

CREDIT RATING COMPANIES RULES, 1995 **(S.R.O. NO. 759(I)/1995, dated 26-7-95)**

S.R.O. 759 (I)/95.- In exercise of powers conferred by section 33 of the Securities and Exchange Ordinance, 1969 (XVII of 1969), the Federal Government is pleased to make the following rules to regulate the business of credit rating companies, namely: -

1. Short title and commencement.- (1) These rules may be called the Credit Rating Companies Rules, 1995.

(2) They shall come into force at once.

2. Definitions.- In these rules, unless there is anything repugnant in the subject or context,-

(a) [\[1\]](#)["Commission" means the Securities and Exchange Commission of Pakistan;]

(b) "company" means a company incorporated under the Companies Ordinance, 1984 (XLVII of 1984);

(c) "credit rating company" means a company which intends to engage in or is so engaged primarily in the business of evaluation of credit risk through a recognised and formal process of assigning rating to present or proposed loan obligations of any business enterprise;

(d) "form" means a form set out in the Schedule to these rules; and

(e) "Ordinance" means the Securities and Exchange Ordinance, 1969 (XVII of 1969).

¹ Substituted vide S.R.O. No.319(I)/2002 dated June 12, 2002

3. Eligibility for registration.- A company proposing to commence business as a credit rating company shall be eligible for registration under these rules if it fulfils or complies with the following conditions or requirements, namely: -

(a) That such company is incorporated as a limited company under the Companies Ordinance, 1984 (XLVII of 1984);

(b) that such company has entered into a joint venture or technical collaboration arrangement with an internationally recognised credit rating institution [\[1\]](#)[for a period of not less than five years];

(c) *that no director, officer or employee of such company has been convicted of fraud or breach of trust or has been adjudicated as insolvent;*

(d) *that the promoters of such company are, in the opinion of the Authority, persons of means and integrity and have special knowledge of matters which the company may have to deal with as a credit rating company; [2][and*

(e) *that the chief executive of the company is not chief executive of any other company or holding similar position in any other company.]*

4. Registration.- (1) Any company which is eligible for registration under rule 3 as a credit rating company may make an application in Form I to the [3][Commission] for registration.

(2) An application under sub-rule (1) shall, besides the other documents referred to in Form-I, be accompanied by a fee of one hundred thousand rupees as registration fee.

[1] Inserted vide S.R.O. No.319(I)/2002 dated June 12, 2002

[2] Inserted vide S.R.O. No.319(I)/2002 dated June 12, 2002

[3] Substituted vide S.R.O. No.319(I)/2002 dated June 12, 2002

(3) The [1][Commission] may, if it is satisfied after such enquiry and after obtaining such further information as it may consider necessary,-

(i) *that the applicant is eligible for registration; and*

(ii) *that it would be in the interest of the capital market so to do;*

May grant a certificate of registration to such company in Form II.

5. Renewal of registration.- (1) The certificate of registration of a company shall be valid for one year and shall be renewable on payment of a fee of ten thousand rupees through an application made on Form III.

(2) The [2][Commission] shall, after making such enquiry and after obtaining such further information as it may consider necessary, renew the registration of such company for one year in Form IV within thirty days of the receipt of the application or further information, as the case may be.

6. Cancellation of registration.- Where the [3][Commission] is of the opinion that a credit rating company has contravened any provision, or has otherwise failed to comply with any requirement of the Ordinance or of any rule or direction made or given thereunder, the [4][Commission] may, if it considers necessary in the public

interest so to do, by order in writing, cancel the registration of the credit rating company:

Provided that no such order shall be made except after giving the credit rating company an opportunity of being heard.

^[1] Substituted vide S.R.O. No.319(I)/2002 dated June 12, 2002

^[2] Substituted vide S.R.O. No.319(I)/2002 dated June 12, 2002

^[3] Substituted vide S.R.O. No.319(I)/2002 dated June 12, 2002

^[4] Substituted vide S.R.O. No.319(I)/2002 dated June 12, 2002

7. Power of the Authority to give directions.- The Commission may, if it is satisfied that it is necessary or expedient so to do in the public interest or in the interest of capital market, by order in writing, give direction to a credit rating company.

8. Submission of ratings report to the [1]Commission.- (1) Every credit rating company shall submit to the Commission a report giving sector-wise details of credit rating notified during the year, fee structure and any other information, as may be specified by the Commission in writing from time to time, within four months of the close of its accounting year.]

Explanation.- For the purpose of this sub-rule the expression "credit rating" means formal evaluation of credit history of the company and capability of repaying its obligations.

(2) Without prejudice to the provisions of sub-rule (1), a credit rating company shall furnish to the Authority such other documents, information or explanation relating to its affairs as the Authority may, at any time, by order in writing, require.

