



ASIC
Australian Securities &
Investments Commission

CONSULTATION PAPER 356

ETP naming conventions: Updates to INFO 230

January 2022

About this paper

This consultation paper sets out our proposals to update the guidance in [Information Sheet 230](#) *Exchange traded products: Admission guidelines* (INFO 230) on naming conventions for licensed Australian exchanges that admit exchange traded products (ETPs).

This paper seeks feedback on the proposed updates from licensed Australian exchanges, issuers of ETPs and investors (including their representatives, such as financial advisers).

Note: Draft guidance on the naming conventions, which is attached to this paper, is available at www.asic.gov.au/cp under CP 356.

About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

Consultation papers: seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

Regulatory guides: give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

Information sheets: provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Reports: describe ASIC compliance or relief activity or the results of a research project.

Document history

This paper was issued on 20 January 2022 and is based on the legislation as at the date of issue.

Disclaimer

The proposals, explanations and examples in this paper do not constitute legal advice. They are also at a preliminary stage only. Our conclusions and views may change as a result of the comments we receive or as other circumstances change.

Contents

The consultation process	4
A Background to the proposals	6
Exchange traded products in Australia	6
Key issues raised in this consultation paper	9
B Updated ETP naming conventions	11
Updated naming convention guidance for ETPs	11
Primary labels—ETP naming conventions by product type	13
Secondary labels—Naming conventions related to risks and strategy	15
C Implementation and other topics	21
Conventions concerning the appearance of any labels applied	21
The role of licensed exchanges	22
Transitional arrangements	24
D Regulatory and financial impact	27
Key terms	28
List of proposals and questions	30

The consultation process

You are invited to comment on the proposals in this paper, which are only an indication of the approach we may take and are not our final policy.

As well as responding to the specific proposals and questions, we also ask you to describe any alternative approaches you think would achieve our objectives.

We are keen to fully understand and assess the financial and other impacts of our proposals and any alternative approaches. Therefore, we ask you to comment on:

- the likely compliance costs;
- the likely effect on competition; and
- other impacts, costs and benefits.

Where possible, we are seeking both quantitative and qualitative information. We are also keen to hear from you on any other issues you consider important.

Your comments will help us develop our policy on naming conventions for ETPs. In particular, any information about compliance costs, impacts on competition and other impacts, costs and benefits will be taken into account if we prepare a Regulation Impact Statement: see Section D, 'Regulatory and financial impact'.

Making a submission

You may choose to remain anonymous or use an alias when making a submission. However, if you do remain anonymous we will not be able to contact you to discuss your submission should we need to.

Please note we will not treat your submission as confidential unless you specifically request that we treat the whole or part of it (such as any personal or financial information) as confidential.

Please refer to our [privacy policy](#) for more information on how we handle personal information, your rights to seek access to and correct personal information, and your right to complain about breaches of privacy by ASIC.

Comments should be sent by 3 March 2022 to:

Melissa Guo, Senior Analyst, Market Infrastructure
Australian Securities and Investments Commission
GPO Box 9827
Brisbane QLD 4001

Email: marketsregulation@asic.gov.au with the subject heading 'CP 356 Submission—[Entity Name]'

What will happen next?

Stage 1	20 January 2022	ASIC consultation paper released
Stage 2	3 March 2022	Comments due on the consultation paper
Stage 3	Q 2 2022	Information sheet released

A Background to the proposals

Key points

Naming conventions for exchange traded products (ETPs) were developed for use in Australia as the market evolved to include more complex products. The current naming conventions are set out in [Information Sheet 230 Exchange traded products: Admission guidelines](#) (INFO 230).

Following informal feedback from industry over a number of years, we have reviewed the guidance in INFO 230 on ETP naming conventions. The proposed revisions in this consultation paper aim to simplify the naming conventions and promote flexibility for the next phase of ETP market development.

Exchange traded products in Australia

ETPs have evolved into more complex products

- 1 ETPs are open-ended investment products that are traded on licensed Australian securities markets (licensed exchanges). ETPs trade and settle like listed share securities and give investors exposure to underlying assets without owning those assets directly. ETPs differ from other listed investment vehicles—for example, listed investment companies (LICs) and listed investment trusts (LITs)—because they are open-ended. This means that the number of units on issue may increase (via applications) or decrease (via redemptions) daily depending on investor demand.
- 2 ETPs were first introduced to the Australian market in August 2001. In September 2008, ASX Limited (ASX) introduced the ‘AQUA’ rules as a separate framework to govern ETPs. Since that time, the ETP market has evolved from relatively ‘simple’ products that aim to only track the value of a specific index to a range of more complex products (e.g. using active management, or strategies including inverse and leveraged exposure).
- 3 As at the end of October 2021, there were 273 ETPs admitted to the ASX and Chi-X Australia Pty Ltd (Chi-X) markets. Of these, 171 were exchange traded funds (ETFs), 68 were managed funds and six were structured products, with a total of A\$127 billion funds under management. There were also 28 single asset managed funds that invested in corporate bonds. This represents significant growth in the number of ETPs and their funds under management since December 2017: see Table 1.

Table 1: Funds under management of ETPs (\$ million)

ETP types	Oct 2021 (\$m)	Dec 2017 (\$m)	Change (\$m)
ETFs	96,060	32,285	63,248
Managed funds	27,874	2,659	25,215
Structured products	3,016	750	2,266
Single asset managed funds (corporate bond products)	122	271	(148)
Total ETPs	127,071	35,965	91,107

Note: Figures may not add up due to rounding.

Source: See [Report 583](#) *Review of exchange traded products* (REP 583); [ASX investment products monthly update](#) for August 2021 and December 2017, [Chi-X funds monthly reports](#) for August 2021.

- 4 Public reports suggest that the growth in the ETP market reflects demand from retail investors and increasing advice from financial advisers recommending ETPs to their clients. ETPs tend to have lower fees than other investment products and can be easier for investors to transact in than funds that are not quoted on an exchange.
- 5 However, as investment products, ETPs have different structures, features, strategies and risks compared with more traditional listed securities (including LICs and LITs) and warrants. For this reason, we consider these products should be labelled in a way that differentiates them from those other listed products.
- 6 Similarly, within the ETP market, there is a spectrum of products with different structures and risk profiles. Naming conventions for ETPs are one of the ways that ASIC and licensed exchanges help to ensure that admission and monitoring standards for ETPs continue to support fair, orderly and transparent markets, particularly in the context of ETPs that have unique or novel features.
- 7 This consultation is an opportunity for ASIC, together with interested stakeholders, to review and consider whether revised guidance on ETP naming conventions would help to achieve these aims.

Development of ETP naming conventions in Australia

- 8 ETPs are typically governed by a different rule framework to ordinary listed securities. When the ASX's AQUA rules first launched in Australia in 2008, ASIC was actively involved in considering the appropriateness of each product admitted. It was in this context that we originally developed naming conventions for ETPs and licensed exchanges implemented them. The aim

was to develop a common terminology to help investors identify specific product features and investment strategies that changed the risk profile of these products.

