transparency and to enable the market to best judge the performance of the ratings, the CRA should publish information about the historical average rating transition rates across various rating categories, so that investors can understand the historical performance of the ratings assigned by the CRAs.

27.4.2.2. CRAs shall publish their average one-year rating transition rate over a 5-year period, on their respective websites, which shall be calculated as the weighted average of transitions for each rating category, across all static pools in the 5-year period. The format of the disclosure of transition rates is enclosed as Annexure 28. For the said purpose, the following terms shall have the meaning as under:

- a. **Static Pool:** Ratings outstanding for each category at the beginning of any financial year. However, it shall exclude ratings that have been withdrawn or ratings of non-cooperative issuers during the financial year. Ratings downgraded to D shall be treated as default for the rest of the financial year. Ratings which are upgraded from D shall be considered as new rating for the relevant subsequent static pools.

- b. Transition Rate:** The number of movements/ transitions from each rating category to another, as at the end of the financial year, as a percentage of the total number of ratings in the static pool.
- c. Averaging:** All averaging across static pools for transition rate computations must be based on the weighted average method where the weights are the number of issuers in each static period.

27.4.3. Disclosure of Average Rating Transition Rates for Long-Term Credit Ratings of securities

27.4.3.1. Para 27.4.2 of master circular mandates CRAs to disclose a rating transition matrix, where the static pool has been defined to exclude ratings that have been withdrawn or ratings of non-cooperative issuers during the financial year.

27.4.3.2. Given the increased non-cooperative issuers in the CRAs' rated universe, excluding such INC ratings might not depict a true picture of stability of credit ratings within CRAs and across CRAs.

27.4.3.3. Therefore, in addition to the disclosure of rating transitions as per Para 27.4.2 of master circular, CRAs shall also disclose two additional and separate rating transition matrices (limited to credit ratings of securities that are listed, or proposed to be listed, on a recognized stock exchange) using the following definition of static pool:

- a. Static Pool:** *Ratings outstanding for each category at the beginning of any financial year. It shall exclude ratings that have been withdrawn or ratings of non-cooperative issuers during the financial year. Ratings downgraded to D shall be treated as default for the rest of the financial year. Ratings which are upgraded from D shall be considered as new rating for the relevant subsequent static pools.*
- b. Static Pool:** *Ratings outstanding for each category at the beginning of any financial year. It shall include ratings that have been withdrawn or ratings of non-cooperative issuers during the financial year. Ratings downgraded to D shall be treated as default for the*

rest of the financial year. Ratings which are upgraded from D shall be considered as new rating for the relevant subsequent static pools.

27.4.3.4. In the disclosure at Para 27.4.3.3 (b) above, a CRA shall include an additional column to indicate the proportion of ratings that were withdrawn during the financial year.

27.4.3.5. The disclosures under Para 27.4.3 shall be applicable for Financial Year 2022-2023

27.4.4. Income: A CRA shall disclose:

27.4.4.1. its total receipt from rating services and non-rating services,

27.4.4.2. issuer wise percentage share of non-rating income of the CRA and its subsidiary to the total revenue of the CRA and its subsidiary from that issuer, and

27.4.4.3. names of the rated issuers who along with their associates contribute 10% or more of total revenue of the CRA and its subsidiaries.

27.4.5. Unsolicited Credit Ratings: A CRA shall disclose following as prescribed at **Annexure 29:**

27.4.5.1. all the unsolicited ratings carried out in the last three financial years;

27.4.5.2. names of issuers, out of those mentioned in Para 27.4.5.1 above, which were given solicited rating in the last financial year.

28. Continuous Disclosures, Reporting and Timelines

28.1. The rating history, Press Releases and Rating Reports, including those ratings which have been withdrawn, shall be available on the CRA's website.

28.2. Reporting and disclosure with regard to monitoring of repayment schedules

28.2.1. In case no confirmation of servicing of debt obligation by the Issuer is received

by the CRA from the Debenture Trustee within 1 [working]⁷ day post the due date, the CRA shall immediately follow up with the Issuer for confirmation of payment. In case no response is received from the Issuer within 2 [working]⁸ days of such communication, the CRA shall issue a Press Release as enlisted at Para 28.4.3 and disseminate the same on its website and to all stock exchanges where the security is listed.

28.2.2. The CRA shall also make a reference to SEBI regarding such suppression of information by the issuer/ non-cooperation of Issuer with CRA. Failure to make such reference shall be considered as aiding and abetting the Issuer in suppression of material information by the CRA which would be in contravention of Clause 12 of Code of Conduct of CRAs and may result in violation of the provisions of section 12A of the Securities and Exchange Board of India Act, 1992 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 by the CRA.

28.3. Timelines of review and Press Releases

28.3.1. In order to enable CRAs to disseminate information on ratings promptly through press releases as per requirements of Regulation 15 and 16 of SEBI (CRA) Regulations, following is clarified:

28.3.2. 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

⁷ Circular No. SEBI/HO/DDHS/DDHS-PoD-3/P/CIR/2025/002 dated January 7, 2025

⁸ Circular No. SEBI/HO/DDHS/DDHS-PoD-3/P/CIR/2025/002 dated January 7, 2025

Scenario	Timelines – immediately but not later than
	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/Debtenture Trustee	2 working days of acceptance of Rating by the Issuer

28.3.3. Periodic Surveillance⁹

Scenario	Timeline - immediately but not later than
Communication of the rating to the issuer	1 working day* of the Rating Committee meeting
Request for review/ appeal of rating by the issuer	3 working days of the Rating Committee meeting
Dissemination of Press Release on CRA's website and intimation of same to Stock Exchange/ Debtenture Trustee	7 working days of the Rating Committee Meeting

**While an outer timeline of 1 working day has been specified, CRAs shall endeavour to communicate the rating to the issue on the same day as the Rating Committee meeting.*

28.3.4. Dissemination of Press Release on CRA's website and intimation of same to Stock Exchange/ Debtenture Trustee in case of event based review

Scenario	Timeline- immediately but not later than
Intimation from Issuer/ Debtenture Trustee/ Bankers of the Issuer regarding delay in servicing debt Obligation	2 working days of intimation
Material Events requiring review (as stated in Para 9.2)	7 working days of occurrence of the event.

⁹ Circular No. SEBI/HO/DDHS/DDHS-PoD-3/P/CIR/2024/97 dated July 04, 2024

28.4. Disclosures in case of considerable delay in providing information by the Issuer

28.4.1. As per Regulation 18(2) of Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999, the CRA, while covering the analysis of the various factors justifying the assessment in press release, shall also disclose the factors constituting a risk.

28.4.2. Accordingly, it is further clarified that if the issuer does not share information sought by the CRA within 7 days of seeking such information from the Issuer, even after repeated reminders (within these 7 days) from the CRA, the CRA shall take appropriate rating action depending upon the severity of information risk of the issuer.

28.4.3. The Press Release in such cases shall mention the efforts made by the CRA in seeking such information and limitations regarding such information availability.

28.5. Disclosures in case of rating not accepted by an issuer

28.5.1. Each CRA shall disclose on its website details of all ratings assigned by them, irrespective of whether the rating is accepted by the issuer or not, even in case of non-public issues.

