

Sebi bars Franklin MF from starting debt funds for 2 yrs

Bans Director Kudva, Wife & Ex-Crisil Head Roopa Over Redemptions

TIMES NEWS NETWORK

Mumbai: Markets regulator Sebi on Monday barred Franklin Templeton Mutual Fund (FTMF) from launching new debt schemes for two years for mismanaging some of its fixed income funds. Sebi also fined FTMF Rs 5 crore for not adhering to rules relating to categorisation of MF schemes. In addition, it asked the management to refund Rs 512 crore in fees to investors in the six debt schemes which the fund house had decided to close down on April 23, 2020.

In a separate order, Sebi also barred Vivek Kudva, a director at FTMF and head of its parent's Asia-Pacific region, from the market for one year and asked him to pay Rs 4 crore as a fine. Along with Vivek, his wife Roopa, former MD & CEO of Crisil and now head of Omidyar Network, has also been barred from the market for a year and fined Rs 3 crore. Vivek, Roopa and Vasanthi Kudva (Vivek's mother) had withdrawn money from some of FTMF's debt funds even as negotiations were on internally

MUST PAY ₹5CR FINE, RETURN ₹512CR FEES

April 23, 2020 | Franklin Templeton MF closes six debt schemes due to low liquidity in debt market

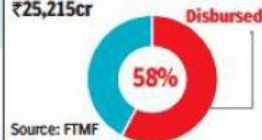
May 7 | Sebi says some debt papers in FTMF's portfolio had opaque structure, lacked adequate disclosures; asks it to return money to investors

May 29 | Case filed in Madras HC about expected loss to investors, cases filed in other HCs too

June 19 | Supreme Court transfers all FTMF cases to Karnataka HC

March 18, 2021 | After hearings in several courts, SC allows

AUM as of April 2020 | ₹25,215cr



FTMF to pay back investors

June 5 | FTMF says it has disbursed ₹14,572cr to investors across six funds

June 7 | Sebi fines FTMF ₹5cr for mismanagement of schemes, asks to refund over ₹512cr fees charged to investors in six funds

within the fund house about the stress in these schemes. The fine imposed on Vivek includes the penalty that's due to his mother, Sebi said.

In April 2020, FTMF had announced closure of six of its debt funds, which then had total assets under management worth nearly Rs 25,900 crore. Following this decision, Sebi had started investigations to see how these funds were launched. It found that although these funds were sold under various names and projected to be differentiated in their

management approach, in reality all were being managed as credit risk funds. This is a type of high-risk fixed income money management style.

FTMF was found "seriously wanting in so far as its conduct as (a fund house) is concerned", the Sebi report said. Investigations found that FTMF had breached mutual fund regulations. "Income derived out of wrongful conduct, which ultimately resulted in loss and caused hardship to the investors...is liable to be disgorged. For the im-

propriety committed while functioning as (a fund house), imposition of penalty is also justified," Sebi said. Hence, in addition to the Rs 5-crore fine, FTMF has also been asked to refund about Rs 513 crore to investors which these six schemes had collected as fees between June 4, 2018 and April 23, 2020, the order said.

In the other order relating to the closure of the six FTMF funds, Sebi barred director Kudva along with his wife for withdrawing money from some of the funds ahead of the public announcement for closure. In his capacity as a director of the fund house, Vivek was privy to information "such as concerns of redemption, concentration and liquidity risk pertaining to the stress" in the six debt schemes, "most of which was not in public domain", Sebi said in its order. Sebi alleged that the non-public information that Vivek received was also used by his wife and mother to redeem funds from some of the FTMF schemes ahead of its announcement for closure in which investors are yet to receive their full amount.