

GOVERNMENT OF PAKISTAN
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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Islamabad, the 17th June, 2022

NOTIFICATION

S.R.O.811(I)/2022.- The following draft amendments to the Credit Rating Companies Regulation, 2016, proposed to be made by the Securities and Exchange Commission of Pakistan in exercise of the powers conferred under sub-section (4) of section 169 of the Securities Act, 2015 (III of 2015), is hereby published for the information of all persons likely to be effected thereby and as required by sub-section (4) of said section 169, notice is hereby given that comments, if any, received within fourteen days from the date of this notification may be considered by the Commission, namely:-

DRAFT AMENDMENTS

In the aforesaid Regulations, -

- (1) in regulation 4, -
 - (a) for clause (e) along with proviso, the followings shall be substituted, namely: -

“(e) its promoters or sponsors, substantial shareholders and directors have deposited their shares with Central Depository Company of Pakistan (CDC) in an account marked as blocked for a period of three (3) years”;
 - (b) for clause (f), the followings shall be substituted, namely: -

“(f) its promoters or sponsors or substantial shareholders and directors have given an undertaking that they shall not enter into any agreement for sale or transfer of their shares in any manner other than as specified in these regulations.”;
- (2) in regulation 6, in sub-regulation (2), after the expression “promoters or sponsors, directors, chief executive,”; the expression “substantial shareholder” shall be inserted;
- (3) in regulation 10, in sub-regulation (1), -
 - (a) for clause (a), the following shall be substituted, namely: -

“(a) At least twenty-five per cent (25%) shares of a credit rating company shall directly be held for a period of 3 years by:

- (i) a financial institution as defined under clause 8 (31) of sub-section (1) of section 2 of the Companies Act; or
- (ii) an insurance company; or
- (iii) a licensed securities exchange; or
- (iv) a company licensed by the Commission to provide depository, clearing or settlement services in the securities market; or
- (v) a foreign credit rating agency recognized by or under any law for the time being in force in the country of its incorporation; or
- (vi) an institution as may be notified by the Commission from time to time.”; and

(b) clause (b) shall be omitted;

(c) for sub-regulation (4) along with the proviso the following shall be substituted, namely: -

“(4) Any change in credit rating company’s shareholding that entitles the shareholder to more than ten per cent (10%) shareholding shall require prior written approval of the Commission.”;

(d) in sub-regulation (7), -

(i) for clause (c) the following shall be substituted, namely: -

“(c) rate its associated companies and undertakings or the instruments issued by them, except as explicitly provided in these regulations.”;

(ii) clause (f) along with proviso shall be omitted;

(e) after sub-regulation (7), amended as aforesaid, the following new sub-regulation (8) shall be inserted, namely: -

“(8) Where a company intends to terminate the rating contract/agreement with existing credit rating company, it shall, -

- (i) obtain an NOC from the existing credit rating company;
- (ii) continue the rating contract/agreement with the existing credit rating company for a period of one (1) year; and
- (iii) both the credit rating companies (existing and newly engaged) shall provide credit rating simultaneously for a period of one (1) year.”;

(4) in regulation 13, sub-regulation (1), for clause (e) along with proviso, the following shall be substituted, namely: -

“(e) a clause requiring the customer to comply with sub-regulation (8) of regulation 10 of these Regulations”;

(5) in regulation 17, in clause (b), -

(a) for the expressions “review all the outstanding ratings on semi-annual basis”, the expressions “review all the outstanding ratings periodically, on annual basis” shall be substituted; and

(b) for the words “Provided that public dissemination of semi-annual review” the expressions “Provided that public dissemination of periodic/annual review” shall be substituted; and

(6) in Annexure H, -

(a) under heading “LIST OF POLICIES TO BE DEVELOPED AND DISCLOSED BY A CREDIT RATING COMPANY/AGENCY”, in clause (v), for the words “The policy must cover all the reviews including annual review, semi-annual review”, the words “The policy must cover all the reviews including periodic/annual review” shall be substituted; and

(b) under heading “OTHER INFORMATION TO BE DISSEMINATED ON THE WEBSITE OF A CREDIT RATING COMPANY/AGENCY”, in clause (3) the following proviso shall be inserted, namely, -

“Provided that credit rating companies shall provide explanation/rationale in case where there are more than two notches downgrade or upgrade within six months”.

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(Bilal Rasul)

Secretary to the Commission