28.5.2. 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 . N o	Nam e of the Issu er	Sect or	Securit y Type	Issu e Size (INR milli ons)	Dat e of No n- acc ept anc e	Listin g Statu s (Liste d/pro pose d to be listed)	Rati ng assi gne d	Whet her the ratin g was acce pted by the issue r, subs eque	Dat e of sub seq uen t acce pt anc e of fina l rati ng	Fina l ratin g acce pted by the issu er	Wheth er the issuer reque sted for a review /appea l subse quent to disclo sure	Wheth er review /appea l of the disclo sed unacc epted rating was grante
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								nt to the non- acce pted ratin gs discl osur e? (Yes/ No)	ass ign ed		of unacc epted rating ?	d by CRA.
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28.6. Disclosures in case of delay in periodic review:

Each CRA shall promptly disclose on its website details of all such ratings where the review became due but was not completed by the due date, as per the timelines specified in the CRA's Operations Manual/ Internal governing document. Details disclosed shall include the name of the issuer, name/ security type, size of the issue, date of last review, reasons for delay in periodic review, hyperlink to the last Press Release etc.

28.7. Disclosure of guidelines for dealing with Conflict of Interest:

The policies adopted by the CRAs for effective implementation of guidelines for dealing with Conflict of Interest for investment/ trading by CRAs, Access Persons and other employees, shall be disclosed on the CRAs' website.

29. Periodical report to be submitted to SEBI:

29.1. All CRAs shall report the following change(s) to SEBI while submitting the Action Taken Report in accordance with Para 33.4 of the Master Circular:

- 29.1.1. Amalgamation, demerger, consolidation or any other kind of corporate restructuring falling within the scope of section 230 of the Companies Act, 2013 or the corresponding provision of any other law for the time being in force;
- 29.1.2. Change in Director, including managing director/ whole-time director;
- 29.1.3. Change in shareholding not resulting in change in control.
- 29.1.4. If there is no change during the relevant half year, it shall be indicated in the

report.

30. Other Continuous Disclosures:

30.1. Rating Procedure: A CRA shall formulate and disclose its policies, methodology and procedures in detail regarding solicited and unsolicited credit ratings.

30.2. Income:

30.2.1. A CRA shall disclose the general nature of its compensation arrangements with the issuers.

30.2.2. A CRA shall disclose, in case of accepted ratings, its conflict of interest, if any, including the details of relationship – commercial or otherwise – between the issuer whose securities are being rated / any of its associate of such issuer and the CRA or its subsidiaries.

30.3. Unsolicited credit ratings: While publishing unsolicited ratings and their movements, a CRA apart from following all the applicable requirements in case of solicited ratings shall make the following disclosures:

30.3.1. the extent of participation by the issuer, its management, bankers and auditors in the credit rating process.

30.3.2. the information used and its source in arriving at and reviewing the credit rating.

30.4. Shareholding: A CRA shall disclose its shareholding pattern as prescribed by stock exchanges for a listed company under Regulation 31 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

30.5. Compliance Status of IOSCO Code of Conduct: A CRA shall disclose the compliance status of each provision of IOSCO code of conduct.

31. Guidelines on manner of disclosures by CRAs on its website:

31.1. In order to facilitate enhanced transparency and usability of disclosures made by CRAs on their websites, the following is directed:

31.1.1. Disclosures required by CRAs on their websites under various SEBI circulars should be provided in excel / machine readable format.

31.1.2. An archive of all disclosures should be maintained by CRAs on their website, for at least 10 years. This also includes ratings press releases by CRAs. [However, the disclosures mentioned below shall be made as per the period/ frequency specified for the respective disclosure:

31.1.2.1. Disclosure of list of non-cooperative issuers – Daily (Para 11.6)

31.1.2.2. Disclosures in case of rating not accepted by an issuer – 12 months (Para 28.5.2)

31.1.2.3. Disclosure in case of delay in periodic review –12 months (Para 28.6)

31.1.3. CRAs shall continue to maintain records in respect of the disclosures at Para 31.1.2.1 to 31.1.2.3. above for a period of 10 years, which may be shared with Debenture Trustees upon request. Further, disclosures in respect of the said aspects shall continue to be made available by the CRAs on their website under the issuer-specific Press Releases/ Rating Rationale section of the respective issuer, wherever applicable.]¹⁰

31.1.4. CRAs may add footnotes in the disclosures mandated by SEBI for purpose of better understanding of methodology of such disclosure by stakeholder's subject to methodology explained being in line with the SEBI Regulations and circulars issued thereunder.

¹⁰ Circular No. SEBI/HO/DDHS/DDHS-PoD-3/P/CIR/2024/97 dated July 04, 2024

31.1.5. The provisions under Para 31.1.1 to 31.1.2 shall be applicable for Website Disclosures made after March 31, 2023.

Chapter IV : INTERNAL AUDIT FOR CRAs

32. Internal Audit for CRAs:

32.1. The audit envisaged under Regulation 22 of the Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999 shall include an internal audit to be undertaken in the following manner:

32.1.1. It shall be conducted on a half yearly basis.

32.1.2. It shall be conducted by Chartered Accountants, Company Secretaries or Cost and Management Accountants who are in practice and who do not have any conflict of interest with the CRA.

32.1.3. It shall cover all aspects of CRA operations and procedures, including investor grievance redressal mechanism, compliance with the requirements stipulated in the SEBI Act, Rules and Regulations made thereunder, and guidelines issued by SEBI from time to time.

32.1.4. The report shall state the methodology adopted, deficiencies observed, and consideration of response of the management on the deficiencies.

32.1.5. The report shall include a summary of operations and of the audit, covering the size of operations, number of transactions audited and the number of instances where violations / deviations were observed while making observations on the compliance of any regulatory requirement.

32.1.6. The report shall comment on the adequacy of systems adopted by the CRA for compliance with the requirements of regulations and guidelines issued by SEBI and investor grievance redressal.

33. Requirements related to Internal Audit of CRAs:

33.1. Eligibility of Auditors for conducting the Internal Audit of the CRA:

33.1.1. The audit firm shall have a minimum experience of three years in the financial sector.

33.1.2. The internal auditor of a CRA shall declare that:

33.1.2.1. The firm has not been employed by other CRAs for any other services

(such as statutory audit, taxation, consultancy/ retainership, etc.) in the past two years, and

33.1.2.2. The partners/ firm do not have any association with any other CRA.

33.1.3. The audit team must be composed of, at least, a Chartered Accountant (ACA/ FCA) [or a Cost Accountant (ACMA/ FCMA)]¹¹ and a Certified Information Systems Auditor/ Diploma in Information Systems Auditor/ [Diploma in Information System Security Auditor]¹² (CISA/ DISA/ DISSA).

33.2. Rotation of Internal Auditors: An auditor shall be appointed for a maximum term of five years, with a cooling-off period of two years.

33.3. Scope of the Internal Audit: The scope of the internal audit shall be expanded to include the following additional checks:

33.3.1. CRA and its employees, who are associated directly or indirectly with the rating business, have complied with the regulations and code of conduct.

33.3.2. CRA has defined processes for operations that have been followed during the rating exercise.

33.3.3. Rating analysts have adhered to their roles and responsibilities laid down in the Operations Manual/Internal governing document and processes disclosed on the CRA's website, during the rating

33.3.4. Policy in respect of non-cooperation by the issuer, including procedures to be followed for the same, have been complied with.