- 9 In December 2017, we published [INFO 230](#), which summarised all of our existing guidance to licensed exchanges on ETP naming conventions. The guidance sets out good practices to help ensure that admission and monitoring standards for ETPs support fair, orderly and transparent markets, particularly in cases where ETPs have unique or novel features.

Note: When INFO 230 was published, ASIC and ASX also agreed on an admission process for ETPs on the ASX market where ASX took on full responsibility for the day-to-day admission process: see [Media Release \(17-453MR\) Exchange traded products: guidelines for market licensees](#) (21 December 2017).

- 10 Today, ASX and Chi-X are licensed to quote ETPs in this jurisdiction. Both exchanges apply our guidance to ensure that, in accordance with their rules or as a condition of admission, ETP product names are consistent with INFO 230.

Note: Chi-X's operating rules explicitly require issuers to choose an ETP name that is in accordance with ASIC guidance. ASX does not currently have an operating rule requiring compliance with ASIC guidance on ETP naming conventions but enforces this in practice through admission conditions for each new product.

Purpose of naming conventions for ETPs

- 11 There is no broad international consensus on ETP naming conventions. Some jurisdictions use differing naming conventions, while others do not use them at all. This can often be traced back to differences in underlying legislative regimes, in combination with other regulatory settings that are unique to each jurisdiction.

Note: The relevant international standards for ETPs are the International Organization of Securities Commissions (IOSCO)'s [Principles for the Regulation of Exchange Traded Funds](#) (PDF 824 KB) (IOSCO ETF Principles). Examples of different international approaches to naming conventions include HKEX's [Naming Conventions of Short Stock Name by Product Types](#), or the US Securities and Exchange Commission (SEC)'s 2020 [request for comment](#) (PDF 261 KB) on its 'Names Rule' under the *Investment Company Act of 1940* (US) (not specific to ETPs).

- 12 Australia permits retail investors to enter trading instructions through filtered market participant infrastructure. This approach to trading through execution-only brokers means that:
- (a) investors may not interact with the product issuer at any stage before buying the ETP through the execution-only broker;
 - (b) investors may not receive a Product Disclosure Statement (PDS) before purchasing the ETP. The name of the ETP may be one of the first pieces of information an investor sees and may in fact be the only piece of information an investor sees before deciding whether to invest; and

- (c) ETPs are distributed side by side with listed securities (e.g. listed investment products such as LICs and LITs, and ordinary shares).
- 13 Naming conventions for ETPs provide a pre-trade point of differentiation with other listed products. Naming conventions can also help in situations where ETPs and unlisted and unquoted investment products are likely to be compared.
- 14 The usefulness of labels for ETPs can be enhanced where labels are appropriately defined and applied consistently across the entire industry. Generally, ETP product names in Australia include the following information:
- (a) the name of the issuer and/or the investment manager;
 - (b) the name of the index the product intends to track (if applicable), or a summary of the investment strategy;
 - (c) product naming convention as per ASIC guidance (this currently includes ‘ETF’, ‘Active ETF’, ‘Managed Fund’, ‘Hedge Fund’, ‘Synthetic’ and ‘Structured Product’ labels); and
 - (d) indication of whether the product is currency hedged (if applicable).
- 15 This base level of consistency for ETP labels provides the foundation for ASIC’s guidance on naming conventions. Guidance on product naming is one way to signal to investors that there are operational, legal and regulatory differences between ETPs and other products, as well as between different ETPs.
- 16 It is not possible for the name of a product, or any labels attached, to fully inform investors of all key characteristics and, therefore, risks of a product. However, to the extent that labels promote consistency in terminology across this market segment and serve as a starting point for investor education on different product features, we remain of the view that guidance on naming conventions is useful for ETPs.

Key issues raised in this consultation paper

- 17 We have received informal comments over several years from product issuers, financial advisers, industry bodies and licensed exchanges regarding concerns about the ETP naming conventions in [INFO 230](#). For example:
- (a) investors and industry professionals do not generally recognise any difference between the ‘ETF’ and ‘Managed Fund’ labels for ETPs, instead tending to refer to all these products as ETFs. In part, this reflects more broadly that the term ‘managed fund’ is used as an alternative term for managed investment schemes or investment funds; and

- (b) the delineation between products, to which the existing naming conventions apply, can be unclear. This reflects the current definitions (particularly between ‘Managed Fund’, ‘Hedge Fund’ and ‘Synthetic’, where one label may be omitted if another is included) and that naming conventions may not have kept up with product development (e.g. quantitative and smart beta portfolio construction strategies).
- 18 We are also aware of informal proposals from industry participants on updating the naming conventions in both Australia and overseas. In this context, we have reviewed our guidance on ETP naming conventions in [INFO 230](#) and concluded that there is potential for improvement and clarification.
- 19 This consultation is intended to serve two functions, namely:
- (a) we hope to gather feedback that will allow us to complete a holistic review of stakeholder experience to date with ETP naming conventions in INFO 230; and
- (b) we have also proposed some specific updates to our guidance in INFO 230 that are intended to simplify the naming conventions and promote flexibility for the next phase of ETP market development.
- 20 We seek your feedback on the proposals set out in Sections B and C of this consultation paper. In formulating these proposals, we have attempted to shift towards a simpler, more flexible approach to the interpretation of the naming conventions, combined with some enhancements to guidance around implementation. This includes clarification of our expectations of licensed exchanges as gatekeepers in this area.

Matters that are out of scope

- 21 Please note that the scope of this consultation is limited to ETPs. Although there may be merit in naming conventions being applied to other similar listed and unlisted/unquoted product types (e.g. LICs, LITs, funds that are not quoted on an exchange), this is beyond what ASIC can achieve by updating INFO 230. Broader ‘true to label’ considerations, including when it may be appropriate to label a product a ‘crypto’ or an ‘environmental, social and governance’ (ESG) product, are also out of the scope of this consultation.

B Updated ETP naming conventions

Key points

We are proposing to update our guidance in INFO 230 on ETP naming conventions to improve consistency and reduce confusion and uncertainty from the current naming conventions: see proposal B1.

In addition to re-affirming that product names should be 'true to label', the proposed updates include labels that:

- differentiate product structures—for example, collective investment vehicles and structured products (primary labels) (see proposal B2); and
- outline specific strategies and features that indicate the presence of additional risks (secondary labels) (see proposal B3).

For the secondary labels we are also proposing:

- to provide further guidance on labels for quoted collective investment vehicles, and
- not to provide further guidance on labels for structured products.

