

বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন

Notice

Dated, the 29<sup>th</sup> November 2021

The Bangladesh Securities and Exchange Commission (BSEC) hereby publishes the draft “Bangladesh Securities and Exchange Commission (Credit Rating Companies) Rules, 2021” under section 24(1) of the Bangladesh Securities and Exchange Commission Act, 1993, and the “Credit Rating Companies (Repeal) Rules, 2021” for repealing the Credit Rating Companies Rules, 1996 under section 32 of the Securities and Exchange Ordinance, 1969 for eliciting public opinion, etc.

Opinion, advice or objection, if any, thereon will have to be sent to the following address within two weeks from 1<sup>st</sup> December 2021:

Address for sending opinion/advice or objection:

Chairman  
Bangladesh Securities and Exchange Commission  
Securities Commission Bhaban  
E-6/C, Agargaon  
Sher-e-Bangla Nagar Administrative Area  
Dhaka-1207  
Email: [chairman@sec.gov.bd](mailto:chairman@sec.gov.bd)  
[mehran@sec.gov.bd](mailto:mehran@sec.gov.bd)

# **DRAFT**

## **Notification**

Dated, 29 November 2021

No. BSEC/CMRRCD/2009-193/.../Admin/.....- In exercise of the powers conferred by sub-section (1) of section 24 of the বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন আইন, ১৯৯৩ (১৯৯৩ সনের ১৫ নং আইন) [Bangladesh Securities and Exchange Commission Act, 1993 (Act No.15 of 1993)], the Bangladesh Securities and Exchange Commission makes, with prior circulation, the following rules, namely:-

### **CHAPTER-I PRELIMINARY**

1. **Short title and effectiveness.**-(1) These rules may be called the Bangladesh Securities and Exchange Commission (Credit Rating Companies) Rules, 2021.

(2) It shall come into force from the date of publication in the official Gazette.

2. **Definitions.**- (1) In the rules, unless there is anything repugnant in the subject or context-

- (a) **“Act”** means the বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন আইন, ১৯৯৩ (১৯৯৩ সনের ১৫ নং আইন) [Bangladesh Securities and Exchange Commission Act, 1993 (Act No. 15 of 1993)];
- (b) **“Affiliate”** means an entity that directly or indirectly controls, is controlled by, or is under common control with another entity.
- (c) **“Analyst”** means a credit rating company employee who performs analytical functions that are necessary for the issuing or monitoring of a credit rating or participates in determining credit ratings and also includes an employee who is involved in a credit rating committee.
- (d) **“Client”** means any person whose securities, obligation, investment risk and earning prospects are rated by a credit rating company.
- (e) **“Commission”** means the Bangladesh Securities and Exchange Commission established under the বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন আইন, ১৯৯৩ (১৯৯৩ সনের ১৫ নং আইন) [Bangladesh Securities and Exchange Commission Act, 1993 (Act No. 15 of 1993)];

- (f) **“Company”** means a company as defined in the Companies Act, 1994 (Act No. 18 of 1994).
- (g) **“Compliance Officer”** means a person appointed by the credit rating company as its Compliance Officer.
- (h) **“Credit Rating or Rating”** means formal evaluation or assessment of credit and/or investment, capability of servicing obligations, credit worthiness and earnings or cash flows generating prospects of an individual or an entity or a country.
- (i) **“Credit rating action”** means to determine an initial credit rating, an upgrade of an existing credit rating, a downgrade of an existing credit rating (including to a default category), an affirmation of an existing credit rating, or a withdrawal of a credit rating.
- (j) **“Credit Rating Company (CRC)”** means a public limited company which intends to engage in or is so engaged primarily in the business of evaluation of credit or investment risk or earning prospects through a recognized and formal process of assigning rating to present or proposed loan obligations or shari’ah based investment obligations or equity of any business enterprises and such company is registered under **rule 5** of these Rules.
- (k) **“Credit rating methodology”** means the procedure by which a CRC determines credit ratings, including the information that must be considered or analyzed to determine a credit rating and the analytical framework used to determine the credit rating, including, as applicable, the models, financial metrics, assumptions, criteria, or other quantitative or qualitative factors to be used to determine the credit rating.
- (l) **“Credit rating process”** means all the steps taken with respect to a credit rating action including, but not limited to, the CRC’s selection and assignment of analysts to work on the matter, application of the credit rating methodology, decision-making activities (e.g., the operation of a rating committee), interaction with the rated entity, obligor, originator, underwriter, or arranger, and as applicable, dissemination of the credit rating publicly or to subscribers.
- (m) **“Employee or Officer”** means any individual who works for the CRC on a full-time, part-time, or temporary basis, including any individual working as an advisor or a contractor, provided that such contractor is involved in the credit rating process.

- (n) **“Entity”** means a government, political subdivision, or instrumentality of a government; or a company, corporation, partnership, trust, estate, or association.
  - (o) **“Form”** means a Form annexed to these Rules;
  - (p) **“Rating Rationale”** means a brief of underlying factors to arrive credit rating decision, among others, including background of the issuer or issue, business modalities, key rating factors, sensitivity indicators, financial positions, obligations, etc.
  - (q) **“Obligation”** means a trading instrument, credit commitment, loan, or debt or other similar product including shari’ah based investment scheme or transaction that has inherent credit risk.
  - (r) **“Obligor”** means the entity that is legally or contractually obliged to make payments on a rated obligation.
  - (s) **“Ordinance”** means Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969).
  - (t) **“Trading instrument”** means a security, money market instrument, derivative, or other similar product.
- (2) Words and expressions used herein and are not defined, but defined in the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969), the বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন আইন, ১৯৯৩ (১৯৯৩ সনের ১৫ নং আইন) [Bangladesh Securities and Exchange Commission Act, 1993 (Act No.15 of 1993)], the Companies Act, 1994 (Act No. XVIII of 1994) and the Depository Act, 1999 (Act No.VI of 1999) shall have the same meanings respectively assigned to them in the said Ordinance and Acts, and the rules and regulations made there under.

## CHAPTER-II

### REGULATION OF THE BUSINESS OF CREDIT RATING COMPANIES

3. **Requirement for credit rating.** - (1) No CRC shall operate or carry on its functions, and no person shall use or utilize the facilities or services of CRC for the purpose of credit rating, unless such CRC is registered under these Rules:

Provided that any person may obtain credit rating from any foreign CRC for its self-assessment, other than regulatory requirements.

(2) The requirement of credit rating for any entity rating (i.e. issuer rating) or issue specific rating or others types of rating shall be determined by the concerned rules or regulations or orders or circulars.

(3) Every listed security or issuer of a listed security shall be credit rated by a CRC within 6 (six) months of end of each financial year and the CRC shall, immediately after awarding the rating, disseminate it to the exchanges as price sensitive information (PSI) in the same process of PSI disclosures:

Provided that every listed life insurance company shall be credit rated by a CRC on biennial (once in every two years) basis.

**4. Eligibility for registration.** Any CRC which fulfils such conditions or complies with such requirements shall be eligible for registration under this rule, 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 shall have a paid-up capital of at least Taka 5.00 (five) crore:

Provided that the existing CRC whose paid-up capital is below Taka 5.00 (Five) crore shall fulfill the capital requirement within two years from effective of these rules:

Provided further that every CRC shall fulfill the capital adequacy requirements as specified under the Bangladesh Securities and Exchange Commission (Risk Based Capital Adequacy) Rules, 2019.

(c) that such company has at least five years' experience in the field of financial analysis, publication of analytical research and economic research experience from the date of its incorporation and commencement of business:

Provided that in case it is an international credit rating agency (CRA), it shall have a minimum of 10 (ten) years' experience in rating operation as a CRC or CRA in the respective jurisdiction.

(d) that such company has entered into a joint venture or technical collaboration with an internationally reputed foreign credit rating agency (CRA) having at least 10 (ten) years of rating experience as a CRC or CRA in the respective jurisdiction and have publication of its default statistics

and transition metrics which are within the acceptable parameters of its recognition:

Provided that a CRC shall continue such joint venture or technical collaboration at least for 10 (ten) years from the date of registration.

