

Franklin Templeton needs unit holder approval for scheme wind-ups: Court

Reuters | Oct 24, 2020, 07:05 PM IST



NEW DELHI/MUMBAI: The Karnataka high court ruled on Saturday that Franklin Templeton Mutual Fund will need to seek approval from unit holders before winding up six schemes with combined assets of some 280 billion rupees (\$3.8 billion).

One of India's most prominent fixed income fund houses, it shut six credit funds in April citing lack of market liquidity and redemption pressures due to the pandemic.

The funds had large exposures to higher-yielding, lower-rated credit securities.

Congratulations!

You have successfully cast your vote

[Login to view result](#)

But some investors challenged the decision in court saying their permission should have been sought.

The Karnataka high court, where their cases have been heard since June ruled on Saturday that, while not wanting to interfere with Franklin's decision, said it should seek consent of unit holders.

Franklin Templeton in response said in a statement the court had upheld the decision taken by its trustees to wind up the schemes, but had ordered that approval of the unit holders is required.

"We are considering the order and will take appropriate steps in consultation with our legal experts in the best interest of the unit holders," it said.

The court has granted Franklin six weeks to appeal against the decision in the Supreme Court if it so wishes, local media reported.

"The unilateral decision of Franklin without affirmation from the unit holders has been rightly held to be illegal," said Paritosh Gupta, a lawyer representing some of the unit holders.

The court's ruling sets a precedent as it will force fund houses to seek the approval of unit holders in the event they wish to wind up of schemes, said Sumit Agrawal, founder of Regstreet Law Advisors and a former officer of India's capital markets regulator.

The decision by Franklin had rattled investors and sparked panic withdrawals from other Franklin funds as well as credit funds of other asset managers.