33.3.5. CRA has framed a policy for default recognition, consistent with regulatory guidelines, and is adhering to the same. At a minimum, it shall be checked if any irregularities/ delays/ defaults in debt servicing had been indicated by any of the below mentioned entities and suitable action with regard to the same was taken by the CRA:

33.3.5.1. The issuer/ borrower

33.3.5.2. The Company's statutory auditor

¹¹ Circular No. SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/68 dated May 14, 2025

¹² Circular No. SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/68 dated May 14, 2025

33.3.5.3. The borrower's bankers, during interactions with the CRA

33.3.5.4. Debenture Trustees

Cases where there are deviations to the checklist shall be documented by the auditor as part of the audit report submitted to the board.

33.3.6. Review of ratings has been carried out as per the review policy of the CRA.

33.3.7. Dissents, if any, have been recorded for each committee meeting, as stated in the Operations Manual/ Internal governing document.

33.3.8. CRA has complied with the timelines for publication of press release/ rating rationale for the ratings assigned, as set out in its Operations Manual/ Internal governing document.

33.3.9. The Press Releases issued are broadly in line with the standard template prescribed by SEBI.

33.3.10. Verify the rating disclosures made by the CRAs on their website.

33.3.11. Comment on the conflict of interest, if any, arising due to composition of the rating committee and participation in the rating committee meetings.

33.3.12. The audit shall also cover adherence to the prescribed methodology for calculation of transition rates and default rates,

33.3.13. Compliance by CRA with the provisions of all the Circulars shall be verified during half-yearly Internal Audit.

33.4. Action on the Internal Audit Report:

33.4.1. The CRA shall receive the report of the internal audit within two months from the end of the half-year.

33.4.2. Upon receipt of the internal audit report, the Compliance Officer of the CRA shall provide detailed comments on each of the observations therein and place the same before the Board of the CRA.

33.4.3. The final action taken report, including the comments/ recommendations made by Compliance Officer and the Board of the CRA as well as the

corrective steps taken by the CRA, shall be submitted to SEBI within 2 months from the date of receipt of the internal audit report or 1 month from the date of Board Meeting of the CRA, whichever is later, in the following format:

Sr. No.	Observations of the auditor	Remarks by the Compliance Officer	Comments of the Board of the CRA	Corrective actions taken

Chapter V : MISCELLANEOUS

34. Designated e-mail ID for regulatory communication with SEBI:

34.1. SEBI has been communicating with the registered market intermediaries inter-alia CRAs through circulars, letters, directions etc. In order to facilitate the issuance of digitally signed circulars, all registered CRAs are required to create a designated email id for regulatory communications. This email id shall be an exclusive email id only for the above purpose and should not be a person centric email id.

34.2. The Designated e-mail ID shall be communicated to SEBI by emailing a file in an excel format to intermediary@sebi.gov.in , as per the format prescribed below.

34.3. The name of the file and the subject of the email shall specify the type of intermediary and the name of the intermediary. For example – “Credit Rating Agency – ABC co. Ltd.”

34.4. The file shall contain the following details:

Name	Address	Category	Registration No.	Designated email id	Name of compliance officer

35. Information regarding Grievance Redressal Mechanism: For information of all investors who deal/ invest/ transact in the market, it has now been decided that the information as provided below shall be prominently displayed in the offices of the CRAs:

Dear Investor,

In case of any grievance / complaint against the Credit Rating Agency:

Please contact Compliance Officer of the Credit Rating Agency (Name and Address) / email-id (xxx.@email.com) and Phone No. - 91-XXXXXXXXXX.

You may also approach CEO / Partner / Proprietor (Name) / email-id (xxx.@email.com) and Phone No. - 91-XXXXXXXXXX.

If not satisfied with the response of the CRA you can lodge your grievances with SEBI at <http://scores.gov.in> or you may also write to any of the offices of SEBI. For any queries, feedback or assistance, please contact SEBI Office on Toll Free Helpline at 1800 22 7575 / 1800 266 7575.

36. Guidelines on Outsourcing of Activities by CRAs

- 36.1. Outsourcing may be defined as the use of one or more than one third party – either within or outside the group - by a registered CRA to perform the activities associated with services which the CRA offers.
- 36.2. The principles for outsourcing by CRAs have been framed (Annexure 30). These principles shall be followed by all CRAs registered with SEBI.
- 36.3. The SEBI registered CRAs desirous of outsourcing their activities shall not, however, outsource their core business activities and compliance functions.
- 36.4. The SEBI registered CRAs shall be responsible for reporting of any suspicious transactions / reports to FIU or any other competent authority in respect of activities carried out by the third parties.

37. General Guidelines for dealing with Conflicts of Interest of CRAs and their Associated Persons in Securities Market:

- 37.1. CRAs are presently governed by the provisions for avoidance of conflict of interest as mandated in the SEBI (Credit Rating Agencies) Regulations, 1999 read with relevant circulars issued from time to time by SEBI. On the lines of Principle 8 of the International Organisation of Securities Commissions (IOSCO) Objectives and Principles of Securities Regulations, it has been decided to put in place comprehensive guidelines to collectively cover CRAs and their associated persons, for elimination of their conflict of interest, as detailed hereunder.
- 37.2. CRAs shall adhere to these guidelines for avoiding or dealing with or managing conflict of interest. They shall be responsible for educating their associated persons for compliance of these guidelines.
- 37.3. For the purpose of these guidelines "associated persons" have the same meaning as defined in Securities and Exchange Board of India Certification of Associated Persons in the Securities Markets) Regulations, 2007.
- 37.4. CRAs and their associated persons shall:

- 37.4.1. lay down, with active involvement of senior management, policies and internal procedures to identify and avoid or to deal or manage actual or potential conflict of interest, develop an internal code of conduct governing operations and formulate standards of appropriate conduct in the performance of their activities, and ensure to communicate such policies, procedures and code to all concerned;
- 37.4.2. at all times maintain high standards of integrity in the conduct of their business;
- 37.4.3. ensure fair treatment of their clients and not discriminate amongst them;
- 37.4.4. ensure that their personal interest does not, at any time conflict with their duty to their clients and client's interest always takes primacy in their advice, investment decisions and transactions;
- 37.4.5. make appropriate disclosure to the clients of possible source or potential areas of conflict of interest which would impair their ability to render fair, objective and unbiased services;
- 37.4.6. endeavor to reduce opportunities for conflict through prescriptive measures such as through information barriers to block or hinder the flow of information from one department/ unit to another, etc.;
- 37.4.7. place appropriate restrictions on transactions in securities while handling a mandate of issuer or client in respect of such security so as to avoid any conflict;
- 37.4.8. not deal in securities while in possession of material non - published information
- 37.4.9. not to communicate the material non-published information while dealing in securities on behalf of others
- 37.4.10. not in any way contribute to manipulate the demand for or supply of securities in the market or to influence prices of securities;
- 37.4.11. not have an incentive structure that encourages sale of products not suiting the risk profile of their clients;
- 37.4.12. not share information received from clients or pertaining to them, obtained as a result of their dealings, for their personal interest;
- 37.5. The Board of CRAs shall put in place systems for implementation of these guidelines

and provide necessary guidance enabling identification, elimination or management of conflict of interest situations. The Boards shall review the compliance of this circular periodically.

