

CARE, Acuite Team Up For Rating Industry Body

AIRA aims to evolve a common code of conduct and practices; induction of other firms underway

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Mumbai: Two domestic credit rating agencies are leading the way in forming a self-regulatory organisation for the sector.

CARE Ratings and Acuite Ratings & Research have set up a unit to evolve a common code of conduct and practices to prevent a recurrence of defaults such as those by IL&FS and DHFL. This is the first time that such a self-regulatory body has been formed for rating agencies, like the ones for the mutual fund industry, bond and currency dealers.

India Ratings and ICRA, backed by global rating companies, are considering joining the proposed entity, market sources said. Both the rating

companies will likely discuss the matter with their overseas parents, Fitch and Moody's, respectively, before taking a final decision.

India Ratings did not respond to ET's query till press time Monday. "It is a welcome development. We will carefully evaluate in due course any invitation for joining the body and will take a call on merit," ICRA said.

The legal entity — known as the Association of Indian Rating Agencies (AIRA) — has been incorporated as a not-for-profit company and will work closely with regulators like the Reserve Bank of India (RBI) and the Securities and Exchange Board of India (Sebi).

"Ratings have become central to informed decision-making in the financial world," said Ajay Mahajan,



CEO, CARE Ratings. "Through this association, we aim to engage extensively and constructively with all stakeholders for the orderly development of the debt market with the increased usage of credit rating."

While Acuite and CARE are its founding members, they have reportedly invited others to be part of the

association. AIRA has written to the other three rating firms, including Crisil, the local arm of S&P; Brickwork and Infometrics Valuation to join as shareholders-cum-members.

"The association will work with all stakeholders to enhance availability and flow of information needed for ratings," said Sankar Chakraborti, Group CEO, Acuite Ratings & Research. "It will create awareness of best practices adopted by the industry. AIRA will play the role of a bridge between all stakeholders."

The trade association is expected to set benchmarks for reviewing routine assessments amid growing routine criticism of huge rating variations on the same borrower; and repeated failures to forewarn about potential defaults and insolvencies.