



Franklin Templeton MF unit-holders listen to conscience before voting on 6 shut debt funds: CFMA

IANIS 24 December 2020

Standing up for the interests of unit-holders of Franklin Templeton Mutual Fund (FTMF), the Chennai Financial Markets and Accountability (CFMA), an investor protection body fighting for the cause of investors, on Thursday advised them to listen to conscience before participating in the electronic voting to be held on December 26-28.

It also said their affirmation for the orderly winding up of the six fixed income schemes would imply a haircut of 50 per cent on the total investments and a loss of Rs 15,000 crore to the investors.

In the run-up to the crucial vote this weekend, FTMF has launched a vicious and below-the-belt campaign through 'paid' advisers imputing vested motives to CFMA, the investor body said in a statement.

The investor body clarified to the unit-holders that neither the CFMA nor any of its office-bearers have invested in any of the schemes of Franklin Templeton and called upon them to vote 'YES' or 'NO' according to their conscience without being swayed by the canard spread by FTMF 'paid' advisers.

Notably, the investors would have to take a call on whether to give consent to the winding-up decision or withholding it, which would allow the schemes to reopen for purchase and redemption.

In its communication to the unit-holders, FTMF said: "If the decision to wind up the schemes in an orderly manner is not implemented, it would precipitate a rush of redemptions, which would force a distress sale of the portfolio securities, likely resulting in a reduction in the net asset value of the schemes and substantial losses for unit-holders."

The CFMA alleged that Franklin Templeton India President Sanjay Sapre and FTMF-Fixed Income MD and CIO Santosh Kamath have been pressurising unit-holder of six shut schemes to vote 'YES' for winding up, hiding their own conflict of interests.

“Will the paid advisers compensate for the 50 per cent loss to the unit-holders? At the time of subscribing to the schemes, these advisers have minted money and are now getting more money by coercing the investors to vote ‘Yes’. Will they take the responsibility of returning 100 per cent money to the unit-holders? Will FTMF reverse the fees charged by it to compensate the losses of the unit-holders? Franklin Templeton has charged approximately Rs 4,500 crore fees over the years,” it questioned.

The CFMA pointed out that FTMF was not disclosing the loss which the unit-holders will suffer and said the expected loss would be between Rs 13,000 and 15,000 crore based on various information available now.

Sharing the comparative chart of benefits of ‘Yes’ or ‘No’ voting, it noted that if unit-holders vote against the closure of funds, FTMF continues to be responsible for all the losses and their consequences.

The matter of loss will be pursued judicially along with a thorough investigation by the EOW, Chennai, the CFMA said, adding that the EOW and the courts will go through the forensic audit reports.

The CFMA believed that the judiciary will ensure the best resolution for the unit-holders through proper liquidation and fixing responsibility for losses post-evaluation of Forensic Audit and the EOW investigation.

In its earlier communication to the FTMF unit-holders, the CFMA said the most important and urgent concern is that by approving the winding-up decision, the unit-holders would be deemed to have agreed with the amount of hair-cut that they would eventually have to suffer or accept an unlimited period and unquantified amount to be received (if at all), which one may never receive.

The CFMA advised the unit-holders not to get lured by vague promises by FTMF, make an informed decision in view of the glaring facts and reasons and vote against the winding-up of the six debt funds.

Franklin Templeton is seeking a simple-majority consent of its unit-holders to wind up six debt funds it had shut in April this year, which locked over Rs 28,000 crore in the biggest forced fund closure ever in India.

Source: <https://www.moneylife.in/article/franklin-templeton-mf-unit-holders-listen-to-conscience-before-voting-on-6-shut-debt-funds-cfma/62468.html>