

B1 We propose to grant relief from s1016A, as requested by ASX, for responsible entities of schemes in relation to applications made through AMFS, and modify the Corporations Act to impose obligations on AMFS brokers (and settlement participants) who choose to give instructions or make applications through AMFS to ensure that investors are provided with a PDS.

The form and conditions of relief proposed to address the application by ASX are outlined in paragraphs 31–48.

Your feedback

B1Q1 Do you agree with our proposal to grant relief to responsible entities? If not, why not?

Yes

We note the intention is to restrict the listing to registered managed investment schemes that are eligible to use the shorter PDS regime. As an ancillary comment we submit that ASIC should consider extending the relief to allow a wider range of products being available through the AMFS specifically:

- Registered managed investment schemes that are not eligible to short form PDSs; and
- Foreign mutual funds that are available to Australian retail investors through any relief pursuant to Regulatory Guide 178

We believe this will give Australian investors the greatest possible choice and given the safeguards inherent with a the registration of a local scheme, or the satisfaction of foreign fund with the conditions of any relief, investors applying through the AMFS will not be exposed to any higher risk than if these products were accessed by them through traditional channels.

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.

We note the initial responsibility to ensure the retail investor is provided with a copy of the PDS rests solely with the ASX broker and/or trading participant.

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?

Yes.

By the RE advising the ASX of situations where an investor has indicated they have not received a PDS, the ASX will, be in the best position to ascertain a pattern of non compliance by any ASX broker and/or trading participant.

B1Q5 How would the proposed relief affect your compliance costs?

We believe compliance costs will increase in the short term with the proposed relief, this would be normal with the introduction of any new financial service particularly. Overall we believe that overall costs for the distribution of funds will be reduced without the layered costs associated with the current monopolized platform avenues.

B2 We propose that, if we grant the relief as requested by the ASX, we will modify Pt 7.6 by class order to impose an obligation on AMFS brokers and settlement participants) to ensure that retail investors have been given the current PDS (including any supplementary PDS) that appears on the ASX's market announcement platform before transmitting instructions for a request to be issued products.

In ASX's proposals, the AMFS broker (and any settlement participant) will be required to ensure that the current PDS has been given to an investor and the CHESSE system will capture the information that the investor has been given the current PDS and other details, including the date of birth of the investor. This information will be electronically relayed to the responsible entity and the responsible entity will rely on the CHESSE message to determine that the obligation to provide a PDS to an investor has been fulfilled.

Your feedback

B2Q1 Do you consider that the conditions imposed on the AMFS brokers (and any settlement participants) are unduly burdensome?

Not from our perspective however, we are not acting as an AMFS broker so would defer to any submission made by any such broker.

In support of the AMFS brokers we submit to enable a workable model the delivery of a PDS should be allowed by either:

- confirmed as opened from the AMFS broker website or
- send to an email account nominated by the retail investor.

Either of these options should be considered as evidence that the PDS has been provided to the retail client.

B2Q2 Are there any other conditions that should be imposed on the settlement participants or on the AMFS brokers?

Not from our perspective however, we are not acting as an AMFS broker or settlement participant so would defer to any submission made by any such broker and settlement participants

We expect it would assist these parties to make the clear distinction that

- the AMFS broker is the sole party that must ensure that the PDS has been provided; and
- the settlement participant is to:
 - check that the AMFS broker has confirmed that it has met this obligation; and
 - will provide additional information in the transaction statements.

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 from our perspective however, we are not acting as an AMFS broker so would defer to any submission made by any such broker.

In support of the AMFS brokers we submit to enable a workable model the delivery of a PDS should be allowed by either:

- confirmed as opened from the AMFS broker website or
- send to an email account nominated by the retail investor.

Either of these options should be considered as evidence that the PDS has been provided to the retail client.

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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?

We submit to enable a workable model the delivery of a PDS (including any supplementary PDS) should be allowed by either being:

- confirmed as opened from the AMFS broker website or
- send to an email account nominated by the retail investor.

Either of these options should be considered as evidence that the PDS has been provided to the retail client. Confirmation of these should be included in the settlement participant's message back to the responsible entity.

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, any reference to the NGF in a PDS will only confuse investors accessing schemes through more traditional channels. Moreover given the current the prescriptive content requirements for short form PDSs space is limited for any additional text. .

We note the ASX will develop other more targeted means to deliver the appropriate message to investors which should be more prominent and thus more effective.