- (e) that no director, officer or employee of such company has been convicted of fraud or breach of trust or has been adjudicated as insolvent;
- (f) that the promoters or sponsors of such company are persons of means and integrity and have special knowledge of matters which the company may have to deal with as a CRC;
- (g) that such company shall have sufficient personnel including the Chief Executive Officer (CEO), Chief Rating Officer (CRO) and the Compliance Officer (CO) :

Provided that the position of the CEO, CRO and CO shall be filled by different individual:

Provided further that the CEO, CRO or CO shall have minimum qualification of Masters or equivalent degree in finance, accounting, economics, statistics, banking and insurance or business administration with 10 (ten) experience including at least 5 (five) years' experience in credit rating or investment advisory activities or credit operation and sound knowledge in securities laws, rules & regulations:

Provided further that the CEO, CRO and the CO shall not hold any share of the CRC or not connected with any sponsor or director or shareholder of the CRC on the basis of family relationship:

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

- (h) The institutional shareholding shall be higher than individual shareholding of any CRC.

5. **Registration.-** (1) Any company which is eligible for registration under rule 4 as a CRC may make an application in **Form-I** to the Commission for registration under these rules.

- (2) An application under sub-rule (1) shall, in addition to other documents referred to in Form-I, the company shall pay an amount of Taka 2 (two) lac as application processing fee in favour of Bangladesh Securities and Exchange Commission through payment order, bank draft or electronic fund transfer.

- (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
  - (ii) that it would be in the interest of the capital market so to do, may grant a certificate of registration to such company as a CRC in **Form-II**.
- (4) If the application is considered for registration the CRC shall pay an amount of Taka 25 (twenty five) lac as registration fee in favor of the Bangladesh Securities and Exchange Commission through payment order, bank draft or electronic fund transfer:

Provided that the CRC shall pay renewal fee of Taka 5 (five) lac within one month of the end of each financial year:

Provided further that in case of delay in payment of renewal fee the CRC shall also be liable to pay a penalty of Taka 25 (twenty five) thousand for each month of default or part thereof.

**6. Cancellation of Registration, removal, etc.-** (1) Where the Commission is of opinion that a CRC or any director or officer or employee of a CRC has contravened any provision, or has otherwise neglected or failed to comply with any requirement of the Act, Ordinance, or this rule or any regulation or direction made or given thereunder, the Commission may, if it considers it necessary for the protection of investors or to ensure fair dealings or fair administration of the CRC so to do, by order in writing,-

- (a) suspend for such period, such sector or such type of rating as may be specified in the order regarding the operation of the CRC;
- (b) cancel the registration of the CRC;
- (c) supersede the board of directors or other authority of the CRC;
- (d) remove the director, member of rating committee or officer or employee from his position in the CRC:

Provided that no such order shall be made except after giving the board of directors or other authority or, as the case may be, the director, member of rating committee or officer or employee, an opportunity of being heard.

- (2) An order made under clause (c) or clause (d) of sub-rule (1) may also direct that the functions of the board of directors or other authority which has been superseded or of the director or member of the rating committee or officer or employee who has been removed shall be performed by such authority or person as may be specified therein.

- (3) An order under sub-rule (1) shall have effect notwithstanding anything contained in any other law for the time being in force or in any Memorandum or Articles of Association:

Provided that no order made under clause (a) or clause (b) of sub-rule (1) shall affect the validity of any contract lawfully entered into before the date of such order.

7. **Power of Commission to give certain directions.-** (1) The Commission if it is satisfied that it is necessary or expedient so to do in the public interest or in the interest of securities market may, by order in writing, give direction to a CRC and set requirements for credit rating.

- (2) The Commission may also give direction to any CRC to include maximum two independent directors in the Board of the CRC to protect public interest as well as to include any person as member of the Rating Committee who have sound knowledge in the area of Finance, Economics, Accounting or a fellow member of Chartered Accountants, or Cost and Management Accountants or Chartered Financial Analysts.

8. **Submission of reports to the Commission.-** (1) Every CRC 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) The financial statements of a CRC shall be audited within one hundred twenty days from the date on which the CRC's financial year ends and a copy of such audited financial statements shall be submitted to the Commission within fourteen days thereof:

Provided that on the application filed by the CRC within the aforesaid specified time the Commission may on good cause shown and only extreme circumstances extend the time for auditing the financial statements or submission of the audited financial statements to the Commission, as the case may be, as it deems fit.

- (3) Without prejudice to the provisions of sub-rule (1) and (2), a CRC 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.
- (4) The Compliance Officer of a CRC shall submit a report on compliance of all provisions of these rules to the Commission within thirty (30) days of end of each financial year.

9. **Maintenance of books of accounts and records, etc. – (1)** Every CRC shall keep and maintain, the following books of accounts, records and documents, for a minimum period of five years either in paper format or in a digitalized version, namely:-
- (a) copy of the audited financial statements for each accounting period;
  - (b) a copy of the agreement entered into, with each client;
  - (c) information supplied by each of the clients;
  - (d) correspondence with each client among others including the draft report sent to client before submission to rating committee;
  - (e) ratings assigned to the issuers/issues/entities including up gradation and down gradation (if any) of the ratings so assigned.
  - (f) rating notes considered by the rating committee;
  - (g) record of decisions of the rating committee;
  - (h) letter assigning rating; and
  - (i) particulars of fees charged for rating and such other records as the Commission may specify from time to time.
- (2) Every CRC shall intimate to the Commission the place where or in which forms or methods the books of account, records and documents required are being maintained.

### **CHAPTER-III**

#### **OPERATION PROCEDURES OF CREDIT RATING COMPANIES**

10. **Operation procedures and code of conduct of credit rating company (CRC).**-A credit rating company (CRC) shall adopt, publish and shall adhere to as well as comply with the code of conduct as its operation procedures containing the following measures, namely:-

**(1) Agreement with the Client.-**

- (a) The CRC shall prepare standard agreement(s) for each type of rating and the Chief Executive Officer (CEO) of the CRC shall also ensure agreement with each client before conducting credit rating. The standard agreement shall contain among others, terms and conditions of the rating, rights and obligations of the parties, validity of the agreement, termination and settlement, surveillance rating, mode of payment etc. Credit Rating awarded without agreement will be considered as invalid.

- (b) the fee to be charged by the CRC shall be specified in the agreement and may be determined by the Commission from time to time.
- (c) the client shall co-operate with the CRC in order to enable the latter to carry out periodic review of the rating during the tenure of the rated issuer or issue or entity.
- (d) the client shall co-operate with the CRC in order to enable the latter to arrive at, and maintain, a true and accurate rating and shall in particular provide to the latter, true, adequate and timely information for the purpose.
- (e) the CRC shall disclose to the client the rating assigned through regular methods of dissemination, irrespective of whether the rating is or is not accepted by the client;
- (f) The agreement shall clearly mention the events for which any of the parties can terminate. If an agreement for entity rating is executed with a CRC, it shall perform surveillance rating at least for the next three years after the initial rating. For an issue or instrument rating, the CRC shall perform continuous surveillance rating for the lifetime of the instrument after the initial rating, including yearly rating. Once an agreement is executed, it cannot be terminated before performing the initial rating and three continuous surveillance rating. If any party, however, wants to terminate the agreement prior to completion of the contract period, such party shall apply to the Commission, stating the reason thereof, and if the Commission considers the reason provided in this behalf is acceptable, it may, after giving the other party an opportunity of being heard, dispose of the matter with instruction, if any.
- (g) The client shall provide information to the CRC during the review period to complete the review, In case of bank loan ratings, banks which provide the loans shall also act as an enabler for the CRC to obtain relevant information. If the client fails to provide required information, the client will be penalized under the securities laws, rules and regulations.
- (h) The agreement with any client shall include such provisions to the effect that the client shall not bargain over the rating before it is awarded by the Rating Committee as well as the CRC shall not disclose the notional rating to the client before awarding it by the Rating Committee.
- (i) The agreement with any client shall include the appeal process if the client is aggrieved over the rating awarded by the Rating Committee.

