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Mr Mann Beydoun, Senior Specialist and Ms Violet Wong, Senior Lawyer  
Investment Managers & Superannuation  
Australia Securities & Investments Commission  
GPO Box 9827  
SYDNEY NSW 2001

By email: [periodicstatements@asic.gov.au](mailto:periodicstatements@asic.gov.au)

Dear Mr Beydoun and Ms Wong,

**ASIC Consultation Paper 196: Periodic statements for quoted and listed managed investment products and relief for AQUA products**

Thank you for the opportunity to make a submission in relation to ASIC CP 196.

ASX supports the proposals for class order relief to facilitate quotation of exchange traded funds ('ETFs') on the AQUA market. The proposal will allow the current relief granted on an individual basis to responsible entities of ETFs to be consolidated in a class order, which will also apply to any new ETFs, streamlining the processes currently in place.

ASX wishes to comment in relation to the proposed relief from the requirement in section 601FC(1)(d) of the Corporations Act that a responsible entity of a registered scheme treat members who hold interests of the same class equally and members who hold interests of different classes fairly (Proposal C2). It is a proposed condition of this relief that members must be given a right to redeem interests in the scheme if quotation of interests in the scheme is suspended from trading for more than five trading days. This does not form part of the conditions of existing relief that has been granted to responsible entities of ETFs on an individual basis.

Despite the various exemptions under this proposed condition, there remains a situation whereby individuals may redeem interests directly. ASX considers that the introduction of such a condition would have significant consequences for the industry, which would require substantial administrative changes and technological development to facilitate the mechanisms necessary to accept direct member redemptions. ASX also understands that if the class order is to apply to existing ETFs scheme constitutions would need to be changed.

The ASX, market together with the market making requirements for AQUA products under the ASX Operating Rules, ensure that members can sell their interests in the scheme at a market price that will generally reflect the current net asset value of the fund. We understand that this formed the basis for the existing individual relief, thereby allowing the generation of substantial administration benefits for the schemes, which have been passed on to members in the form of lower management costs.

Direct member redemptions are likely to have a significant impact on the cost structure of an ETF and undermine the basic nature of the product structure. ASX submits that there should be further consideration and consultation with responsible entities of ETFs concerning the likely administrative implications and additional compliance costs in relation to this condition of relief. If the condition is to be imposed ASX submits that there should be further

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Austraclear

consideration of the timeframe for implementation and the effect on responsible entities that have existing relief without this condition.

If you require any further information please contact me on (02) 9227 0920.

Yours sincerely,

A handwritten signature in blue ink that reads "Sally Palmer". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

**Sally Palmer**  
**General Manager, Legal**