

**CIRCULAR**

**SEBI/HO/MIRSD/CRADT/CIR/P/2019/121**

**November 04, 2019**

**To**

**All Credit Rating Agencies (CRAs) registered with SEBI**

Dear Sir/ Madam,

**Sub: Enhanced Governance Norms for Credit Rating Agencies (CRAs)**

In order to further enhance governance and accountability of Credit Rating Agencies (CRAs), the following directions are being issued:

1. In partial modification of para 3B of Annexure A of SEBI circular No. SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dated November 1, 2016 regarding MD/CEO being a member of rating committee, it has been decided that:
  - A. MD/CEO of a CRA shall not be a member of rating committees of the CRA.
  - B. Rating committees of a CRA shall report to a Chief Ratings Officer (CRO).
  - C. 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.
  - D. The board of a CRA shall constitute the following committees:
    - (i) Ratings Sub-Committee
    - (ii) Nomination and Remuneration Committee
  - E. The Chief Ratings Officer (CRO) shall directly report to the Ratings Sub-Committee of the board of the CRA.
  - F. The Nomination and Remuneration Committee shall be chaired by an independent director.
2. During the rating process, CRAs shall record minutes of the meeting with issuer management and incorporate it in the rating committee note.
3. 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.

4. 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 SEBI (Credit Rating Agencies) Regulations, 1999, to protect the interest of investors in securities and to promote the development of, and to regulate, the securities market.

Yours faithfully,

**Surabhi Gupta**  
**General Manager**  
**Tel. No: 022-26449315**  
**Email id: [surabhig@sebi.gov.in](mailto:surabhig@sebi.gov.in)**