**(2) Quality of the Rating Process:**

- (a) The CRC shall establish rating methodologies, with due approval of the Rating Committee, based on standards and procedures to meet the rating requirements for each industry or each type of financial instrument and shall disclose the methodologies on its public website which shall immediately be updated after any subsequent modification thereof. Each credit rating report shall have reference to the particular methodology that has been followed. All analysts shall use the methodology established by the CRC. The Rating Committee of CRC shall review the rating criteria, methodology and models at least once in every year and shall amend the rating methodology if necessary. The review shall be made keeping in view the outcomes of internal and external research and best practices, historical experience and also on the basis of necessity of ratings for new products.
- (b) The CRC shall prepare written procedures for obtaining ratings according to its rating methodology and shall disclose the procedures on its public website.
- (c) The CRC shall have a Rating Committee comprised of at least five members including two senior analysts having appropriate knowledge and experience. The CRC shall form such Rating Committee with prior approval of the Commission and publish the profile of Rating Committee in its official website. The Rating Committee shall have adequate access to information and the authority to make independent decisions. The Chief Rating Officer (CRO) shall act as an ex-officio member of the Rating Committee and the Compliance Officer (CO) shall act as the secretary to the Rating Committee and shall also be responsible for the regulatory compliance.
- (d) Credit ratings shall be assigned by the Rating Committee of CRC but not by any individual analyst. The Rating Committee shall examine and review the analysts' proposed rating thoroughly and shall announce final rating.
- (e) The CRC shall maintain internal records including workings of the analysts and proceedings of the Rating Committee meetings concerning its rating decisions for a period of at least five years after expiry of validity of the concerned rating. The Compliance Officer (CO) shall ensure to preserve all such records.

- (f) The CRC shall ensure that it has and devotes sufficient number of rating analysts having sufficient and appropriate knowledge, skill, experience and access to sufficient quality information. If any rating involves a type of financial product with limited historical data, the CRC shall disclose clearly the limitations in the rating report.
- (g) The CRC, in consultation with the Chief Rating Officer (CRO), shall structure its rating teams composed of at least two analysts in order to make objective assessment with different viewpoints. A rating analyst shall be assigned to a certain area or industry for a minimum period of time as determined by the CRC, in order to promote consistency in the rating evaluation. However, an analyst may be assigned to more than one area or industry simultaneously. Rating team shall be composed of persons who have appropriate knowledge, skill, and experience on relevant field.
- (h) In order to avoid issuing ratings on the basis of analysis or reports that contain misrepresentations or are otherwise misleading, an Internal Review Committee (IRC) comprising of appropriate professionals shall double-check the documents and information on which the analysts make ratings. In this regard, the CRC and its analysts shall take steps to avoid issuing any credit analyses or reports that contain misrepresentations or are otherwise misleading as to the general creditworthiness of an issuer or obligation.

**(3) Monitoring and updating:**

- (a) Once a rating is assigned and announced, the CRC shall monitor on an ongoing basis any changes in the issuer's/issue's/entity's creditworthiness. The monitoring shall consist of a half-yearly survey in case of ratings of issuers/entities. In case of instruments/issues, the monitoring shall be performed on quarterly basis. The CRC may conduct review of ratings at its discretion, if it feels such a review is warranted. When a CRC makes a rating available to the public, the CRC shall announce, on its public website, the initial rating, monitoring reports and periodical surveillance ratings; and also rating rationale for each credit rating. Each credit rating report shall be made with the specific reference to the agreement with the client.
- (b) Where a rating is provided only to its subscribers, the CRC shall inform to its subscribers the results of aforementioned review rating. In both cases, publications of the CRC shall indicate the date when the discontinued rating was last updated or the fact that the rating is no longer being updated.

**(4) Integrity of the Rating Process:**

- (a) The CRC shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment in order to achieve and maintain objectivity and independence in the rating process. The CRC and its employees shall comply with all the applicable laws, regulations and guidelines as time to time make applicable for them by the Commission.
- (b) In implementing its rating process, CRC and its employees shall act fairly, neutrally and honestly with the investors, issuers, other market participants and the public. The CRC shall employ, as rating analysts, only those individuals with appropriate knowledge, related experience and high standards of integrity. The CRC shall establish an ethical standard and code of conduct for its employees and shall disclose it on its public website.
- (c) The CRC and its employees shall not, either implicitly or explicitly, give any assurance or guarantee of a particular rating prior to the final rating assessment. This does not preclude a CRC from assigning target ratings used in structured finance and similar transactions. However, a CRC shall prohibit itself and its analysts from making the design of structured finance products that the CRC rates.
- (d) Upon becoming aware that another employee or entity under common control with the CRC is or has engaged in any conduct that is illegal, unethical or contrary to the laws, guidelines and internal and external standards and code of conducts etc., a CRC employee shall report such information immediately to the Compliance Officer. CRC management shall prohibit retaliation by other CRC staff or by the CRC itself or by any of its directors against any employee who, in good faith, makes such reports.
- (e) The CRC and its employees shall not make promises or threats about potential credit rating actions to influence rated entities or users of the CRC's credit ratings (e.g., subscribers) to pay for credit ratings or other services.
- (f) The CRC and its employees shall not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of the rated entity or obligation, including but not limited to proposals or recommendations about corporate or legal structure, assets and liabilities, business operations, investment plans, lines of financing, business combinations, and the design of structured finance products.

- (g) The CRC shall establish, maintain, document, and enforce policies, procedures, and controls designed to ensure that the CRC and its employees comply with the CRC's code of conduct and applicable laws and regulations.
  - i. The CRC shall establish a compliance function responsible for monitoring and reviewing the compliance of the CRC and its employees with the provisions of the CRC's code of conduct and with applicable laws and regulations.
  - ii. The compliance function also shall be responsible for reviewing the adequacy of the CRC's policies, procedures, and controls designed to ensure compliance with the CRC's code of conduct and applicable laws and regulations.
  - iii. The compliance officer's reporting lines and compensation shall be independent of the CRC's credit rating operation.
- (h) To prevent aggressive marketing or rating shopping for credit rating, the CRC shall not engage in any form of arrangement or commitment or action or make agreement with any financial institution for conducting credit rating of its client(s). The rating analysts or employees of credit rating division of a CRC shall not be involved in marketing or negotiation of rating fees.
- (i) To ensure independence of the rating process as well as to prevent aggressive marketing or rating shopping for credit rating, the CRC shall ensure that they have no dues with their clients before awarding credit ratings by the Rating Committee.

**(5) CRC Independence and Avoidance of Conflicts of Interest:**

- (a) The Rating Committee shall be independent in its rating decision-making and shall disregard any internal or external pressure or interference. The Rating Committee shall not consider any positive or negative potential effects of its rating decisions on issuers/entities, issues, investors, the CRC itself or other stakeholders. The directors or shareholders of the CRC shall not be a member of the Rating Committee and they shall not interfere in or influence over the activities and decisions of the Rating Committee.
- (b) The CRC and its analysts shall use care and professional judgment to maintain independence and objectivity. The credit rating division of the CRC shall be independent from all other divisions in terms of information control and organization management.

- (c) The CRC, members of the Rating Committee and the rating analysts shall not engage themselves in any business, which may create conflict of interest; particularly, the CRC shall not perform the rating of any issuer/entity or issue, which has any relation with CRC or its directors or shareholders or Rating Committee members or rating analysts.
- (d) The determination of a credit rating shall not be influenced by such factors, which are not relevant to the credit assessment, such as the existence of or potential of a business relationship between the CRC or its affiliates and the issuer/entity or its affiliates or any other party, or the non-existence of such a relationship.
- (e) For avoidance of conflict of interest and to ensure independence as described in the above clauses (a), (b), (c) and (d); at the time of credit rating activity, the CRC shall take the following undertaking/declaration from each member of the Board of Directors and employees related to rating activities:
  - (i) Undertaking/Declaration in **Form-III** to be made by the member of Board of Directors on election and assumption of the position as the member of the Board of Directors.
  - (ii) Affidavit in **Form-IV** to be sworn in by the employee at the time of joining the service.
  - (iii) Undertaking/Declaration in **Form-V** by the employee to be made at the time of engagement in the Credit Rating Assessment for a particular entity.
  - (iv) Letter of Withdrawal in **Form-VI** to be made by an employee if he/she faces any conflict of interest or pressure during performing his/her duties.
  - (v) Undertaking/Declaration in **Form-VII** to be made by the employees after the Credit Rating Assessment is completed:

Provided that on the basis of the above mentioned undertaking/declaration, the Chief Executive Officer (CEO) of the CRC shall certify that the rating is done independently, free from any conflict of interest, and economic, social, political or any other pressures:

Also provided that if an employee is found to have conflict of interest with a particular entity, the CEO or CRO of the CRC shall ensure that the concerned employee is not engaged with that rating activity:

Provided further that if a member of the Board of Directors (BOD) of a CRC is found to be a member of the BOD of another entity, the CRC should refrain itself from any type of rating activity to that particular entity.

