Stockspot Pty Ltd
Level 4, 17-19 Bridge Street
Sydney, NSW 2000

www.stockspot.com.au

Stockspot submission to the
ASIC Consultation Paper 356 *ETP naming conventions: Updates to INFO 230*

3 March 2022

Stockspot is Australia's first and most experienced online investment adviser. We were founded in 2013 with a mission to help more Australians access expert investment advice and portfolio management.

We're the largest and fastest growing online investment advice (robo-advice) service in Australia. We help more than 12,000 clients and have more than $600 million in funds under management.

Stockspot uses ETFs (exchange traded funds) as the basis of how we invest funds on behalf of clients. The funds are invested in a range of portfolios from most conservative to aggressive growth.

Since 2015, Stockspot has also published the *Stockspot ETF Report* where we present our findings after analysing over 200 ETFs, looking at factors like fees, performance, size and activity. We also analyse recent ETF market trends, the best performing ETFs, and the growth in certain ETF sub-sectors such as thematics and sustainable ETFs.

Thank you for providing this opportunity to contribute to a significant and growing area of investment.

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

1. Despite the simplistic nature of ETPs/ETFs, there is still significant confusion for consumers around key differences between products. ETF naming conventions need to be in layman's terms and in a consumer friendly labelling manner as these will help everyday Australian investors, rather than investment industry professionals.

2. Greater transparency is critical as many investors expect the name of the ETF to be consistent with the investment objective, instead of needing to look at the underlying holdings or index methodology. ETP marketing materials such as fact sheets often avoid highlighting key differences and risks, therefore it's crucial these naming conventions are appropriate.

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3. Investors need to be better aware of the risks involved in more complex products. Our research has shown that ETPs with longer names indicate increased complexity and longer term underperformance compared to more simple products. A point to note is ETP issuers may sometimes not have flexibility to change the name of the fund, for example, index providers charge a licensing fee for ETPs to use them and sometimes the requirement is to use the index name in the ETP name (for example MSCI, FTSE, S&P.)

4. Significant consumer confusion exists within a few areas which we believe that improved naming conventions can help to decipher for investors. Many ETPs are purchased via an exchange and often without reading PDS/TMD (Product Disclosure Statement and Target Market Determinations) documents. It is critical that the naming of exchange listed products clearly articulates key differences and risks and that product issuers are required to be consistent in the application of naming rules.

5. Stockspot believes that naming conventions should follow the principles of transparency, simplicity and honesty. We see four key areas where naming conventions can better assist consumers in understanding key differences and risks to make better informed choices:
   - Whether product is open/closed ended
   - Whether product is rules-based/non rules-based
   - For non rules-based products, whether the product is transparent or non-transparent
   - Whether the product uses significant leverage or derivatives and the extent to which it is used.

6. From an investor's perspective, ETFs and ETPs can be viewed as the same class of product without realising that certain ETPs are complex with additional significant risks.

7. Additionally, investors may get overwhelmed reading fine print when choosing the right ETF. The seven naming conventions (refer to Appendix 1) is underpinned by Stockspot's naming principles - transparency, simplicity, and honesty to support confident and well-informed consumers.

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.

8. Yes, naming conventions can provide some guidance for investors.

9. Naming conventions can also assist investors in understanding the product specifics, for example asset classes, investment style, and currency hedging. Based on the rules, ETPs should only be used to describe products that are open-ended funds tracking a rules-based index.

10. We see four key areas where naming conventions can better assist consumers in understanding key differences and risks to make better informed choices:
    - Whether product is open/closed ended
    - Whether product is rules based/non-rules based
    - For non rules-based products, whether product is transparent or non-transparent
    - Whether the product uses significant leverage or derivatives and the extent to which it is used.

11. Other considerations should be taken into account in addition to the current rationale behind our suggested naming conventions.

12. Index tracking ETPs and currency hedging should be reflected in the name. A global approach should be adopted to currency hedged products, for example, the word 'hedged' should appear at the end of the product names. Currency hedged index products should not be confused with more complex investment strategies which include hedging.

