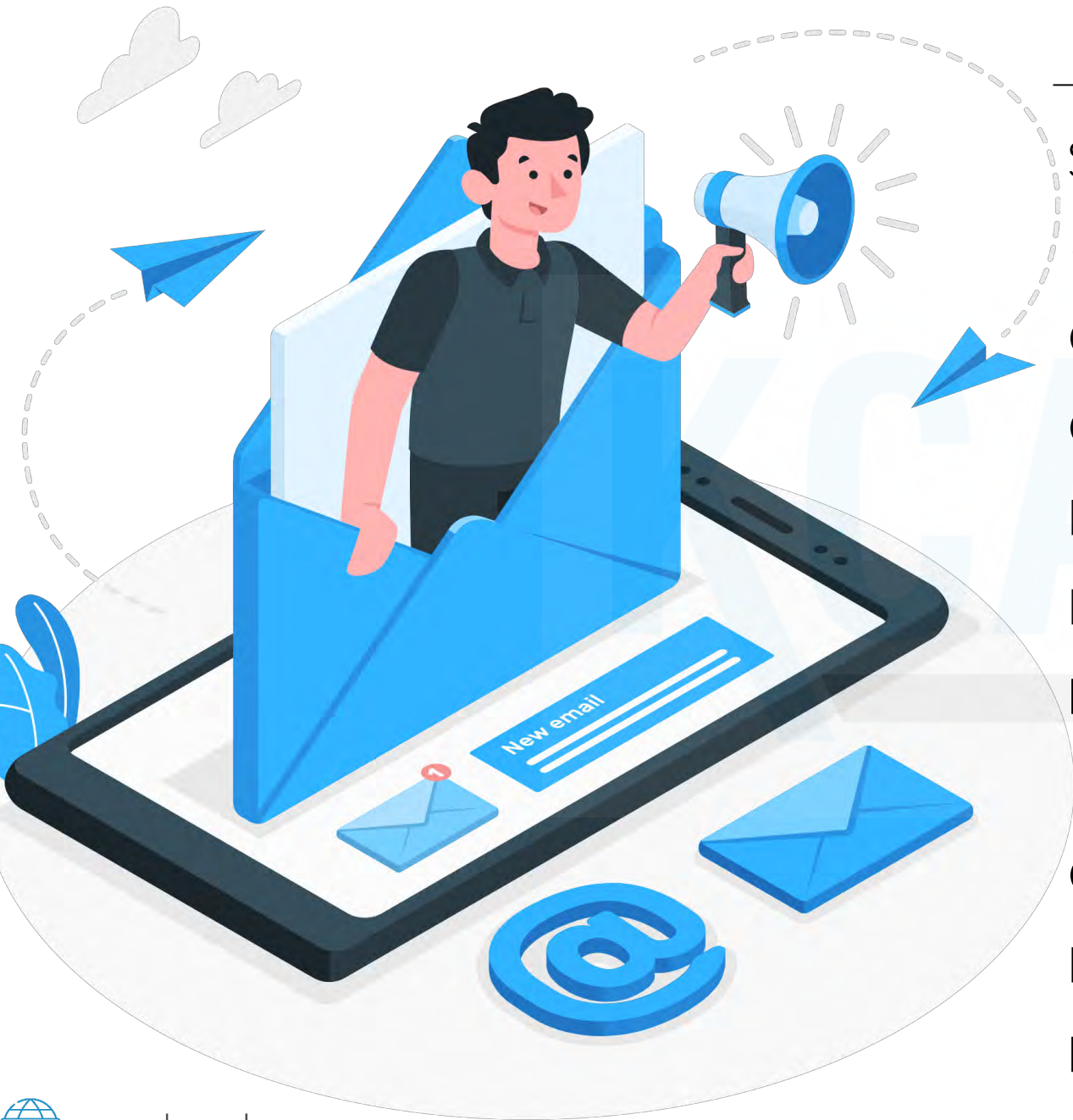




SEBI EXPANDS RATING ACTIVITIES IN IFSC-GIFT CITY

- A Step Towards Global Financial
Integration



Securities And Exchange Board of India (SEBI) Has Issued Two Significant Circulars On July 19, 2024, Enabling Credit Rating Agencies (CRAS) And ESG Rating Providers (ERPS) To Undertake Rating Activities Under The International Financial Services Centres Authority (IFSCA) In IFSC-GIFT City. These Circulars Mark A Crucial Step In Enhancing India's Position In Global Financial Market.