Updated naming convention guidance for ETPs

Proposal

- B1** We propose to continue to outline product naming conventions in [INFO 230](#) as good practice guidelines for the admission of ETPs. Subject to the feedback we receive, we intend to revise the existing naming conventions by dividing them into two levels of labelling:
- primary labels—to distinguish between types of financial products that are ETPs; and
 - secondary labels—signifying the risks and strategies of the products.

Note: We have set out our draft guidance on the naming conventions in the attachment to this consultation paper.

Your feedback

B1Q1 What have been your experiences with the ETP naming conventions to date?

B1Q2 Do you agree that naming conventions for ETPs are useful in alerting investors to important features and risks of ETPs? If not, why not? Please provide any evidence or research to support your views.

B1Q3 Do you agree that ASIC should continue to outline ETP naming conventions for licensed exchanges and product issuers? If not, why not?

- B1Q4 Do you agree with ASIC's assessment that the current naming conventions require updating? Please provide examples and assessment to support your response.
- B1Q5 Do you agree with the proposed two-level naming convention approach? If not, why not?
- B1Q6 Are there any gaps or areas of inconsistency between ASIC's guidance on ETP naming conventions and the application of design and distribution obligations to ETPs that would benefit from additional clarification?
- B1Q7 Do you foresee any difficulties or unintended consequences resulting from the introduction of the design and distribution obligations and ASIC revising its guidance on ETP naming conventions?
- B1Q8 Do you have any other feedback or comments for ASIC to consider on how to support or encourage investor education on different ETP product features?

Rationale

- 22 We are of the view that retaining naming conventions for ETPs is appropriate: see paragraphs 11–16. Where naming conventions are applied to ETPs, it is important that their application is broadly consistent across Australian licensed exchanges to enable investors to compare similar ETPs quoted on different exchanges. However, we consider that elements of the existing [INFO 230](#) ETP naming conventions require updating: see paragraphs 17–18.
- 23 Primary labels are intended to be applied to all ETPs (i.e. all products should be able to fit into one or the other category). Secondary labels will apply in addition to primary labels, but only for some ETPs. Our proposed guidance for licensed exchanges on secondary labels is intended to be more flexible and applied using discretion by licensed exchanges. This should help ensure that the naming conventions set a minimum standard, without inhibiting the organic development of further labels as the market evolves.
- 24 We also note that, effective from 5 October 2021, the design and distribution obligations apply to ETPs. The operation of the provisions in the *Corporations Act 2001* (Corporations Act) for ETPs has been clarified in the [ASIC Corporations \(Design and Distribution Obligations—Exchange Traded Products\) Instrument 2020/1090](#). Although we are not proposing to provide any additional guidance on this, we are seeking feedback to confirm that this is appropriate.

Primary labels—ETP naming conventions by product type

Proposal

- B2** We propose to set minimum standards for labelling the product type for ETPs. This primary label will differentiate between ETPs that are:
- (a) collective investment vehicles (e.g. managed investment schemes, including those that hold a single asset on trust until maturity, and Corporate Collective Investment Vehicles (CCIVs))—which are labelled as ‘Exchange Traded Funds’ or ‘ETFs’; and
 - (b) structured products (e.g. products that are open-ended and structured as derivatives, redeemable preference shares or debt securities)—labelled as ‘Structured Products’.

Your feedback

- B2Q1** Do you agree with the proposed distinction between these product types? If not, why not?
- B2Q2** Do you agree that issuers of listed investment products (LICs and LITs) should be unable to use the term ‘Exchange Traded Fund’ or ‘ETF’? If not, why not?
- B2Q3** Should the updated guidance include a standard abbreviation for Structured Products (similar to ‘ETF’ for Exchange Traded Funds)? If yes, please indicate your preferred abbreviation for Structured Products and provide reasons for your response.
- B2Q4** Do you agree with the position that sub-funds of CCIVs, should be considered within the same conventions as managed investment schemes, subject to any explicit requirements in the final law passed in relation to the *Corporate Collective Investment Vehicle Framework and Other Measures Bill 2021*? If not, why not?
- B2Q5** Do you have any further suggestions to increase clarity between product types, particularly when comparing quoted managed investment schemes and quoted CCIVs to LICs, LITs and other listed investment products (including listed CCIVs)? Please provide reasons and any available evidence to support your answer.

Rationale

- 25 The proposed primary labels are intended to ensure that ETPs will continue to be separately identified from other listed entities (e.g. ordinary shares in companies, LICs and LITs): see paragraphs 12–13.
- 26 Proposal B2 retains the distinction between collective investment vehicles and structured products. Product structure can indicate differences in the legal and regulatory rights and obligations attached to the products. For example, investors in registered managed investment schemes have the protections in Ch 5C of the Corporations Act. In contrast, some structured

products may be legally structured as redeemable preference shares or derivatives.

Note: CHESS Depository Interests (CDIs) quoted on the AQUA market for overseas domiciled collective investment products typically do so through ASIC relief. The policy is outlined in [Regulatory Guide 178](#) *Foreign collective investment schemes* (RG 178).

- 27 If our proposal for primary labels is implemented, the definition of ‘ETF’ will be broadened, and the ‘Managed Fund’ label will be retired from the [INFO 230](#) naming conventions. One of the main issues raised with ASIC regarding the current ETP naming conventions is the confusion introduced by the ‘Managed Fund’ label. In general use, ‘Managed Fund’ is a broad term to refer to many types of investment products, but in the context of ASIC’s ETP naming conventions it takes on a narrower use.
- 28 Retiring the ‘Managed Fund’ label is intended to simplify ASIC’s guidance and align the primary labels to core differences in product structure, and legal and regulatory rights. Secondary labels will be used in conjunction with these primary labels, as required, to help with identifying ETFs with different features: see proposal B3.
- Note: We recognise that despite any changes to ASIC naming convention guidance, the distinction between a ‘Managed Fund’ or ‘Quoted Managed Fund’ and an ETF may be preserved in licensed exchange operating rules. We will work with licensed exchanges on the best way to manage any necessary transition associated with changes to ASIC guidance: see proposal C3. Other ASIC guidance that preserves the distinction between ETFs and ‘Managed Funds’ will also be reviewed and may be updated in due course.
- 29 We have proposed an abbreviation for Exchange Traded Funds (‘ETF’), but have not proposed one for Structured Products. There is presently no standard abbreviation provided for ‘Structured Product’ in [INFO 230](#). We are concerned that ‘SP’ on its own will not be meaningful, and that ‘ETSP’ may be too similar to ‘ETP’ and ‘ETF’ and increase confusion.
- 30 Under the *Corporate Collective Investment Vehicle Framework and Other Measures Bill 2021*, securities referencing CCIV sub-funds will be able to be both listed (the current Bill allows only CCIVs with a single sub-fund to be listed) and quoted on licensed exchanges. The exposure draft includes requirements that the name of the CCIV includes the phrase ‘Corporate Collective Investment Vehicle’ or the abbreviation ‘CCIV’ at the end and the CCIV’s sub-funds include the name of the CCIV in the name of the sub-fund and the term ‘Sub fund’ or its abbreviation ‘SF’.
- 31 ASIC’s preliminary view is that CCIV securities that are admitted as ETPs may use the ‘ETF’ label, as far as permissible. The language used in the CCIV regime (e.g. ‘sub-funds’) and the regulatory regime are closely aligned to that of managed investment schemes. This would be consistent with the treatment of undertaking for collective investment in transferable securities (UCITS) ETFs in Europe. The ETP naming conventions to be

applied to CCIVs will be subject to any specific naming requirements in the final legislation.

