

# Sebi slaps ₹15-cr fine on top FT MF officials

**Imposes ₹3-crore fine on trustee; CEO, CIO asked to pay ₹2 crore each**

CHIRAG MADGA  
Mumbai, 14 June

**D**ays after the Securities and Exchange Board of India (Sebi) took action against Franklin Templeton Mutual Fund (FT MF), the regulator on Monday imposed a cumulative penalty of over ₹15 crore on top officials of the fund house and its trustee for violating regulations while managing the six schemes that were wound up last year.

The regulator imposed ₹3 crore penalty on FT Trustees Services and ₹2 crore each on Chief Executive Officer (CEO) Sanjay Sapre and Chief Investment Officer (CIO) Santosh Kamath. Five other fund managers were asked to pay fines of ₹1.5 crore each, and the chief compliance officer was asked to pay ₹50 lakh.

"The serious lapses and violations clearly appear to be a fall out of the FT MF's obsession to run high yield strategies without due regard from the concomitant risk dimensions. FT MF ought to have realised that the past track record in respect of high-risk strategies is no guarantee against future mishaps," Sebi said in the order.

FT MF had shuttered its six debt schemes in April 2020 citing liquidity issues due to the Covid-19 outbreak.

"While it is easy to shift the blame for such mishaps onto black swan events, regulatory changes, etc. the noticees need to seriously introspect and put in place robust risk control and due-diligence mechanisms, given that the rest of the industry has been able to cope with the events and survive through the crisis period of the Covid-19 pandemic, without reaching the point of winding up," the Sebi order said. FT MF in a statement said it will appeal Sebi's order. "We believe the company and employees have acted in compliance with regulations and in the best interest of unit-holders in discharging their responsibilities. Based on our initial review of the order, we are considering all options with



## CRACKING THE WHIP

The cumulative penalty is ₹15 crore

|                     | Designation                | Penalty (₹ cr) |
|---------------------|----------------------------|----------------|
| FT Trustee Svcs     | NA                         | 3.0            |
| Sanjay Sapre        | CEO                        | 2.0            |
| Santosh Kamath      | CIO                        | 2.0            |
| Kunal Agarwal       | Fund manager               | 1.5            |
| Sumit Gupta         | Fund manager               | 1.5            |
| Pallab Roy          | Fund manager               | 1.5            |
| Sachin Padwal Desai | Fund manager               | 1.5            |
| Umesh Sharma        | Fund manager               | 1.5            |
| Saurabh Gangrade    | "Chief Compliance Officer" | 0.5            |

Source: Sebi

regard to next steps which may include filing an appeal before the Securities Appellate Tribunal (SAT)," it said.

Sebi in its order said FT Trustee Services had failed to render at all times high standards of service, exercise due diligence, ensure proper care and exercise independent professional judgement in respect of taking steps to ensure that FT MF doesn't transact in a manner to create illiquidity for the schemes and to ensure that the pattern of investment transactions is not akin to giving loan to issuers.

The trustee in its reply had stated that it "regularly tracked periodic liquidity anal-

ysis undertaken by the risk management function as part of the head of risk management's presentations to the board of the Trustee. Until the latter half of March 2020, such presentations did not highlight any critical or immediate liquidity concerns. Once the liquidity crisis in the schemes came to the attention of the Trustee in the latter half of March 2020, the Trustee worked with the AMC towards ensuring that the same was being addressed, and carefully considered various options presented to the board of the Trustee including gating and suspension of redemptions, increase in borrowing limits etc."

Sebi in its order also stated that it is imperative for the Trustee and the persons at the helm of affairs at all times, to act diligently and faithfully in the best interest of the unitholders. Any non-compliance or deviation from the regulatory requirements, would derail the trust imposed by the unitholders in the mutual fund.

In a separate order on Monday, Sebi has also imposed a penalty of ₹5 crore on Mywish Marketplaces, an associate company of FT MF, for redeeming units worth ₹22 crore weeks before the schemes were wound up. FT MF directors Vivek Kudva and Alok Sethi also served on the board of Mywish. "The noticee (Mywish) on the basis of information provided by Vivek Kudva had redeemed its units in the impugned debt schemes and thus enjoyed an unfair advantage over other investors, who remained invested and were subsequently left in the lurch as their investments were locked up for a considerable amount of time," Sebi order said.