

# The Securities Appellate Tribunal Quashes SEBI's Order to Cancel the Licence of Brickwork Ratings

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Bengaluru (Karnataka) [India], June 8: The Securities Appellate Tribunal (“SAT”) has, on 6 June 2023, quashed SEBI’s decision of cancelling Brickwork Ratings’s registration as a credit rating agency.

On 6 October 2022, the Whole Time Member, SEBI had passed an order cancelling Brickwork Ratings’s registration as a credit rating agency due to alleged deficiencies observed by SEBI in the inspection carried out in January 2020. SEBI’s order alleged routine operational errors such as lapses in documenting meetings, missing signatures in minutes of meetings, incorrect recording of attendance of committee members, minor delay in recognition of defaults. SEBI had granted a window of 6 months to Brickwork Ratings to wind down its operations. This was the first time in India, that the market regulator had taken such a drastic step of ordering cancellation of a credit rating agency’s licence. Following the cancellation order, SEBI also issued a circular dated 13 October 2022, prescribing the process to be followed by credit rating agencies whose registration was cancelled or suspended.

Aggrieved by the cancellation order, Brickwork Ratings had immediately filed an appeal before SAT against SEBI’s Order. On 14 October 2022, the SAT granted interim relief to Brickwork Ratings staying SEBI’s cancellation order, pending final hearing of the Appeal, and had also directed Brickwork Ratings not to take up any new mandates, pending the final decision in the appeal.

The Hon’ble SAT has now, in its detailed order of 6 June 2023 permitted Brickwork Ratings to continue to operate as a Credit Rating Agency, unconditionally. SAT has observed that on many counts, Brickwork Ratings’s explanations with respect to certain allegations were satisfactory and were not considered by SEBI. The SAT has concluded that the alleged violations found by SEBI are routine operational errors and are of a trivial nature which do not justify cancellation of Brickwork Ratings’s licence. Accordingly, while quashing SEBI’s decision on cancellation, the SAT has sent the matter back to SEBI for the limited purpose of deciding the quantum of penalty, holding that such penalty would have to be other than an order of cancellation. The SAT has also directed that Brickwork Ratings be given an opportunity of hearing before SEBI decides the quantum of such penalty and to take into consideration as a mitigating factor, the interim order of 14 October 2022 directing Brickwork Ratings not to take up new mandates pending the appeal.

Vivek Kulkarni, MD said, “The SAT order has come as a big relief to all of us at Brickwork Ratings. We are committed to working closely with all regulators and look forward to continuing our work with renewed enthusiasm. We thank our employees, customers, and well-wishers for believing in us and standing by us during this crucial time.”

<https://www.brickworkratings.com/>

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