

SEBI PENALIZES YES BANK IN BONDS CASE

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The bank will appeal against the order before the Securities Appellate Tribunal, it said in a regulatory filing

MUMBAI : The Securities and Exchange Board of India, on Monday imposed a fine of 25 crore on Yes Bank in the additional tier 1 bonds (AT1) misselling case. It has also penalized former head of the bank's private wealth management team Vivek Kanwar with a fine of 1 crore, and two other former executives, Ashish Nasa and Jasjit Singh Banga, with a fine of 50 lakh each.

The bank will appeal against the order before the Securities Appellate Tribunal (SAT), it said in a regulatory filing.

Sebi had conducted a probe into the allegations of misselling of AT1 bonds after receiving complaints from investors to ascertain whether there was any violation of rules. Subsequently, it had issued an adjudication show cause notice to Yes Bank Ltd, its former promoter Rana Kapoor, Kanwar, Nasa and Banga.

"Sebi observed that the noticees had facilitated selling of AT1 bonds of Yes Bank from institutional investors to individual investors. It was alleged that during the process of selling bonds, individual investors weren't informed about all the risks involved in subscription of AT1 bonds," Sebi said in its order.

The market regulator found that Yes Bank had misrepresented the product as a 'Super FD' and 'as safe as an FD'. The term sheet was also not shared with many investors and no confirmation was taken from the customers on their understanding of the product's features and the risks associated with the bond.

Sebi said Yes Bank had also failed to conduct risk profiling of individual clients, especially senior citizens aged 70,80 and 90 years. There was a push from the chief executive of the bank to down sell AT1 bonds which led the private wealth management team to recklessly sell the bonds to individual investors, it added.

Last month, the Bombay high court had granted time to the Reserve Bank and Sebi to file their responses to a petition filed by individual holders of Yes Bank AT1 bonds.

The bondholders, who had approached the court in February under the banner of the AT1 Bondholders Association, claimed that the sale of bonds was illegal and urged the court to direct Yes Bank to deposit 160 crore in the court, pending a decision in the case.

On 13 March 2020, the government had approved a rescue plan for Yes Bank, backed by the SBI, ICICI Bank, HDFC, Kotak Mahindra Bank, Bandhan Bank, Federal Bank and IDFC First bank, which infused 10,000 crore in Yes Bank.

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