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CFMA to move SC to scrap Franklin Templeton e-voting on 6 shut funds

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NEW DELHI: Chennai Financial Markets and Accountability (CFMA), an investor protection body, said it would move an urgent interim application in the Supreme Court on Monday, seeking to nullify the entire e-voting process initiated by Franklin Templeton Mutual Fund (FTMF) on its six shut debt funds.

The investor body alleged that the announcement by the Securities and Exchange Board of India (SEBI) of appointing former Chief Election Commissioner T.S. Krishnamurthy as an observer was an eyewash as it came after the e-voting began on Saturday. "It is against the letter and spirit of the order passed by the Supreme Court on December 9. It is akin to appointing a presiding officer after the election," it added.

The apex court had directed the markets regulator to appoint an observer to oversee the e-voting process by FTMF. "The SEBI shall appoint an observer regarding the e-voting of unit-holders which is scheduled between December 26 and 29, 2020. The result of the e-voting would not be announced and would be produced before us in a sealed cover along with the report of the observer appointed by the SEBI. The SEBI would also file a copy of the final Forensic Audit Report before this court in a sealed cover," it had said.

The investor organisation said the SEBI announced the appointment of the observer after the reports came in the media that the CFMA has already filed an interim application before the Supreme Court. "It is shocking to note the fact that an observer appointed on December 18, 2020 has been kept secret and not disclosed to the general public for the last eight days and for which the SEBI will have to give an explanation as to how surreptitiously the details of the observer were issued when voting has already begun."

It said when e-voting process has already begun, giving the details of the observer without adequate advanced notice to the unit-holders will render the entire process non-est. "It is shocking to note that the e-voting process might well be over by the time the so-called observers will take charge of their duties."

Apart from praying the apex court to declare the entire e-voting process as non-est in law, the CFMA also plans to seek an independent inquiry into whether there was

really a notice issued on December 18 by the SEBI about the appointment of an observer and also to verify as to why for an eight-day period this information was not divulged to the public at large.

Further, the investor body would pray to hold the entire e-voting process for winding up the six debt funds under the aegis of the court and direct that the voting process shall be overseen by a former Chief Election Commissioner, preferably S.Y. Quraishi.

The CFMA noted that there was a conflict of interest in the appointment of Krishnamurthy as an observer. The same market regulator had flagged off several corporate governance issues at the Central Depository Services Ltd where Krishnamurthy was its chairman.

It raised the question whether the observer has been given access to complaints of investors and legal submissions to understand the dealing with such a huge scale of e-voting and quantum of a dispute of Rs 28,000 crore.

"Was the observer given scope of what he is supposed to oversee? How did the observer ascertain that the e-voting mechanism is safe, independent, tamper-proof, and auditable? Did the observer get time to certify the system created by FTMF for e-voting?" it further asked.

Earlier, the CFMA has already alleged that the conduct of the SEBI in the case of FTMF has remained questionable since Franklin Templeton decided to wind up six debt schemes in April 2020, citing the "frivolous reason" of Covid-19. It has been rightly observed by the Karnataka High Court that the SEBI, being the market regulator, did not do enough to sustain the confidence of investors and the investors would be "justified in their criticism that the SEBI was a silent spectator", it said.

FTMF closed Franklin India Low Duration Fund, Franklin India Ultra Short Bond Fund, Franklin India Short Term Income Plan, Franklin India Credit Risk Fund, Franklin India Dynamic Accrual Fund, and Franklin India Income Opportunities Fund on April 23, citing redemption pressure and lack of liquidity in the bond market.

Source: <https://timesofindia.indiatimes.com/business/india-business/cfma-to-move-sc-to-scrap-franklin-templeton-e-voting-on-6-shut-funds/articleshow/79979116.cms>