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

13. Yes, the ASX and CBOE Australia (formerly Chi-X) both categorise ETPs into groups for investors to view but most brokers do not. This makes it difficult to know what the underlying exposure is. Naming is therefore important for a centralised website controlled by ASIC that brokers can point investors to.

14. Due to longer name length, ETFs are referred to by ticker codes and therefore the naming convention may not make a difference, for example, on share trading platforms.

15. A question to consider is how can the licensed exchanges be accountable for this and become aware to notify customers so they feel well equipped to make informed investing decisions? Can brokers play a part and provide some indiciation around ETP complexity in their trade order terminal before a consumer places an order?

B1Q4 - Do you agree with ASIC's assessment that the current naming conventions require updating? Please provide examples and assessment to support your response.

16. Yes. As ETPs continue to be more heavily used by investors and attract more assets, there needs to be greater transparency or information to these cohorts on what the ETPs are. Ideally a global naming convention should be adopted. Please see our proposed changes and explanations attached in Appendix 1.

B1Q5 - Do you agree with the proposed two-level naming convention approach? If not, why not?

17. The two-level naming convention makes sense for simplicity and transparency. However, a subset of seven naming conventions (refer to Appendix 1) provides additional guidance to the consumers helping them make informed choices.

18. A point to note is what controls will ASIC put in place to ensure the licenses have consistency in secondary labelling as it could create an incentive for one exchange to be easier to list than the other, given both are large businesses driven by commercial profitability rather than investor education.

19. Naming conventions should be prescriptive and not open to interpretation. Otherwise, there is likely to be consumer confusion where secondary labels seek to 'soften' primary labels.

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?

20. The design and distribution obligations (DDO) have created documentation for financial advisers and product distributors to use, but are still not consumer friendly. TMDs currently do not refer to any reasons why a naming convention is considered 'complex' and therefore might need to add this in their material.

21. The TMD must be read in conjunction with the PDS, this makes it onerous on the end investor (consumer). The responsibility shifts from the issuer to the investor. The TMD Indicator shows the appropriateness of the ETP to the investor, however the naming convention does not indicate the complexity of the product.

22. Adopting the guiding principles from Appendix 1 and incorporating these in a standard template will allow distributors of the product and the consumer to make an informed decision.

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?

23. Providing an ASIC approved template for TMD will be helpful to avoid confusion between various providers. As investors choose a range of products across issuers a consistent approach should be adopted.

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?

24. ASIC may wish to take inspiration from the USA Bloomberg team, who have employed a traffic light system to help create a taxonomy and provide information to investors. Rather than adding excessive names or labelling, some indicator or rating system could be used to dive deeper into the implicit complexity of the product

25. The Moneysmart website should also clearly explain the various ETP product features. It's very basic and doesn't cover the recent advancements in the industry such as crypto ETPs.

26. Please see our proposed changes and explanations attached in Appendix 1.

B2Q1 - Do you agree with the proposed distinction between these product types? If not, why not?

27. Please see our proposed changes and explanations attached in Appendix 1.

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?

28. Yes. An ETF has distinct characteristics from LICs/LITs, mainly that ETFs are passively managed, lower cost, open-ended, can create/redeem shares, are transparent (except some active ETFs), and have taxable differences from a structure perspective. LIC/LIT structures have significant differences/shortcomings vs ETFs. They are actively managed vehicles with listed and unlisted exposure compared to ETFs that mainly track an index. It is critical that they aren't seen as the same product by consumers. We've compared ETFs vs LICs here.

29. Please see our proposed changes and explanations attached in Appendix 1.

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.

30. Considering the Structured Products currently listed are all ETCs, there may be no need for the SP abbreviation. As discussed above in B2Q1, Structured Products generally relate to synthetic instruments, which many ETCs do not have (i.e. they hold the underlying exposure) and therefore ETCs should be classified as ETFs if they meet the definition.

31. Please see Appendix 1 on how to treat more complex products like Structured Products.

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?

32. Yes. ETFs have many innovations of which a sub-fund is sometimes used. It should not detract from the underlying structure.