- (f) The directors of CRCs in case of its intention to buy, sale, disposal or otherwise acquire any listed security, shall submit to the Commission and Stock Exchanges its intention in writing at least seven working days prior to placing order with the concerned stockbroker in **FORM-VIII** mentioning the followings:
- (i) Name of the security/company;
  - (ii) Quantity of securities to be bought/sold/disposed off;
  - (iii) Name of designated stock-broker and the stock exchange; and
  - (iv) Details of disposal, if disposal would be made through means other than the trading system.
- (g) In case the CRC has entered into a rating agreement with a company/an rated entity, securities of which are held by the CRC in its portfolio of investment, the CRC shall disclose to the Commission and the stock exchanges the fact that it has holding of such securities along with the respective holding position within three working days of signing of such agreement.
- (h) The directors of CRC shall also disclose the respective holding position of securities including listed securities by each of them on a half-yearly basis on its official website with a copy to the Commission simultaneously, within ten (10) days of each half-year end.
- (i) If the CRC or any of its analysts/employees/members of the Rating Committee already have any holding of listed security or forthcoming listed security at the time of issuance of these rules, they shall submit a written report thereof simultaneously to the Commission and the Stock Exchanges within one month of publication of these Rules in the Bangladesh Gazette. In case of selling or otherwise disposal of all or part of such securities by any of the holder of such securities, the holder shall submit to the Commission and Stock Exchanges in **FORM-VIII** of its/his/her intention in writing at least seven working days prior to placing order with the concerned stockbroker mentioning the followings:
- (i) Name of the security/company;
  - (ii) Quantity of securities to be sold/disposed off;
  - (iii) Name of designated stock-broker and the stock exchange; and
  - (iv) Details of disposal, if disposal would be made through means other than the trading system.
- (j) The CRC shall segregate its operational activities at least in four operational division, namely,- credit rating division, criteria development

& research division, client relationship division, human capital management division for ensuring independence of its operation.

**(6) CRC Procedures and Policies:**

- (a) The CRC shall adopt written internal procedures and code of conduct to identify, eliminate and disclose any actual or potential conflicts of interest that may influence the opinions and analysis.
- (b) The CRC shall disclose, in the rating agreement, the type of its compensation arrangements with the rated entities/clients. It shall not receive from a rated entity any compensation unrelated to its ratings services. However, for private ratings, where rating is done for private use, the CRC is not required to disclose its type of compensation arrangements.
- (c) A CRC shall publicly disclose if it receives 10 percent or more of its annual revenue from a single entity or a group.
- (d) A CRC shall disclose publicly all such cases where an organization has provided the CRC with final data and information to obtain a preliminary rating of an issuer/entity or issue, but:
  - (i) does not contract with the CRC for a final rating and does contract with another CRC for a final rating of the same product/issue/issuer/entity; or
  - (ii) contracts with the CRC for a final rating and does not publish the CRC's final rating, but does publish the ratings of another CRC for the same product/issue/issuer/entity.

**(7) CRC Analyst and Employee Independence:**

- (a) Compensation of the CRC analysts shall not be based upon the amount of revenue that CRC derives from those clients the analyst rates.
- (b) Employees of the CRC shall not share any revenue of the CRC other than service benefits. Performance evaluation of the analysts shall base upon the quality of analysis, degree of clarity and understandability of the analysts' reports, fairness and integrity of their jobs.
- (c) The CRC shall conduct formal and periodic review of compensation policies and practices for CRC employees at least in every three (03) years to ensure that these policies and practices do not compromise the rating

process. The compensation policies and practices adopted by CRC shall intimate to the Commission after approval of the Board.

- (d) A CRC analysts or employees shall not hold or buy or sell or engage in any transaction in a trading instruments or listed securities issued by a rated entity or obligor in the analyst's area of primary analytical responsibility. This would not preclude the analysts or employees from holding or trading a diversified collective investment scheme or mutual fund that owns a trading instrument issued by a rated entity or obligor in the analyst's area of primary analytical responsibility.
- (e) A CRC employees shall not solicit money, gifts, or favors from anyone with whom the CRC does business and shall not accept gifts offered in the form of cash or cash equivalents or any gifts exceeding a minimal monetary value.
- (f) A CRC employee who becomes involved in a personal relationship (including, for example, a personal relationship with an employee of a rated entity, obligor, or originator, or the lead underwriter or arranger of a rated obligation) that creates an actual or potential conflict of interest shall be required under the CRC's policies, procedures, and controls to disclose the relationship to the compliance officer or another officer of the CRC, as appropriate.
- (g) A CRC shall establish, maintain, document, and enforce policies, procedures, and controls for reviewing without unnecessary delay the past work of an analyst who leaves the employ of the CRC and joins an entity that the employee participated in rating, an obligor whose obligation the employee participated in rating, an originator, underwriter, or arranger with which the employee had significant dealings as part of his or her duties at the CRC, or any of their affiliates.

**(8) CRC Responsibilities to the Investing Public and Issuers/Entities/Issues.-**

**A. Transparency and Timeliness of Ratings Disclosure:**

- (a) The CRC shall publish the rating along with rating rationale in its public website when it issues or updates a final rating or discontinue with a rating, except for private rating where there is contractual agreement with the issuer/entity not to do so. The CRO shall sign each rating publications before makes it public.
- (b) If the CRC rates or updates a rating or discontinue with a rating of a publicly listed company or any instrument of such a company, it shall disseminate the information through a news release to the

Commission and the stock exchanges within 1(one) hour of such decision. The CRC shall indicate with each of its ratings when the rating was last updated.

- (i) The CRC shall disclose all information about its rating procedures, methodologies, standards and assumptions.
  - (ii) Where a CRC rates a structured finance product, it shall provide investors and/or subscribers (depending on the CRC's business model) with sufficient financial information so that an investor allowed investing in the product can understand the basis for the CRC's rating.
  - (iii) While rating an asset-backed security or Sukuk, the CRC shall disclose the quantity and quality of the originator's total assets and the assigned or underlying assets for the issue and shall also clearly disclose the risks of reduction of quality assets from the portfolio of the originator.
  - (iv) The CRC shall disclose whether it uses a separate set of symbols when rating structured finance products, and their reasons for doing so or not doing so. In any case, a CRC shall clearly define a given rating symbol and apply it in a consistent manner for all types of securities to which that symbol is assigned.
- (c) The CRC shall assist investors in developing a greater understanding of what a credit rating is, and the limits to which credit ratings can be put to use vis-à-vis a particular type of financial product that the CRC rates. A CRC shall clearly indicate the attributes and limitations of each credit opinion, and the limits to which the CRC verifies information provided to it by the issuer or originator of a rated security in **FORM-IX**.
- (d) When issuing or revising a rating, the CRC shall explain in its press releases and reports the key elements underlying the rating opinion.
- (e) Where feasible and appropriate, prior to issuing or revising a rating, the CRC shall inform the issuer/entity of the critical information and principal considerations upon which a rating will be based. The CRC shall also provide the issuer an opportunity to clarify any likely factual misperceptions or other matters that the CRC would wish to make the issuer/entity aware of carrying out an accurate rating. The CRC will duly evaluate the response. Where

in particular circumstances the CRC has not informed the issuer/entity prior to issuing or revising a rating, the CRC shall inform the issuer/entity as soon as practical thereafter and, generally, shall explain the reason for the delay.

