

Get Unitholders' Okay Before Closing 6 MFs: Karnataka HC Tells Franklin Templeton

The Karnataka High Court has asked Franklin Templeton Mutual Fund to obtain the consent of the unitholders of the six debt mutual fund schemes before winding them up. The court pronounced the order in a special sitting on Saturday, while observing that the Securities and Exchange Board of India should have played a more proactive role in the matter. "The decision of the trustees to wind up the six schemes is not interfered by the court subject to it obtaining consent from the unitholders," said a division bench of Chief Justice AS Oka and Justice Ashok Kinagi in its 330-page order.

This ruling means the trustees of Franklin Templeton will have to approach unitholders to vote for approval to shut down the schemes, said Amol Joshi, founder, Plan Rupee, a financial advisor.

The high court has stayed the operation of this order for six weeks, which means during that time Franklin can challenge the ruling in the Supreme Court.

Responding to the judgement, a Franklin Templeton spokesperson



said, "We are studying the order issued by the Honourable Karnataka High Court and will take appropriate steps in consultation with legal experts in the best interest of unitholders."

A clutch of unitholders in the six debt schemes of Franklin Templeton dragged the fund house to court after it abruptly closed down the products handling ₹26,000 crore of investor money on April 23 citing redemption pressure and lack of liquidity in the bond market. The fund house was facing four separate sets of

suits by its investors in Gujarat, Delhi and Chennai. In July, the Supreme Court clubbed all the cases and directed the Karnataka High Court to hear the matter expeditiously.

On Saturday, the court said Franklin shall not borrow and create any liability for the six funds in the next six weeks. In this period, there should not be any redemptions, adding "status quo should be maintained as of today".

—Prashant Mahesh and Maulik Vyas/Mumbai