33. For funds that are structured as an CCIV, having excessive labeling (for example, SF or CCIV) will likely cause more confusion and complexity, and therefore resemblance to a managed investment scheme should warrant the ETF label.

34. These structures provide access to asset classes/markets in a simple and efficient way. Sub-funds are closely aligned to managed investment schemes. Please see our proposed changes and explanations in Appendix 1.

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.

35. The ETP label should be in the name of the ETP so investors are aware of the open-ended nature compared to other structures like LICs/LITs.

36. It is very easy for investors to confuse the open-ended and closed-listed structure considering they both trade on secondary exchanges.

37. Please see our proposed changes and explanations attached in Appendix 1.

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?

38. Yes, ASIC should ensure the licensed exchanges have a good understanding of how the underlying strategy works, and if there is any inherent complexity, should provide the appropriate secondary label.

39. To improve transparency and embed trust with consumers, investment strategy and any material changes including investment strategy changes, significant change to index composition should be

communicated to licensed exchanges, financial intermediaries and investors. The license exchange should notify investors and appropriately label the ETF of any material changes to the underlying product.

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

40. While having active and complex secondary labelling may aid investors, the degree and definition of the complexity needs to be more refined and prescriptive.

41. For example, there has always been a grey area of if ETP strategies that follow a non-market capitalisation index (i.e. smart beta) should be classified as complex. We believe that these ETFs should be classified as a rules-based ETP but have some warning to investors of the way the index is structured compared to market capitalisation.

42. Given the rise in product proliferation, ASIC may wish to consider a tiered complexity rating system based on the underlying structure.

43. Additionally, a different label should be adopted for ETPs that deviate from a traditional benchmark (this includes such products as smart beta strategies). The complex label will continue to evolve and may require further sub-categories.

44. Please see our proposed changes and explanations attached in Appendix 1.

B3Q3 - Do you support the updated definition for the 'Active' label? If not, why not, and what alternative definition would you suggest?

45. As explained in B3Q2 the definition of active should align with our recommendations in Appendix 1. ASIC may want to consider some additional measures to classify ETPs using quantitative measures (for example, a tracking error of over a certain %).

46. The current structure to label non-passive ETPs is inconsistent with terms like "Quoted Managed Hedge Fund", "Managed Fund" and "Quoted Managed Fund". Stockspot is supportive of replacing these terms to a simple "Active" label.

47. ASIC may wish to consider defining the overall product based on a level of transparency. For example, terminology of Active Non Transparent (ANT).

48. Please see our proposed changes and explanations attached in Appendix 1.

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.

49. a) Yes, any indication that raises an investor's curiosity to delve deeper to research the product is the first initial barrier that needs to be addressed.

50. b) Derivatives for FX purposes purely for hedging should not be classified as complex. However, if there are other exchange rate derivatives making active bets or quantitative models for purposes other than a plain vanilla hedge, then these should be classified as complex. Derivatives can be based on a percentage of the net asset value of the ETP to dictate whether there is complexity (for example, 10% - see our proposed changes and explanations attached in Appendix 1).

51. c) There are a range of factors that can create complexity such as non-market capitalisation weighting (such as factor tilts or smart beta), use of an investment committee making active decisions, hidden fees and borrowing costs, illiquid holdings (i.e. low implied liquidity), leverage/gearing, and holding derivatives with future roll costs.

52. We've called for why inverse products are dangerous and agree that these should be properly classified as risky investment products not appropriate for long-term investment holdings.

53. Complexity could also be measured by other things such as embedded ETP volatility which could be further explored. Just because it's an index or a benchmark, does not mean it is not complex. For example, an index holding cryptocurrency companies may be risky and complex, yet still meets the definition of a rules based ETP and should have some labelling. Derivatives can be used to access underlying exposure when share markets are closed (for example U.S. market tracking ETPs like the BetaShares NASDAQ 100 ETF (NDQ)). These should not be complex.

