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Franklin: SC asks Sebi to appoint observer for e-voting

INDU BHAN
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THE SUPREME COURT on Wednesday maintained its stay on redemptions from six debt schemes that Franklin Templeton Trustee Services proposed to wind up on April 23, but asked Sebi to appoint an observer for overseeing the e-voting process scheduled between December 26 and 29.

The apex court had last week allowed the fund house to hold meeting with unitholders so as to get their consent/approval for winding up of the schemes.

A Bench comprising Justices S Abdul Nazeer and Sanjiv Khanna, while asking Sebi to appoint an observer, told Franklin to submit voting results in a sealed cover. It also asked Sebi to file in a sealed cover the final report of the forensic audit it had done on Franklin Templeton.

However, the top court clarified that its December 3 order granting stay on redemptions should not be treated as a "binding precedent" in any matter, as sought by solicitor general Tushar Mehta on behalf of Sebi. It also put the matter for final hearing in the third week of January.

The judges rejected the requests of Mehta and various unitholders to hear the case before the e-voting commenced, as he argued that such holding of the meeting will have "cascading effect". The SG said there might be panic in mutual fund investors and "the country is already going through a bad economic phase apart from public health issues".

Senior counsel Abhishekh Singhvi, appearing for Franklin, argued that the MF had last week issued a notice to investors to conduct e-voting on the winding up of schemes and advertisements in this regard were published on December 6 in various newspapers, including regional papers. He said that online voting of unitholders will start on December 26 and conclude on December 29.

"...without prejudice to rights and contentions of all parties, trustees are permitted to call meeting of unitholders to seek their consent/approval... there will be stay on redemptions till then," the Judges had said in their brief order on December 3.

The Bench had also frowned upon the Sebi regulations, saying they are so "sketchy" and "not easy to comprehend for the laymen".

According to Franklin, the consequence of the interpretation adopted by the HC is that the trustee may be compelled to continue operating a MF scheme even though the company is of the view that such continuation is adverse to the interests of unitholders.