- 37.6. These guidelines shall be in addition to the provisions, if any, contained in respective regulations/ circulars issued by the Board from time to time regarding dealing with conflict of interest, in respect of such entities

38. Standardization of industry classification- Applicability to CRAs

- 38.1. The Market Data Advisory Committee (MDAC), a standing committee constituted by SEBI, comprising of representatives from stock exchanges, depositories and other market participants, examined the existing industry classification structures, across sectors, and developed a harmonised four level industry classification framework for adoption by all stakeholders and for all relevant processes/ purposes in Indian securities market.
- 38.2. As the standardized framework will help bring about uniformity in the classifications being used across sectors and in securities market, CRAs are advised to use this standardized industry classification published by recognized Stock Exchanges for the purpose of rating exercise, peer benchmarking, research activities including research for Economy, Industries and Companies etc.
- 38.3. Further, as the standardized industry classification will be reviewed and published by Stock Exchanges on periodical basis, in view of same, CRAs are directed to follow the standardized industry classification published by Stock Exchanges from time to time.
- 38.4. **Monitoring:** Monitoring of implementation of standardized industry classification shall be done in terms of the half-yearly internal audit for CRAs, mandated under Regulation 22 of the SEBI (Credit Rating Agencies) Regulations, 1999 and circulars issued thereunder.

39. Firewall between CRAs and their Affiliates:

- 39.1. SEBI (Credit Rating Agencies) Regulations, 1999 inter-alia required CRAs to

segregate certain activities to a separate entity under Regulation 9(f) of SEBI (Credit Rating Agencies) Regulations, 1999 (hereinafter referred to as “non-rating associate or subsidiary or group entity” or collectively as “non-rating entities”).

39.2. In view of the above, the following measures are mandated to strengthen the firewall between SEBI-registered CRAs and their non-rating entities:

39.2.1. CRAs shall formulate a policy on separation or firewall practices with the non-rating entities and document the same in their internal operational manuals or governing document. Such policy, and revisions thereto, shall be ratified by the Board of Directors of the CRAs and the policy may cover inter alia the following:

39.2.1.1. Nature and extent of sharing of infrastructure, officials/employees or resources, if any, between the CRA and the non-rating entity, including specification on whether such arrangement is temporary.

39.2.1.2. Measures taken by CRA to ensure the independence of its credit rating process in view of the above arrangement with the non-rating entity.

39.2.1.3. Guidance to employees on sharing of information or resources, if any, between the CRA and the non-rating entity in order to mitigate any potential or actual conflict of interest.

39.2.2. A CRA shall disclose on its website, details of any common director or Chief Executive Officer or Managing Director between the CRA and the non-rating entity. Such disclosure shall be updated by the CRA on the first working day of each month. The disclosure should include a reference to the date it was last updated by the CRA, along with a reference or hyperlink to archives of previous such disclosures.

39.2.3. Credit rating scales (i.e., symbols and definitions) prescribed by this SEBI circular issued under the SEBI (Credit Rating Agencies) Regulations, 1999, shall not be used by any non-rating entities of the CRA.

39.2.4. The websites of SEBI-registered CRAs and their non-rating entities shall be separate. A CRA's website may contain hyperlinks to the separate websites of the non-rating entities.

39.2.5. **Applicability:** CRAs shall report on their compliance with this circular (as ratified by their respective board of directors) to SEBI within one quarter from the date of applicability of this circular.

39.2.6. **Monitoring:** Monitoring of the provisions under Para 39 shall be done in terms of the half-yearly internal audit for CRAs, mandated under Regulation 22 of the SEBI (Credit Rating Agencies) Regulations, 1999 and guidelines issued thereunder.

Annexure 1**Letter of Representation for Credit Rating Agency**

Securities and Exchange Board of India Dear

Sir,

Sub: Surrender of Certificate of Registration as Credit Rating Agency, Registration No.

- _____.
1. We hereby surrender our certificate of registration as Credit Rating Agency.
 2. We enclose the original certificate of registration (or indemnity in case the certificate is lost or stolen) for cancellation.
 3. We hereby confirm that:
 - a. no complaint /disciplinary proceeding is pending against us;
 - b. no investigation / inquiry by SEBI is pending against us with respect to our activities as a Credit Rating Agency;
 - c. as on date of application, we have paid all fees;
 - d. we shall continue to be liable for all liabilities/obligations (including monetary penalties, if any) for violations, if any, of the provisions of the SEBI Act and the SEBI (Credit Rating Agency) Regulations, 1999 that have taken place before our surrender of certificate of registration;
 - e. all our current assignments as a Credit Rating Agency have been either duly terminated or transferred to another registered Credit Rating Agency with registration no.;
 - f. we have issued a public notice in a widely circulated national and a vernacular daily dated_____informing surrender of our registration as Credit Rating Agency (Please enclose a clipping of the said public notice);
 - g. we have notified the Depositories and all the stock exchanges where our client companies are listed about the surrender of our registration.
 4. *We hereby request SEBI to dispense with the procedure laid down in Regulation 16(1) of the SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 while processing our request for surrender of certificate of registration.

Thanking you,

Yours faithfully,

Name:

(Whole time/Managing Director/Principal Officer)

** Please strike off, if not applicable.*

Rating Symbols and Definitions for Long Term Securities

Long term securities: The securities with original maturity exceeding one year

Rating symbols should have CRA's first name as prefix

AAA - Securities with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such securities carry lowest credit risk.

AA - Securities with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such securities carry very low credit risk.

A - Securities with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such securities carry low credit risk.

BBB - Securities with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such securities carry moderate credit risk.

BB - Securities with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations.

B - Securities with this rating are considered to have high risk of default regarding timely servicing of financial obligations.

C - Securities with this rating are considered to have very high risk of default regarding timely servicing of financial obligations.

D - Securities with this rating are in default or are expected to be in default soon.

Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories AA to C. The modifiers reflect the comparative standing within the category.

Annexure 3

Rating Symbols and Definitions for Short Term Securities

Short term securities: The securities with original maturity of up to one year

Rating symbols should have CRA's first name as prefix

A1 – Securities with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations. Such securities carry lowest credit risk.

A2 - Securities with this rating are considered to have strong degree of safety regarding timely payment of financial obligations. Such securities carry low credit risk.

A3 - Securities with this rating are considered to have moderate degree of safety regarding timely payment of financial obligations. Such securities carry higher credit risk as compared to instruments rated in the two higher categories.

A4- Securities with this rating are considered to have minimal degree of safety regarding timely payment of financial obligations. Such securities carry very high credit risk and are susceptible to default.

D - Securities with this rating are in default or expected to be in default on maturity.

Modifier {"+" (plus)} can be used with the rating symbols for the categories A1 to A4. The modifier reflects the comparative standing within the category.

Annexure 4

Rating Symbols and Definitions for Long Term Structured Finance Instruments

Long term structured finance instruments: The instruments with original maturity exceeding one year

Rating symbols should have CRA's first name as prefix

AAA (SO) - Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

AA (SO) - Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

A (SO) - Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk

BBB (SO) - Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk.

BB(SO) - Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations.

B(SO) - Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations.

C (SO) - Instruments with this rating are considered to have very high likelihood of default regarding timely payment of financial obligations.

D (SO) - Instruments with this rating are in default or are expected to be in default soon.

Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories AA(SO) to C(SO). The modifiers reflect the comparative standing within the category.

Rating Symbols and Definitions for Short Term Structured Finance Instruments

Short term structured finance instruments: The instruments with original maturity of upto one year

Rating symbols should have CRA's first name as prefix

A1 (SO) – Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligation. Such instruments carry lowest credit risk.

