26 November, 2010

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Dear Wen,

ASIC Consultation Paper 141: Mortgage Schemes: Strengthening the disclosure benchmarks.

The Financial Services Council (FSC) is the peak body representing the retail and wholesale funds management, superannuation and life insurance industries and Financial Advisory Networks. The FSC has over 135 members who are responsible for investing over $1 trillion on behalf of more than ten million Australians.

The FSC welcomes the opportunity to respond to this consultation paper. Congruent with our response on this topic in 2008 (CP99), the FSC re-iterates that it's members are committed to best practice in the disclosure of the risks associated with mortgage trust investments.

Indeed, the FSC has sought to introduce enhanced disclosure requirements for the sector which we believe appropriately balance the needs of investors to better understand and compare mortgage funds while at the same time minimising the complexity and volume of disclosure provided. We firmly believe that excessive disclosure ultimately detracts from consumer's ability to make informed investment decisions.

To this end, the FSC has had a Guidance Note dedicated to promoting improved disclosure in this area since 1999. The Guidance Note was reviewed and updated in July 2008 which resulted in the Guidance Note becoming a Standard – 'Best Practice Guidance for Disclosure in the Mortgage Trust Sector'.

The Standard aims to ensure that investors, whether investing directly or through a Financial Adviser, are able to understand the risks involved in Mortgage Trusts and are easily able to compare the investment policies of one fund against that of another, as well as keep track of the composition of their fund on a regular basis.

Through the application of this Standard, Schemes and Responsible Entities take a consistent approach to communicating information about investment policies and the composition of the fund. This Standard aims to reaffirm the role of the PDS and other communication mediums in relaying information to investors at the time of investment and on an ongoing basis.

As advised in our response to CP99, in the development of the FSC's Standard, two key factors were taken into account:

- The fact that PDSs have a long shelf-life limits the level of detail that can be meaningfully provided within the PDS. For this reason the FSC's Standard focuses on the PDSs role in the disclosure of the policies and principles of the investments, as

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opposed to the exact composition of the fund at any single point in time. It is considered best practice for this level of detail to be provided to investors in ongoing disclosure documents and online. As per the FSC's Standard, online information should be updated at least quarterly and accompanied by the date at which the information was correct.

- While the industry is committed to improving disclosure, bringing all documents and practices in line with the FSC's Standard would take time. It was therefore considered appropriate for the Standard to encourage members to comply with this Standard at the earliest opportunity, but that all PDSs produced after 1 January 2010 and all online and regular member communications being produced after 1July 2009 must comply.

We noted in our response to CP99 that the proposed implementation timetable would be challenging, as potentially highlighted by the fact that 13% of Scheme PDSs reviewed by ASIC from 30 November 2008 to 31 January 2009 did not provide any benchmarks.

The introduction to CP141 indicates that ASIC has concerns regarding consistency of reporting especially with regards to use of the "if not, why not" approach and with benchmark 8. If consistency is the aim, we question how these additional measures will address this concern.

Further, Members have suggested that they would have preferred for ASIC to provide an enhanced Regulatory Guide or best practice disclosure guide to RG45 on how to apply, for example, the "if not why not" approach in place of these additional requirements.

With regards to the additional disclosure proposed in CP141, we believe these measures, particularly the proposed requirement to produce and publish 12 month forecasts, will make disclosure lengthier and more complicated for retail investors and we therefore question their usefulness for investors.

The industry is also seriously concerned at the introduction of a 70% LVR disclosure threshold which is inconsistent with industry norms today, where LVRs are typically around 75%. If ASIC proceeds with a 70% LVR threshold it could therefore give rise to significant unintended consequences.

We would also like to seek a meeting with you to discuss our submission at a mutually agreeable time.

Yours sincerely,

Cecilia Storniolo
Senior Policy Manager

ASIC Consultation Paper 141:
Mortgage Schemes: Strengthening the disclosure benchmarks

B: Proposed Amendments to RG45

Benchmark 1: Liquidity

Proposal
B1 We propose amending Benchmark 1 to extend the period for estimating cash flow and cash needs from 3 months to 12 months and to require disclosure of additional information to investors about a scheme's capacity to meet its cash needs. We propose that the responsible entity of an unlisted mortgage scheme must:

(a) disclose whether the scheme meets the benchmark in Table 2 on an 'if not, why not' basis; and

(b) make the additional disclosures listed in paragraph 23.

