

The SEBI has clarified obligations for Credit Rating Agencies (CRAs) when rating financial instruments fall under the purview of financial sector regulators (FSRs) other than SEBI

The Securities and Exchange Board of India (SEBI) vide its Circular No. SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10, 2026, while addressing to all registered Credit Rating Agencies (CRAs), Debenture Trustees, issuers of listed/proposed-to-be-listed non-convertible securities, recognized stock exchanges, and depositories, has clarified obligations for CRAs when rating financial instruments fall under the purview of financial sector regulators (FSRs) other than SEBI, as permitted by Regulation 9(f) of the SEBI (Credit Rating Agencies) Regulations, 1999.

Key updates:

1. Separation of Grievance Handling and Disclosures: The CRAs must use separate email IDs for grievances related to SEBI-regulated activities and those under other FSRs. Further, the CRAs must maintain distinct webpages or sections on their websites for disclosures related to SEBI-regulated activities and those under other FSRs. Additionally, while resources (manpower, IT, etc.) can be shared, the email IDs for grievances must remain separate.
2. Minimum Net Worth Requirements: The minimum net worth required under SEBI's CRA Regulations must not be affected by the CRA's activities under other FSRs. Also, any net worth stipulations by other FSRs are in addition to SEBI's requirements.
3. Disclosure of Activities and Advertising/Marketing Material: The CRAs must disclose on their website the list of all activities carried out, along with the name of the regulator for each activity. Further, the advertising/marketing material for activities under other FSRs must be separate from that for SEBI-regulated activities. Also, for activities under other FSRs, CRAs must clearly disclose that SEBI's investor protection and grievance/dispute redressal mechanisms are not available.
4. Disclosures in Rating Reports and Press Releases: The rating reports and press releases/rationales must mention the name(s) of the regulator(s) for the rated instruments. They must also clearly state that SEBI's investor protection and grievance/dispute redressal mechanisms are not available for such ratings. Further, if a common rating report/press release is issued, there must be clear segregation and labelling of SEBI-regulated instruments and those under other FSRs.
5. Dealing with Clients: Before commencing activities under other FSRs, CRAs must make an upfront written disclosure to clients that the activity falls under another FSR, and include this in rating agreements/engagement letters. The CRAs must also obtain written confirmation from clients that they understand the nature of the activity, risks involved, and the non-availability of SEBI's investor protection/grievance mechanisms. For existing clients with ongoing activities or outstanding ratings under

other FSRs, CRAs must send written intimation specifying the nature of the activity, risks, and non-availability of SEBI mechanisms, and confirm compliance to SEBI after sending these intimations.

6. Internal Audit Report: The CRAs undertaking activities regulated by other FSRs must submit an undertaking as part of their half-yearly internal audit report, confirming compliance with CRA Regulations and relevant circulars. This undertaking must be reviewed and approved by the CRA's Board of Directors.

As far as effective dates are concerned, the provisions under Paragraphs 2.1 (separation of grievance handling/disclosures) and 2.5.2 (intimation to existing clients) come into effect 12 months from the date of the circular. Rest, all other provisions come into effect 60 days from the date of the circular.

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