B3 When deciding whether to grant relief, we propose to consider (among other things), whether:

(a) the AMFS represents a net benefit to the industry and investors that outweighs any reduction of regulatory protection for investors;

(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;

(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;

(d) the arrangements will result in a current PDS (and not an outdated PDS) being provided to the investor;

(e) there is any mechanism to identify when an investor is not given a PDS and, when this happens, what rectification measures will follow;

(f) there is sufficient record keeping to ensure that the policy objectives of s1016A are achieved through the system proposed by the ASX; and

(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.

Your feedback

B3Q1 Are there any other factors that we should consider when granting relief, and why should the factors be considered?

Further to our at B1Q1 comments for B1Q, we believe to give Australian investors the best and most effect choice, the commission should consider extending the relief to allow a wider range of products being available through the AMFS specifically:

- Registered managed investment schemes that are not eligible to short form PDSs; and
- Foreign mutual funds that are available to Australian retail investors through any relief pursuant to Regulatory Guide 178

We believe given the safeguards inherent with a the registration of a local scheme, or the satisfaction of foreign fund with the conditions of any relief, investors applying through the AMFS will not be exposed to any higher risk than if these products were accessed by them through traditional channels

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, given the operation of the AMFS and the disclosures proposed it should be obvious to the investor that it is a quoting platform not a trading platform. For example, given the transaction price is not immediate and transaction cannot be placed at a predetermined price it should be readily identifiable as not a trading platform.

B3Q3 What effects do you foresee on the distribution arrangements of schemes as a result of implementing the AMFS?

We believe the implementation of the AMFS will increase price competition and ultimately result in greater fund choice for retail investors. Key drivers of this better include:

- Cost: the majority of retail investors are accessing Australian domiciled funds via investment platforms (e.g. IDPS, IPDS like schemes, retail superannuation master trusts, wraps) at a total cost ranging between 1.5% and 2.25 % p.a. The retail sector is increasingly at risk of becoming uncompetitive on price particular with the pricing pressure coming from industry funds. The total cost of Funds disturbed through the AMFS, without the added cost layers of the platforms, could likely range between 0.45% and 1.25%(depending on the asset class) a significant saving to end investors.
- Competition: Provided the AMFS platform allows for a simple and cost effective means of access eligible funds, it will lead to increase competition with more products and more product providers being able to come to the market outside the current distribution chains monopolised through a small number of bank owned platforms. .

B3Q4 What effects do you foresee the AMFS will have on the use of financial advice by investors in simple managed investment schemes?

We believe the introduction of the AMFS will not have a material effect on the use of financial advice. As products can only be accessed through an AMFS Broker we suspect this will provide investors with an additional opportunity to seek financial advice from such brokers.

B3Q5 What other negative or positive effect, if any, do you foresee the AMFS may have on investors or industry participants?

Further positive effects should include:

- Reduced cost and ease of administration to investors given reduced fees and ease of application ,
- Greater investment diversity opportunity for investors with the opportunity to invest in funds across diversified asset classes and styles.

As the funds offered on the AMFS will still require the same level of regulatory compliance there will be no reduction in regulatory protection.

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?

The AMF should have a net of a reduction of costs. This largely due the reduction of the costs associated with the current monopolised platform models with the various shelf fees charged by the platforms operators.

Regulatory and financial impact

In developing the proposals in this paper, we have carefully considered their regulatory and financial impact. On the information currently available to us we think they will strike an appropriate balance between:

- (a) confident and informed investors by holding ASX and the AMFS brokers to account and by empowering investors through appropriate information and disclosures; and
- (b) fair and efficient financial markets by allowing the proposed use of a mechanism for transacting in products in admitted schemes that can compete with existing distribution arrangements.

Before settling on a final policy, we will comply with the Australian Government's regulatory impact analysis (RIA) requirements by:

- (a) considering all feasible options, including examining the likely impacts of the range of alternative options which could meet our policy objectives;
- (b) if regulatory options are under consideration, notifying the Office of Best Practice Regulation (OBPR); and
- (c) if our proposed option has more than minor or machinery impact on business or the not-for-profit sector, preparing a Regulation Impact Statement (RIS).

All RISs are submitted to the OBPR for approval before we make any final decision. Without an approved RIS, ASIC is unable to give relief or make any other form of regulation, including issuing a regulatory guide that contains regulation.

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:

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SUBMISSION – ASIC CONSULTATION PAPER 208 ASX Managed Funds Service: Relief from the
application form requirement

(a) the likely compliance costs;

(b) the likely effect on competition; and

(c) other impacts, costs and benefits.

- Compliance costs: Initial compliance cost increases will be absorbed and ultimately be then compensated by ongoing savings available via an AMFS offer
- Competition: The AMFS has the potential to reshape distribution chain of mutual funds by allowing high quality product to be readily accessible at lower cost to Australian investors.
- Other: Facilitates the continued success of the Self managed superannuation fund sector