

LEGAL UPDATES

SEBI PENALIZED TWO INDIVIDUALS FOR NOT COMPLYING WITH SUMMONS IN VIDEOCON INSIDER TRADING CASE

Due to the failure to respond to the summonses sent to these two individuals in the instant case, during the investigation into potential insider trading and volume manipulation in the scrip of Videocon Industries Ltd., SEBI fined two people Rs. 5 lakh each for violating the procedure of law.

According to Section 11C (5) of the SEBI Act, non-cooperation by an entity can harm the interests of investors and the securities market by delaying or impeding the investigation. Hence, it has repeatedly been held and emphasised that compliance with the summons is vitally crucial for successful investigative processes.

SEBI further noted that the information/details requested from the person through the summons were crucial to the investigation being conducted by SEBI regarding the manipulative trading in the scrip of Videocon and that same would have enabled the Investigating Authority to draw accurate conclusions in the matter, which also involved an investigation into the affairs of other related entities/persons. The regulator asserted that the person's conduct demonstrates that they are acting in a manner that is inconsistent with the law.

In conclusion, it was further asserted that the authority to issue summonses has been provided to SEBI in consideration of its statutory duty to protect the securities market and the interests of bona fide investors in the securities market. It observed that *"A lenient view in such cases would defeat the legislative intent of section 15HB. Since the default has already occurred, the penalty must follow..."*