

Franklin gets SC nod to seek unit holders' consent

Order pertains to six wound-up schemes; court tears into Sebi for staying on sidelines during heavy redemptions

ASHLEY COUTINHO
Mumbai, 3 December

The Supreme Court (SC) issued an interim order on Thursday, allowing trustees of Franklin Templeton Mutual Fund to seek consent of unit holders regarding the winding up of the six debt schemes under section 18(15)(c) of SEBI (Mutual Fund) Regulation 1996.

Redemptions will, however, continue to be suspended till further notification.

The apex court, hearing the asset manager's plea challenging the Karnataka High Court's October verdict, slammed markets regulator Securities and Exchange Board of India (Sebi) for staying on the sidelines when unit holders began redeeming investments.

The regulator had also drawn flak from the Karnataka HC for failing to reply to the letter dated April 20 addressed by the trustees, in which permission and guidance of the regulator was sought for the winding up of the six schemes.

"We believe the Supreme Court order will be helpful in ensuring orderly monetisation and distribution of scheme assets. We will issue the notice for seeking consent of unit holders, shortly. We deeply appreciate the support of our investors and partners to date, and hope to commence distribution of investment proceeds at the earliest," Franklin Templeton said in a note after the order.

The two-member Bench will hear the matter again next week.

According to an earlier update provided by the asset manager, the six schemes had received total cash flows of ₹11,576 crore since winding up from maturities, pre-pay-



TAKING ACTION

- SC issues interim order
- Allows FT to seek unit holders' nod for winding up of six debt schemes
- Apex court also slams regulator for failing to take appropriate action as the crisis unfolded
- Two-member SC bench to hear the matter again next week
- FT to issue notice for seeking consent of unit holders shortly
- Six schemes have received total cash flows of ₹11,576 crore

ments, and coupon payments till November 27. Of this, ₹2,836 crore was received in the month of November.

Cash available as of November 27 stood at ₹7,226 crore for the four cash-positive schemes, subject to fund-running expenses. Individually, Franklin India Low Duration Fund, Franklin India Ultra Short Bond Fund, Franklin India Dynamic Accrual Fund, and Franklin India Credit Risk Fund had 48 per cent, 46 per cent, 33 per cent, and 14 per cent of their respective AUM in cash.

"Following the judgment of the High Court of Karnataka, we considered all possible options over the last few weeks to start returning money to unit holders in the shortest possible time, and in an orderly manner. This included the option of seeking unit holders' consent, accord-

ing to the judgment of the Hon'ble High Court. However, following detailed deliberations, we determined that it would be necessary to seek judicial intervention from the Supreme Court to ensure an appropriate implementation of law in the best interest of unit holders," Franklin Templeton had said in a note earlier.

Franklin MF shut six of its debt schemes on April 23, citing redemption pressures and lack of liquidity in the debt market.

In May, the trustees had sought a vote by unit holders under section 41(1) of the SEBI Mutual Fund Regulations, to permit the Trustee (or Deloitte) to undertake an orderly sale of debt securities held in the funds, and return the money to unit holders. However, the process could not be completed.