

MFs trustees haven't done a good job, says former Sebi chief Damodaran

Every mistake that catches the regulator's attention is a mistake that has gone past the trustees, who didn't notice it or noticed but did not do anything about it, he says

Chirag Madia | Mumbai March 05, 2021 Last Updated at 19:50 IST



M Damodaran said peaceful coexistence between AMC and the trustee is not the answer and "there must be tough conversations."

Mutual fund trustees haven't done a good job and can get more out of the asset management companies (AMC), said M Damodaran former chairman of Sebi and chairman of Excellence Enablers, a corporate governance advisory firm.

"Every mistake that catches the attention of the regulator is a mistake that has gone past the trustees, who didn't notice it or noticed but did not do anything about it. Trustees are the custodians of the investors' trust. They are conscience keepers of the industry," said Damodaran at the CII Mutual Fund Summit on Friday.

He said peaceful coexistence between AMC and the trustee is not the answer and “there must be tough conversations.”

Trustees play a supervisory role over the AMC. Earlier, their roles and responsibilities used to go unnoticed. However, the Franklin Templeton (FT) MF debacle has brought it to the fore.

ALSO READ: [Utkarsh Small Finance Bank files draft papers for Rs 1,350-crore offering](#)

In April, the fund house had wound up six debt schemes with investments worth Rs 25,800 crore citing market dislocation and illiquidity problem caused by the Covid-19 pandemic.

Without naming FT MF, Damodaran said he was surprised at Sebi’s delayed response in a recent case.

“There have been failures and delayed response from the regulators. Frankly, I was little surprised in the recent case that it took so long. I am sure they were doing something but for the public to know that yes, we are on top of it, would have been very comforting exercise,” said he said.