UNDERSTANDING CRAS AND ERPS

Credit Rating Agencies

CRAs

Under Regulation 2(h) of the CRA Regulations, 1999, CRAs are corporate bodies engaged in or proposing to engage in the business of rating securities that are listed or proposed to be listed on a SEBI-recognized stock exchange. In essence, CRAs assess the creditworthiness of companies and financial instruments, providing investors with crucial information for decision-making.

Under Chapter IV A of the Credit Rating Agencies (CRA) Regulations, 1999, ERPs are entities engaged in issuing environmental, social, and governance ratings. ESG ratings are opinions about an issuer or a security's ESG profile, risks, or impact on society, climate, and the environment, issued using a defined ranking system. ERPs evaluate companies based on Environmental, Social, and Governance factors, reflecting the growing importance of sustainable and responsible business practices in investment decisions.

ESG Rating Providers

ERPs

KEY PROVISIONS OF THE CIRCULARS

CRAs and ERPs registered with SEBI can now operate under IFSCA guidelines in IFSC-GIFT City.

Ratings undertaken in IFSC will be under IFSCA's purview.

IFSCA will handle complaints, enforcement actions, and information requests related to these ratings.

The circulars are effective immediately.

ADVANTAGES AND IMPLICATIONS

Global Integration:
This move aligns India's financial services with international standards, potentially attracting more foreign investors.

Expanded Opportunities:
CRAs and ERPs can now tap into the growing market for ratings in international financial centers.

Regulatory Clarity:
Clear demarcation of IFSCA's jurisdiction over these activities in IFSC ensures streamlined oversight.

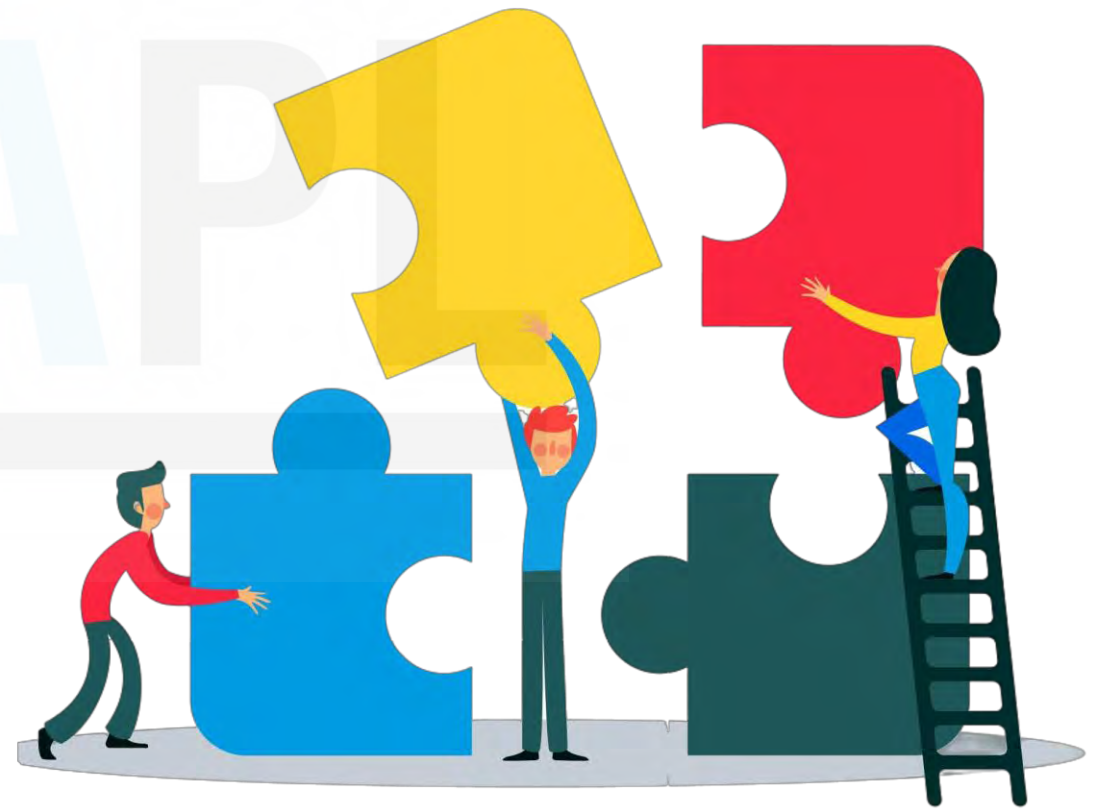
Boost to GIFT City:
This initiative supports the government's vision of making GIFT City a global financial hub.

