Removal of entities from the ASX mFund Settlement Service

20 July 2018 | Version 1

Introduction

The purpose of this document is to assist AQUA Product Issuers ("Issuer") and their investment managers to understand ASX's policies and processes regarding the removal of Managed Fund Products ("mFunds") admitted for settlement through the Managed Fund Settlement Service ("mFund Settlement Service").

The main points it covers are:

- The right of an entity to request removal from the mFund Settlement Service
- How to make a request for removal from the mFund Settlement Service
- What an entity should announce to the market when it makes a request for removal from the mFund Settlement Service
- How ASX can respond to a request for removal from the mFund Settlement Service
- The circumstances in which ASX may remove an entity from the mFund Settlement Service at its own instigation

1. Removal from the mFund Settlement Service at the request of an entity

1.1 The right to request removal from the mFund Settlement Service

An Issuer may ask ASX to remove an mFund at any time. ASX requires the Issuer submitting the formal request for removal from the mFund Settlement Service to be the AQUA Product Issuer, as defined in the ASX Operating Rules, which is the Responsible Entity of the mFund.

ASX is not required to act on an Issuer's request for removal and may require conditions to be satisfied before it does so. If ASX's decision to remove an mFund is conditional, the mFund will only be removed after the conditions are met, on a date decided by ASX and the Issuer. If the decision is unconditional, the mFund will be removed on the date specified in the decision or, if no date is specified, on a date decided by ASX.

In practice, ASX's decision to act upon a request from an Issuer to remove an mFund is usually subject to the satisfaction of certain conditions, designed to ensure that the interests of mFund holders are not unduly prejudiced by the removal. ASX may require the approval of mFund holders where it appears that the removal is sought for the primary purpose of circumventing the Rules.

ASX's power not to act on an Issuer's request for removal exists to ensure that the removal is sought for acceptable reasons. Some common and generally acceptable reasons why an entity might ask a fund to be removed from the mFund Settlement Service include:

- the Issuer has determined that the mFund is no longer economic to operate and therefore will wind up the mFund and distribute the proceeds to investors;
- the Issuer has determined that the mFund Settlement Service no longer appropriate for the mFund so will be removed from the mFund Settlement Service, but the underlying fund will remain available through other channels; or
- the Responsible Entity has determined for some other proper reason that it is no longer in the interests of the mFund and its holders for the mFund to remain on the mFund Settlement Service.

© 2018 ASX Limited ABN 98 008 624 691 | Version 1 | 20 July 2018

1.2 Preliminary discussions with ASX

Before an Issuer submits a formal request for removal from the mFund Settlement Service, ASX recommends that the Issuer first discuss the matter with ASX at the earliest opportunity. ASX will be able to provide general advice on the removal process and a preliminary view on the chances of ASX agreeing to the request for removal, the likely timeframe for a decision on the request and the likely conditions that ASX will impose.

If an mFund is closed to new investors ("Soft Closure") or all investors ("Hard Closure"), ASX recommends that the Issuer discuss with ASX the alternatives available. For example, ASX is able to support:

- Soft closures – closed for new investors
  An mFund will only be open for existing investors to make additional applications and/or if available, participate in the distribution reinvestment plan. Redemptions are available to all investors.
- Hard closures – closed for all investors
  An mFund will no longer accept new or additional applications. The distribution reinvestment plan if available may still operate as determined by the Issuer and redemptions are available to all investors.

1.3 The formal request for removal

The request for removal should apply be in writing to ASX Investment Products. The request should be on the Issuer's letterhead and, if it has a common seal, executed under its common seal or signed by its chairman of directors or its chief executive officer. If it is signed by anyone else, ASX will require the Issuer to provide evidence that the person has the authority to request something as serious as the removal of the mFund.

The formal request for removal should set out in detail:

- the mFund name and mFund ticker code,
- the Issuer's reasons for seeking removal,
- an indicative timetable for the removal,
- if the mFund is being terminated, the Issuer's consideration of the rights to terminate the mFund under the constitution including the rights and entitlements of members in winding up, and providing notice to members,
- whether the Issuer is intending to seek the approval of holders to effect the removal,
- the number of investors currently in the mFund, and
- what, if any, arrangements will be in place to enable holders to redeem their securities in the lead up to, and/or after, its removal from the mFund Settlement Service.

The Issuer should also seek confirmation that the appointed Product Issuer Settlement Participant (PISP), and/or unit registry, understands the timetable for removal and understands the last date to accept further applications.

1.4 Market Announcement expected upon lodgement of formal request for removal

After receiving ASX approval for the removal, the Issuer must make an announcement to the market, via the ASX Market Announcements Platform, setting out the following information:

- the mFund name and mFund ticker code,
- its reasons for seeking removal from the mFund settlement service,
- an indicative timetable for the removal,
- the consequences for security holders of holding the mFund after it is removed from the mFund Settlement Service,
- what, if any, arrangements will be in place to enable security holders to sell their securities in the lead up to, and/or after, its removal from the mFund Settlement Service

1.5. The removal decision

The removal decision and any conditions attached to the removal decision are made by ASX Compliance. ASX Compliance's decision on these matters will be reduced to writing and communicated to the Issuer by ASX Investment Products usually via email.

2. Removal from the mFund Settlement Service at the instigation of ASX

2.1 Automatic suspension and removal for failure to comply with ASX rules

ASX may remove an mFund, or an Issuer of mFunds, at any time if in ASX's opinion:

- the Issuer is unwilling or unable to comply with, or breaks, any ASX Operating Rule, or
- it is appropriate for some other reason.

Some reasons why ASX may remove an mFund and/or an Issuer from issuing mFunds under the mFund Settlement Service are:

- the Issuer is unable to continue to satisfy their obligations under ASX Operating Rule Schedule 10A.2.1. This rule requires the level of an Issuer's operations to have adequate facilities, expertise, procedures, personnel and financial resources to perform its obligations as an AQUA Product Issuer, or
- an Issuer is unable to comply with its disclosure requirements under ASX Operating Rule Schedule 10A.4.2.

© 2018 ASX Limited ABN 98 008 624 691 | Version 1 | 20 July 2018