

# Info Capsule

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THE INSTITUTE OF  
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भारतीय कम्पनी सचिव संस्थान

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## **Guidelines for Enhanced Disclosures by Credit Rating Agencies (CRAs): (Circular No. SEBI/ HO/ MIRSD/ DOS3/CIR/P/2019/70 Dated: June 13, 2019)**

In order to further strengthen the disclosures made by CRAs and enhance the rating standards, SEBI has been decided to prescribe various disclosures to be made on its website. The disclosures are as under:

- I. Computation of Cumulative Default Rates (CDR):  
A 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)The format of the above disclosures is specified at Annexure A.
- II. 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.
- III. In order to enable investors to discern the performance of a CRA vis-à-vis a standardised 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. The above standardised 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, by December 31, 2019.
- IV. Rating symbol for Instruments having explicit Credit Enhancement feature
- V. Disclosure of rating sensitivities in press release:  
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. 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. 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.

The details of Disclosures are available at: <https://www.sebi.gov.in/legal/circulars/jun-2019/guidelines-for-enhanced-disclosures-by-credit-rating-agencies-cras-43268.html>

**Design of Commodity Indices and Product Design for Futures on Commodity Indices: (Circular SEBI/HO/CDMRD/DNPMP/CIR/P/2019/71 Dated: June18, 2019)**

The Commodity Derivatives Advisory Committee (CDAC) of SEBI had recommended introduction of options, derivatives on commodity indices and at later stage products such as weather and freight derivatives. SEBI has already permitted commodity options in Indian commodity derivatives markets. Based on the above recommendation of CDAC and comments received on SEBI consultation paper dated January 16, 2019 on design of commodity indices and product design for futures on commodity indices, it has now been decided to permit recognised stock exchanges with commodity derivative segment to introduce futures on commodity indices. Construction of commodity indices shall conform to the guidelines prescribed.

The recognised stock exchanges with commodity derivative segment willing to start trading in futures on commodity indices shall take prior approval of SEBI for launching such contracts. Exchanges will have to submit at-least past 3 years data of the index constructed along with data on monthly volatility, roll over yield for the month and monthly return while seeking approval from SEBI. On approval, exchanges shall also publish the above data on their website before launch of the products.

The details of the circular are available at: [https://www.sebi.gov.in/legal/circulars/jun-2019/design-of-commodity-indices-and-product-design-for-futures-on-commodity-indices\\_43320.html](https://www.sebi.gov.in/legal/circulars/jun-2019/design-of-commodity-indices-and-product-design-for-futures-on-commodity-indices_43320.html)