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CFMA sees poetic justice for MF investors through 6 FTMF shut funds case in SC

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NEW DELHI: Chennai Financial Markets and Accountability (CFMA), an organisation fighting for the cause of investors, said on Saturday that the judiciary is the last and only hope for over three lakh unit holders of Franklin Templeton Mutual Fund (FTMF) who are poised to face 50 per cent erosion of their principal invested amount of Rs 28,000 crore if the winding-up of its six debt funds are allowed, and the ruling would also set a precedent for three crore mutual fund unit holders in India.

In April 2020, FTMF had abruptly and unilaterally shut six debt schemes in the garb of Covid-19, citing redemption pressure and lack of liquidity in the bond market. The case is presently pending before the Supreme Court for final adjudication.

On February 1, the Supreme Court would first deal with the issues related to objection to the e-voting process for winding up Franklin Templeton's six mutual fund schemes and distribution of money to the unit holders.

CFMA stated, "The ruling of the apex court is significant, as the Securities and Exchange Board of India (SEBI) and the Association of Mutual Funds of India (AMFI), which are duty-bound to protect the interest of the unit holders, have blindfolded themselves and have been maintaining silence on the entire issue, as if there is a vested interest involved."

The investor body said that FTMF, whose actions are not questioned at all either by the SEBI or the AMFI, was trying to foist bad investment decisions of their fund managers upon its three lakh unit holders.

"SEBI has already shrugged off its responsibility by confirming that the trustees of mutual funds can decide everything relating to the schemes, including the drastic step of winding-up of the schemes. This means that FTMF already has a stamp of the market regulator.

"At the cost of repetition, can a Rs 10 lakh capital trustee with no full-time employee and full-time office be authorised to take closure decision impacting unit holders' money, when they can't be even held accountable and responsible," CFMA

questioned.

It pointed out, "Being a sectoral regulator with huge powers, including penal provisions, the SEBI is duty-bound to ensure the safe-keeping of the unit holders' money, as the unit-holders of mutual funds are equivalent to depositors of the Scheduled Commercial Banks and market risk can never mean the market fraud."

Though FTMF has admitted in its official emails that the loss to the unit-holders will be a minimum of 50 per cent which translates to Rs 14,000 crore, it noted, the trustees have been surreptitiously avoiding to confirm about the loss in the court and public.

"Therefore, it is essential that this point is urged before the apex court which can take a commitment from FTMF so that there will be no losses to the unit-holders and their investments will be protected," CFMA said.

Fearing that over 10 mutual funds might be in the line to follow the FTMF path, CFMA cautioned that if true, this will have a catastrophic effect on the entire domestic mutual fund industry and will destroy the financial stability of three crore unit-holders, "which is equivalent to the sub-prime crisis of the US in 2008".

"We believe that the ruling in the FTMF case will also decide the fate of three crore mutual fund investors in the country," CFMA said, urging poetic justice for three lakh unit holders of the six shut debt funds.

Source: <https://timesofindia.indiatimes.com/business/india-business/cfma-sees-poetic-justice-for-mf-investors-through-6-ftmf-shut-funds-case-in-sc/articleshow/80602185.cms>