

Franklin Templeton trustee, officials fined Rs 15 crore

PENALTY FOR VIOLATING REGULATORY NORMS IN CASE OF WINDING UP OF SIX DEBT SCHEMES IN 2020

AGENCIES/ New Delhi

Sebi on Monday imposed a penalty totalling Rs 15 crore on senior officials of Franklin Templeton AMC and its trustee for violating regulatory norms in the case of winding up of six debt schemes in 2020.

A fine of Rs 3 crore has been levied on Franklin Templeton Trustee Services Pvt Ltd and Rs 2 crore each on Franklin Asset Management (India) Pvt Ltd President Sanjay Sapre and its Chief Investment Officer Santosh Kamat, according to a Sebi order.

In addition, the regulator imposed a penalty of Rs 1.5 crore each on Kunal Agarwal, Sumit Gupta, Pallab Roy, Sachin Padwal Desai and Umesh Sharma, who were the fund managers at the time of violation, and Rs 50 lakh on Saurabh Gangrade, who was the chief compliance officer at that time.

They have been directed to pay the penalty within 45 days.

Sebi noted that the trustees of Franklin Templeton Mutual Fund (MF) are thorough professionals and



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these officials are experts in their respective domain, and yet they failed to avert certain lapses in the functioning of a mutual fund.

"The acts and deeds committed by them while discharging their duties are not in the interest of the unitholders in specific and the investors in general," Sebi said in its 151-page order.

According to the regulator, the officials did not exercise proper due dili-

gence while discharging their responsibilities at the relevant time and violated the regulatory requirements, which hampered the interest of the unitholders.

Franklin Templeton MF shut its six debt mutual fund schemes on April 23, 2020, citing redemption pressures and lack of liquidity in the bond market. The schemes together had an estimated Rs 25,000 crore as assets under management.

In its order, Sebi said that serious lapses and violations clearly appear to be a fallout of the Franklin Templeton MF's obsession to run high yield strategies without due regard from the concomitant risk dimensions. "For a fund house which has been in this industry in India for over two and a half decades, it is surprising that its systems to monitor and manage critical risks like liquidity, credit and concentration are less than robust.

"The effectiveness of these systems stand compromised in the process of the Noticee's single minded pursuit of reaping high yield," the market regulator said.