A2 (SO) - Instruments with this rating are considered to have strong degree of safety regarding timely payment of financial obligation. Such instruments carry low credit risk.

A3 (SO) - Instruments with this rating are considered to have moderate degree of safety regarding timely payment of financial obligation. Such instruments carry higher credit risk as compared to instruments rated in the two higher categories.

A4 (SO) - Instruments with this rating are considered to have minimal degree of safety regarding timely payment of financial obligation. Such instruments carry very high credit risk and are susceptible to default.

D (SO) - Instruments with this rating are in default or expected to be in default on maturity.

Modifier {"+" (plus)} can be used with the rating symbols for the categories A1(SO) to A4(SO). The modifier reflects the comparative standing within the category.

Annexure 6

Rating Symbols and Definitions for Long Term Debt Mutual Fund Schemes

Long term debt mutual fund schemes: The debt mutual fund schemes that have an original maturity exceeding one year.

Rating symbols should have CRA's first name as prefix

AAAmfs – Schemes with this rating are considered to have the highest degree of safety regarding timely receipt of payments from the investments that they have made.

AAmfs – Schemes with this rating are considered to have the high degree of safety regarding timely receipt of payments from the investments that they have made.

Amfs – Schemes with this rating are considered to have the adequate degree of safety regarding timely receipt of payments from the investments that they have made.

BBBmfs - Schemes with this rating are considered to have the moderate degree of safety regarding timely receipt of payments from the investments that they have made.

BBmfs - Schemes with this rating are considered to have moderate risk of default regarding timely receipt of payments from the investments that they have made.

Bmfs - Schemes with this rating are considered to have high risk of default regarding timely receipt of payments from the investments that they have made.

Cmfs - Schemes with this rating are considered to have very high risk of default regarding timely receipt of payments from the investments that they have made.

Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories AAmfs to Cmfs. The modifiers reflect the comparative standing within the category

Annexure 7

Rating Symbols and Definitions for Short Term Debt Mutual Fund Schemes

Short term debt mutual fund schemes: The debt mutual fund schemes that have an original maturity of upto one year.

Rating symbols should have CRA's first name as prefix

A1mfs - Schemes with this rating are considered to have very strong degree of safety regarding timely receipt of payments from the investments that they have made.

A2mfs - Schemes with this rating are considered to have strong degree of safety regarding timely receipt of payments from the investments that they have made.

A3mfs - Schemes with this rating are considered to have moderate degree of safety regarding timely receipt of payments from the investments that they have made.

A4mfs - Schemes with this rating are considered to have minimal degree of safety regarding timely receipt of payments from the investments that they have made.

Modifier {"+" (plus)} can be used with the rating symbols for the categories A1mfs to A4mfs. The modifier reflects the comparative standing within the category.

Annexure 8

Rating Symbols and Definitions for Issuer Rating

Rating symbols should have CRA's first name as prefix

AAA - Issuers with this rating are considered to have the highest degree of safety regarding timely servicing of debt obligations. Debt exposures to such issuers carry lowest credit risk.

AA - Issuers with this rating are considered to have high degree of safety regarding timely servicing of debt obligations. Debt exposures to such issuers carry very low credit risk.

A - Issuers with this rating are considered to have adequate degree of safety regarding timely servicing of debt obligations. Debt exposures to such issuers carry low credit risk.

BBB - Issuers with this rating are considered to have moderate degree of safety regarding timely servicing of debt obligations. Debt exposures to such issuers carry moderate credit risk.

BB - Issuers with this rating are considered to have moderate risk of default regarding timely servicing of debt obligations.

B - Issuers with this rating are considered to have high risk of default regarding timely servicing of debt obligations.

C - Issuers with this rating are considered to have very high risk of default regarding timely servicing of debt obligations.

D - Issuers with this rating are in default or are expected to be in default soon.

Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories AA to C. The modifiers reflect the comparative standing within the category.

Rating Symbols and Definitions for Long Term Credit Enhanced Securities

Long term Credit Enhancement securities: The securities with original maturity exceeding one year

Rating symbols should have CRA's first name as prefix.

AAA (CE) - Securities with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such securities carry lowest credit risk.

AA (CE) - Securities with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such securities carry very low credit risk.

A (CE) - Securities with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such securities carry low credit risk.

BBB (CE) - Securities with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such securities carry moderate credit risk.

BB (CE) - Securities with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations.

B (CE) - Securities with this rating are considered to have high risk of default regarding timely servicing of financial obligations.

C (CE) - Securities with this rating are considered to have very high likelihood of default regarding timely payment of financial obligations.

D (CE) - Securities with this rating are in default or are expected to be in default soon.

Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories AA (CE) to C (CE). The modifiers reflect the comparative standing within the category.

Annexure 10

Rating Symbols and Definitions for Short Term Credit Enhanced Securities

Short term Credit Enhanced Securities: The securities with original maturity of up to one year

Rating symbols should have CRA's first name as prefix.

A1 (CE) – Securities with this rating are considered to have very strong degree of safety regarding timely payment of financial obligation. Such securities carry lowest credit risk.

A2 (CE) - Securities with this rating are considered to have strong degree of safety regarding timely payment of financial obligation. Such securities carry low credit risk.

A3 (CE) - Securities with this rating are considered to have moderate degree of safety regarding timely payment of financial obligation. Such securities carry higher credit risk as compared to instruments rated in the two higher categories.

A4 (CE) - Securities with this rating are considered to have minimal degree of safety regarding timely payment of financial obligation. Such securities carry very high credit risk and are susceptible to default.

D (CE) - Securities with this rating are in default or expected to be in default on maturity.

Modifier {"+" (plus)} can be used with the rating symbols for the categories A1 (CE) to A4 (CE). The modifier reflects the comparative standing within the category.

Annexure 11

Instrument-wise definition of default

Financial Instrument	Rating Scale	Definition of Default
Debentures/Bonds	Long Term	A delay of 1 day even of 1 rupee (of principal or interest) from the scheduled repayment date.
Commercial Paper	Short term	
Other Scenarios		
When rated instrument is rescheduled:		Non-servicing of the debt (principal as well as interest) as per the existing repayment terms in anticipation of a favourable response from the creditor of accepting their restructuring application/ proposal shall be considered as a default. Rescheduling of the debt instrument by the lenders prior to the due date of payment will not be treated as default, unless the same is done to avoid default or bankruptcy.

Annexure 12**Standard Template for No Default Statement (Minimum Information be sought)**

To

<CRA Name and
Address>

Dear Sir/ Madam,

1. We hereby Confirm that as on date there are no Over dues or default on our listed debt obligations.
2. We hereby Confirm that as on date there are no Over dues or default on our unlisted debt obligations.
3. We also confirm that in the month ended <Month and Year name>, there has been no instance of delay in servicing of our listed debt obligations.
4. We also confirm that in the month ended <Month and Year name>, there has been no instance of delay in servicing of our unlisted debt obligations.
5. We also confirm that in the month ended <Month and Year name>, there has been no instance of delay in servicing of debt obligations guaranteed by us.
6. We hereby Confirm that as on date there are no Over dues or default on payment of interest/installment obligations on loans from banks/financial institutions which continues beyond 30 days.
7. We hereby Confirm that as on date there are no Over dues or default on revolving facilities like cash credit, from banks/financial institutions which continues beyond 30 days.
8. We also confirm that there has been no overdraw of the drawing power sanctioned by the bank for a period of more than 30 consecutive days in case of bank facilities which do not have scheduled maturity/repayment dates.
9. Details of default in payment of interest/installment obligations on loans including revolving facilities like cash credit from banks /financial institutions and any over overdraws beyond what is sanctioned by the bank, beyond 30 days as on date/ in the month ended <Month and Year name>, in any of the above case (if any).

