

SEBI EXAMINING FRONT-RUNNING

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Axis MF suspends two fund managers, initiates probe

FE BUREAU
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AXIS ASSET MANAGEMENT Company on Friday said it has suspended two fund managers over "potential irregularities". The fund house said that it has been conducting a suo motu investigation from February this year and hired external advisers for the same.

Chief trader and fund manager Viresh Joshi and assistant fund manager Deepak Agarwal have been replaced in seven schemes of the fund house, amid allegations of front-running and making illegal gains. The Securities and Exchange Board of India (Sebi) is said to be examining the matter of potential irregularities in the fund house.

Top 10 holdings of Axis MF (March 2022)



Joshi managed five funds, namely Axis Arbitrage Fund, Axis Banking ETF, Axis Consumption ETF, Axis Nifty ETF, and Axis Technology ETF. On the other hand, Axis Consumption ETF, Axis Quant Fund and Axis Value Fund, were managed by Agarwal, data released

by Value Research showed.

Front-running is a practice of dealing in securities on advance information of an upcoming transaction that could affect its price movement.

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For this offence, Sebi typically restrains entities/ individuals from buying, selling or dealing in the securities market or associating themselves with securities market, either directly or indirectly, in any manner whatsoever, as seen in previous matters. Front-running is hard to establish because it entails a fund manager using friends or other unrelated entities to buy stocks before the fund

house buys it for its schemes. The fund manager can use his or her network to purchase stocks before the fund house does, so that they can personally benefit from the price rise. As the people who purchase the stocks on behalf of the fund manager are not related to them, it becomes hard to establish a direct link.

Pranav Haldea, managing director of Prime Database Group, says: "It is very hard to detect cases of front-running. Therefore, if found guilty, exemplary punishment can act as a strong deterrent. The full picture in terms of redemptions, outflows etc will only be known when disclosures for May are filed at the beginning of next month."

After the change, Jinesh Gopani, head - equities, Axis MF, will manage Axis Technology ETF and Axis Value Fund. Ashish Naik, fund manager, will manage Axis Quant Fund, Axis Nifty ETF, Axis Consumption ETF, and Axis Banking ETF. There is also talk of the CEO of Axis AMC being sent on leave, pending the investigation, but FE could not verify it independently and the fund house remained silent on that.