Note 1: On 25 November 2021, legislation to implement corporate collective investment vehicles was introduced in the Parliament: see [Corporate Collective Investment Vehicle Framework and Other Measures Bill 2021](#). Under the Bill, securities referencing CCIV sub-funds will be able to be both listed and quoted on licensed exchanges and naming requirements will be introduced.

Note 2: See European Securities and Markets Authority 2021, [Questions and Answers – Application of the UCITS Directive](#) (PDF 722 KB), 16 July 2021.

Secondary labels—Naming conventions related to risks and strategy

Proposal

B3 We propose to continue to provide good practice guidance for licensed exchanges in applying risk-based and strategy-based labels for ETPs. We propose to provide guidance on two secondary labels for ETFs:

- (a) Active—ETFs that:
 - (i) buy and sell investments based on an active investment strategy; or
 - (ii) disclose their full portfolio holdings on a delayed basis under internal market making or material portfolio information disclosure models.
- (b) Complex—ETFs that:
 - (i) have leveraged or inverse exposures;
 - (ii) employ short selling;
 - (iii) use derivatives (other than for exchange rate hedging purposes); and/or

Note: See the attachment to this consultation paper for our draft changes to the guidance in INFO 230 on the consideration of derivatives under the 'Complex' label.

- (iv) otherwise meet the definition of a hedge fund in [Regulatory Guide 240 Hedge funds: Improving disclosure](#) (RG 240).

Where a product applies the Complex label, it would not have to apply the Active label.

Your feedback

B3Q1 Do you agree with ASIC continuing to provide good practice guidance on specific risk-based or strategy-based labels for ETPs to alert investors to the presence of additional risks where this is appropriate? If not, why not?

B3Q2 Do you support the two secondary labels that we have proposed for ETPs? Please provide reasons for your response.

- B3Q3 Do you support the updated definition for the 'Active' label? If not, why not, and what alternative definition would you suggest?
- B3Q4 In relation to the proposed 'Complex' label:
- (a) do you agree that a single label can effectively alert investors to the presence of a range of important risks? If not, why not?
 - (b) if the 'Complex' label is adopted, do you agree that only derivatives used for exchange rate hedging purposes are able to be excluded? If not, do you have any suggestions for how to revise the consideration of derivatives in the 'Complex' label?
 - (c) do you have any suggested amendments to the proposed definition, or examples of specific product strategies or risks that should be captured by the 'Complex' label but are not currently included in the definition?
 - (d) we are open to alternatives to the word 'Complex' to describe this category of ETPs. Please let us know if you have any one-word or two-word suggestions.
- B3Q5 As an alternative to the 'Complex' label, would you prefer that the current distinction between 'Synthetic' funds, 'Hedge funds' and other 'higher risk' ETFs be preserved but updated to address overlap and confusion? If so, do you have any suggestions for how those definitions could be revised?
- B3Q6 Are there any other risk-based or strategy-based naming conventions that you think should be included in ASIC's guidance on ETP naming conventions? If yes, please outline why, including why other forms of disclosure (e.g. PDSs) or consideration (e.g. within being true to label) are not sufficient for the risk or strategy.
- B3Q7 Do you agree that for products that apply the Structured Product label there is no need to outline secondary labels? If not, why not?
- B3Q8 Are there likely to be any unforeseen consequences related to ASIC's proposed updates to the [INFO 230](#) naming conventions? If yes, please elaborate.
- B3Q9 Do you have any other ideas for future development or improvement of ETP naming conventions to promote confident and informed investment in Australian ETPs?

Rationale

- 32 Secondary naming conventions are intended to indicate to investors that an ETP may have specific features or 'higher risks'. Existing naming conventions in this category ('Active', 'Synthetic' and 'Hedge Fund' in the current guidance) have been difficult to apply. Definitions that were

developed for a specific product at a point in time have proven to be poorly suited to newer, more innovative products. There are also risks involved in attempting to meaningfully identify one or more categories of products that are ‘higher risk’ than other products.

33 Regardless of these difficulties, we remain of the view (and there is growing recognition of this internationally) that some ETPs may have such novel, unique or complex strategies and structures that they can pose risks to both retail and sophisticated investors. These products can also potentially compromise market integrity if they operate in unexpected ways. While consistency in labelling cannot be expected to fully address the challenges these products present, labels are a starting point for differentiating these products from other ETPs.

34 Proposal B3 seeks to address the issues we have experienced to date by:

- (a) rationalising the existing risk-based or strategy-based naming conventions for ETFs into just two secondary labels—‘Active’ and ‘Complex’. The retention of these two secondary labels is intended to support the retirement of the ‘Managed Fund’ label (see paragraph 27); and
- (b) explicitly recognising that, over time, licensed exchanges may choose to develop and apply additional secondary labels to address other risk or strategy considerations as the market develops. The application of any secondary labels will be at the discretion of the licensed exchange.

In this way, the two secondary labels ASIC intends to provide guidance on will serve as a minimum standard. If the licensed exchange assesses that a product requires no secondary label, it will only be labelled with the primary label.

35 There may also be other potential risk or strategy considerations that could be applied in a label. However, many of these risks and strategies are, in the context of the prevailing market and regulatory environment for products traded on a licensed exchange, more appropriately:

- (a) considered within the broader requirement for a product name to be ‘true to label’—for example, indicating currency hedging, the index for an index-tracking fund, or that the product invests in particular assets (e.g. equities, commodities, ESG-related assets or potentially crypto-assets); and
- (b) conveyed to investors through other disclosures (e.g. a PDS or licensed exchanges’ and product issuers’ websites)—for example, internal market making, use of material or delayed portfolio disclosure, or an ESG strategy.

Note: This discussion presumes that the characteristics, risks and strategies of the product are appropriate for quotation on the market. Some characteristics, risks and strategies may not be appropriate for ETPs, and it is for the licensed exchanges and products issuers to assess the suitability of products for quotation (including considered within the context of the design and distribution obligations).

- 36 Our proposed guidance on secondary labels is directed at ETFs (under the proposed broader definition—see proposal B2), given the variety of products in this category with different risks. We do not consider specific guidance on secondary labels for structured products is required at this time.

