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[Order No. 50] Interim Measures for the Administration of Credit Rating Business in the Securities Market

China Securities Regulatory Commission Order

No. 50

The Interim Measures for the Administration of Credit Rating Business in the Securities Market, which were deliberated and adopted at the 202nd Chairman's Executive Meeting of the China Securities Regulatory Commission on March 23, 2007, are hereby promulgated and shall come into force on September 1, 2007.

Chairman of China Securities Regulatory Commission: Shang Fulin

August 24, 2007

Interim Measures for the Administration of Credit Rating Business in the Securities Market

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Chapter 1 General Provisions

Article 1 These Measures are formulated in accordance with the Securities Law in order to promote the standardized development of the credit rating business in the securities market, improve the efficiency and transparency of the securities market, and protect the legitimate rights and interests of investors and the public interest.

Article 2 To engage in credit rating business in the securities market (hereinafter referred to as the securities rating business), a credit rating agency shall, in accordance with the provisions of these Measures, apply to the China Securities Regulatory Commission (hereinafter referred to as the CSRC) for a securities rating business license. No entity or individual may engage in securities rating business without obtaining a securities rating business license from the China Securities Regulatory Commission.

The term "securities rating business" as mentioned in these Measures refers to credit rating services for the following rating objects:

- (1) Bonds, asset-backed securities, and other fixed-income or debt-type structured financing securities that have been approved and issued by the China Securities Regulatory Commission in accordance with the law

; Bonds, asset-backed securities, and other fixed-income or debt-type structured financing securities listed and traded on stock exchanges, excluding treasury bonds; Companies, non-listed public companies, securities companies, securities investment fund management companies;

(4) Other rating objects specified by the China Securities Regulatory Commission.

Article 3 Credit rating agencies (hereinafter referred to as "securities rating agencies") that have obtained the securities rating business license from the CSRC shall follow the principles of independence, objectivity and impartiality when engaging in securities rating business.

Article 4 A securities rating agency engaged in securities rating business shall follow the principle of consistency, and shall adopt consistent rating standards and working procedures when rating the same type of rating object, or following up the rating of the same rating object. If the rating standards are adjusted, it shall be fully disclosed.

Article 5 A securities rating agency engaged in securities rating business shall formulate scientific rating methods and a sound quality control system, abide by industry norms, professional ethics and business rules, be diligent and responsible, and conduct prudent analysis.

Article 6 The China Securities Regulatory Commission and its dispatched agencies shall supervise and manage securities rating business activities in accordance with the law.

The Securities Association of China conducts self-regulatory management of securities rating business activities in accordance with the law.

Chapter II Business Licensing

Article 7 A credit rating agency applying for a securities rating business license shall meet the following conditions:

- (1) have the qualifications of a Chinese legal person, and its paid-in capital and net assets shall not be less than RMB 20 million ; No less than 3 senior managers; no less than 20 rating practitioners with securities qualifications, including no less than 10 rating practitioners with more than 3 years of credit rating business experience; (3) Have a sound and well-operated internal control mechanism and management system;
- (4) Have a sound business system, including credit ratings and definitions, rating standards, rating procedures, rating committee systems, Rating result announcement system, follow-up rating system, information confidentiality system, securities rating business file management system, etc
- ; The crime is being investigated;
- (6) In the last three years, there is no bad credit record in taxation, industry and commerce, financial and other administrative agencies, as well as self-regulatory organizations, commercial banks and other institutions
- ; Other conditions prescribed by the public interest.

Article 8 The senior management personnel of a credit rating agency in charge of securities rating business shall meet the following conditions:

- (1) Obtain the securities practice qualification; Management ability and organizational coordination ability, and have passed the qualification test for senior managers of securities rating business;
- (3) No circumstances prohibiting employment as stipulated in the "Company Law" and "Securities Law";
- (4) Have not been banned from the market by financial regulatory agencies , or the prohibition period has expired;
- (5) Has not received administrative punishment for illegal business operations in the last three years, and is not under investigation for suspected illegal business operations or crimes;
- (6) Integrity and honesty, good conduct, and no bad integrity records in taxation, industry and commerce, financial and other administrative agencies, as well as self-regulatory organizations, commercial banks, and other institutions in the past three years.

