

SAT Order - Information Summarized

Source: SEBI

Order #1

Name of Appellant - Mr. G. Jayaraman

Violation - clauses 1.2 and 3.2-3 in Part A of Schedule I prescribing the Code of Conduct for the companies under Regulation 12 of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (for short the Regulations).

Loophole:

1. It is a cardinal principle of law that before a person can be held guilty of violating a regulatory provision, it must be brought on record as to on which date the said violation took place. The adjudicating officer has not recorded any finding to that effect.
2. The adjudicating officer while arriving at a conclusion has not given his finding as to the date on which the trading window was required to be closed

Decision - We set aside the impugned order and remand the matter to the adjudicating officer for recording his findings afresh within a period of two months from the date of receipt of this order

Order #2

Name of Appellant - M/s. N R Mercantiles Private Ltd AND M/s. Imtihan Commercial Private Ltd.

Violation - section 12A(d) and section 12A(e) of the Securities and Exchange Board of India Act, 1992('SEBI Act' for short) and regulation 3(i) of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992

Loophole: No Loophole.

Decision - For all aforesaid reasons, we find no merit in these appeals and accordingly both appeals are dismissed with no order as to costs.

Source: IndianKanoon

Order #3

Name of Appellant - Rajiv B. Gandhi, Sandhya R. Gandhi

Violation - Regulations 3 and 4 of the Securities and Exchange Board of India (Insider Trading) Regulations, 1992

Decision- In the result, the question posed in the earlier part of the order is answered in the affirmative and we hold that the appellants were guilty of insider trading. The penalty levied on them is not on the higher side keeping in view the seriousness of the charge and, therefore, it does not call for any interference in appeal. The appeal is accordingly dismissed with no order as to costs.

Order #4

Name of Appellant - Mr. G. Bala Reddy, Mrs. G. Velangini Mary, Mrs. Mary Ashwini, Mrs. Sravanthi Yakkanti, Sahasra Investments Pvt. Ltd., BRG Energy Ltd., Mr. Anthony Pratap Reddy Gali

Violation -

1. Shri G. Bala Reddy, G Velangini Mary, Mary Ashwini and Sravanthi Yakkanti violated Regulation 3 and 4 of the PIT Regulations, 1992 read with sections 12A(d) and 12A(e) of the SEBI Act
2. Sahasra Investments Pvt. Ltd. and BRG Energy Ltd. violated Regulation 3, 3A and 4 of the PIT Regulations, 1992 and sections 12A(d) and section 12A(e) of the SEBI Act, 1992.
3. Shri G Bala Reddy, G Velangini Mary, APRG, Sravanthi, Mary Ashwini and BRG have violated Regulations 3(c) and (d) of the PFUTP Regulations read alongside section 12A(b) and (c) of the SEBI Act
4. Shri G. Bala Reddy and G Velangini Mary also violated Regulation 8A(1) and (2) of the Takeover Regulations, 1997, Regulations,

Loophole -

1. From a perusal of the definition of promoter and promoter group it is apparently clear that **Appellant Nos. 3 and 4 do not fall in the category of promoter or promoter group.** Regulation 8A specifically requires a promoter or every person forming part of the promoter group of the company to disclose the details of the pledging of their shares of the company. The mandate under Regulation 8A for disclosure is upon the promoter or every person forming part of the promoter group. Since the Appellant Nos. 3 and 4 admittedly are not promoters of the company nor are part of the promoter group, they **cannot be held liable for violation** of Regulation 8A of the Takeover Regulations.
2. The letter of SEBI **does not explicitly state** that the appellant was required to furnish the information with regard to **his professional or working relationship** with the other entities. Thus, even though the Appellant No. 1 may have professional or working relationship with the other entities, we are of the opinion that since there was no explicit

clarity in the information sought the reply given by the appellant, being in accordance with the provisions of the Companies Act, 1956, was not misleading. SEBI ought to have been more professional and should have asked clear cut information which is **explicit and is not vague**. Consequently, we are of the opinion that the imposition of penalty insofar as providing misleading information cannot be sustained.

3. It was urged that the direction to pay penalty jointly and severally by the appellants is **arbitrary**. It was urged that if the Appellant No. 7 had only made a profit of ` 2,81,16,267/- then the penalty should be **accordingly quantified** to a maximum of three times the profit instead of directing the said appellant to pay the entire amount of penalty of ` 40,00,00,000/- (Rupees Forty Crore Only).

Decision - For the reasons stated aforesaid the appeal is partly allowed. The order of the AO imposing a penalty of ` 40,00,00,000/- (Rupees Forty Crore Only) under section 15G and section 15HA of the SEBI Act against the appellants for violation of Regulation 3 and 4 of the PIT Regulations read with section 12A(d) and (e) of the SEBI Act is affirmed. The imposition of penalty of ` 20 lakhs (Rupees Twenty Lakhs Only) under section 15A(a) of the SEBI Act for submitting misleading information to SEBI and penalty of ` 38 lakhs (Rupees Thirty Eight Lakhs Only) upon Appellant Nos. 1 and 2 for violation of Regulation 8A(1) and (2) of the Takeover Regulations, 1997 are quashed. In view of the partial success, parties shall bear their own costs.