

Consultation Paper 208:

ASX Managed Funds Service: Relief from the Application Form Required



The AIOFP [AIOFP] is the nation's largest professional Association for independently owned financial advice practices. Formed in 1998, the practice is the member; it must operate its own AFSL and have no ownership by product manufacturers. AIOFP currently has over 140 members representing 2500 advisers and over \$45 billion of funds under advice.

Please see responses below.

Ref Question

B1	
B1Q1	Do you agree with our proposal to grant relief to responsible entities? If not, why not? YES
B1Q2	Do you consider that the conditions for relief are appropriate compared to the conditions outlined in [CO 02/260]? YES
B1Q3	Are there any other conditions that should be imposed on the responsible entities? NO
B1Q4	Are the proposed changes to the ASX Operating and ASX Settlement Rules, in relation to responsible entities (see paragraph 37), adequate as a basis for giving relief? <i>[For products that are settled through the AMFS, responsible entities are required to provide to ASX, via the market announcement platform, all PDSs, supplementary PDSs and other communications that are required by law to be made available to investors generally. Responsible entities must notify ASX of all situations where an investor in the AMFS has indicated to the responsible entity that a current version of the PDS has not been given to the investor. ASX will notify ASIC when the number of such instances in relation to any AMFS broker exceed certain thresholds determined by ASX.]</i> YES
B1Q5	How would the proposed relief affect your compliance costs? DEPENDS ON THE PRACTICE STRUCTURE BUT GENERALLY AGREE IT WILL REDUCE COSTS.

B2	
B2Q1	Do you consider that the conditions imposed on the AMFS brokers (and any settlement participants) are unduly burdensome? NO
B2Q2	Are there any other conditions that should be imposed on the settlement participants or on the AMFS brokers? NO
B2Q3	Are the proposed changes to the ASX Operating and ASX Settlement Rules, in relation to AMFS brokers, settlement participants and online brokers (see paragraphs 38–48), adequate as a basis for giving relief? YES
B2Q4	Should, and how would, compliance with the requirement to provide a current PDS for the managed investment product to an investor be more effectively enforced in the context of the AMFS? GREATER PROPENSITY TO USE THEM.
B2Q5	As the AMFS is not covered by the NGF, do you consider that the risk of inadequate compensation or inaccurate perceptions about compensation arrangements should be addressed in PDSs, and that this should be a requirement for relief? Please explain why or why not. NO

B3	When deciding whether to grant relief, we propose to consider (among other things), whether:
B3(a)	the AMFS represents a net benefit to the industry and investors that outweighs any reduction of regulatory protection for investors; WE AGREE, A GREATER BENEFIT.
B3(b)	the arrangements proposed by ASX would be effective to ensure that an investor will be given a PDS by the AMFS broker before or at the time the investor invests; AGREE - ADEQUATE
B3(c)	an investor will understand when using the AMFS that the investor is applying or requesting redemption of products from the issuer and is not able to buy or sell products through a financial market; AGREE - ADEQUATE
B3(d)	the arrangements will result in a current PDS (and not an outdated PDS) being provided to the investor; AGREE - ADEQUATE
B3(e)	there is any mechanism to identify when an investor is not given a PDS and, when this happens, what rectification measures will follow; AGREE - ADEQUATE
B3(f)	there is sufficient record keeping to ensure that the policy objectives of s1016A are achieved through the system proposed by the ASX; and AGREE - ADEQUATE
B3(g)	investors utilising the service to invest in admitted schemes will have diminished rights or be treated differently to investors in registered schemes that are not admitted schemes. We note investors using the AMFS will continue to have cooling-off rights under s1019B. AGREE – ADEQUATE
B3Q1	Are there any other factors that we should consider when granting relief, and why should the factors be considered? NO
B3Q2	Do you consider that investors are likely to confuse the AMFS with a trading platform? If yes, what changes to the AMFS should be made to reduce this likelihood of confusion? NO
B3Q3	What effects do you foresee on the distribution arrangements of schemes as a result of implementing the AMFS? WE SEE POSITIVE OUTCOMES
B3Q4	What effects do you foresee the AMFS will have on the use of financial advice by investors in simple managed investment schemes? POSITIVE – ANYTHING TO REDUCE PAPERWORK IS POSITIVE AND HAVING THE WELL RESPECTED ASX INVOLVED GIVES CONFIDENCE.
B3Q5	What other negative or positive effect, if any, do you foresee the AMFS may have on investors or industry participants? SIMPLICITY, STREAMLINING AND CONFIDENCE IN THE ASX'S PROVEN TRACK RECORD OF MANAGEMENT AND SUPERVISION.
B3Q6	What do you foresee the net direct and indirect cost impacts of the AMFS and specifically the proposed relief will be on your organisation?

CAN ONLY BE POSITIVE FOR THE INDUSTRY

Regulatory and Financial Impact	
	To ensure that we are in a position to properly complete any required RIS, please give us as much information as you can about our proposals or any alternative approaches, including:
(a)	the likely compliance costs; LIKE ANY NEW SERVICE THERE ARE INITIAL TRAINING, IMPLEMENTATION AND COMPLIANCE COSTS BUT THE LONG TERM GAIN WILL SIGNIFICANTLY OUT WEIGH THE SHORT TERM COST
(b)	the likely effect on competition; and WILL INCREASE CHOICE/TRASPARENCY FOR CONSUMERS AND REDUCE DISTRIBUTION COSTS, CANT SEE ANY DOWNSIDE FOR ANY PARTY.
(c)	other impacts, costs and benefits. AS ABOVE