Foreigners who hold the positions specified in the preceding paragraph shall also work in China or Hong Kong, Macao and other regions for no less than 3 years.

Article 9 A credit rating agency applying for a securities rating business license shall submit the following materials to the CSRC:

- (1) Application report;
- (2) A copy of the business license of an enterprise legal person;
- (3) The articles of association;
- (4) The register of shareholders and A statement on the amount of capital contribution, capital contribution method, capital contribution ratio, background materials, and whether there is any relationship between shareholders; (
- 5) Financial reports audited by accounting firms with securities and futures-related business qualifications;
- (6) Senior management personnel and (7) Description of the internal control mechanism, management system and its implementation;
- (8) Description of the business system and its implementation;
- (9) Other materials prescribed by the CSRC.

Article 10 The China Securities Regulatory Commission shall, in accordance with statutory conditions and procedures, in accordance with the principle of prudent supervision, and fully consider the needs of market development and fair competition in the industry, review and make decisions on the applications for securities rating business licenses of credit rating agencies.

Chapter 3 Business Rules

Article 11 A securities rating agency shall, within 20 days of obtaining a securities rating business license, report its credit rating classification and definition, rating methods, and rating procedures to the Securities Association of China for the record, and report through the website of the Securities Association of China, the institution The website and other public media will announce to the society.

If there are adjustments to the classification and definition of credit ratings, rating methods, and rating procedures, they shall be filed and announced in a timely manner.

Article 12 A securities rating agency that has any of the following interests in relation to the rating object shall not be entrusted to carry out securities rating business:

(1) The securities rating agency and the rated agency or the rated securities issuer are controlled by the same actual controller ; Shareholders hold more than 5% of the shares of the securities rating agency, the rated agency or the rated securities issuer;

(3) The rated agency or the rated securities issuer and its actual controller directly or indirectly hold the shares of the securities rating agency

(4) The securities rating agency and its actual controller directly or indirectly hold more than 5% of the shares of the rated securities issuer or the rated agency

; Buying and selling rated securities within 6 months before the rating business;

(6) Other circumstances determined by the China Securities Regulatory Commission based on the protection of investors and the maintenance of social and public interests.

Article 13 A securities rating agency shall establish a withdrawal system. Members of the rating committees of securities rating agencies and rating practitioners who have one of the following circumstances during the securities rating business shall avoid: (1) The

shares of the rated agency or the rated securities issuer held by themselves or their immediate family members reach more than 5% , or is the actual controller of the rated agency or the rated securities issuer;

(2) I or my immediate family members serve as directors, supervisors and senior managers of the rated agency or the rated securities issuer;

(3) I, my immediate family members Acting as the person in charge or project signatory of securities service agencies such as accounting firms, law firms, and financial consultants engaged by rated agencies or rated securities issuers;

(4) He or his immediate family members hold rated securities or the amount of securities issued by a rated institution exceeds 500,000 yuan, or has transactions with a rated institution or a rated securities issuer with a cumulative value of more than 500,000 yuan; (5) China Securities Regulatory

Commission Other circumstances that are sufficient to affect the principles of independence, objectivity and impartiality identified by the committee.

Article 14 A securities rating agency shall establish a clear and reasonable organizational structure, rationally divide the functions of internal agencies, establish a sound firewall system, and the business department engaged in securities rating business shall remain independent from other business departments.

The personnel assessment and remuneration systems of securities rating agencies shall not affect the rating practitioners to carry out business in accordance with the principles of independence, objectivity, fairness, and consistency.

A securities rating agency shall designate a special person to inspect the legality and compliance of the securities rating business, and report to the CSRC branch at the place of registration.

Article 15 To carry out securities rating business, a securities rating agency shall set up a project team, and the team leader shall have the qualification for securities business and have been engaged in credit rating business for more than 3 years.

The project team inspects and analyzes the rating objects, forms a preliminary evaluation report, and checks and verifies the authenticity, accuracy, and completeness of the contents of the documents and materials.

Article 16 A securities rating agency shall establish a rating committee system, and the rating committee is the highest institution for determining the credit rating of rating objects.

The rating committee reviews the preliminary evaluation report submitted by the project team, makes a decision, and determines the credit rating.

