

CFMA claims over 10 MFs may go Franklin Templeton way causing ₹15 lakh crore loss

In a press release, CFMA (Chennai Financial Markets & Accountability) said the judiciary is the only hope for over three crore unitholders of various mutual fund schemes in the country, including those who had invested in Franklin Templeton schemes.

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Urging the Supreme Court to come to the rescue of people who had invested in now-closed Franklin Templeton schemes, investors' body CFMA on Saturday claimed more than 10 mutual funds may otherwise go the same way creating an MF pandemic comparable to the US subprime crisis.

In a press release, CFMA (Chennai Financial Markets & Accountability) said the judiciary is the only hope for over three crore unitholders of various mutual fund schemes in the country, including those who had invested in Franklin Templeton schemes.

Without disclosing the source of its information to back up its claim, CFMA said it has learned that more than 10 other mutual funds want to put their losses on unitholders' heads and are only waiting for the Supreme Court verdict.

The apex court is hearing pleas, including one filed by Franklin Templeton against a Karnataka High Court order that stopped the fund house from winding up its debt fund schemes without the prior consent of the investors.

Franklin Templeton MF had announced closure of six debt schemes on April 23, 2020, citing redemption pressure and lack of liquidity in the bond market.

Capital market regulator Sebi had subsequently asked the fund house on multiple occasions to focus on repaying the investors at the earliest. These schemes had an estimated ₹28,000 crore of investors' money.

After the announcement of closure of these six schemes, several investors have filed complaints against the fund house, including with the regulatory authorities and the police, while a few went to courts also.

CFMA said that Franklin Templeton Mutual Fund's abrupt decision to shut down six schemes left more than three lakh unitholders in the lurch and staring at over 50 per cent (nearly ₹14,000 crore) erosion of their principal amount.

It further claimed that the mutual fund industry is staring at a potential loss of ₹15 lakh crore if other fund houses decide to follow Franklin Templeton's path.

Earlier, CFMA had said it was contemplating filing a class-action suit against the global fund house for recovery of money and to claim damages.

It has accused the fund house and its top management of conspiracy to defraud 3 lakh investors by causing wrongful loss to them and unlawful gain to themselves.

While denying the allegations, the fund house has maintained that there has been "no illegality, wrongdoing or misrepresentation" and that it had followed due process in making investment decisions as well as in the winding up of the schemes."

Source : <https://www.hindustantimes.com/business/cfma-claims-over-10-mfs-may-go-franklin-templeton-way-causing-rs-15-lakh-cr-loss-101612015200878-amp.html>