

## **Compensation arrangements with entities seeking ratings on bank loans**

Reserve Bank of India, through its communication (dated April 26, 2013, reference no. BOD.BP.No./5385/21.06.007/2012-13), had asked accredited credit rating agencies (CRAs) to disclose the nature of their compensation arrangements and fee structure for bank loan / facility ratings on their websites.

CRISIL Ratings receives compensation for assigning credit ratings. Such compensation is paid by the borrowers for obtaining ratings on their bank loans / facilities. CRISIL Ratings charges an initial rating fee (IRF) at the time of the initial rating exercise and an annual surveillance fee (ASF) subsequently for such time as the rating remains outstanding. Fee structures are summarized in fee schedules which are communicated and finalised before the rating mandate.

The minimum fee structure adopted by CRISIL for bank loan / facility ratings is as follows:

- a. IRF – 0.04% of the rated amount subject to a minimum of Rs. 40,000.
- b. ASF – 0.025% of the rated amount per annum subject to a minimum of Rs. 40,000.

All fees are exclusive of applicable taxes and out of pocket expenses which are at actuals.

While the fee structure represents the minimum applicable, precise fee amounts are determined by various factors including, but not limited to, the principal amount of the bank loan / facility that is rated and the complexity of the assignment. CRISIL may consider using an alternative fee structure for volume issuers, groups and such other entities. The rating fees in all cases are negotiated by the business development team and this team is not involved in analytical or the rating committee processes.