

SAT allows Sebi to levy higher penalty on Icra

Jayshree P. Upadhyay

jayshree.pyasi@livemint.com

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The Securities and Exchange Board of India (Sebi) has the power to enhance penalties and levy higher penalty than what was originally imposed, the Securities Appellate Tribunal (SAT) has ruled.

The tribunal was hearing a petition filed by Icra Ltd against a second showcause notice issued by Sebi on 28 January seeking to increase the penalty amount. The credit rating agency filed a plea before SAT seeking a stay on the proceedings.

The market regulator had issued fresh notices after the Sebi board decided that the ₹25 lakh penalty imposed on 26 December on Icra, Care Ratings Ltd, and India Ratings



Sebi had decided that ₹25 lakh penalty imposed on Icra, India Ratings, Care Ratings was too little given the magnitude of negligence in evaluating instruments issued by IL&FS.

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and Research Pvt Ltd, was too little considering the magnitude of the negligence by the three rating agencies in evaluating instruments issued by Infrastructure Leasing and Financial Services (IL&FS).

According to Sebi's earlier orders, the rating agencies were guilty of excessively rely-

ing on assertions by the IL&FS management, not using independent professional assessment, getting comfort from the parent company and not noticing disparities in public disclosures made by IL&FS.

The regulator issued the fresh notices under Section 15-I (3) of the Sebi Act, under

which the Sebi board can examine the records of proceedings if it considers the orders passed by the adjudicating officer erroneous and not in the interest of the securities markets. After examining the matter, the Sebi board can enhance the quantum of the penalty imposed.

In its order last week, SAT ruled that Sebi has the power to relook its penalty orders. "We are prima facie of the opinion that Sebi has the power to initiate proceedings under Section 15-I(3) of the Sebi Act," the tribunal said. SAT also gave Sebi four weeks to reply to the petition filed by Icra. The matter has been posted for 20 August for either admission or disposal. In the interim, the quasi-judicial proceedings following the second showcause notice issued on 28 January will continue.