

FINsights: New Trends in FS

New Fund rules to remove Australian investment barriers

Recent developments in the Australian Funds Management (FM) sector will remove barriers impeding cross-border investment flow and improve transparency. Here are **four key developments** set to positively develop the industry.

Asian Region Funds Passport

1

The Asian Region Funds Passport (Passport) is an international initiative designed to liberalise trade in managed funds between Australia, New Zealand, Japan, South Korea, The Philippines, Singapore and Thailand. These countries have until December 2017 to implement domestic arrangements under an agreed memorandum and passport activation will occur after any two countries do so. There is also an open door for other eligible economies to participate in the future.

Where the Passport regime differs from current Australian Securities Investment Commission (ASIC) relief is in permitting certain financial services providers to offer products and services to wholesale clients without holding a licence.

New Collective Investment Vehicles (CIVs)

2

In May, the Australian Government announced new types of CIVs as a tax-effective alternative to current Australian pooled investment trusts. They are:

- a corporate CIV – from July 2017
- a limited partnership CIV – from July 2018

The reforms will allow fund managers to offer products using vehicles commonly used overseas. This will also boost the Asian Passport's effectiveness.

ASIC is helping Australian Treasury towards amending corporations laws for allowing the CIVs use.

Managed Investment Trusts (MITs)

3

In May, the Government enacted changes to MITs taxation. These are unit trusts where members of the public collectively invest in passive income activities for e.g. shares, property, and fixed interest assets.

In June, ASIC granted relief to assist trustees of registered MITs to make changes to the trust deeds of their funds without holding members' meetings. This will help implement the new tax system. The permissible changes include provisions allowing the trustee to elect into the new tax system and treat different classes of units separately.

Disclosure: Portfolio Holding Developments

4

This is all about transparency – the regime essentially requires an Australian superannuation fund to disclose its underlying portfolio holdings on a 'look through' basis, wherever the assets are located.

The Australian Government has consulted on draft regulations and it is not yet clear if they will be finalised to meet the proposed start date of 1 July 2017. In the most recent draft, the 'look through' rules have been significantly reduced to bring them into line with the Australian Prudential Regulatory Authority (APRA) reporting requirements - this would reduce the regulatory burden.



Australian Funds Management

10 facts



Australian FM sector worth: **\$2.72 trillion**

World number 3 in pooled funds (behind the US & Luxembourg)

Asia Pacific contributes **65%** of total overseas fund investments in Australia

56% of fund inflow is from Japan

Assets under management have doubled in 10 years

Australian MITs investment from overseas funds has doubled to **A\$43.6 billion in 5 years**

56% of fund inflows are invested into overseas asset classes

Since 2005, asset value under management has increased by **6.6% per annum**

Australia is No 1 (equal with the US & Netherlands when examining the investor experience in the fees and expenses category)

Funds from wholesale investors have increased **78.5% since 2005**



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