- (f) In order to promote transparency and to enable the market to best judge the performance of the ratings, the CRC, shall publish and report to the Commission sufficient information about the historical default rates of CRC rating categories on yearly basis within thirty (30) days of each year end and whether the default rates of these categories have changed over time i.e. the transition metrics along with the methodology used for calculating default rates, so that interested parties can understand the historical performance of each category and if and how rating categories have changed, and be able to draw quality comparison among ratings given by different CRCs. If the nature of the rating or other circumstances makes a historical default rate inappropriate, statistically invalid, or otherwise likely to mislead the users of the rating, the CRC shall explain this to the Commission and publish in its official website. This information shall include verifiable, quantifiable historical information about the performance of its rating opinions, organized and structure, and where possible, standardized in such a way to assist investors in drawing performance comparisons between different CRCs. The Commission may, from time to time, set the trigger limit for default rates and transition metrics by order in writing.
- (g) For each rating, the CRC shall disclose whether the issuer participated in the rating process. For each rating not initiated at the request of the issuer/entity, the CRC shall disclose whether the issuer/entity participated in the rating process. The CRC shall also disclose its policies and procedures regarding unsolicited ratings.
- (h) The CRC shall fully and publicly disclose any material modification to its methodologies and significant practices, procedures, and processes. Where feasible and appropriate, disclosure of such material modifications shall be made prior to their going into effect. The CRC shall carefully consider the various uses of credit ratings before modifying its methodologies, practices, procedures and processes.

**B. Treatment of Confidential Information:**

- (a) A CRC shall adopt procedures and mechanisms to protect the confidential nature of information shared with them by issuers/entities under the terms of a confidentiality agreement or otherwise under a mutual understanding that the information is shared confidentially. Unless otherwise permitted by the confidentiality agreement and consistent with applicable laws or regulations, the CRC and its employees shall not disclose confidential information in press releases, through research conferences, to future employers, or in conversations with investors, other issuers/entities, other persons, or otherwise.
  - (b) A CRC shall use confidential information only for purposes related to its rating activities or otherwise in accordance with any confidentiality agreements with the issuer/entity.
  - (c) CRC employees shall take all reasonable measures to protect all property and records belonging to or in possession of the CRC from fraud, theft or misuse.
  - (d) CRC employees shall not disclose any non-public information about rating opinions or possible future rating actions of the CRC. The CRC employees shall not use or share confidential information for any purpose excepting the conduct of rating.
  - (e) Every employee or analyst or member of Rating Committee or member of the Board of CRC shall comply with the maintenance of secrecy as per section 19 of the Securities and Exchange Ordinance, 1969.
- (9) Disclosure and communication with market participants**
- (a) The CRC's disclosures, including those specified in the provisions of the IOSCO CRC Code, shall be complete, fair, accurate, timely, and understandable to investors and other users of credit ratings.
  - (b) The CRC shall disclose with its code of conduct a description of how the provisions of its code of conduct fully implement the provisions of the IOSCO Statement of Principles Regarding the Activities of Credit Rating Agencies and the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies collectively, the "IOSCO provisions". If the CRC's code of conduct deviates from an IOSCO provision, the CRC shall identify the relevant IOSCO provision, explain the reason for the deviation, and explain how the deviation nonetheless achieves the objectives contained in the IOSCO provisions. The CRC shall describe how it implements and enforces its code of conduct. The CRC

also shall disclose as soon as practicable any changes to its code of conduct or changes to how it is being implemented or enforced.

- (c) The CRC shall establish and maintain a function within its organization charged with receiving, retaining, and handling complaints from market participants and the public. The function should establish, maintain, document, and enforce policies, procedures, and controls for receiving, retaining, and handling complaints, including those that are provided on a confidential basis. The policies, procedures, and controls should specify the circumstances under which a complaint must be reported to senior management and/or the Board of directors.
- (d) The CRC shall include the following declarations in its every rating report furnished to the Commission and stock exchanges, which shall form an integral part of the report:

“We, .....(name of the CRC) while assigning this rating to the entity/issuer/issue/instrument rating of .....(name of the rated issuer/entity/issue/instrument) hereby solemnly declare that:

- (i) We .....(name of the CRC) as well as the analysts of the rating have examined, prepared, finalized and issued this report without compromising with the matters of our conflict of interest, if there be any; and
- (ii) We have complied with all the requirements, policy and procedures of these rules and directions/orders as prescribed by the Commission vide .....dated .....in respect of this rating.

Signature with date

Name of the CEO

Name of the CRC

- (e) The CRC shall publicly and prominently disclose free of charge on its primary website:
  - 1. the CRC’s code of conduct;
  - 2. a description of the CRC’s credit rating methodologies;
  - 3. information about the CRC’s historic performance data; and
  - 4. any other disclosures specified in the provisions of the IOSCO CRA Code as applicable given the CRC’s business model.

**(10) Internal procedures for monitoring the trading of securities by CRC's employees:**

Every CRC shall frame appropriate procedures and systems for monitoring the trading of securities by its employees in the securities of its clients, in order to prevent contravention of:

- (a) সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (সুবিধাভোগীব্যবসানিষিদ্ধকরণ) বিধিমালা, ১৯৯৫;
- (b) Section 17 of Securities and Exchange ordinance, 1969; and
- (c) other laws relevant to trading of securities.

**(11) Disclosure of Rating Definitions and Rationale.-**

(1) Every CRC –

- (a) shall make public the definitions of the concerned rating, along with the symbol and,
- (b) shall also state that the ratings do not constitute recommendations to buy, hold or sell any securities.

(2) Every CRC shall make available to the general public information relating to the rationale of the ratings, which shall cover an analysis of the various factors including factors constituting risks.

**(12) Penalty in case of contravention.-**

The CRC which contravenes any of the provisions of these rules or means the বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন আইন, ১৯৯৩ (১৯৯৩ সনের ১৫ নং আইন) [Bangladesh Securities and Exchange Commission Act, 1993 (Act No. 15 of 1993)]; and rules framed thereunder shall be liable for one or more actions specified therein.

**(13) Ethics of CRC:** Every CRC shall abide by the ethics contained in **FORM-X**.

**(14) GOVERNANCE, RISK MANAGEMENT, AND EMPLOYEE TRAINING:**

- (a) The CRC's board shall have ultimate responsibility for ensuring that the CRC establishes, maintains, documents, and enforces a code of conduct that gives full effect to the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies.

- (b) The CRC shall establish a risk management committee made up of one or more senior managers or employees with the appropriate level of experience responsible for identifying, assessing, monitoring, and reporting the risks arising from its activities, including, but not limited to legal risk, reputational risk, operational risk, and strategic risk. The function should be independent of the internal audit function (if practicable given the CRC's size) and make periodic reports to the board and senior management to assist them in assessing the adequacy of the policies, procedures, and controls the CRC establishes, maintains, documents, and enforces to manage risk, including the policies, procedures, and controls specified in the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies.
  - (c) The CRC shall establish, maintain, document, and enforce policies, procedures, and controls requiring employees to undergo formal ongoing training at reasonably regular time intervals as per annual training plan. The subject matter covered by the training shall be relevant to the employee's responsibilities and shall cover, as applicable, the CRC's code of conduct, the CRC's credit rating methodologies, the laws governing the CRC's credit rating activities, the CRC's policies, procedures, and controls for managing conflicts of interest and governing the holding and transacting in trading instruments, and the CRC's policies and procedures for handling confidential and/or material non-public information. The policies, procedures, and controls should include measures designed to verify that employees undergo required training.
- (15) **Unique Credit Rating Scale:** Every CRC shall disclose all credit rating reports containing unique credit rating scale according to score mentioned in **FORM-XI**.

