Rural Funds Management
Managing good assets with good people

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NTA requirements – Consultation feedback
Regulatory Reform and Implementation
Australian Securities and Investments Commission
GPO Box 9827
Melbourne VIC 3001
email: rri.consultation@asic.gov.au

Submission – Consultation on Net tangible assets requirement for responsible entities

This submission is made by Rural Funds Management Limited (**RFM**) in response to the consultation paper 'Net tangible assets requirement for responsible entities' released by ASIC on Wednesday, 18 March 2026 (**Consultation Paper**).

Summary of submission

RFM understands the concerns raised given the recent scheme collapses which has harmed investor confidence in the sector and welcomes ASIC's consultation on reviewing the AFS net tangible asset requirements for AFS licensees.

It is our opinion that regulatory effort would be better directed to targeted enforcement and improved data collection on the investment schemes, rather than introducing additional financial obligations for responsible entities. Our view is that investor protection is best achieved by ensuring that the schemes are being operated appropriately. Increasing AFS licensees net tangible asset (**NTA**) requirements may help in minimise losses in the event of collapses, but the underlying issue is the monitoring and identification of schemes that are not being operated appropriately.

In response to the Consultation Paper, RFM wants to highlight that current AFS licensees NTA requirement thresholds and liquidity tests, including the cash requirement test, have a cost that is borne by responsible entities. Increasing thresholds will increase barriers to entry and the cost of managing schemes. These costs are likely to then be passed on to investors.

Our view is that the current requirements, particularly the "Average revenue" threshold introduced in 2013, operate so that the AFS licensees NTA threshold increases as the income earned by the responsible entity (**RE**) increases. This is usually in line with the growth in scheme assets. By increasing the nominal thresholds, the Average revenue threshold may not be applicable for RE's. NTA financial obligations will therefore not be commensurate to revenue earned from operating schemes.

Rural Funds Management Limited

Rural Funds Management Limited (**RFM**) ACN 077 492 838 is an Australian fund manager with more than 29 years' experience owning, developing and operating agricultural land and infrastructure. RFM manages agricultural assets on behalf of both retail and institutional investors and provides expertise across asset management, development, agronomy and farming operations. With offices in Canberra, Sydney and regional Queensland, RFM and its associated entities employ more than 250 staff.

RFM holds an Australian Financial Services Licence authorising it to operate managed investment schemes in various agricultural sectors. The RFM Board of Directors (**Board**) is comprised of five directors, four of whom are independent non-executive directors.

RFM is the responsible entity and manager of Rural Funds Group. In the past, RFM has been the responsible entity of several other registered managed investment schemes.

Rural Funds Group

Rural Funds Group (ASX: **RFF**) is an ASX-listed, diversified agricultural real estate investment trust (REIT) and was Australia's first listed diversified agricultural property trust when it listed on the ASX in February 2014. RFF is included in the S&P/ASX 300 Index and is structured as a stapled security, comprising Rural Funds Trust and RF Active.

RFF owns a diversified portfolio of Australian agricultural assets, including properties across sectors such as horticulture (including macadamias and almonds), vineyards, cotton and cattle. These assets are predominantly leased to corporate and institutional agricultural operators under long-term leases. RFF's investment strategy focuses on generating sustainable income and capital growth through lease indexation, productivity improvements, asset development and conversion to higher-value uses.

RFF's governance model emphasises asset oversight, related-party management, valuation integrity and transparency. RFM's governance framework reflects these requirements and operates alongside existing statutory duties owed to members under the Corporations Act.

Our detailed submissions in respect of ASIC's Consultation Paper proposals and questions for consideration are included at Schedule 1.

Thank you for providing us the opportunity to comment on the Consultation Paper. If you would like to discuss the matters raised in this submission, please contact us at the details below.