Promotion of Sustainable Finance:
Inclusion of ESG ratings in IFSC operations highlights India's commitment to sustainable finance practices.



CHALLENGES AND CONSIDERATIONS

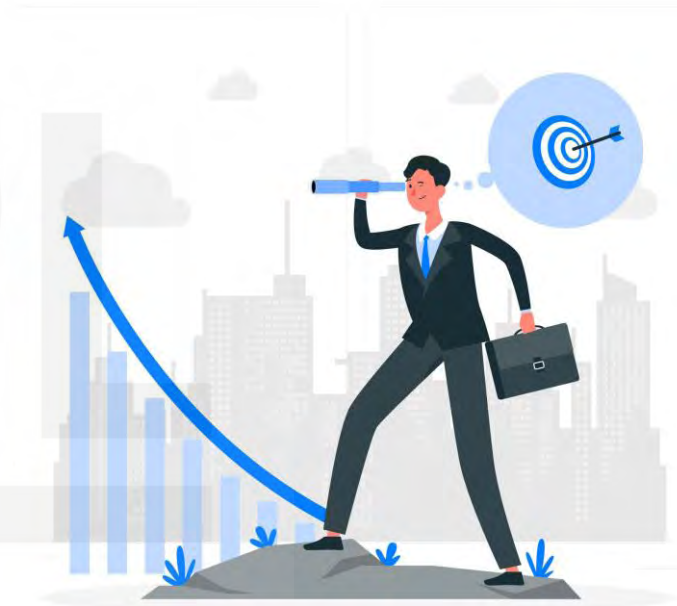
- Maintaining Standards: Ensuring consistency in rating standards across domestic and IFSC operations will be important.
- Capacity Building: CRAs and ERPs may need to enhance their capabilities to meet international standards.



FUTURE OUTLOOK

These circulars pave the way for India's deeper integration into global financial markets. They could lead to:

1. Increased foreign investments in Indian financial instruments.
2. Enhanced credibility of Indian ratings in the international arena.
3. Development of new financial products tailored for international investors.
4. Greater emphasis on ESG factors in investment decisions, aligning with global trends.



CONCLUSION

SEBI's decision to enable CRAs and ERPs to operate under IFSCA in GIFT City represents a significant stride in India's financial market development. It not only opens new avenues for these entities but also strengthens India's position as an emerging global financial powerhouse. As these changes take effect, they are likely to contribute substantially to the growth and internationalization of India's financial services sector



FOR DETAILED INFORMATION, REFER TO SEBI'S OFFICIAL CIRCULARS

Enabling ESG Rating Providers (ERPs) to undertake ESG rating activities under IFSCA:

🔗 <https://bit.ly/3WmgzZ0>

Enabling Credit Rating Agencies (CRAs) to undertake rating activities under IFSCA:

🔗 <https://bit.ly/3SKJqph>

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