



CFMA bats for recovery of remaining Rs 7K cr of FTMF unitholders of 6 shut schemes

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Chennai, Jul 16 (IANS): After helping the unitholders of six frozen debt schemes of Franklin Templeton Mutual Fund (FTMF) recover Rs 17,778 crore in the past one year, the Chennai Financial Markets and Accountability (CFMA), an investor protection body, reiterated on Friday that it would continue to fight till the recovery of the remaining Rs 7,000 crore of the unitholders of the shut schemes.

The industry body stated that its dogged pursuit will further help the unitholders recover their principal dues. Meanwhile, FTMF intends to repay another Rs. 3,303 crore by this month end.

In a major verdict on Wednesday, the Supreme Court ruled that the consent of the majority unitholders was mandatory before winding up of six debt schemes of FTMF and also said that the Securities and Exchange Board of India (SEBI) will have the power to intervene, if the trustees violate the regulations.

The industry body noted that the apex court's verdict endorsed the Karnataka High Court judgement, making it mandatory to obtain the consent of the unitholders to wind up mutual fund schemes, which is a testimony that the resolute stand taken by the CFMA is merited.

FTMF closed its six debt schemes -- Franklin India Low Duration Fund, Franklin India Ultra Short Bond Fund, Franklin India Short Term Income Plan, Franklin India Credit Risk Fund, Franklin India Dynamic Accrual Fund and Franklin India Income Opportunities Fund -- on April 23, 2020, citing redemption pressure and lack of liquidity in the bond market.

Spearheading the concerns and interests of FTMF unitholders since April last year, CFMA said its determined and persistent efforts to recover the dues and obtain justice for over three lakh unitholders

impacted by the abrupt closure of the six debt schemes by FTMF are finally yielding results.

With the recent orders of the Securities and Exchange Board of India (SEBI), according to the industry body, it has been established beyond reasonable doubt that CFMA rightly believed that FTMF took unilateral decision to wind up the six schemes and had front-ended the lie of Covid-19 to conceal the bad, illegal, improper and risky investments made by their fund managers.

"Single-handedly, for over a year, CFMA has acted as a sentinel for the unitholders of FTMF, took up advocacy against the alleged fraud perpetuated by FTMF and has effectively busted its day-light robbery," it added.

CFMA noted, "It is a matter of pride for us that because of our tenacious efforts, the rights of the unitholders have been established, repayments of over Rs 21,000 crore have been made and actions have been initiated by the SEBI against FTMF and its officials for reckless investment decisions."

Earlier, when FTMF had announced the winding up of six debt schemes in April 2020, both the SEBI and the Association of Mutual Funds of India (AMFI) maintained silence and dithered to take action to protect the unitholders.

"Instead, SEBI was then seen to be laying out a red-carpet treatment to FTMF," it alleged.

CFMA said that it had filed a complaint with the Economic Offences Wing, Chennai, which led to an FIR against Franklin Templeton Asset Management India, Franklin Templeton Trustee Services and key management personnel.

It also approached the Madras High Court which directed both SFIO and ED to be involved in the FTMF investigation and pursued the matter in the Karnataka High Court, which upheld the rights of the unitholders.

The industry body had urged the Supreme Court to let the forensic audit report be made available to the unitholders and fought for the distribution of funds lying with the FTMF.

It threw probing questions at SEBI when it was acting against the unitholders and questioned FTMF about when the dues would be paid and how much haircut the unitholders would eventually bear, apart from initiating criminal proceedings against those who have appallingly been let off and fighting for the rights of the unitholders even before the apex court.

"The way forward should now be that the remaining monies are also duly returned to the unitholders without further delay. The Supreme Court's judgement has only encouraged us to raise our bar and see this fight through," said CFMA.

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