

FT cannot close schemes sans unitholders' consent, says HC

Court stays verdict to enable company to approach SC

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The High Court of Karnataka on Saturday said Franklin Templeton Trustees Services (FT Trustees) Pvt. Ltd. cannot implement its decision to prematurely wind up six open-ended debt-oriented mutual fund schemes without obtaining the consent of unitholders via a simple majority.

The consent is mandatory, as per 18(15)(a) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, when the majority of trustees decide to wind up or prematurely redeem units, the court said while declining to interfere



The High Court also clarified there could not be any redemption during the period of stay

with the FT Trustees' April 20 decision to prematurely wind up the schemes.

A Division Bench comprising Chief Justice Abhay Shreeniwas Oka and Justice Ashok S. Kinagi delivered the verdict while disposing the petitions filed by unitholders, who had challenged Franklin Templeton's decision to close the schemes.

However, the Bench stayed the operation of its verdict for six weeks to enable the trustees and the

Franklin Templeton Asset Management India Pvt. Ltd. to approach the Supreme Court. It also clarified that there could not be any redemption by unitholders during this period of stay.

It directed the trustees and the FT AMC not to indulge in any borrowing or claim liabilities in relation to these schemes.

The petitions, filed by Amruta Garg in the Delhi High Court and 83-year-old investor Areez Phirozsha Khambatta and his wife in the High Court of Gujarat, were transferred to the High Court of Karnataka in June following a direction from the Supreme Court.