



ASX Investment Products Compliance ETP Update - January 2025

1. INFO 230 Update - ETP Naming Conventions

In April 2024, ASX published Guidance Note 17 – AQUA Product Labels and Naming Considerations (**‘GN17’**) to assist issuers of existing and prospective AQUA Products to comply with new AQUA Rules made to reflect ETP product labelling expectations set out in ASIC Information Sheet 230 (**‘INFO 230’**).

On 12 November 2024, ASIC updated its INFO 230 guidance regarding ETP labels, particularly in relation to derivatives use and the ‘Complex’ secondary label. ASX intends to review GN17 to determine whether changes are required to align with ASIC’s updates.

In the interim, ASX’s approach to derivatives use and the ‘Complex’ secondary label is set out below.

2. ASX's approach to derivatives and the 'Complex' label

The names of ETPs admitted to Trading Status on the AQUA Market must comply with ASIC guidance regarding naming requirements for ETPs: AQUA Rules 10A.5.1(a) and 10A.5.3(a).

ASX will have regard to how derivatives use and its role in the investment strategy is described in the relevant product disclosure statement (PDS) when assessing applications for the admission of new ETPs or labelling proposals from issuers of existing ETPs.

Generally, ASX expects issuers to apply the 'Complex' secondary label at the end of an ETPs trading name if:

- the aggregate of all absolute short and long notional principal amounts of all derivatives (without netting or offsetting) is generally expected to exceed 10% of the ETPs Net Asset Value (NAV). Derivatives disclosed in the PDS as being used (i) solely to manage or hedge currency risk or interest rate risk, or (ii) on a temporary basis only, are excluded for the purposes of this notional exposure calculation; or

(Note: ASX does not expect issuers to apply the 'Complex' secondary label if derivatives use will only exceed 10% in unusual and exceptional circumstances.)

- derivatives are used to create a net leveraged or net inverse position for the ETPs portfolio; or
- the use of derivatives is fundamental to the implementation of the investment strategy by the AQUA Product Issuer or the investment manager.

(Note: If the use of derivatives is fundamental to the implementation of the investment strategy, ASX expects that the term 'Complex' should be used to alert investors and differentiate the ETP from more standard physically replicating products.)

For the purposes of the third bullet point above, the use of derivatives is not considered fundamental to the implementation of the investment strategy if:

- derivatives are used temporarily and infrequently, in limited, unusual or exceptional circumstances only; or
- the disclosed aggregate of all absolute short and long notional principal amounts of all derivatives (without netting or offsetting) is generally expected to be less than 5% of NAV (excluding derivatives used to manage or hedge currency hedge or interest rate risk).

If you have any questions, please email InvestmentProducts.Compliance@asx.com.au.

Kind regards,
ASX Investment Products Compliance



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