Questions

B1Q1 Do you agree that the proposed 12 months is an appropriate timeframe to forecast a scheme's capacity to meet expenses and cash flow needs? If not, please provide reasons and what you consider to be an appropriate timeframe.

We understand the need to provide retail investors with information regarding the scheme's ability to meet liquidity requirements to enhance their understanding of the risks involved when making an investment decision. However, we consider a requirement to positively assert that the estimates demonstrate the scheme's capacity to meet its expenses and other cash flow needs for the next 12 months to be overly onerous.

We are supportive of the current benchmark requirements which require schemes to have cash flow estimates for the next 3 months.

Whilst many schemes generally produce 12 month forecasts for internal liquidity management purposes, we are concerned about the proposal to extend the 12 month forecasts requirements and the obligation to disclose the forecasts to investors. We consider that estimating 12 months in advance for mortgage funds contains too many broad assumptions as to be accurate or meaningful for investor information requirements.

Necessary assumptions for mortgage funds to estimate cash flow include factors out of the Responsible Entity's control, such as bank lending conditions and borrowers' ability to find refinancing, RBA interest rate movements and property market fluctuations. These factors are difficult to estimate with accuracy and as such any information provided to investors on this basis may be potentially misleading.

For example, we have a serious concern that, given the number of hypothetical assumptions required, it will be difficult to comply with ASIC's own formulation, to establish reasonable grounds for making the required statements about prospective financial information (refer to RG170.21).

As ASIC is aware, forecasting is not an exact science, relying on a number of assumptions to be accurate at any given point in time. The longer the time horizon, the greater the probability that one or more of the assumptions will be tested and render the forecast inaccurate. Members are generally comfortable with a requirement for schemes to complete 12 monthly (quarterly forecasts) and for these to be made available to ASIC on

request. However, Members are concerned about making these forecasts available to investors, and the subsequent potential for litigation which could arise, given that investors may:

1. not understand the limitations of longer forecasts for example 12 months;
2. rely on the 12 month forecasts to hold true; and
3. not source more undated information.

We draw a distinction between the principle of requiring Financial Services Licensees to **prepare** rolling 12-month cash flow projections (which we note reflects the requirements of ASIC CP140 paragraphs 14-21 which must be made available to ASIC on request, and the additional burden proposed in Table 2 to positively assert in disclosure to investors that those estimates demonstrate the scheme's capacity to meet its expenses and other cash flow needs for the next 12 months.

With regards to paragraph 23 on page 12:

> Paragraph (a) – requiring "the current and future prospects of liquidity of the scheme" is a fairly general and broad statement. We ask for clarity regarding this requirement perhaps in the form of a clear definition of the requirement;
>
> Paragraph (b) – requiring "significant risks that may impact the liquidity of the scheme" – we believe this information is already the subject of disclosure within the PDS and therefore a duplication to request the same information in this disclosure; and
>
> Paragraph (c) - requiring "the policy of the scheme on balancing the maturity of its assets and the maturity of its liabilities" – we are unsure of ASIC's intention and seek further clarity. Paragraph 54 (j) attempts to expand on this concept but seems to raise more questions than it clarifies. TFor example, does ASIC mean – to meet future withdrawal requests in full or part? What disclosure/reporting does ASIC refer to?

By their nature, mortgage funds do not balance the maturity of assets and liabilities. For example, the assets of mortgage funds (loans) are generally written for a period of 2-3 years while mortgage funds offer regular (currently monthly or quarterly) liquidity.

Further we note the comment in paragraph 28 page 13, that the forecast be updated monthly. Does this statement mean that ASIC is requesting that the scheme operator to generate, have directors' sign off, audit and then disclose a rolling 12 month forecast which may require the updating of Product Disclosure Statements every month?

If the obligation is to be applied in this manner, the FSC believes this is excessive and disproportionate to the risks faced by investors in mortgage funds versus other investment funds. Even during the financial crisis, in the majority of cases investors were faced with liquidity constraints, not investment losses, as a result of having invested in a mortgage fund. The FSC therefore does not support an ongoing obligation of this kind.

B1Q2 Is there a more relevant or useful measure that we should consider to assess a scheme's capacity to meet its expenses and other cash flow requirements? If so, please explain why.