54. d) A colour coding or numerical rating system to indicate ETP risk could be used in verbal descriptions. Alternatively if numeracy causes more complexity, then potentially using the "risk" label may make sense (for example, "Low risk", "Medium risk", "High risk") although most of this is covered in the DDO obligations.

55. Please see our proposed changes and explanations attached in Appendix 1.

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?

56. Anything that is not physically backed by holding the underlying securities should have some reference to having a "Synthetic" exposure and have a degree of complexity in its name. There is currently only one ETP with the synthetic label - the BetaShares Crude Oil Index ETF - Currency Hedged (synthetic) (OOO).

57. Therefore while the term "Synthetic" can be removed, the complexity label needs to remain.

58. Licensed exchanges may wish to list reasons (in dot points) why the ETP is considered complex to provide investors with more information and therefore the "Synthetic" and "Hedge Fund" labels could be retired if the correct complexity label is used.

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.

59. Long form PDS' have the correct disclosures but are rarely read by investors (especially given they are not easily available on broker platforms).

60. TMDs indicators provide colour coding indicators and descriptions which can provide investors with relevant info. However, it does not address an area of why the product is considered complex, but more how the fund is suited in a portfolio overall.

61. PDS and TMDs are hidden and many customers don't read them. While they are important, they are sometimes not easily accessible for customers or friendly to view

62. In addition to PDSs and TMDs, issuer fact sheets and fund profiles are reliable sources for investors. These documents should highlight the complexity of the product (potentially with a traffic light system), not just the role it plays within a diversified portfolio.

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.

63. The industry looks to ASIC for clear guidance regarding transparency, simplicity and honesty. As our industry continues to evolve and innovate, ASIC will need to be proactive in correctly labelling new products that enter the market, and may have to continually evolve the definition as new products become available.

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?

64. See above comments relating to other scoring mechanisms (for example, traffic lights or ratings), and to consider the treatment of niche themes or strategies that have non-market capitalisation weighting methodologies.

65. Considering there will be a rise of active and more thematic and complex ETPs, the naming convention needs to be consistently applied across all products.

66. Adoption of a consistent global naming convention for future ETPs should be the goal (aligning to other developed nations such as North America and Europe.)

C1Q1 - Do you agree with our proposed conventions concerning the appearance of any naming convention labels applied? If not, please provide reasons.

67. Yes, however there may be multiple brackets considering ETF ticker codes normally follow the notation of an ETF name. For example, BetaShares Crude Oil Index ETF - Currency Hedged (synthetic) (OOO) is the current notation.

68. There is also the use of parentheses for products with currency hedging.

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.

69. Please see our proposed changes and explanations attached in Appendix 1 to see how to alternatively name the ETPs via product type.

70. If the complexity bracket is to be used, it could be done via square brackets '[]' or angle brackets '<>' instead of parentheses '()'.

71. This is to help limit the impact and draw attention to the complex nature, and to better present the ETF ticker, which investors have known as parenthesis with the licensed exchange.

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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?

72. Yes. Consistency across exchanges is critical. However, if the approach is to be updated more frequently (i.e. active) does this mean the licensed exchange has a duty to review when there is a change to the index methodology, a change in underlying index or fund strategy?

73. Investors need to be better notified of a name change or strategy change rather than just an ASX notice update. The medium of communication should be via the ETP issuer or potentially on the responsibility of the exchange.

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?

74. Yes. ETP holdings sometimes change over time meaning name changes should be allowed after admission. The question is (similar to C2Q1) how will the exchanges verify them on a regular basis (for example, during rebalance cycles or when the underlying strategies change).

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?

75. Offering secondary labels as flexible to be decided at “discretion by licensed exchanges” may cause ETPs to favour one exchange over another if offered more favourable treatment. While we agree the licensed exchanges should have input and monitor this, there should be a consistent naming convention regardless of the exchange. Power should be bestowed by the regulator and not the exchange.

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?

76. CBOE Australia is being favoured by active fund managers due to their lower cost and more relaxed rules. There should be consistency between both as per our comments in C3Q2.

77. ASIC should consider who is to blame for a misleading name, the ETP issuer or licensed exchange?

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.