9. Restriction on Directors of Credit Rating Companies.- [2] [(1)] No director of the credit rating company shall be a director of a corporate entity or a business firm or a share holder holding 5% or more of any corporate entity or business firm or in any other way interested in such an entity subject to rating by the rating company [3]:

Provided that this restriction shall not apply to a director of a rating company nominated as a director of an entity by the Federal Government or a Provincial Government or an institution which is directly or indirectly owned or controlled by the Federal Government or a Provincial Government:

^[1] Substituted vide S.R.O. No.319(I)/2002 dated June 12, 2002

^[2] Inserted vide S.R.O. No.319(I)/2002 dated June 12, 2002

^[3] Inserted vide S.R.O. No.319(I)/2002 dated June 12, 2002

Provided further that the director of the rating company shall inform the Commission of such nomination within fifteen days of the receipt of rating mandate from such entity together with an undertaking that he shall not participate in the rating process of that entity; and

(2) Neither any change in the shareholding of a rating company shall be made nor the chairman and chief executive of a rating company shall be changed without prior approval of the Commission, in writing.

(3) The Commission may, after expiry of the minimum period as prescribed in clause (b) of rule 3, order cessation of the applicability of the provisions of rule 3 to a rating company where the Commission is of the opinion that it would be in the interest of capital market so to do.]

10. Secrecy. No director, officer or employee of the credit rating company shall communicate the information, acquired by him for use for rating purposes, to any other person except where required under law to do so.

**SCHEDULE
FORM I
[See rule 4 (1)]**

FORM OF APPLICATION FOR REGISTRATION

AS A CREDIT RATING COMPANY

To

The Corporate Law Authority,
Government of Pakistan,
Islamabad.

Dear Sir,

We hereby apply for registration of
(Name of Credit Rating Company)

under rule 4 of the Credit Rating Companies Rules, 1995.

2. A copy of the Memorandum and the Articles of Association is enclosed.

3. Necessary information required in the annex to this Form is furnished. We undertake to keep the information up to date at all times.

Yours faithfully,

Signature of the Chief Executive

Annex To Form I

1	Name, address and telephone number(s) of the company.	.....
2	Date and place of incorporation.	.....
3	Names and addresses of promoters and directors.	.....
4	Details of joint venture or technical collaboration agreement with an internationally recognised credit rating company and a copy of such an agreement and documentary evidence in respect thereof.	.....
5	Proposed rating methodology and scale of rating.	.....
6	Whether any director has been convicted of fraud or breach of trust.	.....
7	Whether any director has been adjudicated as insolvent.	.....
8	Names and addresses of senior management officers.	.....
9	Whether any officer or employee has been convicted of fraud or breach of trust.	.....
10	Whether any senior management officer has been adjudicated as insolvent or has suspended payment or has compounded with his creditors.	.....
11	Previous experience of the promoters/directors in the credit rating field	.....
12	Previous experience of senior management officers.	.....

Note :- (i) An affidavit shall, from each promoter/director and officer in respect of statement at serial Nos. 6 and 7, be submitted.
(ii) Certification by the proposed chief executive of the company in respect of statement at serial Nos. 9 and 10 shall be submitted.

FORM II

(See rule 4(3))

**CERTIFICATE OF REGISTRATION AS
CREDIT RATING COMPANY
GOVERNMENT OF PAKISTAN
CORPORATE LAW AUTHORITY**

No. Islamabad, the199

The Corporate Law Authority having considered the application for registration under rule 4 of the Credit Rating Companies Rules, 1995 by

..... (Name of the credit rating company)

and being satisfied that the said company is eligible for registration and that it would be in public interest and in the interest of the capital market so to do, hereby grants, in exercise of the powers conferred by rule 4 of the Credit Rating Companies Rules, 1995 registration to..... subject to the provisions of the Securities and Exchange Ordinance, 1969 (XVII of 1969) and the rules made thereunder.

2. This certificate of registration is valid up to

Signature of the Officer

FORM III

(See rule 5(1))

**FORM OF APPLICATION FOR RENEWAL OF REGISTRATION
AS A CREDIT RATING COMPANY**

To

Corporate Law Authority
Government of Pakistan
Islamabad.

Dear Sir,

We hereby apply for the renewal of the registration of
.....(Name of the credit rating company).

under rule 5 of the Credit Rating Companies Rules, 1995.

2. The certificate of registration/ certificate of renewal is due to expire on
.....

3. Original receipt of the treasury/bank for the fee of
Rs.....being the renewal fee is enclosed.

4. It is requested that the registration be renewed for the calendar year
.....

Yours faithfully,

Signature of the Chief Executive

FORM IV

(See rule 5(2))

**CERTIFICATE OF RENEWAL OF REGISTRATION AS
CREDIT RATING COMPANY
GOVERNMENT OF PAKISTAN
CORPORATE LAW AUTHORITY**

No. Islamabad, the199

The Corporate Law Authority having considered the application for renewal of registration under rule 5 of the Credit Rating Companies Rules, 1995

by.....

.....(Name of the credit rating company)and

being satisfied that it would be in public interest and in the interest of the capital market to renew the registration of

.....(Name of the credit rating company)hereby grants, in exercise of the powers conferred by rule 5 of the Credit Rating Companies Rules, 1995, certificate of renewal of registration to the said company subject to the provisions of the Securities and Exchange Ordinance, 1969 (XVII of 1969) and the rules made thereunder.

Signature of the Officer