We are supportive of the current benchmark requirements which require schemes to have cash flow estimates for next 3 months, updated every 3 months. Next 3 month estimates are more relevant and accurate for investors than a 12-month timeframe because they have a much greater degree of certainty, with relevant factors (such as interest rates) being more predictable, and known market sentiment and conditions able to be factored in when making estimates.

Forecasting expected Fund cash flow is difficult and loses its currency the further out a manager makes that forecast. As such, we are not supportive of 12 month forecasts, updated monthly for retail consumer disclosure, as is proposed in this CP.

When forecasting, the manager is required to consider:

- the known maturity profile of the loan book;
- the expected ability of loans to physically discharge (which can be significantly different to the maturity profile in the current commercial credit and property markets);
- fund cash flow and investor behavior (applications and redemptions which is challenging to predict); and
- non-mortgage security maturity profile and secondary market strength as a means for increasing liquidity.

In terms of inflows, proactively working with borrowers on financing options months before a known maturity date can greatly improve outcomes for a fund's liquidity. However, the current commercial credit and property markets remain difficult. While forecasting three months out provides some sense of comfort as managers have a good sense of potential cash flow, we firmly believe that forecasting beyond three months is likely to provide investors with potentially misleading and inaccurate information.

Further, the experience during the recent global financial crisis highlighted just how difficult it is to project investor redemption forecasts 12 months in advance with any certainty. Clearly, any estimates prepared in 2008 before October were rendered completely inaccurate by the events of that month (re-rating of the Mortgage Trust sector and consequent closing of redemption facilities). Those events had a massive and profound effect on 12-month cash flow projections for Mortgage Trusts.

B1Q3 Do you consider that the proposed extension to 12 months will result in significant costs and changes to how a responsible entity operates a scheme? If so, please provide details of the likely costs and changes involved.

Members are generally producing 12 monthly forecasts, on a rolling quarterly timeframe, for internal management purposes. Therefore the production of the forecast is not anticipated to add significant costs.

However, if forecasts are required to be disclosed to retail investors and/or signed off by directors – there is a related increase in cost especially if the process and disclosure requirements are monthly. Prudent issuers will need to develop appropriate verification processes to ensure that the preparation of rolling 12-month cash flow projections is supported, documented, and reviewed. This will require the establishment of internal processes and the potential engagement of external professionals. The preparation of rolling 12-month cash flow projections for internal use does not require the same level of verification because they are used for management purposes only.

Members have advised that providing this additional information will require between half – 1 full time employee earning between $100,000 - $200,000 pa. We have not taken into account the potential costs that could flow from having to update PDS' (if required) or the costs of external auditing or verification which would also be significant.

Any impacts on director's Professional Indemnity insurance has also not been taken into account in the above costing, but may be a factor for the insurer to consider in the future.

Benchmark 2: Scheme Borrowing

Proposal
B2 We propose amending Benchmark 2 to provide that a responsible entity of an unlisted mortgage scheme meets the benchmark in Table 3 if the scheme does not have any borrowings. We propose that the responsible entity of an unlisted mortgage scheme must:

(a) disclose whether the scheme meets the benchmark in Table 3 on an 'if not, why not' basis; and

(b) make the additional disclosures listed in paragraph 29.

Question

B2Q1 Do you agree with the proposed benchmark? If not, please explain why.

We are generally supportive of this proposal.

However, we are concerned about the requirement in paragraph 29 (e) to disclosure **any** loan covenant breach. We would support the proposal with amendments of this particular requirement being altered to read "(e) any **material** loan covenant breaches."

For example, where the RE borrows on a "short term basis for settlement or exceptional situations", which is allowed under the Corporations Act, it should not trigger a failure to meet this benchmark.

Benchmark 3: Loan portfolio and diversification

Proposal
B3 We propose amending Benchmark 3 to address the features of an appropriately diversified portfolio. We propose that the responsible entity of an unlisted mortgage scheme must:

(a) disclose whether the scheme meets the benchmark in Table 4 on an 'if not, why not' basis; and

(b) make the additional disclosures listed in paragraphs 33–35.

Questions

B3Q1 Do you think that there are more appropriate ways a scheme's loan portfolio can be diversified other than in the manner set out in the benchmark? If so, please explain why.

Please refer to the comments following regarding diversification – specifically, with regards to paragraph 33 on pages 15-16:

- Paragraph 33 on page 15: we believe it should read "the scheme's loan portfolio" not "the scheme's investment portfolio".