Note: Currently, the only structured products quoted in Australia are those admitted to the ASX market under the AQUA rules framework. As at the date of this consultation paper, there are six structured products quoted on AQUA: see [ASX monthly fund statistics](#). All of these products provide exposure to commodities. Five of the structured products are preference shares while one structured product is derivatives based.

- 37 In assessing whether a specific ETF requires a secondary label, licensed exchanges should do so on a ‘look through’ basis where the underlying asset is a collective investment vehicle (i.e. the ETF is a ‘feeder fund’). The label should reflect the ultimate risks that the investor is exposed to by the decisions of the operator of the underlying fund.

The ‘Active’ label

- 38 Currently, an ‘Active ETF (Managed Fund)’ is a fund that is not passively investing *and* seeks to outperform a specified index or benchmark, or is index unaware. We are proposing to modify the existing ‘Active’ label by removing the consideration of an index or benchmark.
- 39 This proposed change reflects a desire to align the treatment of quantitatively focused factor-based investing (e.g. smart beta, multi-factor or rules-based strategies). Many of these strategies can be characterised as passive investing based on the quantitative model, where the securities in the portfolio and their weights are calculated from a bespoke methodology, rather than based on market capitalisation. Currently, if the fund manager applies the quantitative approach itself, the ‘Active ETF (Managed Fund)’ label is used. If the determination of the portfolio’s securities and their weights is outsourced to an index manufacturer it is an ‘ETF’, even if these two portfolio methodologies and outputs are identical.
- 40 Where the portfolio construction methodology and output are transparent and the methodology passively applied, there may be limited benefit to investors from applying different labels in the product name. External index providers offer investors an independent information source to evaluate the fund and can provide information that aids market-making arrangements, leading to narrower bid-ask spreads. However, it is unclear to ASIC whether this difference is sufficiently large to merit the label differentiation, when considered alongside other operational and regulatory safeguards (e.g. PDS disclosures, independent indicative net asset value (iNAV) and net asset value (NAV) calculations, regular financial and compliance audits, and portfolio transparency). We also note that as index providers are able to offer more complex or bespoke indices that are created for specific ETPs, the benefit of identifying an external index is reduced.

41 Licensed exchanges are expected to be the gatekeepers in this assessment of when to use the ‘Active’ label: see proposal C2. If our proposal is adopted, we expect that the ‘Active’ label would apply in the following cases:

- (a) where the investment manager has discretion in their investment allocations—this includes a strategy that can deviate from a public index or from a transparent internal quantitative approach;

Note: This should allow for short-term deviations that reflect the day-to-day management of the product to efficiently manage applications or redemptions, and changes in the underlying weights of the assets.

- (b) for quantitative or rules-based strategies where the approach is updated frequently (e.g. more than once a year) or in the view of the licensed exchange is not transparent to investors; and/or

- (c) where during the admission process the product issuer desires to disclose their full portfolio holdings on a delayed basis under internal market-making or material portfolio information disclosure models.

Note: Delayed and partial portfolio disclosure is allowed in certain circumstances where there is intellectual property that the product issuer wishes to protect, and this intellectual property typically arises out of active management strategies.

The ‘Complex’ label

42 The proposed ‘Complex’ label is intended to differentiate products that have higher risks than plain vanilla ETFs, or long-only active investment funds that otherwise meet the requirements for admission as an ETP. These risks can arise from the investment manager taking on leverage, the product tracking the inverse of an index, exposure to derivatives, or other activities (e.g. short selling).

43 The proposed ‘Complex’ label simplifies and updates our guidance in [INFO 230](#) and applies a less detailed definition. In effect, this proposal combines the current ‘Hedge Fund’ and ‘Synthetic’ labels with amendments. This approach means that a label will still be applied to ETPs that have higher or unique risks, but in a more flexible way that addresses concerns raised by issuers and licensed exchanges in applying the current naming conventions.

44 We have proposed the word ‘Complex’ to represent this category of products based on emerging market practice: see proposal B3(b). One reason we have proposed this term is because Principle 7 of the [IOSCO ETF Principles](#) (PDF 824 KB) refers to products with ‘complex investment strategies’, while the US SEC has also recently commenced a study into ‘complex’ ETPs.

Note: See the [statement on complex exchange traded products](#) by Gary Gensler, Chair of the US SEC.

45 However, we are open to alternative suggestions on what to call this category of products, or feedback on other terms or labels that investors may find meaningful: see question B3Q4.

- 46 Within the [INFO 230](#) guidance, we have also proposed changes to the consideration of derivatives under the ‘Complex’ label: see proposal B3(b)(iii). We have done this to make it clearer how the use of derivatives should be considered in the naming conventions. The consolidation into one label should also reduce confusion where derivatives may have been treated differently between labels.
- 47 Under the proposal, only derivatives used for exchange rate hedging are excluded from consideration in this label. The rationale for this is that the purpose of exchange rate hedging (to remove or reduce the effects that changes in exchange rates have on the returns of the product, which can be considered independent of the underlying assets) is different to that of other hedging transactions (e.g. interest rate hedging of a fixed income portfolio changes the characteristics of the fixed income exposure).

C Implementation and other topics

Key points

This section contains our proposals concerning the implementation of the updated ETP naming conventions.

We are proposing some enhancements to our guidance, to encourage increased consistency in the way the naming convention labels are presented over time: see proposal C1. We are also seeking feedback on the desirability of increased consistency and clarification of the role of licensed exchanges as they carry out their important gatekeeper function: see proposals C2–C3.

We also ask for feedback on our proposed transitional arrangements following the publication of any revised guidance: see proposal C4.

Conventions concerning the appearance of any labels applied

Proposal

- c1 We propose to update [INFO 230](#) to include general conventions that:
- (a) labels should appear at the end of the product name;
 - (b) any relevant secondary labels should appear in brackets—for example, ‘Name of Fund (Active) ETF’ or ‘Name of Fund ETF (Active)’; and
 - (c) issuers or licensed exchanges should take steps to ensure that relevant naming conventions appear in all instances where a product name is used.

Your feedback

- C1Q1 Do you agree with our proposed conventions concerning the appearance of any naming convention labels applied? If not, please provide reasons.
- C1Q2 Are there alternative conventions for the display or appearance of labels that you would recommend in addition to or as an alternative to this proposal? If yes, please explain what and why.

Rationale

- 48 There are currently no specific conventions concerning the positioning or appearance of any naming convention labels applied. Based on the examples provided in INFO 230, current market practice is for relevant naming conventions to generally appear at the end of the product name or title—for example, ‘Company ABC Index ETF’. Other naming conventions may

appear either within brackets or without—for example, ‘XYZ Fund (Hedge Fund)’ or ‘ABC Hedge Fund’.

