

SC ORDER

Franklin asked to seek investors consent for closure of schemes

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THE SUPREME COURT on Thursday permitted Franklin Templeton Trustee Services to hold meeting with unit holders of six debt schemes that the company proposed to wind up on April 23 citing difficulties in the bond market due to Covid. The SC also stayed redemption from the schemes till further orders.

A bench comprising justices Abdul S Nazeer and Sanjiv Khanna, while seeking response from the investors, said, "...without prejudice to rights and contentions of all parties, trustees are permitted to call meeting of unit holders to seek their con-

■ MF says 95% of unitholders favouring closure of schemes

■ Karnataka HC upheld decision to shut down, but asked it to obtain consent of unitholders

■ Franklin challenged HC's Oct order in SC where matter is being heard currently

sent/approval. Steps in this regard will be taken within a period of one week. There will be stay on redemptions till then," the judges said in its brief order.

Continued on Page 2

SC order: Franklin asked to seek investors' consent for closure of schemes

THE COURT ALSO said that it will have to depend on "wisdom of Sebi" to decide the case even though "Sebi (itself) has a lot to answer. We appreciate unit holders' concern. But we will have to rely on Sebi. We cannot take the responsibility, Sebi will have to do so", justice Khanna said.

Justice Khanna during the hearing also observed that the "the issue is big. People wanted refund...let Sebi answer... If

they knew people will withdraw money like anything during Covid, why didn't Sebi do something like RBI?"

The bench also frowned upon the Sebi regulations, saying they are not easy to comprehend for the laymen. "Your regulations are so sketchy. All the confusion is because of your regulations. We also interpret these liberally. A layman cannot understand the language of your regulations," justice Khanna told Sebi counsel Pratap Venugopal.

Venugopal informed the judges that the regulator had no powers in the winding-up process. He also submitted that while the rules and regulations could certainly be written better than what they are now, these rules deal with specialised and complex situations.

The SC then posted the case for further hearing next week. It asked the registry to place on record other cross-appeals also filed by Sebi and others.

While seeking stay on the redemptions, the MF's senior counsel Harish Salve told the apex court that more than 95% of the unit holders were with the company on the issue of closing down the scheme. He also said that Franklin Templeton cannot hold meeting as the Sebi had restrained them from doing so. "We cannot go contrary to Sebi," he added.

However, senior lawyers Mukul Rohatgi and Ravindra Srivastava opposed Salve's argument saying Sebi had nothing to do with the issue.

Franklin Templeton Mutual Fund has challenged the Karnataka High Court's October 24 order that asked the fund house to obtain the consent of the unit holders of the six debt mutual fund schemes that it proposed to wind up. The HC had also restricted the asset management company and trustees from taking on any fresh borrowings in the six debt schemes.

While upholding Franklin's decision to shut down six of its debt schemes on April 23 on grounds of difficult conditions in the bond market due to the pandemic, the HC said that "the decision of the trustees to wind up the six schemes is not interfered by the court subject to it obtaining consent from the unit holders".

Around 3 lakh investors were affected by Franklin Templeton's decision to wind up its debt mutual fund schemes.