- Paragraph 33 paragraph (a) (i): it may be appropriate to expand the example to include vacant and rural activity.

- Paragraph 33 paragraph (a) (ii): could ASIC clarify whether the geographic regions referenced in this sub-paragraph are intended to be Australian States and territories?

- Paragraph 33 paragraph (a) (iii): we believe it is more appropriate to disclose the portion of loans in arrears and /or default which are greater than 30 days.

  In addition we support inclusion of a specific requirement to disclose the number of properties held as mortgagee in possession by the fund as a part of arrears and defaults in order to better inform investors how many properties must be managed to ensure a return of capital to the fund.

- Paragraph 33 (b): Can ASIC please clarify if reference to "borrower" also means "borrower groups". Current practice within the banking and finance sector is for loan exposures to be aggregated at group level. For example, where a fund lends to a number of different companies within a group of companies, the current practice amongst many Members is to report the loans to individual companies which have common ownership/directors at an aggregated level. This approach provides a more complete picture of the risks of lending to and possible failure of, a group of companies.

- Paragraph 33 paragraph (d) is unclear to Members. We recommend this paragraph should exclude non-loan assets and a description of all non-loan assets set out.

B3Q2 Do you think that the threshold of 10% of the total scheme assets is an appropriate indicator of concentration of risk? If not, what do you consider to be an appropriate threshold and why?

Yes, a threshold of 10% is sufficient.

B3Q3 Do you think this benchmark is effective for feeder funds? If not, please explain why.

Yes, we agree this is effective for feeder funds on a look-through basis.

B3Q4 Do you think the additional disclosures are appropriate for contributory mortgage schemes? If not, please explain why.

Benchmark 4: Related party transactions

Proposal
B4 We propose amending Benchmark 4 to address related party loan transactions and to require disclosure of how the responsible entity complies with relevant legislative provisions for all related party transactions. We propose that the responsible entity of an unlisted mortgage scheme must:

(a) disclose whether the scheme meets the benchmark in Table 5 on an 'if not, why not' basis; and

(b) make the additional disclosures listed in paragraph 38.

Questions

B4Q1 Do you agree with our proposal that responsible entities should explain whether the scheme has related party loans? If not, please explain why.

Yes we agree.

B4Q2 Do you agree with this proposal? If not, please explain why and what level of disclosure you think is appropriate.

Yes we agree.

B4Q3 Should the proposed disclosure be confined to only some arrangements with related parties? If so, which arrangements should it apply to and why?

We note that the benchmark disclosure "if not, why not" refers only to lending to related parties whilst the disclosures go to all related party transactions. Whilst supporting related party disclosure, there is already extensive detailed information published regarding related party transactions in scheme annual reports. We do not believe it is necessary to disclose the same detailed information in both documents.

B4Q4 Do you anticipate any difficulties in providing the additional disclosures? Please explain.

Members have advised that there will be significant costs involved in capturing, reviewing, making disclosure, and monitoring transactions to comply with this additional level of disclosure on a Continuous Disclosure basis.

Benchmark 5: Valuation Policy

Proposal
B5 We propose amending Benchmark 5 to clarify our expectations on the approach that responsible entities should take to valuations. We propose that the responsible entity of an unlisted mortgage scheme must:

(a) disclose whether the scheme meets the benchmark in Table 6 on an 'if not, why not' basis; and

(b) make the additional disclosures listed in paragraph 43.

Questions

B5Q1 Is there any other relevant or useful information that the valuation policy should address? If so, please explain why.

No. There is no other relevant or useful information that a valuation policy should include.

Further, we note that there are significant practical difficulties with complying with the last point within the benchmark:

> – within a month after there is a decrease in the value of the security property, if the decrease is likely to have caused a breach of loan covenant.

There is a circular argument contained within this requirement. The notion of a fall in the property's value triggering a valuation to be carried out within a month is unlikely to be achievable, given that it's unlikely that the scheme operator will know that there has been a decrease in the value of the property without having carried out a valuation in the first instance. The exception may be a general property market crash – in which case, a large number of properties may require re-valuation and the volume of valuations may prohibit the 1 month period timeframe from being met.

We recommend this last point be deleted from the benchmark requirements.

B5Q2 Will there be any practical difficulties in requiring valuers to confirm the basis of the valuation as set out in the benchmark? If so, please explain why.

We do not foresee any practical difficulties in requiring valuers to confirm the basis of the valuation as set out in the benchmark.

