Sebi intervention unlikely in Franklin Templeton's FIR

Jayshree P Upadhyay
jayshree.pyasi@livemint.com
MUMBAI

The Securities and Exchange Board of India (Sebi) is not likely to intervene in the criminal complaint registered against Franklin Templeton India and its management despite requests from the mutual fund industry, two people familiar with the matter said.

The Chennai Economic Offences Wing registered a case on 23 September against senior officials of Franklin Templeton, the company and the sellers of the bonds in which it had invested for allegedly defrauding investors when it shut six of its debt schemes. The complaint was filed in May and *Mint* has reviewed a copy of the FIR.

The Association of Mutual Funds in India (AMFI) requested Sebi on 28 September to intervene in the matter to quash the criminal proceedings against Franklin Templeton and its top executives. The industry body fears that criminal prosecution of bona fide investment decisions will lead to extreme risk aversion among fund managers, hurting investors, and asset management companies.

AMFI requested Sebi on 28 Sep to intervene in the matter to quash criminal proceedings against Franklin

The industry body said that considering that Sebi is already investigating the case, it has exclusive jurisdiction for criminal prosecution of offences under the Sebi Act.

"Sebi can petition a high court to quash the FIR, but doing it for one AMC poses vigilance issues. The fear of a systemic concern on the industry is valid but not necessarily correct as one needs to consider the facts of the FIR. The AMC itself can approach the courts to quash the FIR if it believes that the facts are frivolous," said one of the two people cited above.

The investigation by Chennai EOW is under IPC and Protection of Interest of Depositors (PID) Act, but mutual funds are exempt from the provisions of the PID Act.