

Mutual funds allowed to list units of shut schemes

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Synopsis

Once implemented, the new system could be applicable to Franklin Templeton's six debt schemes too, which have been scrapped.



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The Securities and Exchange Board of India ([Sebi](#)) has allowed listing on the stock exchanges for units of mutual fund schemes that are in the process of winding up. The move is aimed at giving investors an option to exit from such products, which are illiquid today. Once implemented, the new system could be applicable to Franklin Templeton's six [debt schemes](#) too, which have been scrapped.

"As per mutual fund regulations, there are several steps envisaged with respect to winding up of mutual fund schemes before the scheme ceases to exist. During this process, such units can be listed and traded on a recognised stock exchange, which may provide an exit to investors," Sebi said in a circular on Wednesday.

Trading in these units after they are listed will be in the dematerialised form, similar to shares. Stock exchanges will finalise the operational steps for trading and settlement of units in consultation with Sebi.

"Although listing and trading of mutual fund units will help investors of a mutual fund to get an early exit, it also means investors would have to take haircut," said Sumit Agrawal, founder, Regstreet Law Advisors.

Last month, Franklin Templeton announced closure of six debt schemes, which had total assets under management of over Rs 26,000 crore, with effect from April 24. The move angered investors because Franklin blocked redemptions for an indefinite period.

"We believe the move to list these funds on stock exchanges is a positive one and will help provide liquidity to investors. We are keen to implement this as soon as modalities are worked out with various stakeholders, including the stock exchanges," said a Franklin Templeton spokesperson.

Industry officials said the regulator is attempting to create an opportunity for existing unitholders to exit. "There could be buyers within the informed section of the market for such units," said the risk head of a mutual fund.

"If they get the units at a good value and they have comfort that the fund will recover the money, it could be a good opportunity. Moreover, it will give existing investors an exit option, which is missing now."

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