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Sebi bans new Franklin schemes, fines Rs 5 cr

NEW DELHI: In a major blow for Franklin Templeton Asset Management Company (AMC), the SEBI has barred the fund house from launching any new debt scheme for two years, while imposing a penalty of Rs 5 crore for violation of regulations in the shutting down of six debt schemes last year.

In its order on Monday, the capital market regulator said that Franklin Templeton Mutual Fund has been found to have violated the provisions of the Mutual Funds Regulations and also certain SEBI circulars.

"As a result of the irregularities in the running of the debt schemes inspected, loss has been caused to the investors. The noticee was under a statutory obligation to abide by the provisions of the Mutual Regulations and circulars issued thereunder, which it failed to do.

"Each of the provisions contained in Sections 15A(b), 15D(b), 15D(f), 15E and 15HB of the SEBI Act mandate a maximum penalty of Rs 1 crore. Accordingly, I am of the view that a monetary penalty of Rs 5 (five) crore be imposed under Section 15I of the SEBI Act read with Rule 5 of the SEBI Inquiry Rules, on the Noticee for the violations," Securities and Exchange Board Of India's Whole Time Member G. Mahalingam said in the order.

Franklin Templeton will have to pay the penalty within 45 days of the order.

In a separate order, the regulator has barred Vivek Kudva, former head of Asia Pacific (APAC) for Franklin Templeton, and his wife Roopa from the securities market for one year for redeeming units of Franklin Templeton MF schemes while in possession of non-public information.