Name of Lender	Nature of obligation	Date of default	Current default amount	Amount to be paid	Actual Date of Payment (any)	Remarks

10. Details of default in payment of principal/interest obligations as on date/ in the month ended <Month and Year name>, on our listed and unlisted debt obligations, in any of the above cases (if any):

Name of the security	ISIN	Amount to be paid	Due Date of Payment	Actual Date of Payment	Remarks

Thanking You, Yours faithfully,

<Authorized Signatory of Issuer>

Annexure 13

Standard Template for Press Release (Minimum Information be disclosed)

Name of the Company

Date of Press Release

Details of security/ies

Name of the security	Date of issuance	Coupon rate	Maturity Date	Size of the issue	Rating assigned, along with Rating Outlook

Rating action (assigned/ upgraded/ downgraded) for the security.

Detailed Rationale justifying the Rating Action/ rating assigned.

List of key rating drivers for the Rating Action i.e. factors justifying favourable assessment (strengths) and factors constituting risk (weakness).

Detailed description of key rating drivers highlighted above.

Analytical approach (wherever applicable) taken by the CRA to assign the rating.

Liquidity

Hyperlink/ reference to the applicable "Criteria" for rating the security.

About the Company: Factual details of the company along with the major financial information for the last and current financial year. This shall include key financial indicators and ratios for the Issuer for the last and current financial year, in tabular form, as well as any other significant information relevant to the Issuer and its Sector.

Status of non-cooperation with previous CRA (if applicable): Reason and comments on status of non-co-operation with the previous CRA (if applicable).

Rating Sensitivity:

Any other information:

Rating History for last three years:

S.No	Name of security	Current Rating (Year T)			Chronology of Rating History for the past 3 years (Rating Assigned and Press Release Date) along with Outlook/ Watch, if applicable		
		Type (long term/ Short term)	Amount Outstanding (INR Crores)	Rating	Date(s) & Rating(s) assigned in Year T-1	Date(s) & Rating(s) assigned in Year T-2	Date(s) & Rating(s) assigned in Year T-3
1							
2							

Note on complexity levels of the rated security:

Name and Contact Details of the Rating Analyst(s):

About CRA:

CRA Disclaimer:

Annexure 14

Indicative illustration of usage of descriptors for liquidity assessment

1. **Liquidity: Superior/ Strong** - Liquidity is marked by strong accruals against negligible repayment obligations and liquid investments to the tune of Rs.xxx Crore. With a gearing of xx times as of March 31, xxxx, the issuer has sufficient gearing headroom, to raise additional debt for its capex. Its unutilized bank lines are more than adequate to meet its incremental working capital needs over the next one year.
2. **Liquidity: Adequate** - Adequate liquidity characterized by sufficient cushion in accruals vis-à-vis repayment obligations and moderate cash balance of Rs.xx Crore. Its capex requirements are modular and expected to be funded using debt of Rs.xx Crore for which it has sufficient headroom. Its bank limits are utilized to the extent of 80% and has sought enhancement in bank lines, supported by above unity current ratio.
3. **Liquidity: Stretched** - Liquidity is marked by tightly matched accruals to repayment obligations, highly utilized bank limits and modest cash balance.
4. **Liquidity: Poor** - Poor liquidity marked by lower accruals when compared to repayment obligations, fully utilized bank limits and modest cash balance. This could constrain the ability of the company to repay its debt obligations on a timely basis.

Annexure 15**Type of Securities / Support Consideration(s) for CE-suffix:**

1. Guaranteed bond; Shortfall undertaking backed bond or other such third-party credit enhancement
2. Covered bonds which have to be serviced primarily by the issuer (i.e., primary recourse to issuer), with secondary recourse to the cash flows from the pool of loans housed in a trust
3. Partially guaranteed bond
4. Commercial Mortgage-Backed Securities (CMBS)-like structures
5. Standby Letter of Credit (SBLC) backed securities
6. Debt backed by pledge of shares or other assets
7. Guaranteed Pooled bond issuance (PBI), not through a trust
8. Obligor/Co-obligor structures or Cross-default guarantee structures
9. Debt backed by Payment Waterfall /Escrow, or DSRA etc., but with Full Guarantee or DSRA Replenishment Guarantee from a third party
10. Letter of comfort

Annexure 16**Summary Record of the Rating Committee Meeting (RCM)****A. Preliminary Information**

- Date of the RCM
- Names of all the persons attending the RCM
- Names of rating committee members present (only rating committee members will have voting rights)
- Name of the chairperson of the meeting
- Any other special invitees (if any)

B. Information Relating to Rating Decision

Following information/details of each rating decision shall be captured:

- Name of the rated issuer/entity
- Rating exercise i.e. whether it is a fresh rating or review/ surveillance case
- Rating outcome i.e. rating assigned, along with rating outlook and special rating symbol, if any
- Summary of key issues discussed during the RCM
- Dissent (if any) by any RCM member

C. Authentication and Maintenance of Rating Committee Summary

- The summary of the RCM shall be approved/ signed by the Chairperson, either manually or digitally.
- The approved/ signed summary shall be maintained either manually or electronically.

Annexure 17**Sharing of information between Debenture Trustees (DTs) and CRAs****A. Information from CRAs to DTs**

- i. Rating assigned/revised for debt securities along with the rationale for the same.
- ii. Press release, outstanding ratings etc. in respect of debt securities.
- iii. Non-cooperation by the issuers with respect to sharing necessary information for monitoring the credit quality of the rated instrument with CRAs.
- iv. Press release and separate communication to DT on withdrawal of rating post redemption of entire amount due towards debenture-holders.
- v. Default of any type committed by the issuer.

B. Information from DTs to CRAs

- i. Whether the asset in respect of which security has been created is free from any encumbrance and adequate to ensure asset cover for the debentures or if there is any breach of the terms of creation of the security. This information shall be shared on half yearly basis.
- ii. Funds transferred to Debenture Redemption Reserve (DRR), depletion of the DRR/invocation of guarantee which could affect the payment of debenture obligations. This information shall be shared annually.
- iii. Details of redemption of the issue.
- iv. Any default committed including the default in payment of interest or redemption of debentures or delay in creation of security.
- v. Any change or restructuring of the terms of the issue.
- vi. Periodic reports from lead banks about the progress of the project for which funds have been raised through debentures and certificate from issuer's auditors in respect of utilization of funds.
- vii. Details of grievances filed by debenture-holders and action taken to resolve them.
- viii. Non-cooperation by the issuer with respect to furnishing required reports/certificates/ information.

Information pertaining to points iii. to viii. above shall be shared as and when available.