B5Q3 Do you consider it is appropriate for an external valuation to be obtained when the property decreases in value such that it is likely to have caused a breach of loan covenant? If not, please explain why.

Refer to Question B5Q1 for our recommendation with regards to valuations in relation to security property.

B5Q4 Will this proposal result in significant changes to the way a responsible entity operates a scheme and additional costs? If so, please provide details of the steps involved in implementing the measures and the likely costs?

Any requirement to obtain additional valuations will impose a cost. The cost will be borne either by borrowers, or by members of the fund in the form of lower distributions. Further, it places mortgage funds at a competitive disadvantage as other lenders, such a banks, are not compelled to have to value their assets in a similar manner.

B5Q5 Do you think this benchmark is effective for feeder funds? If not, please explain why.

Yes we think this benchmark will be effective. The intention should be to ensure transparency for investors. Feeder funds use a mortgage pool or an underlying fund to achieve an exposure to commercial mortgages. Provided the underlying mortgage pool adopts the compliant valuation policy, then feeder funds should comply with this benchmark.

Benchmark 6: Lending principles—Loan-to-valuation ratios

Proposal

B6 We propose amending Benchmark 6 to address the risk exposure associated with property-related loans and loans relating to property development. We propose that the responsible entity of an unlisted mortgage scheme must:

(a) disclose whether the scheme meets the benchmark in Table 7 on an 'if not, why not' basis; and

(b) make the additional disclosures listed in paragraph 47.

Questions

B6Q1 Do you think that the proposed LVR of 70% for both non-development and development properties is an appropriate indicator of how conservative or aggressive a scheme's lending practices are? If not, please explain what you consider to be an appropriate ratio and why.

We believe the benchmark should not stipulate a specific percentage but read that the Scheme abide by the LVR determined by the Scheme's constitution and Product Disclosure Statement.

If a specific percentage is preferred by ASIC, then we believe the LVR should be set at 75%. The majority of the industry's constitutions and disclosure documents today include a maximum loan to valuation of 75%. This figure has been the generally accepted norm across the broad banking and finance sector as the maximum extent to which senior debt financiers lend to a borrower. Beyond 75% LVR, mezzanine financiers operate. As such, there exist loans that were written previously based on this limit and which remain current in loan books.

If ASIC decides that 70% LVR is the appropriate cut off for reporting purposes it will significantly disadvantage all mortgage funds that have successfully lent up to 75% LVR as a significant number of mortgage funds are unlikely to meet this benchmark.

A benchmark breach of this nature could give investors the impression that these mortgage fund were not conservative or in some way operating outside of the norm in regard to their lending practices.

Such an inference would be misleading and is not supported by any evidence. Indeed, it would appear at odds with the opinions of rating agencies and the funds' external auditors who have consistently signed off stating that the fund's lending practices and policies are not aggressive.

Further, with regards to paragraph 47 (a) on page 22, we are unclear as to what LVR information we should disclose. In the spirit of consistency and comparability for retail investors, we recommend that ASIC consider clarifying expanding this requirement for example to read, the maximum or weighted average LVR as at the date of reporting.

B6Q2 Do you think that the 'as is' valuation is appropriate for both non-development and development properties? If not, please explain the valuation method which you consider appropriate and why.

Yes we generally agree as this is industry norm for non-development properties. We do not agree with this approach for development properties – development properties should be assessed on a cost to complete basis.

B6Q3 Do you consider that the proposed guidance will result in significant cost and changes to how a responsible entity operates a scheme? If so, please describe the changes and likely costs involved.

If the disclosure changes from current 75% to 70%, there will be significant cost and commercial implications resulting from potentially adverse investor responses and potential need to restructure the fund's portfolio.

Benchmark 7: Distribution Practices

Proposal
B7 We propose amending Benchmark 7 to address the payment and funding of distributions to investors. We propose that the responsible entity of an unlisted mortgage scheme must:

(a) disclose whether the scheme meets the benchmark in Table 8 on an 'if not, why not' basis; and
(b) make the additional disclosures listed in paragraphs 50–51.

Questions

B7Q1 Are the disclosure benchmarks we propose appropriate? If not, please explain why.

We generally support this benchmark.

We reiterate earlier concerns that disclosure requirements which require future estimates are not appropriate as they are subject to many factors out of the Responsible Entity's control and estimation. As indicated previously, such estimates create the potential for misleading information to be provided to investors and may not satisfy ASIC's own requirements.

