

HDFC Bank penalises employee for wrongful share trading

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In a rare instance where any listed company has penalised its own senior executive for 'wrongful' share market trading, HDFC Bank has imposed a penalty of ₹10.2 lakh against its senior executive Jimmy Tata, the chief credit officer of the bank, for selling shares in violation of insider trading violations. The bank has directed the officer to deposit the fine with SEBI's investor protection fund.

Experts are of the view that still this does not stop SEBI from taking action against the executive. Tata, who was the chief risk officer of HDFC Bank till last month, took on the new role just recently. HDFC said that Tata had sold 1,400 shares of the bank held by him in an "inadvertent trade".

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"SEBI in the past has provided deference to companies voluntarily taking an action to impose no or less regulatory penalty considering it as a good corporate governance measure. But it is fact specific," said Sumit Agrawal, Founder, Regstreet Law Advisers & former Sebi officer.

"The Audit Committee has concluded that this was an inadvertent trade made without intent to violate the Bank's Share Dealing Code (Bank's Code) or the SEBI (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations)," HDFC Bank said in its regulatory filing to the exchanges.

According to HDFC, its panel determined that there was a violation of the Bank's Code and PIT Regulations and imposed a penalty of ₹10.20 lakh on Tata.