

GOVERNMENT OF PAKISTAN
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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Islamabad, the 20th May, 2020

NOTIFICATION

S. R. O. 457 (I)/2020.- 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 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 2, sub-regulation (1),-
 - (a) clause (g) shall be omitted;
 - (b) after omitted clause (g), the following new clause shall be inserted, namely;-

“(gg) “Private Ratings” means a rating opinion not available in public domain.”;
 - (c) in clause (h), after the semi-colon the word “and” shall be omitted.
 - (d) in clause (i), for the full stop at the end the expression “; and” shall be substituted;
 - (e) after clause (i), the following new clauses shall be added, namely;-

“(j) “Solicited Rating” means a rating granted by the credit rating company where the Rating Agreement is established with the entity; and

“(k) “Un-solicited Ratings” means a rating not initiated at the request of the Rated Entity or its Agents or not maintained at the request of the Rated Entity or its Agents.”
- (2) In regulation (4),-
 - (a) after clause (f), for semi colon at the end, a colon shall be substituted and thereafter a new proviso shall be inserted, namely:-

“Provided that qualifying shares, maximum up to 2% of total share capital shall be exempt from this requirement;”

- (b) in clause (g),
- (i) after the words “an internationally recognized credit rating institution”, the words “duly notified by the Commission from time to time” shall be inserted;
 - (ii) after the 2nd proviso, the “Explanation” shall be omitted;
- (2) In regulation (7), sub-regulation (1), for the words “along with all the documents as specified in Annexure B”, the words “an undertaking that the company is compliant with all the regulatory requirements of the Regulations” shall be substituted;
- (3) In regulation (10),-
- (a) in sub-regulation (1), in clause (b), after sub-clause (ii), the following proviso shall be inserted;

“Provided that the shareholders of newly formed credit rating company shall comply with the requirement of clause (b)(i)&(ii) above within a period of three (03) years from the date of obtaining license”
 - (b) in sub-regulation (4), the following proviso shall be inserted,-

“Provided that qualifying shares, maximum up to 2% of total share capital shall be exempt from this requirement;”
- (4) In regulation (11), in clause (A), in sub-clause (v), for the words “obtain prior approval from the Commission for”, the words “intimate the Commission at the time of” shall be substituted;
- (5) In regulation (12), in sub-regulation (1), in clause (a), for the “Explanation” the following shall be substituted, namely;-

“Explanation: For the purpose of this clause, the expression "independent director" means the same as provided in section 166(2) of the Companies Act, 2017.”
- (6) In regulation (14), in sub-regulation (3), in clause (f), in sub-clause (vi), after the words “critical financial information of the entity”, the words “, except for a public unlisted company or a private company which is not otherwise required to make such public disclosure under any other regulatory framework,” shall be inserted”;
- (7) After regulation 25, the following new regulation shall be inserted, namely:-

“25A. Relaxation from the requirement of Regulation: Where the Commission is satisfied that it is not practical to comply with any of the requirements of Regulation, it may, for reasons to be recorded, based on

the application of the company relax the same subject to such conditions as it may deem fit.”

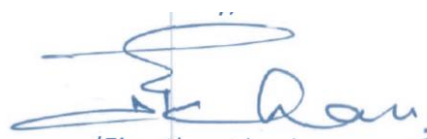
(8) In “Annexure C”:-

- (a) in clause (c) under the heading “Competence and Capability”, in sub-clause (iv), after the words “by Higher Education Commission of Pakistan”, the words “or have completed professional qualifications in CA , CFA, ACCA, CMA” shall be inserted;
- (b) in clause (d) under the heading “Conflict of Interest”, in sub-clause (ii), in sub-clause (b) to the proviso, the words “on the board” shall be omitted;

(9) In Annexure F, under the heading “Assessment of Fitness and Propriety”, in clause (a), -

- (a) in sub-clause (i), after the semi-colon, for the word “and” , the word “or” shall be substituted;
- (b) in sub-clause (ii), after the words “the Analyst”, the words “should have a graduate degree in finance, economics, commerce, or other business related discipline and” shall be inserted.

[No. SMD/CIW/CR/03/2012]



(Ejaz Alam Khan)

Secretary to the Commission