

SEBI ASKS AMC TO DISGORGE ₹512.5 CRORE

Franklin Templeton barred from floating debt funds for 2 years

ENSECONOMICBUREAU
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THE SECURITIES and Exchange Board of India (Sebi) on Monday barred Franklin Templeton Asset Management Company (AMC), from launching any new debt scheme for two years, and asked it to disgorge Rs 512.5 crore for violation in connection with the shutting down of six debt schemes last year. It has also imposed a penalty of Rs 5 crore on the AMC. The regulator said that Franklin Templeton Mutual Fund has violated the provisions of the Mutual Funds Regulations and also certain Sebi circulars.

"...the noticee (Franklin Templeton AMC) has been found seriously wanting insofar as its conduct as an AMC is concerned. There are findings of breaches of the Mutual Funds Regulations as



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also the Sebi Circulars, brought out above, under various heads. Income derived out of wrongful conduct, which ultimately resulted in loss and caused hardship to the investors, in my view, is li-

able to be disgorged, as proposed in the SCN," said the 100-page Sebi order passed by G Mahalingam, whole-time director.

In a separate order passed by Mahalingam, the markets regulator also banned Vivek Kudva, head of Asia Pacific at Franklin and his wife Rupa Kudva from accessing the securities market for one year. Apart from this, Sebi has ordered Vivek and Rupa Kudva to transfer Rs 30.70 crore of redeemed Franklin Templeton units to an escrow account within 45 days. Apart from this Vivek Kudva and Rupa have to pay a monetary penalty of Rs 4 crore and Rs 3 crore respectively.

"The noticees (Vivek, Rupa) by redeeming their units ahead of the other investors have enjoyed an unfair advantage by having access to their investments; whereas the unit holders who remained invested were left in the lurch as

their investments were locked up for a considerable amount of time," said Sebi.

In its order on Franklin Templeton, Sebi said the fund house will have to pay the penalty within 45 days of the order.

"The noticee shall refund the investment management and advisory fees collected from June 4, 2018 till April 23, 2020 with respect to the six debt schemes inspected along with simple interest at the rate of 12% per annum," said the Sebi order.

Sebi said it has found several irregularities in the running of the debt schemes inspected by it, contrary to the interests of the unit holders in such schemes. The irregularities also extend to failures to exercise adequate due diligence, ensuring a robust risk management framework and carrying out valuation of securities as per the principles of fair valuations.