

# Parliamentary Panel Seeks Inquiry Commission into IL&FS Crisis

Report, to be tabled today, also suggests tightening of rules for credit rating agencies

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**New Delhi:** The parliamentary standing committee on finance has recommended a comprehensive "commission of inquiry" into the factors that led to the crisis in Infrastructure Leasing & Financial Services Ltd (IL&FS), sources said. It also wants the probe to cover the role of credit rating agencies (CRAs) and Life Insurance Corporation, the largest institutional investor in the infrastructure lender, as well other stakeholders.

The committee said the ministry of finance, especially the departments of economic affairs

and financial services, must seek a report from the regulators concerned on the enforcement of CRA regulations, including action taken by them against the agencies that had been giving 'stable' ratings to IL&FS prior to its default.

The report of the committee — Strengthening of the Credit Rating Framework in the Country — approved by the panel on Monday, is slated to be tabled in Parliament on Wednesday on the last day of the Lok Sabha.

The committee asserted that CRA regulations should be modified and tightened to ensure greater credibility, objectivity and transparency in the credit

rating process.

The panel felt time has come for fresh evaluation of the credit rating framework in the country to restore public confidence and for ensuring accountability of the rating agencies, it is learnt.

While taking a critical look at the functioning of CRAs and making scathing observations, the committee is learnt to have recommended making changes in regulatory framework to remove "conflict of interests" when CRAs or their subsidiaries are allowed to undertake advisory and consultancy work, it is further learnt.

It may recalled that after the IL&FS crisis came out in the

open, the government had suspended many of those who were piloting its affairs and re-constituted its board.

Sources said the committee felt the need for close scrutiny of the working of CRAs in India in the context of the IL&FS episode and recalled how many years ago many CRAs in the international context were forced to downgrade their own earlier credit ratings when Lehman Brothers collapsed.

Underling the need for precautionary steps, the committee report, it is learnt, also recommended the ministry and regulator look at the possibility of mandatory rotation of CRAs.