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9 September 2016

Mai Go
Lawyer, Investment Managers & Superannuation
Australian Securities and Investments Commission
Level 7,
120 Collins Street
Melbourne Vic 3000

Dear Ms Go

By email: mai.go@asic.gov.au

Consultation Paper 266: Remaking ASIC class orders on managed investment schemes: Not for money

I write in reply to the Consultation Paper referred to above. CBH Grain Pty Ltd considers that the class order exemption for Managed Investment Schemes: Interests not for money is beneficial for grain growers and grain marketers in Australia and that the class orders are operating efficiently and effectively.

Agricultural commodity pools, particularly in respect of grain and oilseeds offer a valued method of managing the high level of commodity volatility that affects Australian grain growers. These commodity pools provide an important competitive tool for grain growers to sell the commodity that they produce, and to manage some of the volatility that would otherwise be present. They also provide a competitive pressure on other methods of purchasing grain so as to ensure that the market for the sale of Australian grown grain operates efficiently.

Without an exemption such as currently exists in Class Order 02/211, it is likely that the costs of regulation associated with compliance with the managed investment, AFS licensing, anti-hawking and product disclosure provisions would increase significantly. These increased costs would otherwise have to be recouped from growers participating in the commodity pool through increased fees. Ultimately this would reduce the return to Australian growers from the international market and be likely to result in fewer commodity pools being run. Ultimately this would be reflected in less choice for Australian growers and lower returns.

CBH Grain agrees with ASIC that the very nature of grain pools is such that they are captured as a result of the wide scope of the definition of a managed investment scheme and they are not intended to be an investment product. Agricultural commodity pools instead are a method allowing members of the commodity pool to sell their production in

the ordinary course of business and determine the price of a particular commodity over time reducing the impact of volatility in commodity price on any given day to growers.

Further, as an example of how the class orders are operating effectively, Grain Trade Australia (**GTA**) has produced a Technical Guideline Document on the Operating Standards for Pool Providers. This document provides clear guidance on the minimum standards for the operation of pools by GTA members and ensures that the behaviour of commodity pool providers is consistent with the best interest of pool members. In addition, GTA and industry has provided an alternative channel in the unlikely event that a dispute may arise between a commodity pool provider (issuer) and pool member.

Ultimately, CBH Grain supports the position of ASIC in its preliminary view that:

- the operation of class order 02/211 should be extended as proposed; and
- the market and conduct covered by the operation of class order 02/211 is operating efficiently and effectively, in the interests of Australian grain growers.

If you have any questions please do not hesitate to contact us.

Yours sincerely
For CBH Grain Pty Ltd

A handwritten signature in blue ink, appearing to read 'Jason Craig', with a large circular flourish at the beginning and a long horizontal stroke extending to the right.

Jason Craig
General Manager, Manager & Trading