We also recommend that paragraph 50(d) be modified to include where distributions are sourced other than from income and whether this source is sustainable over the next 12-24 months.

B7Q2 Do you think there are more effective ways of addressing the issues relating to sensitivity analysis? Please explain your answer.

No – we believe the disclosure within PDS and the fund's constitution should be sufficient.

Benchmark 8: Withdrawal arrangements

Proposal

B8 We propose to revise Benchmark 8 to address the withdrawal arrangements that apply when a scheme is liquid and when it is illiquid. We propose that the responsible entity of an unlisted mortgage scheme must:

(a) disclose whether the scheme meets the benchmark in Table 9 on an 'if not, why not' basis:

(i) if members may withdraw from a liquid scheme in accordance with the constitution of the scheme, the responsible entity should disclose whether the scheme meets the benchmark for liquid schemes; and.

Note: A liquid scheme is defined in s601KA(4) of the Corporations Act.

(ii) if members may withdraw from an illiquid scheme in accordance with s601KB–601KE of the Corporations Act, the responsible entity should disclose whether the scheme meets the benchmark for illiquid schemes; and

(b) make the additional disclosures listed in paragraphs 54–57.

Questions

Generally, we note that the requirements within paragraphs 54 and 55 are quire onerous and detailed and we question the benefit this information will deliver in terms of providing retail investors meaning additional information to aid their decision making.

B8Q1 Do you agree that the period of up to 90 days allowed in the constitution for the payment of withdrawal requests for liquid schemes is appropriate? If not, please explain why and the appropriate timeframe.

We note that aspects of the proposal are not consistent with existing requirements under the Corporations Act. Specifically, the addition of the following new requirement is in contradiction with the provisions with the Corporations Act and we therefore recommend that ASIC delete this requirement:

> • assets that the responsible entity can reasonably expect to realise for market value within 10 business days.

B8Q2 Do you think it is appropriate that a responsible entity only provides members with withdrawal rights if at least 80% (by value) of the scheme property is of a liquid nature as described in the benchmark? If not, please explain what you consider to be an appropriate test for assets held, including the time that a responsible entity can reasonably expect to realise assets for market value.

We recommend that the proposal be aligned with the Corporations Act.

B8Q3 Do you think there are other more effective ways in dealing with the mismatch between investors' expectations and the ability of responsible entities to realise mortgage assets to meet redemptions?

No. In a practical sense, we believe that the market has already reset adviser and investor expectations regarding the liquidity of Mortgage Trusts.

B8Q4 Do you think the benchmark adequately takes into account arrangements for contributory mortgage schemes that offer withdrawals?

Disclosure at paragraph 55:

The Responsible Entity should not have to make representations to investors on the future ability to withdraw, as the number of factors out of its control means that any statements are hypothetical in nature. Any statements may be inaccurate and therefore may prove misleading.

C: Disclosure against the benchmarks: 'If not, why not'

Proposal
C1 We propose to amend RG 45 to clarify:

(a) that responsible entities of unlisted mortgage schemes should adopt terminology consistent with the 'if not, why not' methodology explained in RG 45.6; and

(b) our expectation that benchmark disclosure requires a clear statement that the relevant benchmark is met or not met. If the benchmark is not met, the benchmark should be disclosed as not being met with an explanation as to why the benchmark is not met.

Question

C1Q1 Do you agree with this proposal? If not, please explain why.

We support this proposal.

D: Feeder Funds

Proposal
D1 We propose to revise RG 45 to ensure that:

(a) investors in a feeder fund (a scheme that invests all or most of its assets in other unlisted mortgage schemes) receive disclosure of how the benchmarks apply at the feeder fund level; and

(b) where the disclosure will be the same for the feeder fund and the underlying fund(s), the responsible entity of the feeder fund incorporates by reference the disclosure for the underlying fund(s).

Questions:

D1Q1 Do you agree that feeder funds should provide separate disclosure? If not, what alternative approach do you think would be effective for feeder funds to provide benchmark disclosure to their investors?

We do not support this proposal.

D1Q2 What information do you think is useful to investors at a feeder fund level?

RG45 information should apply equally to investors in a feeder fund to ensure they receive disclosure of how the benchmarks apply at the feeder fund level.

D1Q3 Will this proposal cause any practical difficulties? If so, please provide details.