Regards,

[redacted]

[redacted]
Chief Financial Officer
Rural Funds Management Limited
E: [redacted]
P: [redacted]

[redacted]

[redacted]
Company Secretary
Rural Funds Management Limited
E: [redacted]
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Schedule 1: Detailed submission

Option 1 – Increase in line with CPI

B1	**Under Option 1, we would increase the financial thresholds in the NTA requirement for responsible entities to reflect cumulative CPI growth since 2013.** **This would (in approximate terms) raise the:** **(a) $150,000 NTA minimum to $200,000;** **(b) $500,000 NTA minimum to $700,000;** Note: The $500,000 NTA minimum forms part of the concessional NTA requirement for responsible entities that hold Tier $500,000 class assets (see Section C). **(c) $5 million cap that applies to the average value of fund assets limb of the concessional NTA requirement to $6.9 million; and** **(d) $10 million NTA minimum to $13.8 million.**

No.	Proposal	RFM submission
B1Q1	Please provide your feedback on this option, including reasons in support of your views.	The minimum thresholds proposed for (a) and (b) are likely to reduce competition by introducing higher barriers to entry for new responsible entities and will ultimately result in higher costs for scheme members when schemes are established. RFM does not support the proposed increase in the concessional NTA requirement from $5 million to $6.9 million (c). The result of the increase in threshold will tie up additional working capital within RFM's business to meet the cash requirements test as this working capital is to be held as cash deposits. The thresholds proposed may not calculate proportionately with the increase in scheme assets and revenue generated by the responsible entity. Given the way the calculation works, a scheme with assets under management of greater than $1.38 billion will be required to hold NTA of $6.9 million and under the liquidity component, $6.9 million in liquid assets and $3.45 million in cash or cash equivalents. For a responsible entity business charging a management fee to the scheme/s that it operates, this is a significant amount of cash that would need to be set aside and will not be able to be used to reinvest within the business. The equivalent "average revenue" that equates to this threshold is $69 million. In order for a responsible entity to generate this revenue, it would need to charge a management fee to the scheme/s of 5% on the assets of the scheme. RFM currently charges a management fee on 1.05% of the gross assets of the listed scheme it manages, the Rural Funds Group (ASX: RFF). A simple calculation assuming a management fee of 1.0% p.a implies total assets under management of $6.9 billion is required for a responsible entity to generate $69 million in revenue and to thereby exceed this NTA threshold. For responsible entities (assumed to be charging management fees of 1.0%) with assets under management of between $1.38 billion and $6.9 billion, this is a substantial cash requirement that is not commensurate with the revenue that is generated.
B1Q2	Do you agree that applying a CPI-linked increase to the financial thresholds specified in the NTA	RFM does not consider an indexation based threshold appropriate to achieve the objectives of the requirement. RFM's view is that the previously introduced "Average revenue" calculation already achieves this by linking the NTA and liquidity

	requirement is appropriate to support the objectives of the NTA requirement? If not, why not?	requirements with earnings. As such, where the responsible entity continues to generate earnings in a consistent way, the thresholds should increase in line with the growth in the schemes' assets.
B1Q3	Are there alternative measures to CPI that you consider more appropriate for this purpose? Please provide details	RFM does not support increasing the thresholds as a default. If ASIC considers adjustment is necessary, it should be based on a targeted, evidence-based assessment of the costs and risks the NTA is intended to cover, such as the "Average revenue" approach which RFM views as appropriate to capture the indexation and growth of the managed schemes' assets.
B1Q4	For existing responsible entities, what effect would this option have on your business (including the amount of capital you hold and compliance costs)? Is this proposal likely to affect fees for scheme members? Please provide specific details and dollar estimates.	Increasing the thresholds will require additional cash and capital to be retained or raised. This creates an opportunity cost for growing RFM's business and increase funding and compliance costs associated with monitoring and maintaining the higher buffer. If these additional costs are not absorbed by RFM, there is a risk that the costs may flow-through to scheme fees, as well as reduced willingness of new entrants to establish responsible entity services. RFM is therefore concerned that this option may increase costs for members without commensurate benefit.
B1Q5	Would it be appropriate for ASIC to introduce an ongoing indexation mechanism (e.g. periodic CPI adjustment) for increasing the financial thresholds in the NTA requirement? Why or why not?	No. An automatic indexation mechanism would embed continual increases without a demonstrated link to risk outcomes. As noted above, RFM does not view this as appropriate to achieve the objectives. RFM's view is that the previously introduced "Average revenue" calculation already achieves this by linking the NTA and liquidity requirements with earnings. As such, the thresholds are likely to index in line with the growth in the schemes' assets.
B1Q6	What impact will this proposal have on competition?	It is likely that competition will be reduced particularly for new entrants into the sector.
B1Q7	Do you see any practical difficulties with this approach? If so, please provide details.	Yes. This will tie up additional cash within the business that restrict RFM's ability to reinvest and grow the schemes it manages. This may be through limiting opportunities to employ more staff, invest in new ideas or start new projects. The flow on effect of this be that RFM may then be limited in seeking out new investment opportunities for the Rural Funds Group and its unitholders, thereby limiting the potential increase in earnings and assets of schemes that RFM manages.

