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# GRC BULLETIN

MAY - 2025, VOLUME: I

## SEBI

Securities and Exchange Board of India (Credit Rating Agencies) (Second Amendment) Regulations, 2025

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# #2

# CORPORATE LAWS

## Authority

Securities and Exchange Board of India

## Circular Date

Apr 22, 2025

## Circular Number

SEBI/LAD-NRO/GN/2025/242

## Effective Date

Apr 22, 2025



# AMFI - CIRCULAR FOR TIME LIMIT FOR RENEWAL OF ARN & SEBI - SECURITIES AND EXCHANGE BOARD OF INDIA (CREDIT RATING AGENCIES) (SECOND AMENDMENT) REGULATIONS, 2025

***Applicability: Apply to all Credit Rating Agencies (CRAs) operating in India, including those involved in Environmental, Social, and Governance (ESG) ratings, and those following the subscriber-pays business model***

With a particular focus on the increasing importance of Environmental, Social, and Governance (ESG) ratings, the Securities and Exchange Board of India (SEBI) has introduced the Securities and Exchange Board of India (Credit Rating Agencies) (Second Amendment) Regulations, 2025, which seek to modernize and reinforce the regulatory framework for credit rating agencies (CRAs). These changes guarantee increased openness, governance, and efficiency in the Indian credit rating ecosystem by giving ESG rating providers a clearer, more organized way to operate.

**Important Elements of the Amendments:Existing Guidelines**:

- **Introduction of the Subscriber-Pays Business Model**: According to the legislation, ESG rating agencies now operate on a subscriber-pays basis, with income coming from subscribers such as banks, insurance providers, pension funds, or even the rated firms themselves. By doing this, conflicts of interest are avoided and the ESG ratings are guaranteed to be based solely on information that is accessible to the public.
- **Fee Transparency:** If the rated entity or its group company subscribes to the ESG rating, the subscriber's charge must be the lowest of all subscribers under this model. This attempts to keep the rating process transparent and equitable.
- **Regulatory Oversight:** For goods or issuers under their jurisdiction, ESG rating agencies are required to abide by rules issued by pertinent financial sector regulators, such as the Reserve Bank of India (RBI) or IRDAI. This guarantees that sector-specific legislation are in line with ESG ratings.
- **Sharing of ESG Rating findings:** According to the regulations, ESG rating agencies must simultaneously share their findings with the rated company and its subscribers. This will guarantee openness and equity in the rating process by giving rated firms two working days to reply.

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These changes aim to align India's ESG rating system with international norms, guaranteeing a more reliable, open, and effective procedure for all parties concerned.

**SOURCE:** **Click Here for more details**

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