

Testwale Current Affairs PDF

Current Affairs search results for: "SEBI orders closure of Bengaluru based Brickwork credit rating agency"

1. RBI prohibits regulated entities from using Brickwork Rating services (Oct. 13, 2022)

Reserve Bank of India has asked Banks and NBFC, [Credit Information Companies](#) and other financial entities regulated by it, to immediately stop obtaining any new ratings from Brickwork Ratings India.

Securities Exchange Board of India (SEBI) in its order dated 6 October 2022 had directed the [Brickwork Ratings India](#), to wind up its operation within 6 months after a number of deficiencies were found in its working by a joint team of RBI and SEBI .

Credit Rating Agencies are regulated by SEBI in India. Brickwork is one of the seven Sebi-registered credit rating agencies. The others are **CRISIL, CARE, ICRA, Fitch, Infomercials Ratings and Acuité Ratings & Research.**

What is a Credit Rating Agency?

- Credit Rating agencies are financial companies which rate the **credit worthiness** of the government or the companies which want to raise capital from the market.
- Credit means loan and Credit worthiness means whether the borrower is capable of returning the loan on time or not and what is the level of risk involved.
- The Rating agency looks into the borrower's financial strength and weakness, the quality of its management, its field of business etc and then expresses its opinion .
- The credit rating agency expresses its opinion on the credit worthiness of the borrower by giving it ratings. Credit rating agencies typically assign letter grades to indicate ratings. Normally AAA is the highest possible rating for the borrower.
- It means that in the opinion of the credit rating agency the borrower's risk of default is very low and it will repay the loan on time.
- Greater the risk, lesser the rating. If the rating agency gives the borrower a **junk rating** then it means that the risk of default is highest.

Benefits of rating

- The credit rating agency's rating helps the investor/lender in determining the level of risk involved in giving loans to the borrower.
- It also helps the borrowers as the rating affects the interest rates. If the borrower has been given the highest possible rating then the borrower will get loans at cheapest possible rates. As the rating declines the level of risk increases and so is the rate of interest.
- Companies which have been given junk ratings find it difficult to borrow money from the market and if anybody agrees to provide it loan then the rate of interest is very high.

2. Government of India launches Credit Guarantee Scheme for Startups (Oct. 8, 2022)

To boost funding to the Startups in the country, Department for Promotion of Industry and Internal Trade (DPIIT), under the Union Ministry of Commerce and Industry has notified the establishment of the Credit Guarantee Scheme for Startups (CGSS). The CGSS will provide

credit guarantees to loans upto **Rs 10 crore** extended by Scheduled Commercial Banks, Non-Banking Financial Companies and [Securities and Exchange Board of India](#) (SEBI) registered Alternative Investment Funds (AIFs) to the Startups registered with DPIIT.

It means that if the eligible Startups fail to repay the loan taken from eligible financial institutions then the lender will be compensated by the government of India. This guarantee by the government is likely to increase the flow of credit to the Startups.

Extent of Loan Guarantee

The credit guarantee cover under the Scheme would be transaction based and umbrella based. The exposure to individual cases would be capped at **Rs. 10 crore per case** or the actual outstanding credit amount, whichever is less.

- The extent of transaction-based cover will be 80% of the amount in default if the original loan sanction amount is up to Rs. 3 crore;
- 75% of the amount in default if the original loan sanction amount is above Rs. 3 crore, and up to Rs. 5 crore, and
- 65% of the amount in default if the original loan sanction amount is above Rs. 5 crore (up to Rs. 10 crore per borrower).

The umbrella-based guarantee cover will provide guarantee to Venture Debt Funds (VDF) registered under AIF regulations of SEBI.

The extent of umbrella-based cover will be the actual losses or up to a maximum of 5% of Pooled Investment on which cover is being taken from the fund in eligible startups, whichever is lower, subject to a maximum of **Rs.10 crore per borrower**.

Who will operate the scheme?

The **National Credit Guarantee Trustee Company Limited (NCGTC)** will be operating the Scheme.

The National Credit Guarantee Trustee Company Limited is a private company set up on 2014, under the company's act 2013. It is under the administrative control of the Union Ministry of Finance. It is owned by the Government of India.

Other Important Information for Exam

National Startup Day is observed in India on **16 January** .

India's first dedicated start-up branch was opened by SBI in **Koramangala, Bengaluru on 16 August 2022**.

3. SEBI orders closure of Bengaluru based Brickwork credit rating agency (Oct. 7, 2022)

The capital market regulator [Securities Exchange Board of India](#) (SEBI) has cancelled the license of the Brickwork Ratings India Pvt Ltd and asked it wind up its operation within **six months**. In an order issued on 6 October 2022 SEBI has prohibited it from taking on any new business,

SEBI in its order said that the company has "failed to exercise proper skill, care and diligence while discharging duties as a credit rating agency".

In a joint investigation of Brickwork by RBI and SEBI several irregularities were found in the working of the company.

Some of the violations alleged in the findings of the two probes were delay or failure in recognition of default of non-convertible debentures of entities like Bhushan Steel, Zee Entertainment Enterprises, Essel Corporate Resources and Diamond Power Infrastructure while failing to review the rating of firms like Great Eastern Energy Corporation and Gayatri Projects.

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Brickwork Ratings

It was set up in 2007 and Canara Bank was one of the promoters of Brickworks Ratings

It's Headquarters: **Bengaluru, Karnataka**

Managing Director: **Vivek Kulkarni.**