#### **11. Commission's right to inspect:**

- (1) The Commission may appoint one or more persons as inspecting officer(s), to undertake inspection of the books of account, records and documents of the CRC, for any of the purposes specified in sub-rule (2).
- (2) The purposes referred to in sub-rule (1) shall be the following, namely:-
  - (a) to ascertain whether the books of account, records and documents are being maintained properly;
  - (b) to ascertain whether the provisions of the Ordinance and these Rules are being complied with;
  - (c) to inspect into complaints received from investors, clients or any other person on any matter having a bearing on activities of the CRC; and
  - (d) to inspect on any matters in the interest of the securities market or in the interest of investors.

- (3) The inspection ordered by the Commission under sub-rule (1) shall not ordinarily go into an examination of the appropriateness or the assigned ratings on the merits:
- (4) Inspection to judge in appropriateness of the ratings may be ordered by the Commission only in case of complaints, which are serious in nature, or deems it appropriate by the Commission.
- (5) Inspection referred to in sub-rule (4) shall be carried out either by the officer of the Commission or independent expert with relevant experience or combination of both.
- (6) The person conducting an inspection under sub-rule (1) may, for the purpose of such inspection, enter into any premises belonging to or the CRC or of the person to whom the inspection relates, and call for and inspect and seize of books of accounts or documents in the possession of any CRC or any person.

**12. Notice before inspection:**

- (1) Before ordering an inspection under rule 11, the Commission shall give not less than three days written notice to the CRC for the purpose.
- (2) Notwithstanding anything contained in sub-rule (1), where the Commission is satisfied that in the interest of the investors, no such notice should be given, it may, by an order in writing, direct that the inspection of the affairs or the CRC be taken up without such notice.
- (3) During the course of an inspection, the CRC against whom the inspection or investigation is being carried out shall be bound to discharge all its obligations as contained in these Rules.

**13. Obligations of CRC on inspection by the Commission.** (1) It shall be the duty of every CRC whose affairs are being inspected, and of every director, officer or employee thereof, to produce to the custody or control and furnish him with such statements and information relating to its rating activities, as the inspecting officer may require within such reasonable period as may be specified by the said officer.

- (2) The CRC shall-
  - (a) allow the inspecting officer to have reasonable access to the premises occupied by such CRC or by any other person its behalf;
  - (b) extend to the inspecting officer reasonable facility for examining any books of accounts, records, documents and computer data in the possession of the CRC; and
  - (c) provide copies of documents or other materials which, in the opinion of the inspecting officer, are relevant for the purposes of the inspection.

14. **Powers and functions of the inspecting officers.**-The inspecting officer, in the course of inspection, shall be entitled to examine, or record the statements of any officer, member of rating committee, director or employee of the CRC for the purposes connected with the inspection.
15. **Bindings of director, officer or employee of the CRC to render all assistance.**- Every director, officer or employee of the CRC shall be bound to render to the inspecting officer all assistance in connection with the inspection, which the inspecting officer may reasonably require.
16. **Submission on inspection report.**- The inspecting officer shall, as soon as possible, on completion of the inspection, submit a report to the Commission:
- Provided that if directed to do so by the Commission, he may submit an interim report.
17. **Action on inspection report.**- The Commission, after consideration of inspection report or any non-compliance of these Rules, may take such action as may deem fit and appropriate under the বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন আইন, ১৯৯৩ (১৯৯৩ সনের ১৫ নং আইন) [Bangladesh Securities and Exchange Commission Act, 1993 (Act No.15 of 1993)].
18. **Savings:** Notwithstanding the repeal of the Credit Rating Companies Rules, 1996 vide Notification No... BSEC/CMRRCD/2021-395/...../Admin...../ date..... -
- (a) anything done or any action taken under or in pursuance of the Credit Rating Companies Rules, 1996, shall continue to be in force and shall have effect as if it done or taken under or in pursuance of the Bangladesh Securities and Exchange Commission (Credit Rating Companies) Rules, 2021; and
- (b) any suit, prosecution or other legal proceedings which was continuing, before effective of the Bangladesh Securities and Exchange Commission (Credit Rating Companies) Rules, 2021, shall be executed or settled under the Credit Rating Companies Rules, 1996, and shall continue to be in force and shall have effects as if the Credit Rating Companies Rules, 1996 had not been repealed and Bangladesh Securities and Exchange Commission (Credit Rating Companies) Rules, 2021 has not been promulgated.

## **FORM-I**

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

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

To  
The Chairman

Bangladesh Securities and Exchange Commission  
Securities Commission Bhaban  
E-6/C, Agargaon, Sher-E-Bangla Nagar  
Administrative Area  
Dhaka-1207, Bangladesh

Dear Sir

We hereby apply for registration of .....  
..... (Name of Credit Rating  
Company) under rule 5 of the Bangladesh Securities and Exchange Commission (Credit  
Rating Companies) Rules, 2021.

2. A copy of the Memorandum and the Articles of Association along with Certificate of Incorporation is enclosed.
3. Necessary information required in the annexure to this Form is furnished. We undertake to keep the information up-to-date at all times.
4. Original receipt of the Bank for the fee paid or Payment Order/ Bank Draft as application processing fee is enclosed.

Yours faithfully  
Signature of the Chairman/Chief  
Executive Officer with Seal and date

Annexure to FORM-I

Bangladesh Securities and Exchange Commission (Credit Rating Companies) Rules, 2021.

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|--|
|  |
|--|

1. Name, address, telephone, mobile phone, email, fax .....  
number(s) and website of .....  
the Company.
2. Date and place of .....  
incorporation. ....
3. Names, addresses, email and qualifications of .....  
promoters and directors. ....
4. Details of joint venture/technical collaboration agreement with an internationally recognized 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, email and qualifications of senior management officers .....  
including CEO, CRO and .....  
CO.

9. Whether any officer or employee has been .....  
convicted for fraud or .....  
breach of trust.
10. Whether any of senior management officers including CEO, CRO & CO .....  
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 .....  
including CEO, CRO & CO.

- Notes:-(i) An affidavit from each promoter/director and officer in respect of statement at serial No. 6 & 7 to be attached.
- (i) Certification by the Chairman or Chief Executive Officer of the company in respect of statement at serial No. 9 & 10 to be annexed.

**FORM-II**

**BANGLADESH SECURITIES AND EXCHANGE COMMISSION**  
**E-6/C, Agargaoan, Sher-E-Bangla Nagar**  
**Administrative Area**  
**Dhaka-1207**  
**Bangladesh**

**CERTIFICATE OF REGISTRATION AS  
CREDIT RATING COMPANY**

**[See rule 5(3)(ii)]**

No..... Dhaka, the .....202

The Bangladesh Securities and Exchange Commission having considered the application for registration under rule 5 of the Bangladesh Securities and Exchange Commission (Credit Rating Companies) Rules, 2021 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 Bangladesh Securities and Exchange Commission (Credit Rating Companies) Rules, 2021, registration to subject to the conditions stated here in below or as may be prescribed or imposed hereafter.

2. This certificate of registration will remain valid until suspended or cancelled or till renewed by the Commission under rule 6 of the Bangladesh Securities and Exchange Commission (Credit Rating Companies) Rules, 2021.

Signature of the Officer

Name:

Designation:

Date:

The certificate granted under rule 5(3)(ii) shall be subject to the following conditions, namely:

- (a) the credit rating company shall comply with the provisions of the ordinance/Act, the Rules made there under and the guidelines, directives, circulars and instructions issued by the Commission from time to time on the subject of credit rating.
- (b) where any information or particulars furnished to the Commission by a credit rating company :
  - (i) is found to be false or misleading in any material particular; or
  - (ii) has undergone change subsequently to its furnishing at the time of the application for a certificate; the credit rating company shall forthwith inform the Commission in writing.
- (c) the credit rating company shall at all times maintain capital requirement as specified in the Bangladesh Securities and Exchange Commission (Risk Based Capital Adequacy) Rules, 2019.
- (e) The credit rating company shall update joint venture/technical collaboration agreement on regular basis:

Provided that the existing credit rating company after 10 (ten) years of operation of credit rating business in Bangladesh need not to update such collaboration agreement.

**[FORM-III]**

[See rule 10(5)(e)(i)]

**UNDERTAKING/DECLARATION**

To be made by the member of the Board of Directors  
(On election and assumption of the position of the member of the Board of Directors)

I.....(Name) ..... Son of.....  
E-TIN No.....Postal address.....  
Email.....

