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## CREDIT RATING COMPANIES RULES, 1996

Notification No. SEC/Section-7/117, Dated 24<sup>th</sup> June 1996

In exercise of powers conferred by section 32 of the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969), the Securities & Exchange Commission is pleased to make the following rules to regulate the business of credit rating companies, namely:-

### CHAPTER-I PRELIMINARY

1. **Short title.** - These rules may be called the Credit Rating Companies Rules, 1996.
2. **Definitions.** - In the rules, unless there is anything repugnant in the subject or context-
  - (a) “Commission” means the Securities & Exchange Commission.
  - (b) “Company” means a company as defined in the Companies Act, 1994 (Act No. 18 of 1994).
  - (c) “Credit Rating” means formal evaluation of credit and/or investment and capability of servicing obligations.
  - (d) “Credit Rating Company” means an investment adviser company which intends to engage in or

is so engaged primarily in the business of evaluation of credit or investment risk through a recognised and formal process of assigning rating to present or proposed loan obligations or equity of any business enterprise.

- <sup>1</sup>[(dd) ‘Compliance Officer’ means a person appointed by the Credit Rating Company as its Compliance Officer;]
- (e) “Form” means a form set out in the Schedule.
- (f) “Ordinance” means Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969).

### CHAPTER-II REGULATION OF THE BUSINESS OF CREDIT RATING COMPANIES

- <sup>2</sup>[3. **Requirement for credit rating.** - No issue of debt security, or public issue of shares (including rights share) at a premium, shall be made by an issuer unless the issue is rated by a credit rating company and declaration about such rating is given in the offer document, prospectus or rights share offer document, as the case may be:

Provided that the Commission may by general order which shall be notified in the official Gazette grant exemption, in the interest of the capital market, from any requirements of this rule.]

<sup>1</sup> Inserted vide notification No. SEC/CMRRDC/2006-162/Admin-03/24 dated 22<sup>nd</sup> February 2006 published in the official gazettee on April 26, 2006

<sup>2</sup> Inserted vide notification No. SEC/CMRRCD/2006-162/Admin-03/24 dated 22<sup>nd</sup> February 2006 published in the official gazette on April 26, 2006.

4. **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 public company under the Companies Act, 1994 (Act No. 18 of 1994);
- (b) that such company must have a paid-up capital of at least fifty lac taka;
- <sup>1</sup>[(c) that such company has professional competence, financial soundness and has entered into a joint venture or technical collaboration arrangement with a reputed credit rating company;]
- (d) that no director, officer or employee of such company has been convicted of fraud or breach of trust or has been adjudicated as insolvent;
- (e) that the promoters of such company are, in the opinion of the Commission, persons of means and integrity and have special knowledge of matters which the company may have to deal with as a credit rating company;
- (f) that such company has at least two professional staff having professional or post-graduation degree in finance, accountancy, business, economics and/or law and experience for at least two years in credit rating or investment advisory activities.

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<sup>1</sup> Sub-rule (c) of rule 4 has been replaced vide Notification No. SEC/SRMID/2001-1018/Admin-03/02 dated 27/09/2001 published in the Bangladesh Gazette on October 22, 2001

<sup>2</sup>[(g) that such company shall have to appoint a Compliance Officer who should have a Bachelor degree from a recognized institution.

Provided that the Commission may impose any condition as it may deem fit from time to time in this respect:

Also provided that the Compliance Officer shall submit report on compliance of the securities related laws, rules, regulations, etc. by the Credit Rating Company to the Commission and the company concerned in the format and in the time prescribed by the Commission from time to time:

Provided further that the existing Credit Rating Companies shall appoint the Compliance Officer within six months.].

5. **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 Commission for registration under these rules.
- (2) An application under sub-rule (1) shall, besides the other documents referred to in Form-I, be accompanied by a fee of twenty-five thousand taka, as application processing fee.
- (3) The Commission, 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

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<sup>2</sup> Inserted vide Notification No. SEC/CMRRCD/2006-162/Admin-03/24 dated 22<sup>nd</sup> February 2006 published in the official gazette on April 26, 2006.

(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.

6. **Cancellation or Suspension of Registration.-** Where the 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 any rule or direction made or given thereunder the Commission may if it considers necessary in the public interest so to do by order in writing, cancel or suspend 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.

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

8. **Submission of ratings report to the Commission.-** (1) Every credit rating company shall submit to the Commission a report giving such details of credit rating for a quarter of the year in such form as may be required by the Commission by order in writing, within fifteen days of the close of the quarter.

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

**CREDIT RATING COMPANIES RULES, 1996**  
***THE SCHEDULE***

**FORM-I**

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

**(See rule 5 (1))**

To,  
The Securities & Exchange Commission  
Jiban Bima Tower-15 & 16<sup>th</sup> Floor  
10, Dilkusha C/A  
Dhaka-1000  
Bangladesh.

Dear Sirs

We hereby apply for registration of .....  
.....  
..... (Name of Credit Rating  
Company) under rule 5 of the Credit Rating Companies Rules,  
1996.

2. A copy of the Memorandum and the Articles of Association  
alongwith Certificate of Incorporation 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.

4. Original receipt of the Treasury/Bank for the fee paid as  
application processing fee is enclosed.

Yours faithfully  
Signature of the Chairman/Managing  
Director/Executive Director/Director

**ANNEX TO FORM-I**

**CREDIT RATING COMPANIES RULES, 1996**

1. Name, address and telephone and fax number(s) of the Company. ....
2. Date and place of incorporation. ....
3. Names, addresses and qualifications of promoters and directors. ....
4. Details of joint venture/technical collaboration agreement with an internationally recognised credit rating company and a copy of such an agreement as documentary evidence in respect thereof. ....
5. Proposed rating methodology and scale of rating. ....
6. Whether any director has been convicted for fraud or breach of trust. ....
7. Whether any director has been adjudicated as insolvent or bank defaulter. ....

8. Names, addresses and qualifications of senior management officers. ....
9. Whether any officer or employee has been convicted for 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, if any, in the credit rating or investment advisory field. ....
12. Previous experience of senior management officers. ....

Notes:- (i) An affidavit from each promoter/director and officer in respect of statement at serial No. 6 & 7 to be attached.

(ii) Certification by the Chairman or Chief Executive of the company in respect of statement at serial No. 9 & 10 to be annexed.

**FORM-II**

**SECURITIES AND EXCHANGE COMMISSION**

**Jiban Bima Tower-15<sup>th</sup> Floor  
10, Dilkusha C/A, Dhaka-1000.**

**CERTIFICATE OF REGISTRATION AS  
CREDIT RATING COMPANY**

**(See rule 5(3))**

No. Dhaka, the .....199

The Securities and Exchange Commission having considered the application for registration under rule 5 of the Credit Rating Companies Rules, 1996 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 5 of the Credit Rating Companies Rules, 1996, registration to ..... subject to the conditions stated herein below or as may be prescribed or imposed hereafter.

2. This certificate of registration will remain valid until suspended or cancelled by the Commission under rule 6 of the Credit Rating Companies Rules, 1996.

Signature of the Officer

**Sultan-uz-Zaman Khan**  
Chairman  
Securities and Exchange Commission.