

Seek investors' nod to shut schemes: SC to Franklin MF

Dhananjay.Mahapatra
@timesgroup.com

New Delhi: The Supreme Court on Thursday asked Franklin Templeton Mutual Fund to call a meeting in one week to seek consent of nearly 3.5 lakh unitholders for winding up six of its schemes involving almost Rs 26,000 crore.

Appearing for Franklin Templeton, senior advocate Harish Salve said the firm's trustees had proceeded to wind up six MF schemes on April 23 on the bona fide belief that consent of unitholders was not required. It has appealed against a Karnataka high court order permitting winding up of the

MFs but making prior consent of unitholders mandatory.

Justices S Abdul Nazeer and Sanjiv Khanna, who conceded that they had very little knowledge of either the stock market or mutual funds, said there was confusion in Sebi's regulations regarding consent

GIVES 1 WEEK

and approval of unitholders for closure of MF schemes.

Appearing for investors, senior advocates Ravindra Shrivastava and Mukul Rohatgi said four of the six MF schemes had started showing profit, which cumulatively exceeded Rs 5,000 crore in last six months, and that there was no need to wind up the

schemes. Franklin Templeton trustees could not be permitted to take post facto consent of unitholders as they had already taken a decision illegally to wind up in April, they said.

The bench said its decision to permit the trustees of Franklin Templeton to call a meeting of unitholders to seek their consent would be without prejudice to the rights of investors who have petitioned against the winding up. Shrivastava and Rohatgi said Franklin Templeton never wanted to refund the money to unitholders. They claimed that of the 3.5 lakh unit holders, nearly 2 lakh had invested less than Rs 2 lakh each in these six MF schemes.