As a member of the Board of Director of .....

1. I will ensure complete independence of the rating process and at no time I shall influence the Rating Committee and Analysis Team of our organization, while carrying out the rating assessment so that the exercise of their sense of judgment is partially or wholly impaired by any means.
2. In this connection, I am enclosing a list of institutions wherein I and/or any member of my family have the Directorship / Ownership/ interest in the organization. I shall submit the update information to the company immediately if there are any changes in the enclosed list.

I further declare that I will abide by the Code of Conduct of the company to the extent applicable as Director of the company.

To the best of my knowledge and belief, the above statements are correct.

Signature:.....Date.....  
Name:.....  
Designation:.....  
Permanent Address: .....  
Present Address/Mailing Address.....  
Mobile Number.....  
Email.....

**[FORM-IV]**

[See rule 10(5)(e)(ii)]

**AFFIDAVIT**

**(To be sworn in by the employee/officials at the time of joining the service)**

I.....(Name) ..... Son  
of.....  
Permanent Address. ....  
Present Address/Mailing Address .....  
Email.....Mobile Number.....Aged  
about.....years by nationality ..... by  
faith..... do hereby solemnly declare, affirm and say as  
follows:

1. Throughout the duration of my service with....., I shall discharge all my duties/responsibilities relating to rating assessment with utmost care, diligence, sense of proportion and honesty.
2. While carrying out the duties, I shall exercise my sense of judgment independently, free from my political, social, and economical pressure.
3. Besides strictly following the rules, regulation and guidelines of the regulatory authorities concerned relating to rating company; I shall be bound to abide by the Bangladesh Securities and Exchange Commission (Credit Rating Companies) Rules, 2021, the terms and conditions of the service and Code of Conduct of the organization. For any violation of the provisions of the said rules, regulations, and guidelines as well as the terms and conditions of the service and Code of Conduct, necessary disciplinary action or other appropriate action may be executed against me.

That the statements made herein above are true to my knowledge and belief, in witness whereof, I sign this Affidavit on this.....th day of.....,20-- before the Notary Public at Dhaka, Bangladesh.

-----  
**Deponent**

The deponent is known to me and he/she has signed the affidavit in my presence

.....  
**Advocate]**

**[FORM-V]**  
[See rule 10(5)(e)(iii)]

**UNDERTAKING/DECLARATION**

**(To be made by the employees/officials at the time of  
engagement for Credit Rating Assessment for a particular entity)**

I,..... (Name &  
Designation). .....do hereby declare that I have  
been appointed as a member of the Assessment Team/Rating Committee to  
perform the rating activities of ..... (Name of the client  
institution).....

I confirm that I have no relation with the client at any form that may cause or  
may be perceived as causing a conflict of interest.

During the rating assessment, I shall keep myself free from any political, social  
and economic pressure. I do not have any intention to take any employment  
with the above rating entity in force able future.

If under any circumstances, the question of conflict of interest arises at any  
stage of the assessment, or I encounter any problem in carrying out my duties  
independently due to undue influence/ pressure from any quarter, I shall duly  
inform the same to the management of our organization and shall express  
written intention in the prescribed form for being withdrawn/retired from the  
rating assessment of the client institution.

Signature:.....Date.....

Name:.....

Designation:.....

Permanent Address:.....

Present Address/Mailing Address.....

Mobile Number.....Email.....

**[FORM-VI]**  
[See rule 10(5)(e)(iv)]

**LETTER OF WITHDRAWAL**

(To be made by an employee/ official if he/she faces any Conflicts of interest or pressure during performing his/her duties)

Managing Director/CEO

.....  
.....

Dear Sir,

Withdrawal from the Analysis Team/Rating Committee

I would like to withdraw/retire myself from carrying out assigned duties at..... (Name of the client institution)....., as I am facing..... (political, social and economic). .....pressure which may obstruct the independence of rating activity. Or, my activity may raise conflict of interest as one of my relative or friend has substantial interest in the said institution.

You will be kind enough to consider my withdrawal. Yours

Sincerely, Signature:.....Date.....

Name:.....

Designation:.....

Permanent Address:.....

Present Address/Mailing Address.....

Mobile Number.....Email.....

**[FORM-VII]**  
[See rule 10(5)(e)(v)]

**UNDERTAKING/DECLARATION**

(To be made by the employees/officials after the Credit Rating Assessment is completed)

I,..... (Name & Designation). .....do hereby declare that I had been appointed as a member of the Assessment Team/Rating Committee to perform the rating activities.....  
(Name of the Client institution). ..... The assignment/job entrusted upon me has now been duly completed. I have not accepted any gift/company product that may influence my assigned activity. I have not bound by any written/unwritten contract to accept any assignment of the client.

I declare that during the rating assessment activities, I kept myself completely free from any political, social, and economic pressure.

I also declare that no question of conflict of interest arose at any stage of the assessment or I did not encounter any problem in carrying out my duties due to undue influence/pressure from any quarter.

Signature:.....  
Name:.....  
Designation:.....  
Permanent Address:.....  
Present Address/Mailing Address.....  
Mobile Number.....Email.....

**[FORM-VIII]**

**FORMAT OF DECLARATION OF DIRECTORS FOR BUYING AND SELLING OF  
SECURITIES**

[See rule 10(5)(f)&(i)]

The Chairman  
Bangladesh Securities and Exchange Commission  
Dhaka

**Subject: Declaration of Directors for Buying and Selling of Securities**

Sir,

Pursuant of the rule 10(7)(f) of the Bangladesh Securities and Exchange Commission (Credit Rating Companies) Rules, 2021, I/we hereby report that I/we intend to buy/sell or otherwise dispose of/receipt of some securities of the following company/mutual fund/Collective Investment Scheme (CIS) within next 30(thirty) working days from the date of receipt of this report by the Bangladesh Securities and exchange Commission, the full particulars of which are given below:

- (i) Name of the security/company:
- (ii) Quantity of securities to be bought/sold/dispensed off:
- (iii) Name of designated stock-broker and the stock exchange:
- (iv) Details of disposal, if disposal would be made through means other than the trading system:

Signature of the director with date  
(Seal)

**[FORM-IX]**  
**[See rule 10(8)A(c)]**

A Credit Rating Company shall make the following disclosure in the cover page of credit rating report:

প্রতিবেদনে উল্লিখিত তথ্যাদি বিশ্বাসযোগ্য সূত্রে প্রাপ্ত ও তা সঠিক ও নির্ভরযোগ্য। তবে ক্রেডিট রেটিং কোম্পানি এ সকল তথ্যাদির সঠিকতা, পর্যাপ্ততা অথবা পূর্ণাঙ্গতার বিষয়ে কোন নিশ্চয়তা প্রদান করেনা এবং কোন ধরনের ভুল অথবা বিচ্যুতি অথবা তথ্যাদি ব্যবহারের পর প্রাপ্ত ফলাফল এর দায়িত্ব বহন করেনা। রেটিং একটি মতামত যা দ্বারা শুধুমাত্র ক্রেডিটমান নির্দেশ করে এবং এটা দ্বারা কোন সিকিউরিটিজ ক্রয়বিক্রয় অথবা কোন প্রকল্পে বিনিয়োগের সুপারিশ করেনা। উক্ত প্রতিবেদনের সর্বসত্ত্ব ক্রেডিটরেটিং কোম্পানি দ্বারা সংরক্ষিত। প্রতিবেদনের অংশবিশেষ কোন সংবাদ মাধ্যম এবং গবেষণা কাজে ব্যবহার করতে হলে অবহিতকরণ সাপেক্ষে তা ব্যবহার করা যাবে।

‘Disclaimer: Information used herein was obtained from sources believed to be accurate and reliable. However, Credit Rating Company does not guarantee the accuracy, adequacy or completeness of any information and is not responsible from any errors or omissions or for the results obtained from the use of such information. The rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities or to finance in a project. All rights of this report are observed by Credit Rating Company. The contents may be used by the news media and researchers with due acknowledgement.’