Annexure 18**Template for sharing of information between Debenture Trustees (DTs) and
CRAs**

[Excel Template for sharing of information by CRA with DT](#)

ANNEXURE 19**Financial sector regulators/ authorities**

1. Securities and Exchange Board of India
2. Reserve Bank of India
3. Insurance Regulatory and Development Authority of India
4. Pension Fund Regulatory and Development Authority
5. Ministry of Corporate Affairs
6. Insolvency and Bankruptcy Board of India
7. International Financial Services Centres Authority¹³

¹³ Circular No. SEBI/HO/DDHS/DDHS-PoD-3/P/CIR/2024/102 dated July 19, 2024

ANNEXURE 20

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		
e	BB		
f	B		
g	C		
h	D		

Annexure 21

Details of new credit ratings assigned during last six-months

New Ratings assigned between Apr – Sep/ Oct – Mar									
S . N o	Na me of the Issu er	Sector etc.)	Securities Type etc.)	Issue Size (INR million s)	Listing Status (Listed/ Propose d to be listed)	Wheth er the issu er reque sted for a review /appe al of rating ?	Whether review/appea l of the rating was granted by CRA.	Rating assign ed prior to reques t for review /appea l by the issuer	Final Rating Assign ed

Annexure 22
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

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 23

Movement of each credit rating from investment grade to non-investment grade and vice versa

Rating Movement from Investment Grade and Non-Investment Grade between Apr – Sep/ Oct – Mar						
From Investment Grade to Non-Investment Grade						
S . N o	Name of the Issuer	Sector	Security Type	Listing Status (Listed /Propo sed to be listed)	Rating prior to Revision	Rating post Revisio n
From Non- Investment Grade to Investment Grade						
S . N o	Name of the Issuer	Sector	Security Type	Listing Status (Listed /Propo sed to be listed)	Rating prior to Revision	Rating post Revisio n

Annexure 24

History of Credit Rating of all Outstanding Securities

History of Credit Rating of all Outstanding Securities

S. No	Name of the Issuer	Sector	Type of security)	Outstanding Issue Size (INR millions)	Listing Status (Listed /Proposed to be listed)	Initial Rating	Date of Initial Rating	Rating after 1st Revision	Date of 1st Revision	Rating after 2nd Revision	Date of 2nd Revision	Rating after 3rd Revision	Date of 3rd Revision	...	Current Outstanding Rating

Annexure 25
List of Defaults Separately for Each Rating Category (on half-yearly basis)
Long Term Scale

S . N o	Name of the Issuer	Sector	Security Type	Issue Size (INR millio ns)	Listing Status (Listed / Propo sed to be listed)	Rating prior to Default	Trigge r Eve nt	Date of trigger of event/ receivin g intimati on	Date of Defa ult Rec ogni tion
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									
1									
2									
Rating prior to default – B category									
1									
2									
Rating prior to default – C category									
1									
2									

Short Term Scale



S . N o	Na m e o f t h e I s s u e r	Sec tor	Securi ty Type	Issue Size (INR millio ns)	Listing Status (Listed/ Propose d to be listed)	Rati ng prio r to Def ault	Trig ger Ev ent	Date of trigger of event/ receivi ng intimati on	Date of Defaul t Recog nition
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									

**Sharp rating actions in investment grade rating
category (excluding non-cooperative issuers)**

S. No.	Rating action	Number of ratings
1 .	Number of rating downgrades of more than 3 notches	
2 .	Number of downgrades to default from investment grade ratings	
3 .	Number of outstanding ratings as on March 31/ September 30	

Long-run average default rates for long term instruments

Rating Category	1-Year Default Rate	2-year Cumulative Default Rate	3-year Cumulative Default Rate
AAA			
AA			
A			
BBB			
BB			
B			
C			

Long-run average default rates for short term instruments

Rating Category	1-Year Default Rate
A1+	
A1	
A2	
A3	
A4	

Short-run average default rates for long term instruments

Rating Category	1-Year Default Rate	2-year Cumulative Default Rate	3-year Cumulative Default Rate
AAA			
AA			
A			
BBB			
BB			
B			
C			

Short-run average default rates for short term instruments

Rating Category	1-Year Default Rate
A1+	
A1	
A2	
A3	
A4	

Annexure 28

Average one-year transition rates for long-term ratings for the last 5-Financial Year Period

Rating Category	AA A	AA	A	BB B	BB	B	C	D
AAA								
AA								
A								
BBB								
BB								
B								
C								

Note: The left-hand column identifies ratings outstanding at the beginning of the year. Each row provides information on the migration pattern of those ratings by end of the year.

Annexure 29

Unsolicited Credit rating*

S. No.	Name of the Issuer	Rating assigned		
		Financial Year 1	Financial Year 2	Financial Year 3

* If in a particular financial year, a rating has subsequently been changed, then that shall also be disclosed

Solicited Credit Ratings assigned to those issuers mentioned in the table above in the last financial year**

S. No.	Name of the Issuer	Rating assigned

** Any subsequent revision of the rating in the same year shall also be disclosed

PRINCIPLES FOR OUTSOURCING FOR CRAs

1. **A CRA seeking to outsource activities shall have in place a comprehensive policy to guide the assessment of whether and how those activities can be appropriately outsourced. The Board / partners (as the case may be) {hereinafter referred to as the “the Board”} of the CRA shall have the responsibility for the outsourcing policy and related overall responsibility for activities undertaken under that policy.**
 - 1.1 The policy shall cover activities or the nature of activities that can be outsourced, the authorities who can approve outsourcing of such activities, and the selection of third party to whom it can be outsourced. For example, an activity shall not be outsourced if it would impair the supervisory authority’s right to assess, or its ability to supervise the business of the CRA. The policy shall be based on an evaluation of risk concentrations, limits on the acceptable overall level of outsourced activities, risks arising from outsourcing multiple activities to the same entity, etc.
 - 1.2 The Board shall mandate a regular review of outsourcing policy for such activities in the wake of changing business environment. It shall also have overall responsibility for ensuring that all ongoing outsourcing decisions taken by the CRA and the activities undertaken by the third-party, are in keeping with its outsourcing policy.
2. **The CRA shall establish a comprehensive outsourcing risk management programme to address the outsourced activities and the relationship with the third party.**
 - 2.1 The CRA shall make an assessment of outsourcing risk which depends

on several factors, including the scope and materiality of the outsourced activity, etc. The factors that could help in considering materiality in a risk management programme include-

- a) The impact of failure of a third party to adequately perform the activity on the financial, reputational and operational performance of the CRA and on the investors / clients;
- b) Ability of the CRA to cope up with the work, in case of non-performance or failure by a third party by having suitable back-up arrangements;
- c) Regulatory status of the third party, including its fitness and probity status;
- d) Situations involving conflict of interest between the CRA and the third party and the measures put in place by the CRA to address such potential conflicts, etc.

2.2 While there shall not be any prohibition on a group entity / associate of the CRA to act as the third party, systems shall be put in place to have an arm's length distance between the CRA and the third party in terms of infrastructure, manpower, decision-making, record keeping, etc. for avoidance of potential conflict of interests. Necessary disclosures in this regard shall be made as part of the contractual agreement. It shall be kept in mind that the risk management practices expected to be adopted by the CRA while outsourcing to a related party or an associate would be identical to those followed while outsourcing to an unrelated party.

2.3 The records relating to all activities outsourced shall be preserved centrally so that the same is readily accessible for review by the Board of the CRA and / or its senior management, as and when needed. Such records shall be regularly updated and may also form part of the corporate governance review by the management of the CRA.

2.4 Regular reviews by internal or external auditors of the outsourcing policies, risk management system and requirements of the regulator shall be mandated by the Board wherever felt necessary. The CRA shall review

the financial and operational capabilities of the third party in order to assess its ability to continue to meet its outsourcing obligations.

