


**POLICY | CHARGING FEE  
RELATING TO CREDIT RATING  
SERVICES**

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<b>Signing Authority</b>	 <b>USMAN HAIDER</b> <b>Chief Executive Officer</b>

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## 1. OBJECTIVE

**1.1** To ensure that PACRA’s receipt of fees from clients does not impair the independence, objectivity or integrity of its ratings and rating actions.

**1.2** To ensure that rating products and services and all matters pertaining to fee for rating services conforms to this policy.

**1.3** To enable PACRA to manage the Potential Conflict of Interest arising out of the fact that PACRA is, in most cases, paid a fee by the very same entities / issuers whose ratings it determines and that such fee constitutes PACRA’s core revenue stream.

## 2. APPLICABILITY

**2.1** This policy is applicable on *Business Development Function*.

## 3. FEE STRUCTURE

**3.1 Standard fee structure:** PACRA’s standard fee structure may include following:

- i. List of fees and charges relating to its rating services and dissemination of the same on its website.
- ii. List of fees and charges containing all the rating services rendered and functions performed by it and the rate of fee for each such service and function.
- iii. The fee provided is mainly in terms of percentage, in the form of range (i.e. minimum and maximum) or in the form of fixed amount for each service/function.
- iv. List of fee charged against national or social cause projects.

## 4. DETERMINATION OF RATING FEE

**4.1** Fee is communicated to and finalized with the Client before the beginning of the Rating assignment. The most recent view of the fee structure is maintained on the website. <https://www.pacra.com/fee>

**4.2** PACRA follows its standard fee structure. However, as the fee charged is a function of diverse factors that may vary greatly in each individual case, fee may be adjusted accordingly.

**4.3** PACRA may adjust its fees under the following (*not exhaustive*) circumstances:

- i. If the issuer is already rated by PACRA or has a prior rating relationship with PACRA. PACRA will also consider whether the issuer is part of a group or has an associated company that is already rated by it.
- ii. The size of the issuance (*a fee cap or floor may be applied to facilities / programs, depending on the total facility/program amount*).
- iii. The complexity of the rating assignment in terms of unique risks or risks not thereto evaluated by PACRA.
- iv. Fees for structured transactions will take into account the complexity of transaction structures and nature of the underlying assets.

**4.4** “Standard Fee Structure” that is applicable in respect of all services being rendered by the company shall be approved by the “Chief Executive Officer”.

**4.5** The agreement, between PACRA and the client, with regards to fee includes,

but not limited to the following:

- i. For initial assignment, fee would be payable in advance preferably in full, but a minimum of 50%, on acceptance of rating agreement.
- ii. The fee for annual surveillance and updating may be increased as mutually agreed. The surveillance period for the purpose of surveillance fee begins as per the specific term of fee agreement and may be from the first anniversary of the agreement or initial notification.
- iii. The fee is due within fifteen (15) days after billing of invoice. In case a payment is delayed beyond 15 days, PACRA may demand a nominal charge at the rate of 1% per month for period beginning from the date of invoice. It is on discretion of Head of Business Development to impose such surcharge.
- iv. Out of pocket expenses (as agreed under fee agreement) will be charged separately to the client.
- v. Fees are exclusive of any excise duty, sales tax, surcharge etc. that may be levied by the government.
- vi. Latest Audited Financials of the underlying entity will be used to calculate applicable fee.
- vii. PACRA's fee structure is used as a benchmark. The fee is quoted on a case-to-case basis after ascertaining scope of work, complexity of assignment, nature of underlying business and extent of relationship with PACRA.
- viii. PACRA fee structure is subject to revision without prior notice.

**4.6 Fee Finalization:** All fee negotiations are finalized solely by the concerned personnel in the Business Development Function. Fee finalizations shall proceed as follows:

- i. Fee pertaining to individual client within the range as appearing in standard fee structure shall be approved by the "Head Business Development Function".
- ii. Finalization of fee if not within the range as described in "standard fee structure" shall be made with the approval of "Chief Executive Officer (CEO)".
- iii. In case client and PACRA has mutually agreed to revise the fee within the applicable range, the same shall be approved by "Head Business Development & Marketing. Function". However, if mutual agreement has reached to revise the fee that is not within the approved range, the same shall be subject to approval of Chief Executive Officer (CEO).

**4.7 Fee Revision:** The standard fee structure is valid unless reviewed. Moreover, PACRA reserves the right to revise its standard fee structure at any time without prior notice. Revisions in standard fee structure may not routinely impact existing clients as existing fee agreements may be revised only after a mutual consensus has been reached with the client regarding such revision.

## **5. CONFLICT OF INTEREST**

**5.1** PACRA has made the reporting lines and compensation arrangements for employees in rating function in a way to eliminate or effectively manage actual and potential conflicts of interest.