Option 2—Increase the $150,000 minimum under the concessional NTA requirement

B2	**Under Option 2, we would increase the $150,000 minimum for responsible entities under the concessional NTA requirement:** **(a) to a higher fixed dollar amount of up to $1 million; or** **(b) by applying this limb of the NTA formula on a per scheme basis, so a responsible entity must hold minimum NTA of the greater of:** **(i) $150,000 per scheme operated;** **(ii) 0.5% of the average value of fund assets (up to $5 million); or** **(iii) 10% of average revenue.**

No.	Proposal	RFM submission
B2Q1	Please provide your feedback on this option, including reasons in support of your views.	This proposal seems to be a reasonable proposal as it increases with the required size of responsible entities. Increasing the threshold will reduce competition for responsible entities and discourage investment in these types of businesses. These thresholds are not overly burdensome from the current thresholds and may provide additional protection for investors.
B2Q2	Do you prefer proposal B2(a) or B2(b)? Please provide reasons.	B2(b) is the preferred option as it is consistent with the current approach and scales up with the size of the businesses being managed. Having a separate minimum threshold for each scheme managed seems sensible as each scheme is likely to have a separate set of investors and a separate set of risks.
B2Q3	If we adopt proposal B2(a), what should the fixed amount be? What is the basis for this?	The fixed amount of $1.0 million would be appropriate as outlined in the ASIC rationale.
B2Q4	Do you agree that this proposal is appropriate to support the objectives of the NTA requirement? If not, why not?	This proposal does seem appropriate to support the objectives of the NTA requirement for the reasons noted above.
B2Q5	For existing responsible entities, what effect would this proposal have on your business (including the amount of capital you hold and compliance costs)? Is this proposal likely to affect fees for scheme members? Please provide specific details and dollar estimates.	This proposal is unlikely to impact on RFM's thresholds and business.
B2Q6	What effect will this proposal have on competition?	It is likely that competition will be reduced particularly for new entrants into the sector.
B2Q7	Do you see any practical difficulties with this approach? If so, please provide details.	None noted.

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Option 3—Increase the $5 million cap under the concessional NTA requirement

B3	**Under Option 3, we would increase the current $5 million cap on the average value of fund assets limb of the concessional NTA requirement to a higher dollar amount. Currently, the calculation is 0.5% of the average value of fund assets, capped at $5 million.**