78. Yes. There should be consistent treatment across the entire ETP landscape without exceptions to avoid confusion for investors.

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?

79. As well as the complex nature of ETPs, ASIC may want to look at the underlying strategy and how it's used in the ETP name. For example, the use of the terms 'global shares' and 'international shares' should be consistent.

80. Many ETFs use the term "Global" and "International" interchangeably. If the term "Global" is used in the naming convention it should include all regions including Australia. If the term "International" is used in the naming convention it should include all regions excluding Australia.

[redacted]
Founder and CEO

[redacted]
Head of Superannuation & Partnerships

[redacted]
Senior Manager - Investments and Business Initiatives

Appendix 1

State	Current State	Future State
Open/Closed	Closed ended	Closed ended
Feature	No intra day pricing	No intra day pricing
Current Name	mFunds	mFunds
Description	This is an ASX-linked platform which enables investment in a range of unlisted managed funds via the ASX CHESS system. However there is no standard settlement timeframe across issuers and products. In addition there is no live pricing so investors must wait until after the close of trading each day to know the price of units that have been bought or sold.	No changes recommended

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Appendix 1

State	Current State	Future State
Open/Closed	Closed ended	Closed ended
Feature	Intra day pricing	Intra day pricing
Current Name	Listed Investment Company (LIC) and Listed Investment Trust (LIT)	Listed Investment Company (LIC) and Listed Investment Trust (LIT)
Description	These are usually managed funds which are actively managed in a closed ended structure, which means that there is no unit creation/redemption process. Investors in LICs/LITs own shares in a company, which may trade at premium or discount to net asset value so there is no guarantee that the prices of LICs/LITs will resemble the value of underlying investments. As a result LICs/LITs often vary considerably from their Net Asset Value (NAV).	No changes recommended

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Appendix 1

State	Current State	Future State
Open/Closed	Open ended	Open ended
Feature	Rules based index	Rules based index
Current Name	Exchange traded fund (ETF)	Exchange traded fund (ETF)
Description	Under ASX naming conventions, ETF technically refers only to funds that passively track an index. These are usually structured as a managed investment scheme, where investors hold units in a trust. The majority of ETPs are indeed ETFs and the remaining ETPs are types of actively managed funds with additional identifying characteristics	The ETF label should only be used to describe products that are open ended funds tracking a rules based index. Further clarity is required on what constitutes a rules based index. Where significant human discretion is applied in the index definition (often with more complex products like thematics or variations of smart-beta) these should not be named ETFs but instead be grouped with other open ended, transparent non-rules based indices. Some examples include: - ETHI exclusion of Facebook based on a committee should make it inelligible to be an ETF https://www.betashares.com.au/files/ETHI/MEDIA-STATEMENT-ETHI-Removal-of-Facebook_March2018.pdf - The S&P 500 is a rules based index yet governed by a committee. An example of discretion was not including Tesla in the index in 2020 (https://www.etfstream.com/features/why-tesla-was-not-included-in-the-sp-500/). Yet ETFs tracking this index (such as IVV or SPY) are considered simple ETFs. - The ETFS ROBO Global Robotics and Automation ETF (ROBO) holds companies that are identified by a strategic advisory board. Even though it's rules based in the PDS, because the index has significant human discretion, they should be treated separately to a simple rules-based ETF

Appendix 1

State	Current State	Future State
Open/Closed	Closed ended	Closed ended
Feature	Commodity index (no derivatives)	Commodity index (no derivatives)
Current Name	Exchange Traded Commodity (ETC)	Exchange Traded Fund (ETF)
Description	ETCs track the price of a commodity or a commodity index. This allows investors to gain exposure to commodity markets without buying futures contracts or the physical commodity. In this sense, ETCs have a share price that moves up and down as the price of the underlying commodities fluctuate in value.	Where a commodity ETP does not use leverage and tracks a rules based index, it should qualify to be named an ETF. Having an additional ETC label for commodity ETFs is redundant and confusing. Where a commodity ETP does use leverage or gains exposure by synthetic means (i.e. not holding the underlying but rather via derivatives) it should be an active structured product - reflecting the risk of derivatives and also active discretion (i.e. quantum of daily leverage, futures roll process). The BetaShares Crude Oil Index ETF - Currency Hedged (synthetic) (OOO) ETP is a good example where active discretion led to the manager changing the futures contract it tracks. OOO is a much riskier product than GOLD because it's futures based not physical backed. Therefore we would propose GOLD is an ETF whereas OOO is an active structured product.