- 49 In our view, greater consistency in the positioning and appearance of these labels is likely to assist investors. If it is clear that a product name reflects specific naming conventions, it is more likely that prospective investors will be prompted to seek further information on what the conventions mean or signify.
- 50 Explicitly recognising aspects of current market practice in our guidance is intended to encourage increased consistency over time. This is particularly the case for the display of secondary labels, where presently (consistent with current guidance) brackets are sometimes, but not always, used.
- 51 Positioning naming convention labels at the end of the product name currently results in some information sources not displaying relevant naming conventions due to character limits or other space constraints. Some products also have different registered fund names with ASIC from the names they use for quotation. For this reason, we consider it appropriate to note our expectation that if an issuer or licensed exchange becomes aware of these types of issues (e.g. communications to members or distributor publications, or a difference in registered and trading names with no reason for the difference), steps should be taken to rectify this and ensure that any labels applied are always visible. This will help with the differentiation between ETPs and listed products, as well as give appropriate focus and attention to any specific secondary labels applied.

The role of licensed exchanges

Proposal

- c2 We propose to work with licensed exchanges authorised to admit ETPs to quotation to increase certainty (for both licensed exchanges and product issuers) through the implementation of a more consistent, market-wide approach to ETP naming conventions at the time of admission and on an ongoing basis.

Your feedback

C2Q1 Do you agree with our proposal for licensed exchanges to implement consistent rules concerning ETP naming at the time of admission? If not, why not?

- c3 Specifically, we propose that relevant licensed exchanges should have rules to the effect that:
- (a) the name of any ETP admitted to quotation must, in the opinion of the licensed exchange:
 - (i) not be capable of misleading retail investors as to the nature, features or risks of the product; and

- (ii) be consistent with ASIC guidance on naming convention requirements;
- (b) if a product issuer proposes to change the name of the product, the product issuer must first seek the approval of the licensed exchange for the new name; and
- (c) a licensed exchange may require a product issuer to change the name of their product if the licensed exchange forms the view that the name of a quoted product is, for any reason:
 - (i) capable of misleading retail investors as to the nature, features or risks of the product; or
 - (ii) not consistent with ASIC guidance on naming conventions.

Your feedback

- C3Q1 Do you agree that ETP name changes at any time after admission should also require the approval of the licensed exchange? If not, why not?
- C3Q2 Do you agree with licensed exchanges having an explicit power to require product issuers to change the name of a product? If not, why not?
- C3Q3 Are there any other rules or initiatives of licensed exchanges that would help to give effect to the aim or purpose of ASIC's guidance on ETP naming conventions?

Rationale

- 52 Licensed exchanges authorised to quote ETPs play an important gatekeeper role to ensure product issuers adhere to good practices in product naming, including compliance with ASIC guidance on naming conventions. This role promotes and supports Corporations Act prohibitions against misleading or deceptive conduct: s1041E.
- 53 Existing [INFO 230](#) guidance to licensed exchanges states that:
 Licensed exchanges should satisfy themselves that the product is true to label and supports the naming conventions ... Where licensed exchanges become aware of an inconsistent labelling or marketing approach, they should take action with the issuer.
- 54 To be clear, the proposed new rules are not intended to put the licensed exchanges in a position where they must endorse the name of products admitted to quotation. Rather, consistent with our guidance, the licensed exchange should act as an additional check and balance by raising any objections and requiring an issuer to reconsider if they form the view that the name or ticker of a product is not appropriate for any reason, including if it is inconsistent with ASIC guidance. We consider formal rule frameworks are an appropriate mechanism to support the role of licensed exchanges.
- 55 Licensed exchanges presently employ slightly different approaches to ensure product issuers comply with good practices and ASIC guidance on product naming: see paragraph 10. In our view, the introduction of clearer and more

consistent market operating rules in this area should increase certainty for licensed exchanges and product issuers, and improve investor confidence in the Australian ETP market as a whole.

- 56 Existing licensed exchange rule and policy frameworks focus on whether the product name is appropriate and consistent with ASIC guidance at the time of admission. The introduction of explicit rules and a consistent standard that prompts product issuers and licensed exchanges to consider whether a product name is capable of misleading retail investors about the nature, features or risks of the product would formalise these existing practices.
- 57 Proposal C3 introduces a formal mechanism for post-admission scenarios where a product issuer may wish to change the name of a product, or a licensed exchange forms the view that a product name is no longer appropriate. In our view, this is also consistent with ASIC's existing expectations of ETP product issuers and licensed exchanges.
- 58 We do not anticipate that revising our INFO 230 guidance will immediately affect licensed exchange rule frameworks (including admission processes) for new or existing ETPs. However, we note that licensed exchanges may wish to make amendments to their rules to reflect the same product categories as the naming conventions. We will work with licensed exchanges on the best way to manage any transition associated with changes to ASIC guidance.

Transitional arrangements

Proposal

- c4** To the extent that our proposals in Section B are adopted following this consultation, we are interested in feedback on transitional arrangements that will reflect the most appropriate balance between the aims of:
- (a) reducing confusion for investors through the use of consistently applied labels across both existing and new ETPs (particularly in relation to primary labels); and
 - (b) minimising costs and administrative burden on industry and licensed exchanges in respect of any transition.

At a minimum, we propose to work with licensed exchanges to ensure that any existing product that updates its primary label also considers the application of any relevant secondary labels. We propose that compliance will be enforced by licensed exchanges, if necessary.

Your feedback

- C4Q1 Do you support a transition to updated primary labels being made mandatory (for all ETPs or classes or subsets of ETPs) to promote consistency across the industry and reduce investor confusion? Please provide reasons for your response.
- C4Q2 Please outline your understanding of what would be required from you to implement the new naming conventions, including:
- (a) an estimate of costs;
 - (b) what you would consider a reasonable timeframe if adoption was to be mandated for all or any class of products; and
 - (c) any relief or other assistance from ASIC that you consider may be needed to facilitate a transition for existing products.
- C4Q3 For product issuers, it would greatly assist our consideration of these issues if you were able to provide a preliminary indication of your appetite to adopt updated naming conventions of the type described at proposals B2 and B3 for any or all of your existing ETPs.
- C4Q4 Are there any other matters related to transition that ASIC should consider in connection with making revisions to [INFO 230](#) guidance on ETP naming conventions?

Rationale

- 59 Our reason for reviewing and updating the INFO 230 ETP naming conventions is to increase the effectiveness of the labels and reduce confusion for investors. We are concerned this will be undermined if the proposed updates are:
- (a) not adopted voluntarily by a significant portion of industry; or
 - (b) applied only on a prospective basis.
- 60 In particular, we consider that the achievement of broad consistency in primary labels would be highly desirable. This is particularly the case in relation to the proposed expanded ‘ETF’ definition and retirement of the problematic ‘Managed Fund’ label. In contrast, none of the structured products currently admitted to quotation include the ‘Structured Product’ label in their product name. Labelling across this class of products is currently consistent (in that all products do not apply the labels) and there are only a small number of products in this category. Because of this, we consider it much less critical to facilitate any transition to updated naming conventions to reduce investor confusion.
- 61 Subject to feedback, we may request that the licensed exchanges facilitate a mandatory transition to new primary labels for all or specific classes of products. We understand that any mandated transition will result in a short-term administrative burden and some costs for licensed exchanges and

industry. However, such a transition could potentially also be a good opportunity to educate prospective and existing investors about different product types and features in the Australian market. We recognise that any mandatory transition to new labels will require further liaison with licensed exchanges, product issuers and their service providers to ensure the process is workable and managed in an appropriate manner for all affected parties.