**[FORM-X]**  
**[See rule 10(13)]**

1. A credit rating company shall make all efforts to protect the interests of investors.
2. A credit rating company, in the conduct of its business, shall observe high standards of integrity, dignity and fairness in the conduct of its business.
3. A credit rating company shall fulfill its obligations in a prompt, ethical and professional manner.
4. A credit rating company shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment in order to achieve and maintain objectivity and independence in the rating process.
5. A credit rating company shall have a reasonable and adequate basis for performing rating evaluations, with the support of appropriate and in depth rating researches. It shall also maintain records to support its decisions.
6. A credit rating company shall have in place a rating process that reflects consistent and international rating standards.
7. A credit rating company shall not indulge in any unfair competition nor shall it wean away the clients of any other rating company on assurance of higher rating.
8. A credit rating company shall keep track of all important changes relating to the client companies and shall develop efficient and responsive systems to yield timely and accurate ratings. Further a credit rating company shall also monitor closely all relevant factors that might affect the creditworthiness of the issuers.
9. A credit rating company shall disclose its rating methodology to clients, users and the public.
10. A credit rating company shall, wherever necessary, disclose to the clients, possible sources of conflict of duties and interests, which could impair its ability to make fair, objective and unbiased ratings. Further it shall ensure that no conflict of interest exists between any member of its rating committee participating in the rating analysis, and that of its client.
11. A credit rating company shall not make any exaggerated statement, whether oral or written, to the client either about its qualification or its capability to render

certain services or its achievements with regard to the services rendered to other clients.

12. A credit rating company shall not make any untrue statement, suppress any material fact or make any misrepresentation in any documents, reports, papers or information furnished to the , stock exchange or public at large.
13. A credit rating company shall ensure that the Commission is promptly informed about any action, legal proceedings etc., initiated against it alleging any material breach or non-compliance by it, of any law, rules, regulations and directions of the Commission or of any other regulatory body.
14. A credit rating company shall maintain an appropriate level of knowledge and competence and abide by the provisions of the securities related laws, rules and regulations, which may be applicable and relevant to the activities carried on by the credit rating company.
15. A credit rating company shall ensure that there is no misuse of any privileged information including prior knowledge of rating decisions or changes.
16. (a) A credit rating company or any of his employees shall not render, directly or indirectly any investment advice about any security in the publicly accessible media.  
(b) A credit rating company shall not offer fee-based services to the rated entities, beyond credit ratings and research.
17. A credit rating company shall ensure that any change in registration status/any penal action taken by the Commission or any material change in financials which may adversely affect the interests of clients/investors is promptly informed to the clients and any business remaining outstanding is transferred to another registered person in accordance with any instructions of the affected clients/investors.
18. A credit rating company shall maintain an arm's length relationship between its credit rating activity and any other activity.
19. A credit rating company shall develop its own internal code of conduct for governing its internal operations and laying down its standards of appropriate conduct for its employees and officers in the carrying out of their duties within the credit rating company and as a part of the industry. Such a code may extend to the maintenance of professional excellence and standards, integrity, confidentiality, objectivity, avoidance of conflict of interests, disclosure of shareholdings and interests, etc. Such a code shall also provide for procedures and guidelines in

relation to the establishment and conduct of rating committees and duties of the officers and employees serving on such committees.

20. A credit rating company shall provide adequate freedom and powers to its compliance officer for the effective discharge of his duties.
21. A credit rating company shall ensure that the senior management, particularly decision makers have access to all relevant information about the business on a timely basis.
22. A credit rating company shall ensure that good corporate policies and corporate governance are in place.
23. A credit rating company shall not, generally and particularly in respect of issue of securities rated by it, be party to or instrumental for—
  - (a) creation of false market;
  - (b) price rigging or manipulation; or
  - (c) dissemination of any unpublished price sensitive information in respect of securities which are listed and proposed to be listed in any stock exchange, unless required, as part of rationale for the rating accorded.

**[FORM-XI]**

[See rule 10(15)]

| <b>Long Term Rating Scale and Definitions</b> |                                                              | <b>Weighted Score</b> |     |
|-----------------------------------------------|--------------------------------------------------------------|-----------------------|-----|
| <b>Rating Notches</b>                         | <b>Definition</b>                                            | <b>Range</b>          |     |
| AAA                                           | strongest credit quality                                     | 91                    | 100 |
| AA+                                           | Below strongest credit quality ---- Very strong (accepted)   | 88                    | 90  |
| AA                                            | very strong credit quality ----- Strong (accepted)           | 84                    | 87  |
| AA-                                           | Below very strong credit quality --- Below Strong (accepted) | 81                    | 83  |
| A+                                            | Very good credit quality                                     | 78                    | 80  |

|      |                                                                     |                      |    |
|------|---------------------------------------------------------------------|----------------------|----|
| A    | Above average credit quality                                        | 74                   | 77 |
| A-   | Moderately good credit quality                                      | 71                   | 73 |
| BBB+ | Moderate credit quality                                             | 68                   | 70 |
| BBB  | average credit quality                                              | 64                   | 67 |
| BBB- | Below average credit quality                                        | 61                   | 63 |
| BB+  | Moderately below average credit quality                             | 58                   | 60 |
| BB   | slightly below average credit quality                               | 54                   | 57 |
| BB-  | less than average credit quality                                    | 51                   | 53 |
| B+   | Significantly below average credit quality                          | 48                   | 50 |
| B    | weak credit quality credit quality                                  | 44                   | 47 |
| B-   | very weak credit quality                                            | 41                   | 43 |
| C    | poor credit quality                                                 | 38                   | 40 |
| D    | failed to meet their rated financial commitment on time or when due | Not Classified (<38) |    |

| <b>Short Term Rating Scale and Definitions</b> | <b>Definition</b>                                              | <b>Short Term Rating</b> |
|------------------------------------------------|----------------------------------------------------------------|--------------------------|
| Rating Notches                                 |                                                                | Weighted score           |
| ST 1                                           | strongest ability to meet short term financial commitments     | 81 ---100                |
| ST 2                                           | above average ability to meet short term financial commitments | 71 ---- 80               |
| ST 3                                           | average ability to meet short term financial commitments       | 61-----70                |
| ST 4                                           | below average ability to meet short term financial commitments | 51-----60                |
| ST 5                                           | well below average ability                                     | 41 ---- 50               |
| ST 6                                           | failed to meet their short term financial commitments          | ≤ 40                     |

By order of the Bangladesh Securities and Exchange Commission

Professor Shibli Rubayat-Ul-Islam  
Chairman.

## **Notification**

Date: 29 November 2021

BSEC/CMRRCD/2021-395/...../Admin...../-In exercise of the powers conferred by section 32 of the Securities and Exchange Ordinance, 1969 (XVII of 1969) the Bangladesh Securities and Exchange Commission makes the following rules to repeal the Credit Rating Companies Rules, 1996, namely:-

**1. Short title and commencement.-**

- (1) These rules may be called the Credit Rating Companies (Repeal) Rules, 2021.
- (2) It shall come into force on the effective date of Bangladesh Securities and Exchange Commission (Credit Rating Companies) Rules, 2021.

**2. Repeal and savings.-**

- (1) The Credit Rating Companies Rules, 1996 is hereby repealed.
- (2) Notwithstanding the repeal of Credit Rating Companies Rules, 1996:-
  - (a) anything done or any action taken under or in pursuance of the Credit Rating Companies Rules, 1996, shall continue to be in force and shall have effect as if it done or taken under or in pursuance of the Bangladesh Securities and Exchange Commission (Credit Rating Companies) Rules, 2021; and
  - (b) any suit, prosecution or other legal proceedings which was continuing, before effective of the Bangladesh Securities and Exchange Commission (Credit Rating Companies) Rules, 2021, shall be executed or settled under the Credit Rating Companies Rules, 1996, and shall continue to be in force and shall have effects as if the Credit Rating Companies Rules, 1996 had not been repealed and Bangladesh Securities and Exchange Commission (Credit Rating Companies) Rules, 2021 has not been promulgated.

By order of the Bangladesh Securities and Exchange  
Commission

Professor Shibli Rubayat-Ul-Islam  
Chairman.