3. The CRA shall ensure that outsourcing arrangements neither diminish its ability to fulfill its obligations to customers and regulators, nor impede effective supervision by the regulators.

3.1 The CRA shall be fully liable and accountable for the activities that are being outsourced to the same extent as if the service were provided in-house.

3.2 Outsourcing arrangements shall not affect the rights of an investor or client against the CRA in any manner. The CRA shall be liable to the investors for the loss incurred by them due to the failure of the third party and also be responsible for redressal of the grievances received from investors arising out of activities rendered by the third party.

3.3 The facilities / premises / data that are involved in carrying out the outsourced activity by the service provider shall be deemed to be those of the registered CRA. The CRA itself and Regulator or the persons authorized by it shall have the right to access the same at any point of time.

3.4 Outsourcing arrangements shall not impair the ability of SEBI/SRO or auditors to exercise its regulatory responsibilities such as supervision/inspection of the CRA.

4. The CRA shall conduct appropriate due diligence in selecting the third party and in monitoring of its performance.

4.1 It is important that the CRA exercises due care, skill, and diligence in the selection of the third party to ensure that the third party has the ability and capacity to undertake the provision of the service effectively.

4.2 The due diligence undertaken by an CRA shall include assessment of:

- a) third party's resources and capabilities, including financial soundness, to perform the outsourcing work within the timelines fixed;
 - b) compatibility of the practices and systems of the third party with the CRA's requirements and objectives;
 - c) market feedback of the prospective third party's business reputation and track record of their services rendered in the past;
 - d) level of concentration of the outsourced arrangements with a single third party; and
 - e) the environment of the foreign country where the third party is located.
5. **Outsourcing relationships shall be governed by written contracts / agreements / terms and conditions (as deemed appropriate) {hereinafter referred to as "contract"} that clearly describe all material aspects of the outsourcing arrangement, including the rights, responsibilities and expectations of the parties to the contract, client confidentiality issues, termination procedures, etc.**
- 5.1 Outsourcing arrangements shall be governed by a clearly defined and legally binding written contract between the CRA and each of the third parties, the nature and detail of which shall be appropriate to the materiality of the outsourced activity in relation to the ongoing business of the CRA.
- 5.2 Care shall be taken to ensure that the outsourcing contract:
- a) clearly defines what activities are going to be outsourced, including appropriate service and performance levels;
 - b) provides for mutual rights, obligations and responsibilities of the CRA and the third party, including indemnity by the parties;
 - c) provides for the liability of the third party to the CRA for unsatisfactory performance/other breach of the contract
 - d) provides for the continuous monitoring and assessment by the CRA of the third party so that any necessary corrective measures can be taken up immediately, i.e., the contract shall enable the CRA to retain

an appropriate level of control over the outsourcing and the right to intervene with appropriate measures to meet legal and regulatory obligations;

- e) includes, where necessary, conditions of sub-contracting by the third-party, i.e. the contract shall enable CRA to maintain a similar control over the risks when a third party outsources to further third parties as in the original direct outsourcing;
- f) has unambiguous confidentiality clauses to ensure protection of proprietary and customer data during the tenure of the contract and also after the expiry of the contract;
- g) specifies the responsibilities of the third party with respect to the IT security and contingency plans, insurance cover, business continuity and disaster recovery plans, force majeure clause, etc.;
- h) provides for preservation of the documents and data by third party ;
- i) provides for the mechanisms to resolve disputes arising from implementation of the outsourcing contract;
- j) provides for termination of the contract, termination rights, transfer of information and exit strategies;
- k) addresses additional issues arising from country risks and potential obstacles in exercising oversight and management of the arrangements when CRA outsources its activities to foreign third party. For example, the contract shall include choice-of-law provisions and agreement covenants and jurisdictional covenants that provide for adjudication of disputes between the parties under the laws of a specific jurisdiction;
- l) neither prevents nor impedes the CRA from meeting its respective regulatory obligations, nor the regulator from exercising its regulatory powers; and
- m) provides for the CRA and /or the regulator or the persons authorized by it to have the ability to inspect, access all books, records and information relevant to the outsourced activity with the third party.

6. The CRA and its third parties shall establish and maintain contingency plans, including a plan for disaster recovery and periodic testing of

backup facilities.

6.1 Specific contingency plans shall be separately developed for each outsourcing arrangement, as is done in individual business lines.

6.2 CRA shall take appropriate steps to assess and address the potential consequence of a business disruption or other problems at the third party level. Notably, it shall consider contingency plans at the third party; co-ordination of contingency plans at both the CRA and the third party; and contingency plans of the CRA in the event of non-performance by the third party.

6.3 To ensure business continuity, robust information technology security is a necessity. A breakdown in the IT capacity may impair the ability of the CRA to fulfill its obligations to other market participants/clients/regulators and could undermine the privacy interests of its customers, harm the CRA's reputation, and may ultimately impact on its overall operational risk profile. Intermediaries shall, therefore, seek to ensure that third party maintains appropriate IT security and robust disaster recovery capabilities.

6.4 Periodic tests of the critical security procedures and systems and review of the backup facilities shall be undertaken by the CRA to confirm the adequacy of the third party's systems.

7. The CRA shall take appropriate steps to require that third parties protect confidential information of both the CRA and its customers from intentional or inadvertent disclosure to unauthorized persons.

7.1 CRA that engages in outsourcing is expected to take appropriate steps to protect its proprietary and confidential customer information and ensure that it is not misused or misappropriated.

7.2 The CRA shall prevail upon the third party to ensure that the employees

of the third party have limited access to the data handled and only on a “need to know” basis and the third party shall have adequate checks and balances to ensure the same.

7.3 In cases where the third party is providing similar services to multiple entities, the CRA shall ensure that adequate care is taken by the third party to build safeguards for data security and confidentiality.

8. Potential risks posed where the outsourced activities of multiple intermediaries are concentrated with a limited number of third parties.

8.1. In instances, where the third party acts as an outsourcing agent for multiple intermediaries, it is the duty of the third party and the CRA to ensure that strong safeguards are put in place so that there is no co-mingling of information/documents, records and asset.

APPENDIX: List of circulars superseded by Master Circular

S. No.	Reference Number of Circular	Name of Circular
1.	SEBI/HO/DDHS/DDHS-POD3/P/CIR/2024/47 dated May 16, 2024	Master Circular for Credit Rating Agencies
2.	SEBI/HO/DDHS/DDHS-PoD-3/P/CIR/2024/97 dated July 04, 2024	Measures for Ease of Doing Business for Credit Rating Agencies (CRAs) – Timelines and Disclosures
3.	SEBI/HO/DDHS/DDHS-POD3/P/CIR/2024/102 dated July 19, 2024	Enabling Credit Rating Agencies (CRAs) to undertake rating activities under IFSCA
4.	SEBI/HO/DDHS/DDHS-PoD-3/P/CIR/2024/160 dated November 18, 2024	Amendment to Para 15 of Master Circular for Credit Rating Agencies (CRAs) dated May 16, 2024 ("Master Circular")
5.	SEBI/HO/DDHS/DDHS-PoD-3/P/CIR/2025/002 dated January 07, 2025	Measures for Ease of Doing Business for Credit Rating Agencies (CRAs) – Timelines
6.	SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/68 dated May 14, 2025	Composition of the Internal Audit team for CRAs
7.	SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/70 dated May 15, 2025	Rating of Municipal Bonds on the Expected Loss (EL) based Rating Scale