- 62 Our general expectation for secondary labels, including guidance on the positioning and appearance of these labels, is to see increased consistency in market practices over a longer period of time.

D Regulatory and financial impact

63 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) simplifying the naming conventions to reduce investor confusion; and
- (b) promoting flexibility for the next phase of ETP market development.

64 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 that 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 a minor or machinery impact on business or on the not-for-profit sector, preparing a Regulation Impact Statement (RIS).

65 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.

66 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;
- (b) the likely effect on competition; and
- (c) other impacts, costs and benefits.

See 'The consultation process', p. 4.

Key terms

Term	Meaning in this document
AQUA market	ASX Quoted Assets market—the market segment or rule framework created by ASX to specifically manage the admission of ETF securities, managed fund products and structured products (collectively referred to as ‘AQUA products’) on the ASX market and to provide access for AQUA product issuers to clearing and settlement services provided by ASX Group
AQUA rules	Schedule 10A of the ASX Operating Rules
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited or the exchange market operated by ASX Limited
CCIV	Corporate collective investment vehicle
CDI	CHESS Depository Interest—A unit of beneficial ownership in a financial product of a foreign body, where the underlying financial product is registered in the name of a depository nominee for the purpose of enabling the foreign financial product to be traded on ASX
Chi-X	Chi-X Australia Pty Limited or the exchange market operated by Chi-X
Corporations Act	<i>Corporations Act 2001</i> , including regulations made for the purposes of that Act
design and distribution obligations	Means the obligations contained in Pt 7.8A of the Corporations Act
ESG	Environmental, social and governance
ETF	Exchange traded fund
ETP	Exchange traded product
iNAV	Indicative net asset value
INFO 230 (for example)	An ASIC information sheet (in this example numbered 230)
IOSCO	International Organization of Securities Commissions
LIC	Listed investment company
licensed exchange	Licensed Australian securities markets
LIT	Listed investment trust

Term	Meaning in this document
NAV	Net asset value
PDS	<p data-bbox="751 349 1401 483">A Product Disclosure Statement—a document that must be given to a retail client for the offer or issue of a financial product in accordance with Div 2 of Pt 7.9 of the Corporations Act</p> <p data-bbox="751 483 1401 528">Note: See s761A for the exact definition.</p>
primary label	Proposed labels for ETPs based on product type
RG 178 (for example)	An ASIC regulatory guide (in this example numbered 178)
s1041E (for example)	A section of the Corporations Act (in this example numbered 1041E), unless otherwise specified
SEC	Securities and Exchange Commission
secondary label	Proposed labels for some ETPs that may have specific features or 'higher risks'
UCITS	Undertakings for collective investment in transferable securities

List of proposals and questions

Proposal	Your feedback
<p>B1 We propose to continue to outline product naming conventions in INFO 230 as good practice guidelines for the admission of ETPs. Subject to the feedback we receive, we intend to revise the existing naming conventions by dividing them into two levels of labelling:</p> <ul style="list-style-type: none"> (a) primary labels—to distinguish between types of financial products that are ETPs; and (b) secondary labels—signifying the risks and strategies of the products. <p>Note: We have set out our draft guidance on the naming conventions in the attachment to this consultation paper.</p>	<p>B1Q1 What have been your experiences with the ETP naming conventions to date?</p> <p>B1Q2 Do you agree that naming conventions for ETPs are useful in alerting investors to important features and risks of ETPs? If not, why not? Please provide any evidence or research to support your views.</p> <p>B1Q3 Do you agree that ASIC should continue to outline ETP naming conventions for licensed exchanges and product issuers? If not, why not?</p> <p>B1Q4 Do you agree with ASIC’s assessment that the current naming conventions require updating? Please provide examples and assessment to support your response.</p> <p>B1Q5 Do you agree with the proposed two-level naming convention approach? If not, why not?</p> <p>B1Q6 Are there any gaps or areas of inconsistency between ASIC’s guidance on ETP naming conventions and the application of design and distribution obligations to ETPs that would benefit from additional clarification?</p> <p>B1Q7 Do you foresee any difficulties or unintended consequences resulting from the introduction of the design and distribution obligations and ASIC revising its guidance on ETP naming conventions?</p> <p>B1Q8 Do you have any other feedback or comments for ASIC to consider on how to support or encourage investor education on different ETP product features?</p>

Proposal	Your feedback
<p>B2 We propose to set minimum standards for labelling the product type for ETPs. This primary label will differentiate between ETPs that are:</p> <p>(a) collective investment vehicles (e.g. managed investment schemes, including those that hold a single asset on trust until maturity, and Corporate Collective Investment Vehicles (CCIVs))—which are labelled as ‘Exchange Traded Funds’ or ‘ETFs’; and</p> <p>(b) structured products (e.g. products that are open-ended and structured as derivatives, redeemable preference shares or debt securities)—labelled as ‘Structured Products’.</p>	<p>B2Q1 Do you agree with the proposed distinction between these product types? If not, why not?</p> <p>B2Q2 Do you agree that issuers of listed investment products (LICs and LITs) should be unable to use the term ‘Exchange Traded Fund’ or ‘ETF’? If not, why not?</p> <p>B2Q3 Should the updated guidance include a standard abbreviation for Structured Products (similar to ‘ETF’ for Exchange Traded Funds)? If yes, please indicate your preferred abbreviation for Structured Products and provide reasons for your response.</p> <p>B2Q4 Do you agree with the position that sub-funds of CCIVs, should be considered within the same conventions as managed investment schemes, subject to any explicit requirements in the final law passed in relation to the <i>Corporate Collective Investment Vehicle Framework and Other Measures Bill 2021</i>? If not, why not?</p> <p>B2Q5 Do you have any further suggestions to increase clarity between product types, particularly when comparing quoted managed investment schemes and quoted CCIVs to LICs, LITs and other listed investment products (including listed CCIVs)? Please provide reasons and any available evidence to support your answer.</p>

