



Monetary Authority of Singapore

CREDIT RATING AGENCIES

FREQUENTLY ASKED QUESTIONS

Disclaimer: The FAQs are meant to provide guidance to the industry on MAS' policy and administration of Credit Rating Agencies. They do not constitute legal advice. MAS expects industry participants to retain their independent legal counsel to advise them on how their business operations should be conducted in order to satisfy the legal/regulatory requirements and to advise them on all applicable laws of Singapore.

CREDIT RATING AGENCIES (“CRAs”)

FREQUENTLY ASKED QUESTIONS (“FAQs”)

1 Does MAS have the powers to influence the content of credit ratings or CRAs' rating methodologies?

MAS does not have legal powers to interfere with or influence CRAs' rating methodologies or the content of CRAs' credit ratings.

2 What activities are excluded from the definition of “providing credit rating services”?

The following are excluded from the definition of “providing credit rating services”:

- (a) preparing credit ratings wholly outside Singapore;
- (b) preparing a private credit rating for an individual order which is intended to be provided exclusively to the person who placed the order and not intended for public disclosure or distribution by subscription;
- (c) preparing credit scores, credit scoring systems or similar assessments related to obligations arising from consumer, commercial or industrial relationships; and
- (d) preparing credit reports and related analytics, which do not fall within the definition of “credit rating”, even if these are prepared wholly or partly in Singapore for dissemination or distribution in Singapore.

3 Is the preparation of credit ratings carried out wholly outside Singapore regulated under Singapore law if the credit ratings are intended for dissemination in Singapore?

MAS does not regulate persons who prepare credit ratings wholly outside Singapore.

4 Who would be considered a representative of a CRA that holds a Capital Markets Services (“CMS”) licence for providing credit rating services and hence would be required to be registered under the Representative Notification Framework (“RNF”)?

Section 2(1) of the Securities and Futures Act (Cap. 289) (the “SFA”) defines “representative” as –

“a person, by whatever name called, in the direct employment of, or acting for, or by arrangement with, a person who carries on business in any regulated activity, who carries out for that person any such activity (other than work ordinarily performed by accountants, clerks or cashiers), whether or not he is remunerated, and whether his remuneration, if any, is by way of salary, wages, commission or otherwise; and includes any officer of a corporation who performs for the corporation any such activity whether or not he is remunerated, and whether his remuneration, if any, is by way of salary, wages, commission or otherwise”.

Thus, in the case of a representative of a CMS licensee for providing credit rating services, he is a person who engages in “preparing, whether wholly or partly in Singapore, credit ratings”. In other words, any person who carries out any act which can be considered as part of “preparing” a credit rating is a representative who has to be registered under the RNF.

We understand the scope of activities in “preparing” a credit rating would include:

- (a) analyzing information or data referred to or used in preparing the credit rating or a revision thereto;
- (b) formulating or drafting an opinion on the creditworthiness of a rating target, or a revision to an opinion on the creditworthiness of a rating target which is the subject of a credit rating which has been issued;
- (c) evaluating or approving a credit rating or a revision thereto;
- (d) monitoring or reviewing a credit rating which has been issued;
- (e) formulating or drafting credit rating methodologies or models, or a revision thereto; and
- (f) evaluating or approving credit rating methodologies or models, or a revision thereto.

As such, any person who engages in any one or more of the above activities at least partly within Singapore will be required to be registered under the RNF.

5 *What is the minimum entry requirement to be a representative for providing credit rating services?*

The minimum entry requirement, on or after 17 January 2012, is a Bachelor's degree in a discipline that is relevant to him acting as a representative of his principal in respect of providing credit rating services, as determined by his principal.

6 *Is a person employed by the CRA to assist a CRA's rating analysts in collecting and preparing credit history or indebtedness of a corporate body, required to be licensed for providing credit rating services?*

If a person is only collecting and preparing credit data for the rating analysts without performing any analysis, he is unlikely to be regarded as performing a regulated function in relation to the regulated activity of "providing credit rating services".

7 *Is an overseas-based rating analyst participating in a rating committee meeting via telephone conference or video conference with a licensed CRA, required to be registered under the RNF for providing credit rating services?*

No, because of his absence from Singapore, the rating analyst is unlikely to be required to be licensed for providing credit rating services.

8 *Can the compliance officer hold other appointments in the CRA?*

A CRA is required to establish and maintain a permanent and effective compliance function which operates independently. Compliance officers may perform other non-conflicting roles to complement their functions. For example, a compliance officer may also concurrently assume the role of an in-house legal counsel for the CRA.

9 *Would the consultancy services offered by a CRA to a rated entity be regarded as ancillary services?*

A CRA should not carry on any business which can reasonably be considered to have the potential to give rise to any conflict of interest in relation to its business of providing credit rating services.

A CRA is not allowed to provide consultancy or advisory services to a rated entity, or its related party, regarding the corporate or legal structure, assets, liabilities or activities of that rated entity or related party.