5.2 PACRA does not compensate its analysts and other employees who participate in or might otherwise have an effect on rating process based on the revenue generated. While reviewing compensation policies for such individuals, it would be ensured that these policies do not compromise the objectivity of PACRA’s rating process.

[Ref: PACRA HR Policy]

**6. DISCLOSURE**

6.1 PACRA makes the following disclosures in its annual financial statements:

- i. Its total revenue from rating services and non-rating services separately;
- ii. Customer-wise non-rating revenue of the credit rating company or its holding or subsidiary companies, if any, in case where non-rating revenue of the credit rating company or its holding or subsidiary companies, if any, from any single customer or group is ten percent (10%) or more of its or its holding or subsidiary companies’ total revenue; and
- iii. Names of the customers who along with their associates contribute ten percent (10% or more of the total revenue of the credit rating company or its holding or subsidiary companies.

**7. TASKS**

7.1 **Business Development Function:** A current version of the standard fee structure is always maintained on the website.

7.2 **Finance:** Specified disclosures are present in the annual financial statements.

**8. POLICY ADMINISTRATION**

8.1 **Interpretation:** Competent Authority is responsible for interpreting and applying the policy to specific situations when questions arise.

8.2 **Review:** This policy is subject to review as follows:

Reviewed by	Scope	Frequency (Minimum)	CRC Regulations, 2016
Compliance Officer	Appropriateness & sufficiency	Annual	Chapter III   11-B-(k)
Firm of Chartered Accountants	Actual vs. Policy	Semi-Annual	Chapter III   11-F-(g)

8.3 **Policy Approval:** This Policy is required to be approved by the board of directors.

8.4 **Investigations of Suspected Violations:** All reported violations shall be promptly investigated and treated confidentially to the extent reasonably possible.

8.5 **Disciplinary Protocol:** Compliance with all codes of conduct and PACRA Policies, including this Policy, is a condition for employment. Compliance with the codes and PACRA policies shall be monitored on periodic basis:

- *Those who come within the bounds of this policy shall cooperate fully to provide truthful, accurate information*

**Capitalized terms used herein are defined in PACRA Glossary. Moreover, current version of this policy is available on the website:**

**9. REGULATORY  
REQUIREMENT**

**9.1** PACRA’s compliance to SECP’s regulatory requirements in terms of the Policy for Charging Fee is as follows:

PACRA’s Compliance for Policy for Charging Fee	
CRC Regulations, 2016	Policy Reference
<p><b>Regulation Chapter III   12-(2)-(g):</b> The credit rating company shall ensure that it has made the reporting lines and compensation arrangements for its employees in a way to eliminate or effectively manage actual and potential conflicts of interest. An analyst must not be compensated on the basis of revenue generated from the entities rated by him;</p>	<p><b>Clause 5.1</b></p>
<p><b>Regulation Chapter III   12-(2)-(h):</b> The credit rating company shall ensure it shall conduct periodic reviews of compensation policies for analysts and other employees who participate in or who might otherwise have an effect on the rating process to ensure that these policies do not compromise the objectivity of the credit rating company’s rating process.</p>	<p><b>Clause 5.2</b></p>
<p><b>Regulation Chapter III   15-(1):</b> The credit rating company shall prepare a list of fees and charges relating to its rating services and disseminate the same on its website</p>	<p><b>Clause 3.1(i)</b></p>
<p><b>Regulation Chapter III   15-(2):</b> The list of fees and charges must contain all the rating services rendered and functions performed by it and the rate of fee for each such service and function.</p>	<p><b>Clause 3.1(ii)</b></p>
<p><b>Regulation Chapter III   15-(3):</b> The fee may be provided in terms of percentage, in the form of range (i.e. minimum and maximum) or in the form of fixed amount for each service/function.</p>	<p><b>Clause 3.1 (iii)</b></p>
<p><b>Regulation Chapter III   15-(4):</b> The credit rating company shall provide the list of fee charged against national or social cause projects.</p>	<p><b>Clause 3.1 (iv)</b></p>
<p><b>Regulation Chapter IV   22-(2):</b> A credit rating company shall disclose in its audited annual financial statements, the following information:</p> <ul style="list-style-type: none"> <li>(a) its total revenue from rating services and non-rating services separately;</li> <li>(b) customer-wise non-rating revenue of the credit rating company or its holding or subsidiary companies, if any, in case where non-rating revenue of the credit rating company or its holding or subsidiary companies, if any, from any single customer or group is ten percent (10%) or more of its or</li> <li>(c) names of the customers who along with their associates contribute ten percent (10%) or more of the total revenue of the credit rating company or its holding or subsidiary companies.</li> </ul>	<p><b>Section 6.1 (i)</b></p> <p><b>Clause 6.1 (ii)</b></p> <p><b>Clause 6.1 (iii)</b></p>
<p><b>Annexure H:</b> List of Policies to be developed &amp; disclosed by a credit rating company / agency   Policy for Charging Fee</p>	<p><i>Policy developed &amp; disclosed on website</i></p>