

SAT quashes SEBI'S ban in DLF limited matter

In an appeal filed before Securities Appellate Tribunal ('SAT') by DLF Limited and its key officials against Securities and Exchange Board of India ('SEBI') order dated October 10, 2014 ('Impugned Order'), SAT quashed and set aside the Impugned Order restraining DLF Limited its directors and CFO from accessing the securities market for a 3 years and held that disclosures made by DLF Limited in its IPO prospectus were in accordance with the applicable laws.

Facts

Impugned Order had held that DLF, its directors and CFO to be restrained from accessing the securities market and also prohibited them from buying, selling and otherwise dealing in securities for a period of 3 years on the grounds that they actively and deliberately suppressed disclosure of companies alleged to be subsidiaries of DLF Limited in the initial public offering prospectus ('**IPO Prospectus**') so as to mislead and defraud the investors in the securities market. SEBI held that failure to make disclosures of companies alleged to be subsidiaries of DLH Limited being a material information in the IPO prospectus is in violation of SEBI (Issue of Capital and Disclosure Requirement Regulations), 2009 read with SEBI (Disclosure and Investor Protection Guidelines), 2000 as well as the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations. Being aggrieved by the Impugned Order, DLF filed an appeal before the SAT.

SAT order

The issue before SAT was whether companies alleged to be subsidiaries of DLF Limited were in control of DLF Limited and non-disclosure of the same in the IPO Prospectus amounted to any misstatement/omission of material information under the SEBI regulations. The majority bench held that DLF Limited did not exercise the control over the companies alleged to be it subsidiaries of DLF Limited and hence there is no violation of SEBI regulations and set aside the Impugned Order restraining DLF Limited, its directors and CFO. However, the order passed by minority upheld the Impugned Order to an extent however, reduced the restrain period from accessing the capital market period from 3 years to 6 months.

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