

# Panel raps agencies for not anticipating IL&FS situation

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**NEW DELHI:** A parliamentary panel wants the finance ministry to spell out steps to make India's credit rating agencies more accountable and transparent in the backdrop of the crisis at the highly rated finance firm Infrastructure Leasing & Financial Services (IL&FS).

The panel wants the government to end the practice of agencies getting paid by the companies that want credit ratings, a business model that has often come under criticism.

"We want the government to change rules so that firms seeking ratings should pay Sebi [Securities and Exchange Board of India] instead of rating agencies for their work. This will possibly make the system more transparent and the chances of manipulation will reduce," said a senior member of the panel.

Another member pointed out

that investors also go by credit ratings before buying mutual funds or parking money in fixed deposits.

"A wrong rating can create a havoc for common investors who park their hard earned money in financial instruments."

Earlier this week, members of the standing committee on finance met representatives from credit rating agencies and ministry officials to discuss the functioning of the agencies. During the interactions, several members, including panel chairman Veerappa Moily and Trinamool Congress leader Saugata Ray, drew a parallel between the IL&FS crisis and the Lehmann Brothers collapse and pointed out that both firms were given the highest credit rating.

"We were of the firm opinion that these agencies have failed not only in the IL&FS case, but also in the infrastructure sector.

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