

# Introduction of Regulation for CRAs

## Regulation/Supervision for CRAs

### [Purposes of Regulation] To ensure the following:

1. **Independence** of CRAs from issuers, etc. of the financial instruments that they rate, and **prevention of conflicts of interest**
2. **Quality and fairness in the rating process**
3. **Transparency** for the market participants such as investors

### [Overview of Regulation]

<b>Duty of good faith</b>	Conduct operations with fairness and integrity as independent entities
<b>Information disclosure</b>	Timely disclosure: publish rating policies, etc. Periodic disclosure: public disclosure of explanation documents
<b>Establishment of control systems</b>	Quality control and fairness of the rating process, and prevention of conflicts of interest, etc.
<b>Prohibited Acts</b>	Prohibit the ratings in the case where CRAs have a close relationship with the issuers of the financial instruments to be rated, etc.

### \*Inspection/Supervision, etc.

Submission of periodic business reports, supervisory order for production of reports and on-site inspection, order to improve business operations, etc.

## IOSCO Code of Conduct

1. Quality and Integrity of the Rating Process
  - Quality of the Rating Process
  - Monitoring and Updating
  - Integrity of the Rating Process
2. Independence and Avoidance of Conflicts of Interest
  - Procedures and Policies
  - Analyst and Employee Independence
3. Responsibilities to the Investing Public and Issuers
  - Transparency and Timeliness of Ratings Disclosure
  - Treatment of Confidential Information
4. Disclosure of the Code of Conduct and Communication with Market Participants

Ensure the consistency

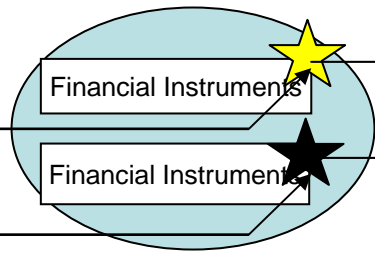
## Financial Instruments Business

### Operators, etc.'s obligation to explain

In soliciting customers, Financial Instruments Business Operators, etc. shall not use the credit ratings provided by unregistered CRAs without informing customers of a) the fact that those CRAs are not registered and b) the significance and limitations of credit ratings.

Register CRAs with established control systems: credit rating service providers

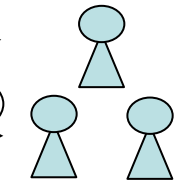
CRA (unregistered)



Ratings by registered CRAs

Ratings by unregistered CRAs

Obligation to explain



Investors

Financial and capital markets