No.	Proposal	RFM submission
B3Q1	Please provide your feedback on this option, including reasons in support of your views.	RFM does not support Option 3. The previously introduced "Average revenue" obligation appropriately links the NTA and liquidity requirements with responsible entity earnings and will therefore increase these requirements as the schemes grow.
B3Q2	If we adopt this proposal, what do you think the new cap should be? What is the basis for this?	RFM does not support an increased cap. As previously described in response to B1Q1, current thresholds suggest an RE with assets under management of greater than $1.0 billion is required to hold NTA of $5.0 million and $2.5 million in cash. A simple calculation assuming a management fee of 1.0% p.a implies total assets under management of $5.0 billion is required for an RE entity ~~RE~~ to generate $50 million in revenue and to thereby exceed this NTA threshold. Current thresholds result in the average revenue threshold not applying until RE's exceed the $50 million in revenue threshold. This is already a substantial cash requirement that is not commensurate with the revenue that is generated.
B3Q3	Do you agree that this proposal is appropriate to support the objectives of the NTA requirement? If not, why not?	No, as outlined above.
B3Q4	For existing responsible entities, what effect would this proposal have on your business (including the amount of capital you hold and compliance costs)? Is this proposal likely to affect fees for scheme members? Please provide specific details and dollar estimates.	Increasing the threshold will require additional cash and capital to be retained or raised. This creates an opportunity cost for growing RFM's business and increase funding and compliance costs associated with monitoring and maintaining the higher buffer. If these additional costs are not absorbed by RFM, there is a risk that the costs may flow-through to scheme fees, as well as reduced willingness of new entrants to establish responsible entity services. RFM is therefore concerned that this option may increase costs for members without commensurate benefit.
B3Q5	What effect will this proposal have on competition?	It is likely that competition will be reduced particularly for new entrants into the sector.
B3Q6	Do you see any practical difficulties with this approach? If so, please provide details.	Yes. This will tie up additional cash within the business, restricting RFM's ability to reinvest and continue to grow the schemes it manages. This may be through limiting opportunities to employ more staff, invest in new ideas or start new projects. The flow on effect may be that RFM is limited in seeking new investment opportunities for schemes, thereby limiting the potential increase in earnings and assets for members.

B4	We are not making a formal proposal, but we seek your feedback on questions B4Q1–B4Q4

No.	Proposal	RFM submission
B4Q1	Do you consider the cash or cash equivalents and liquid assets requirements imposed on responsible entities remain appropriate? Please provide specific details and reasons.	The cash or cash equivalents requirement is currently a substantial cost to an RE. The cost of holding cash within the RE entity has associated funding costs, in addition to restricting the ability to reinvest and grow the schemes it manages. RFM suggests that the cash requirement threshold be reduced to the lower of $1.0 million or 25% of the NTA requirement to allow this capital to be available for future growth opportunities. RFM understands the objectives the requirements are seeking to address: in providing potential liquidity in the event that it is required. The liquid assets test may be more appropriate to address this without restricting responsible entities in growing and reinvesting in their businesses.
B4Q2	If we adopt Option 1 (proposal B1), should we increase the cash or cash equivalents minimum requirement (currently, $150,000) to reflect cumulative CPI growth since 2013?	The cash minimum requirement should not become too burdensome for responsible entities. If the $150,000 threshold has been determined to be appropriate to achieve its outcomes, this should not be indexed.
B4Q3	If we adopt Option 2 (proposal B2) or Option 3 (proposal B3), should we make any changes to the cash or cash equivalents or liquid assets requirements? Please provide specific details and reasons.	Option 2 (proposal B2) will not impact on RFM's cash and liquid assets requirements. RFM does not propose any changes to this. Option 3 (proposal B3) would increase the cash required to be held within the business and therefore increase the cost borne by the business. The outcomes have been noted in B3Q2, B3Q4 and B3Q6.
B4Q4	Should we continue to calculate the cash or cash equivalents and liquid assets requirements as a proportion of the NTA the responsible entity is required to hold, or should we use an alternative formula or approach? Please provide specific details and reasons.	Currently, 50% of NTA is to be held as cash and cash equivalents. This is a substantial cost to the RE. If NTA requirements are increased as noted in Options 1,2 and 3, it is proposed that the cash requirement be reduced to the lower of $1.0 million or 25% of the NTA requirement. RFM understands the objectives of the liquidity requirements and the liquid assets test and does not propose any changes to the liquid assets test threshold. RFM's view is that the liquid assets test is appropriate and important to providing protections to investors.

B5	If we adopt any of proposals B1–B4, we propose that a transition period of six months would apply.

No.	Proposal	RFM submission
B5Q1	Do you agree that we should provide a transition period if we decide to adopt one or more of proposals B1–B4?	RFM agrees that a transition period is required.
B5Q2	Do you agree with the transition period being six months? If not, why not?	RFM considers a longer transition period of 12 months is appropriate. Six months will be insufficient. RE's will need the additional time, particularly where additional capital may be required or impacts on responsible entity group structure need to be addressed.