Appendix 1

State	Current State	Future State
Open/Closed	Closed ended	Closed ended
Feature	Non rules based index - transparent	Non rules based index - transparent
Current Name	Exchange Traded Managed Fund (ETMF)	- Open ended listed investment trust - Transparent listed investment trust - Active Transparent listed investment trust - Active Transparent trust - Quoted Managed Fund - Active Transparent ETP
Description	These are also admitted to trading status on licensed exchanges like ETFs, but are actively managed funds. Similarly to ETFs they are typically structured as managed investment schemes.	Change the naming so it's very clear it's not an ETF (ETMF is too similar). Multiple suggestions on naming provided above. Whether the trust does or doesn't provide daily transparency should also be clearly identifiable either in the primary or secondary label. Lack of daily transparency increases a product's risks around liquidity, conflicts with market makers (e.g. if there is an internal market maker) etc.

Appendix 1

State	Current State	Future State
Open/Closed	Closed ended	Closed ended
Feature	Non rules based index - non transparent	Non rules based index - non transparent
Current Name	Exchange Traded Managed Fund (ETMF)	- Open ended listed investment trust - Non-transparent listed investment trust - Active non-transparent listed investment trust - Active non-transparent trust - Quoted Managed Fund - Active non-Transparent (ANT) ETP
Description	**Exchange traded managed fund (ETMF)** These are also admitted to trading status on licensed exchanges like ETFs, but are actively managed funds. Similarly to ETFs they are typically structured as managed investment schemes.	Change the naming so it's very clear it's not an ETF (ETMF is too similar). Multiple suggestions on naming provided above. Whether the trust does or doesn't provide daily transparency should also be clearly identifiable either in the primary or secondary label. Lack of daily transparency increases a product's risks around liquidity, conflicts with market makers etc.

Appendix 1

State	Current State	Future State
Open/Closed	Closed ended	Closed ended
Feature	Leverage or derivative use above 10% of fund value	Leverage or derivative use above 10% of fund value
Current Name	Structured Product (SP) or Exchange Traded Hedge Funds (ETHF)	Active structured product
Description	These ETPs do not typically invest in the underlying asset, but instead aim to mimic the performance of an index synthetically via a structured agreement or derivative over futures contracts. This structure is most commonly used by issuers creating commodity indices as it is not feasible to hold most physical commodities. Where investors are exposed to counterparty risk of more than 10% of the fund's net asset value structured products must have the word 'synthetic' as part of their name for easy identification.	Any listed product that uses significant leverage/derivatives (10% or more of fund value allowed) should be called an active structured product and the maximum amount of leverage should be included in a secondary label to highlight risk. Like CFDs, leveraged exchange traded products are high risk and most consumers lose money investing in them. Maximum leverage should be included in the name to be very clear about risk. - e.g. "1.8x" or "180% leverage" is in the ETP name. An example of this in the U.S. is the BETAPRO NASDAQ-100® 2X DAILY BULL ETF. Active because of the inevitable active discretion (i.e. quantum of daily leverage, futures roll process). Where a commodity ETP does use leverage it should be an active structured product - reflecting the risk of derivatives and also active discretion (i.e. quantum of daily leverage, futures roll process). OOO is a good example where active discretion led to the manager changing the futures contract it tracks OOO is a much riskier product than GOLD because it's futures based not physical backed. Therefore we would propose GOLD is an ETF whereas OOO is an active structured product. Structured product to reflect the additional risk. Particularly leveraged ETFs where most investors lose money in these products (like CFDs).