

● HC ORDER

Franklin Templeton's e-voting on winding up debt funds stayed

FE BUREAU
Mumbai, June 3

THE HIGH COURT of Gujarat on Wednesday stayed the electronic voting and unit holders' meeting required before Franklin Templeton Mutual Fund can wind up six of its debt schemes. The matter will be next heard on June 12.

"In the meantime, by way of ad-interim relief, the operation and implementation of the notice dated 28.05.2020 regarding E-voting and Unit-holder's Meeting sent through Email by respondent no. 3 herein shall remain stayed," said the order of the Gujarat High Court.

The petitioners in the case are Areez Phirozsha Khambatta, Persis Khambatta and Khabhatta Family Trust. It was contended by the senior counsel that the petitioners had invested a huge sum of approximately ₹6.55 crore in the schemes of the fund house.

The court order stated that the asset management company had decided to hold a meeting to dispose of the properties of the company without passing any resolution in that regard, which would have a



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major impact on the amount invested by the investors.

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in May 28, the fund house had announced its e-voting process and unit holders meeting for the same.

The order also stated that the attention of the court was invited to Sub-clause 15(c) of Regulation-18 of the SEBI (Mutual Funds) Regulations, 1996 to bring out the point that when majority of the trustees decide to wind up or prematurely redeem the units, the trustees have to obtain the consent of the unit holders. "However, in this case, no such consent has been obtained. Referring to Regulation-39 of the Regulations, it was submitted that a scheme of a mutual fund may be wound up only after repayment of the amount due to the unit-holders, which has also not been followed in this case," said the order.

When contacted, Franklin Templeton said the fund house was examining the matter and would take appropriate steps as may be required. "We continue to follow due process, both in making investment decisions and in the winding up of these schemes. We have acted in the best interest of our investors and in accordance with all regulations," said a spokesperson from Franklin Templeton MF.