Article 17 A securities rating agency shall establish a re-evaluation system. A securities rating agency accepts an entrustment to carry out securities rating business, and after determining the credit rating, it shall inform the rated agency or the rated securities issuer of the credit rating. If the rated agency or the rated securities issuer has any objection to the credit rating, it may apply for a re-rating.

When a securities rating agency accepts an application for re-evaluation, it shall convene a meeting of the rating committee to re-examine, make a resolution, and determine the final credit rating.

Article 18 A securities rating agency shall establish a system for publishing rating results.

The rating results shall include the credit rating and rating report of the rating object. A rating report shall use concise and clear language, clearly explain the credit rating of the rating object, and be signed by a senior manager who complies with the provisions of these Measures.

Article 19 A securities rating agency shall establish a follow-up rating system. A securities rating agency shall clearly stipulate follow-up rating matters in the first rating report issued to the rating object. During the effective existence of the rating object, the securities rating agency shall continue to track major changes in the rating object's policy environment, industry risks, business strategies, financial conditions and other factors, analyze the impact of the change on the rating object's credit rating in a timely manner, and issue regular or irregular Track rating report.

Article 20 If the rated agency or the rated securities issuer disagrees with the rating report issued by the securities rating agency entrusted by it, and entrusts another securities rating agency to issue a rating report, the original entrusted securities rating agency and the current entrusted securities rating agency shall At the same time, the rating results will be announced.

Article 21 A securities rating agency shall use effective statistical methods to verify the accuracy and stability of the rating results,

and announce the statistical results to the public through the websites of the Securities Association of China and the institution itself.

Article 22 Securities rating agencies shall establish a confidentiality system for securities rating business information. With regard to state secrets, commercial secrets and personal privacy learned in the course of carrying out securities rating business activities, securities rating agencies and their practitioners shall perform their duty of confidentiality in accordance with the law.

Article 23 A securities rating agency shall establish a file management system for securities rating business. The business archives shall include the letter of entrustment entrusted with carrying out the securities rating business, the original materials on which the rating report is issued, the working paper, the preliminary rating report, the rating report, the voting opinions and meeting minutes of the rating committee, follow-up rating materials, follow-up rating report, etc.

The business files shall be kept for 5 years after the expiration of the rating contract, or 5 years after the expiration of the duration of the rating object. The retention period of business archives shall not be less than 10 years.

Article 24 Securities rating agencies shall establish a training system for securities rating practitioners and management personnel, carry out training activities, and take effective measures to improve the professional ethics and business level of personnel.

Chapter IV Supervision and Management

Article 25 The directors, supervisors, senior managers and rating practitioners of securities rating agencies shall not hold concurrent posts in any form in the rated agency or the rated securities issuer.

Article 26 The directors, supervisors and senior managers of securities rating agencies shall not invest in other securities rating agencies.

Article 27 A securities rating agency shall, within 5 working days from the date of any change in the following items, report to the local office of the CSRC for recordation: (1) Name and address of the institution; (2) Directors, supervisors, senior management

- (3) Actual controllers, shareholders holding more than 5% of the shares;
- (4) Internal control mechanism, management system, and business system;
- (5) Other matters stipulated by the China Securities Regulatory Commission .

Article 28 Securities rating agencies shall not alter, resell, lease, lend securities rating business licenses, or illegally transfer securities rating business licenses in other forms.

Article 29 Securities rating agencies shall not provide financing or guarantee for others.

The actual controllers, shareholders, directors, supervisors, and senior managers of securities rating agencies shall abide by laws and regulations, and shall not engage in activities that damage the legitimate rights and interests of securities rating agencies and their rating objects.

Article 30 A securities rating agency shall, within 4 months from the end of each accounting year, submit an annual report to the local office of the CSRC where it is registered. The annual report shall include such contents as the institution's basic information, operating conditions, financial and accounting reports audited by an accounting firm with securities and futures-related business qualifications, major litigation matters, and statistics on the accuracy and stability of rating results. The directors and senior managers of securities rating agencies shall sign written confirmation opinions on the annual report; if they have any objection to the content of the report, they shall indicate their opinions and reasons.

A securities rating agency shall, within 10 working days from the end of each quarter, submit a quarterly report including business conditions, financial data, etc. to the local office of the CSRC at the place of registration.

