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## Sebi to look into disclosure of pledged shares

### *Regulator To Find Out If The Disclosure Falls Under The Ambit Of Insider Trading*

Reena Zachariah MUMBAI

DISCLOSURE of shares pledged by promoters has been a grey area so far. But does it fall under the ambit of insider trading, since it involves dealing in securities? That is what Sebi wants to find out. This will be among the key issues discussed by the regulator, as it takes a fresh look at insider trading regulations in the wake of the massive fraud at Satyam Computer last week.

Presently, there are no specific norms which cover pledge of shares in insider trading regulations. However, the norms do mention about dealing in securities.

"Dealing of shares can include anything and everything," said a corporate law expert.

Securities are not defined under the Insider Trading Regulations. However, as per the Securities (Contract) Regulation Act, securities mean shares, scrips, derivatives, debentures, units in a collective investment scheme, security receipts and also rights or interest in securities.

According to another lawyer, unless it is proved that the creation of pledge amounts to creation of "right" or "interest" in securities, which amounts to "deal" in securities as per Insider Trading Regulations, the provisions of regulations may not get triggered. Also, intent to deal/sell the securities needs to be established with the fact that the pledger was in possession of unpublished price-sensitive information.

"Pledge of shares may not amount to dealing in securities under Insider Trading Regulations, and therefore, may not warrant any compliance under the said regulations," says Vyapak Desai, Head-Capital Markets Practice at Nishith Desai Associates.

The Sebi committee may also consider introducing norms for promoters, who pledge their shares to financial companies to make disclosures to stock exchanges. This is with a view to protect the interest of minority shareholders, as they consider the extent of promoter stake as a crucial factor for their investment decision.

A lot of promoters of company — especially realty — pledge their shares with financial institutions for raising capital that could hold disastrous consequences for promoters as well as minority shareholders, once sentiment takes a turn for the worse.

[reena\\_zachariah@timesgroup.com](mailto:reena_zachariah@timesgroup.com)

