



## THE PAKISTAN CREDIT RATING AGENCY LIMITED

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### Summary of Order Passed by the Appellate Bench, SECP

A complaint by JCR-VIS No. SMD/CIW/CR/01/2009 was filed at SECP against PACRA under Section 2.3.3(b) of code of conduct for CRA alleging that PACRA has inappropriately under taken a client rating.

PACRA strongly condemned, contested the case and the learned appellant bench of Securities and Exchange Commission of Pakistan accepted PACRA appeal through its order dated APRIL 5, 2019

The appellate Bench found that there was a failure to establish default on part of PACRA under Clause 2.3.3(b) of Code of Conduct for Credit Rating Agencies ("Code"); therefore, penalty under Section 22 of the Securities and Exchange Ordinance, 1969 was *not sustainable*.

The matter before the Appellate Bench was concluded on the merits of the case. In reaching its conclusion, the Appellate Bench found that the relevant provision in question, i.e. Clause 2.3.3(b) of the Code, was in fact applicable in present case.

The Appellate Bench, in its Order, also clarified that there was no premature termination of contract by Faysal Asset Management Company Limited ("FAML") with the competing credit rating company, therefore, it was a case of multiple ratings, which was not prohibited under the Code.

The Bench took into account the fact that FAML had disclosed both its ratings in its FUND Manager Report, which was taken to be sufficient to prove that neither FAML nor PACRA had any malice or intention to drive under benefits from the questioned transaction.