Proposal	Your feedback
<p>B3 We propose to continue to provide good practice guidance for licensed exchanges in applying risk-based and strategy-based labels for ETPs. We propose to provide guidance on two secondary labels for ETFs:</p> <p>(a) Active—ETFs that:</p> <ul style="list-style-type: none"> (i) buy and sell investments based on an active investment strategy; or (ii) disclose their full portfolio holdings on a delayed basis under internal market making or material portfolio information disclosure models. <p>(b) Complex—ETFs that:</p> <ul style="list-style-type: none"> (i) have leveraged or inverse exposures; (ii) employ short selling; (iii) use derivatives (other than for exchange rate hedging purposes); and/or (iv) otherwise meet the definition of a hedge fund in Regulatory Guide 240 Hedge funds: Improving disclosure (RG 240). <p>Note: See the attachment to this consultation paper for our draft changes to the guidance in INFO 230 on the consideration of derivatives under the 'Complex' label.</p> <p>Where a product applies the Complex label, it would not have to apply the Active label.</p>	<p>B3Q1 Do you agree with ASIC continuing to provide good practice guidance on specific risk-based or strategy-based labels for ETPs to alert investors to the presence of additional risks where this is appropriate? If not, why not?</p> <p>B3Q2 Do you support the two secondary labels that we have proposed for ETPs? Please provide reasons for your response.</p> <p>B3Q3 Do you support the updated definition for the 'Active' label? If not, why not, and what alternative definition would you suggest?</p> <p>B3Q4 In relation to the proposed 'Complex' label:</p> <ul style="list-style-type: none"> (a) do you agree that a single label can effectively alert investors to the presence of a range of important risks? If not, why not? (b) if the 'Complex' label is adopted, do you agree that only derivatives used for exchange rate hedging purposes are able to be excluded? If not, do you have any suggestions for how to revise the consideration of derivatives in the 'Complex' label? (c) do you have any suggested amendments to the proposed definition, or examples of specific product strategies or risks that should be captured by the 'Complex' label but are not currently included in the definition? (d) we are open to alternatives to the word 'Complex' to describe this category of ETPs. Please let us know if you have any one-word or two-word suggestions. <p>B3Q5 As an alternative to the 'Complex' label, would you prefer that the current distinction between 'Synthetic' funds, 'Hedge funds' and other 'higher risk' ETFs be preserved but updated to address overlap and confusion? If so, do you have any suggestions for how those definitions could be revised?</p> <p>B3Q6 Are there any other risk-based or strategy-based naming conventions that you think should be included in ASIC's guidance on ETP naming conventions? If yes, please outline why, including why other forms of disclosure (e.g. PDSs) or consideration (e.g. within being true to label) are not sufficient for the risk or strategy.</p>

Proposal	Your feedback
<i>B3 continued</i>	<p>B3Q7 Do you agree that for products that apply the Structured Product label there is no need to outline secondary labels? If not, why not?</p> <p>B3Q8 Are there likely to be any unforeseen consequences related to ASIC's proposed updates to the INFO 230 naming conventions? If yes, please elaborate.</p> <p>B3Q9 Do you have any other ideas for future development or improvement of ETP naming conventions to promote confident and informed investment in Australian ETPs?</p>
<p>C1 We propose to update INFO 230 to include general conventions that:</p> <p>(a) labels should appear at the end of the product name;</p> <p>(b) any relevant secondary labels should appear in brackets—for example, 'Name of Fund (Active) ETF' or 'Name of Fund ETF (Active)'; and</p> <p>(c) issuers or licensed exchanges should take steps to ensure that relevant naming conventions appear in all instances where a product name is used.</p>	<p>C1Q1 Do you agree with our proposed conventions concerning the appearance of any naming convention labels applied? If not, please provide reasons.</p> <p>C1Q2 Are there alternative conventions for the display or appearance of labels that you would recommend in addition to or as an alternative to this proposal? If yes, please explain what and why.</p>
<p>C2 We propose to work with licensed exchanges authorised to admit ETPs to quotation to increase certainty (for both licensed exchanges and product issuers) through the implementation of a more consistent, market-wide approach to ETP naming conventions at the time of admission and on an ongoing basis.</p>	<p>C2Q1 Do you agree with our proposal for licensed exchanges to implement consistent rules concerning ETP naming at the time of admission? If not, why not?</p>

Proposal	Your feedback
<p>C3 Specifically, we propose that relevant licensed exchanges should have rules to the effect that:</p> <ul style="list-style-type: none"> (a) the name of any ETP admitted to quotation must, in the opinion of the licensed exchange: <ul style="list-style-type: none"> (i) not be capable of misleading retail investors as to the nature, features or risks of the product; and (ii) be consistent with ASIC guidance on naming convention requirements; (b) if a product issuer proposes to change the name of the product, the product issuer must first seek the approval of the licensed exchange for the new name; and (c) a licensed exchange may require a product issuer to change the name of their product if the licensed exchange forms the view that the name of a quoted product is, for any reason: <ul style="list-style-type: none"> (i) capable of misleading retail investors as to the nature, features or risks of the product; or (ii) not consistent with ASIC guidance on naming conventions. 	<p>C3Q1 Do you agree that ETP name changes at any time after admission should also require the approval of the licensed exchange? If not, why not?</p> <p>C3Q2 Do you agree with licensed exchanges having an explicit power to require product issuers to change the name of a product? If not, why not?</p> <p>C3Q3 Are there any other rules or initiatives of licensed exchanges that would help to give effect to the aim or purpose of ASIC's guidance on ETP naming conventions?</p>

Proposal	Your feedback
<p>C4 To the extent that our proposals in Section B are adopted following this consultation, we are interested in feedback on transitional arrangements that will reflect the most appropriate balance between the aims of:</p> <ul style="list-style-type: none"> (a) reducing confusion for investors through the use of consistently applied labels across both existing and new ETPs (particularly in relation to primary labels); and (b) minimising costs and administrative burden on industry and licensed exchanges in respect of any transition. <p>At a minimum, we propose to work with licensed exchanges to ensure that any existing product that updates its primary label also considers the application of any relevant secondary labels. We propose that compliance will be enforced by licensed exchanges, if necessary.</p>	<p>C4Q1 Do you support a transition to updated primary labels being made mandatory (for all ETPs or classes or subsets of ETPs) to promote consistency across the industry and reduce investor confusion? Please provide reasons for your response.</p> <p>C4Q2 Please outline your understanding of what would be required from you to implement the new naming conventions, including:</p> <ul style="list-style-type: none"> (a) an estimate of costs; (b) what you would consider a reasonable timeframe if adoption was to be mandated for all or any class of products; and (c) any relief or other assistance from ASIC that you consider may be needed to facilitate a transition for existing products. <p>C4Q3 For product issuers, it would greatly assist our consideration of these issues if you were able to provide a preliminary indication of your appetite to adopt updated naming conventions of the type described at proposals B2 and B3 for any or all of your existing ETPs.</p> <p>C4Q4 Are there any other matters related to transition that ASIC should consider in connection with making revisions to INFO 230 guidance on ETP naming conventions?</p>