



ASX

FACT SHEET

# The mFund Settlement Service:

ONLINE BROKER

This Fact Sheet contains important information about using the mFund Settlement Service when you buy or sell units in managed funds through a broker. You will be asked by your broker to acknowledge that you have been given this information before you use the service. You do not have to use the mFund Settlement Service if you do not want to.

What is the mFund Settlement Service for managed funds?	The Australian Securities Exchange (ASX) has developed a settlement service called mFund. It replaces the traditional application process for investors in managed funds.
Why has ASX done this?	mFund was developed by ASX as a settlement service for investors and brokers. mFund is an electronic processing system for managed funds. It 'settles' (in other words, finalises) transactions in managed funds using the same settlement system, known as 'CHESS', that the ASX uses for settling share transactions. It replaces the use of paper forms for managed fund transactions.
What are the benefits to investors?	A benefit for investors is the consolidated report which summarises all of the investor's holdings in shares and/or managed funds. Investors can also use their existing broking account to invest in managed funds without the need for paper.
How do I use this service?	<ol style="list-style-type: none"> <li>1. You place a 'buy order' for units in the managed fund(s) of your choice through your online broker. You should download and read the Product Disclosure Statement (PDS) for the managed fund before making this decision.</li> <li>2. You indicate on your order screen that you agree to the use of the mFund Settlement Service and have read the PDS.</li> <li>3. Your online broker processes your order using the mFund Settlement Service. Your payment comes out of your broking account.</li> <li>4. When you want to sell your managed fund units, your online broker uses the mFund Settlement Service to process your order.</li> </ol>
What does it cost?	ASX does not charge you anything for you to use the mFund Settlement Service. ASX charges your broker to use the service. You should read your broker's Financial Services Guide to confirm what your broker charges you for you to use the service.

## Some things you need to know about the mFund Settlement Service

Make sure that you understand the following two points:

- 1 You ARE buying or selling units in a managed fund. You are NOT buying or selling something that can be traded on a stock exchange or market.
- 2 When you invest in any managed funds you specify the dollar amount that you wish to invest in the fund, rather

than the number of units you want. For this reason the mFund Settlement Service does not include current unit price information on these managed funds. You will be able to see historical prices on the ASX website and the fund manager's website. When you sell units you can specify the number of units you want to sell.

The table overleaf gives a useful comparison of this new service versus ASX's share trading system



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	The mFund Settlement Service for managed funds	Trading shares on ASX
What is it for?	Managed funds	Shares
What is it?	It is a service which allows investors to buy and sell managed funds directly with the fund managers via brokers.	It is a system which allows investors to buy and sell shares (trade) directly with other investors via their brokers.
Are the managed funds / shares listed on a stock exchange?	No	Yes
What is ASX's role?	The role of ASX is to provide a settlement service only.	ASX operates the stock exchange, where buying and selling investors trade with each other.
How do investors buy the investment?	The investor buys the units through the broker. The units are sold by the fund manager.	Investors buy from other investors on the stock exchange
Are investors able to trade with other investors?	No	Yes
How do investors sell the investment?	The investor sells the units through the broker. The units are bought by the fund manager.	Investors sell to other investors on the stock exchange.
Does ASX guarantee investment performance?	No, as is the case with other managed fund investments which are not traded on the stock exchange.	No, as is the case with any investment in shares.

## Important information

- ASX has Listing Rules which govern disclosure by companies that have their shares traded on the ASX. The ASX Listing Rules do not apply to the managed funds. More information on the Listing Rules is available here ([www.asx.com.au/regulation/rules/asx-listing-rules.htm](http://www.asx.com.au/regulation/rules/asx-listing-rules.htm)).
- The ASX operates a compensation fund called the National Guarantee Fund. This Fund covers investors in certain cases of broker misconduct, where those investors have bought shares and some other investment products on the stock exchange. As with other investments not traded on the stock exchange, the National Guarantee Fund does not cover investments in the managed funds.
- Division 4 of Part 7.11 of the Corporations Act contains a number of statutory warranties which operate to provide protections in relation to transfers of shares on a stock exchange. These statutory warranties are not available for mFund Settlement Service transactions.

## Glossary of terms

It is important that users of this service understand the difference between these two terms

Settle and settlement	Finalising a transaction by transferring the units to the buyer and the money to the seller
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Trade and trading	Investors buying or selling shares on a stock exchange
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