B6	We are not making a formal proposal, but we seek your feedback on questions B6Q1–B6Q2.

No.	Proposal	RFM submission
B6Q1	Do you consider that there are alternative approaches to increasing the NTA requirement that are preferable? Please provide details.	Investor protection is best achieved by ensuring schemes are being operated appropriately and in the best interests of members. Enhanced regulatory oversight, through targeted enforcement, improved data collection, and the review, audit and verification of responsible entity financials is preferred to achieve this. Increasing NTA requirements may help minimise losses in the event there are collapses. Better outcomes for members will be achieved if regulators can monitor and identify schemes not appropriately operated prior to any failure. As a listed entity, the Rural Funds Group is already subject to a higher level of disclosure and transparency than an unlisted managed investment scheme. Regular market disclosures are required, and significant detail on the assets, liabilities and financial position of Rural Funds Group is included in its annual financial report. Comprehensive disclosure of investment strategy, asset classes and borrowings is regularly provided through financial results announcements and investor materials. A carve out, or adjustment, for responsible entities of listed vehicles which are already subject to significant disclosure requirements may be appropriate in some circumstances.
B6Q2	Other than the objectives described in paragraph 6, are there other factors that we should consider when setting the NTA requirement for responsible entities (noting that the focus of the requirement is on ensuring responsible entities have adequate financial resources under s912A(1)(d) of the Corporations Act)?	RFM does not propose any additional factors for ASIC to consider.

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C1	We are not making a formal proposal, but we seek your feedback on questions C1Q1–C1Q2.

No.	Proposal	RFM submission
C1Q1	Do you consider that responsible entities should continue to be subject to a concessional NTA requirement if they meet the requirements relating to custody or fund assets described in paragraphs 29–31? Please give reasons.	Yes. Where the custodian arrangements are met, RFM considers a concessional NTA requirement remains appropriate because it better reflects the reduced risk profile and helps ensure requirements are proportionate.
C1Q2	Are there any aspects of the concessional NTA requirement that you think we should change? If so, please provide details about what you think should be changed and your preliminary views about how the change could be achieved.	RFM does not propose any changes to the concessional NTA requirements.

D1	If we adopt any of the proposals to increase the NTA requirement for responsible entities (see Section B), we propose to apply: (a) the same increased NTA requirements to IDPS operators and corporate directors of retail CCIVs; and (b) any changes made to the liquidity component (see proposal B4) and the concessional NTA requirement (see proposal C1) for responsible entities to IDPS operators and corporate directors.

No.	Proposal	RFM submission
D1Q1	Do you agree with this approach? If not, why not?	RFM has limited involvement in these sectors and does not have insight on these matters.
D1Q2	Do you see any practical difficulties with this approach? If so, please provide details.	
D1Q3	For existing fund operators, if we adopt this approach, what impact would this have on your business (including the amount of capital you hold and compliance costs)? Is this proposal likely to affect fees for your clients? Please provide specific details and dollar estimates.	

D2	We are not making a formal proposal, but we seek your feedback on questions D2Q1–D2Q3.

No.	Proposal	RFM submission
D2Q1	Given the alignment between the existing NTA requirements for responsible entities and licensed custodial or depository service providers, should we conduct a review and consult on increasing the NTA requirement for licensed custodial or depository service providers?	RFM has limited involvement in these sectors and does not have insight on these matters.
D2Q2	Do you consider that we should conduct a review and consult on increasing (or otherwise amending) any of the requirements that apply to other AFS licensees outlined in Table 1? Please give reasons why or why not.	
D2Q3	If we were to increase any of the requirements in Table 1, what are your preliminary views on the approach we should adopt to increasing the requirement (noting the approaches we have proposed for responsible entities in Section B)?	

D3	We are not making a formal proposal, but we seek your feedback to question D3Q1.

No.	Proposal	RFM submission
D3Q1	Should we impose an NTA requirement on other categories of AFS licensees or should we maintain the status quo? Please give reasons.	RFM has limited involvement in these sectors and does not have insight on this.