When a major event that affects or may affect the operation and management of the institution occurs, the securities rating agency shall immediately submit an interim report to the local office of the CSRC at the place of registration, explaining the cause, current status and possible consequences of the event.

Article 31 The dispatched offices of the CSRC shall conduct off-site or on-site inspections of the securities rating agencies' internal controls, management systems, business operations, risk status, business activities, and financial status.

The securities rating agency and its relevant personnel shall cooperate with the inspection, and the information and materials provided shall be true, accurate and complete.

Article 32 Where a securities rating agency or its practitioners violate the provisions of these Measures, the CSRC agency shall issue a warning letter to the securities rating agency, conduct a supervisory interview with the responsible person or senior management personnel, and order rectification within a specified time limit.

If a securities rating agency fails to make corrections within the time limit, the China Securities Regulatory Commission may not accept the rating report issued by it.

Article 33 If a securities rating agency no longer meets the licensing conditions for securities rating business, it shall immediately report in writing to the CSRC agency at the place of registration and make an announcement in accordance with the law. The agency dispatched by the China Securities Regulatory Commission shall order it to make rectification within a time limit, and shall not engage in securities rating business during the rectification period. If the conditions are still not met upon the expiry of the time limit, the China Securities Regulatory Commission shall revoke the securities rating business license according to law.

Senior managers of securities rating agencies who do not meet the prescribed conditions shall be replaced within a specified time limit. If it is not replaced within the time limit, the CSRC agency shall order the securities rating agency to make rectification, and shall not engage in securities rating business during the rectification period.

Article 34 Securities rating agencies shall join the Securities Association of China.

The Securities Association of China should formulate self-regulatory guidelines and practice norms for securities rating agencies, and impose disciplinary sanctions on behaviors that violate the self-regulatory guidelines and practice norms.

The Securities Association of China shall establish databases and integrity files for securities rating agencies and their employees engaged in securities rating business.

Chapter V Legal Responsibilities

Article 35 Anyone who engages in securities rating business without obtaining the securities rating business license from the China Securities Regulatory Commission shall be dealt with in accordance with the provisions of the second paragraph of Article 226 of the Securities Law.

Article 36 Where securities rating agencies and their employees fail to perform their duties diligently and issue documents with false records, misleading statements or major omissions, they shall be dealt with in accordance with the provisions of Article 223 of the Securities Law.

Article 37 Employees of securities rating agencies who intentionally provide false information to trick investors into buying and selling securities shall be dealt with in accordance with the provisions of Article 200 of the Securities Law.

Article 38 Anyone who, in violation of the provisions of these Measures, employs personnel who do not meet the qualifications for the position and securities business qualifications shall be dealt with in accordance with the provisions of Article 198 of the Securities Law.

Article 39 If a securities rating agency fails to keep relevant documents and materials in accordance with the provisions of these Measures, it shall be dealt with in accordance with the provisions of Article 225 of the Securities Law.

Article 40 Where securities rating services are used for insider trading, it shall be dealt with in accordance with the provisions of Article 202 of the Securities Law.

Article 41 If a securities rating agency commits any of the following acts, it shall be ordered to make corrections, given a warning, and imposed a fine of not less than RMB 10,000 but not more than RMB 30,000; A fine of not less than 10,000 yuan but not more than 30,000 yuan; if the circumstances are serious or refuse to make corrections, it shall be dealt with in accordance with the provisions of paragraph 3 of Article 226 of the Securities Law: (1) Violation of the avoidance system or the conflict of interest prevention system

;
(2) Violating the information confidentiality system; (3) Failure to
conduct follow-up ratings in accordance with the provisions of these measures; (5) Altering, reselling, leasing, lending the
securities rating business license, or illegally transferring the securities rating business license in other forms
;

(6) Violating the provisions of these Measures, refusing to submit or provide business management information and materials, or
submitting or providing business management information and materials with false records, misleading statements or major
omissions; (7) Promising to give high-level
credit

(8) The internal control mechanism, management system and business system are not perfect, the implementation is not
standardized, and they refuse to make corrections; (

9) Providing financing for others or (

10) Directors, supervisors and senior executives invest in other securities rating agencies.

Chapter VI Supplementary Provisions

Article 42 Credit rating agencies engaged in credit rating activities related to futures shall refer to these measures.

Article 43 These Measures shall come into force on September 1, 2007.



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