

ASX MANAGED FUND SETTLEMENT SERVICE (MFUND)

<p>The purpose of this Guidance Note</p>	<ul style="list-style-type: none"> To assist trading participants to understand the initial and ongoing requirements for participation in the ASX managed fund settlement service, mFund
<p>The main points it covers</p>	<ul style="list-style-type: none"> The procedures that have to be in place, and the information that has to be provided to a client, before a participant can enter into a managed fund transaction on behalf of the client using the mFund service Additional requirements that apply to participants using an online broker interface The settlement arrangements a participant must have in place to participate in the mFund service The initial, annual and other certifications a participant must provide in relation to its participation in the mFund service
<p>Related materials you should read</p>	<ul style="list-style-type: none"> Information on mFund http://www.asx.com.au/mfund/index.htm mFund Investor Fact Sheet http://www.asx.com.au/mfund/documents/investor-factsheet.pdf

History: Guidance Note 15 amended 30/11/18. Previous versions of this Guidance Note were issued in 02/15 and 02/17.

Important notice: ASX has published this Guidance Note to assist participants to understand and comply with their obligations under the ASX Operating Rules. It sets out ASX's interpretation of the ASX Operating Rules and how ASX is likely to enforce those rules. Nothing in this Guidance Note necessarily binds ASX in the application of the ASX Operating Rules in a particular case. In issuing this Guidance Note, ASX is not providing legal advice and participants should obtain their own advice from a qualified professional person in respect of their obligations. ASX may withdraw or replace this Guidance Note at any time without further notice to any person.

Table of contents

1. Introduction	2
2. Client requirements	2
3. Additional requirements that apply to online brokers	3
4. Settlement requirements	4
5. Certification requirements	4
ANNEXURE A: CERTIFICATION PRIOR TO COMMENCEMENT OF MFUND ACTIVITIES	6
ANNEXURE B: ANNUAL CERTIFICATION	7
ANNEXURE C: MATERIAL MODIFICATION CERTIFICATION	8

1. Introduction

This Guidance Note is published to assist trading participants to understand the initial and ongoing requirements for participation in the ASX managed fund settlement service, mFund.¹

mFund enables customers of a trading participant to apply for and redeem units in participating unlisted managed funds using their existing broking account with the participant and without the need to fill out paper application or redemption forms.

The service uses the CHESS electronic settlement system to automate and track the process of applying for and redeeming units in participating managed funds. A person's holdings in these funds is recorded electronically and can be linked to the same holder identification number in CHESS used to hold shares and other investments transacted through ASX. In that way, investors can receive a consolidated holding statement showing all of the investments they hold through CHESS.

2. Client requirements

A trading participant wishing to enter into a transaction using mFund must design and implement procedures that function to ensure that an application by a client for managed fund products is not submitted via the mFund service until:

- (a) the participant has complied with the client identification obligations in Part 2 of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)² in relation to the client;³
- (b) the participant has either:
 - given the client a copy of the most recent product disclosure statement (PDS) or combined product disclosure statement⁴ (CPDS) that is required to be given to retail clients in relation to the issue of that managed fund product and recorded the date of that PDS or CPDS;⁵ or

¹ mFund refers to the "Managed Fund Settlement Service" defined in ASX Operating Rule 7100 to mean the settlement service called mFund provided by ASX Settlement in respect of managed fund products.

² Referred to in this Guidance Note as the AML/CTF Act.

³ ASX Operating Rules Procedure 4655 paragraph (a)(i). If the trading participant has authorised another person to be its agent for the purposes of carrying out its client identification obligations under Part 2 of the AML/CTF Act, the agent must have complied with those obligations on the trading participant's behalf: ASX Operating Rules Procedure 4655 paragraph (a)(ii).

⁴ Defined in ASX Operating Rule 7100 to mean the PDS and all supplementary PDSs for a managed fund product combined into one document with the most recent supplementary PDS at the front. The date of this document is the date of that most recent supplementary PDS.

⁵ ASX Operating Rule 4652 and ASX Operating Rules Procedure 4655 paragraph (a)(iii). As mentioned below, a trading participant that seeks to transact managed fund products based on client instructions received through an online broker interface may give a PDS or CPDS to a client by making it available online to the client in a manner that complies with Corporations Regulations 7.9.02A and 7.9.02B: see note 2 of ASX Operating Rule 4652

- if the application is received from an intermediary rather than directly from the client, received from the intermediary a representation that such a PDS or CPDS has been given to the client which also specifies the date of the PDS or CPDS (as applicable);⁶
- (c) one of the following has happened:
- if the participant seeks to transact managed fund products based on client instructions received through an online broker interface, the participant has prominently displayed on that interface a link to the managed fund settlement service 'Investor Fact Sheet';⁷ or
 - if the participant seeks to transact managed fund products based on client instructions received otherwise than through an online broker interface, the participant has given the client a copy of the managed fund settlement service 'Investor Fact Sheet';⁸ or
 - if the application is received from an intermediary rather than directly from the client, the participant has received from the intermediary a representation that a copy of the managed fund settlement service 'Investor Fact Sheet' has been given to the client;⁹
- (d) the client has acknowledged, in written or electronic form, that they have been given the PDS or CPDS and either a link to, or copy of, the investor fact sheet referred to above;¹⁰ and
- (e) the participant has asked the client for the following information:
- the investor, tax residency and account type details; and
 - the investor's advisor details.¹¹

A participant must keep a record of any representations received from intermediaries referred to in (b) and (c) above, the client acknowledgements referred to in (d) above, and the answers to the questions referred to in (e) above, for a period of at least 7 years and provide those records to ASX upon request.¹²

3. Additional requirements that apply to online brokers

Trading participants that seek to transact managed fund products based on client instructions received through an online broker interface have additional requirements to those set out in section 2 above. In particular, the interface must prominently display to clients who use it to apply for the issue of managed fund products the following statements:¹³

- Statements to the effect that:
 - managed fund units settled through the service are not traded on an open market or exchange;
 - you cannot sell or buy these units to or from other investors on the market; and
 - you may not be able to convert your investment to cash as quickly as you can for shares;

⁶ ASX Operating Rule 4653 and ASX Operating Rules Procedure 4655 paragraph (a)(v).

⁷ ASX Operating Rules Procedure 4655 paragraph (d)(i)(B).

⁸ ASX Operating Rules Procedure 4655 paragraph (e).

⁹ ASX Operating Rules Procedure 4655 paragraph (a)(v).

¹⁰ ASX Operating Rules Procedure 4655 paragraph (a)(iv).

¹¹ ASX Operating Rules Procedure 4655 paragraph (a)(vi).

¹² ASX Operating Rules Procedure 4655 paragraph (c).

¹³ ASX Operating Rules Procedure 4655(d)(i).

- At this link you can find an Investor Fact Sheet about the Managed Fund Settlement Service: www.mfund.com.au/investor-factsheet.pdf;
- At this link you can find information about the fund provided by the issuer: www.mfund.com.au/toolkit; and
- At this link you can find information about the fund disclosed by the issuer using ASX's Market Announcements Platform: www.mfund.com.au/announcements.

They also must not present the interface in a way which could lead a client to believe that managed fund products are able to be traded on ASX or that unit prices displayed on ASX or the interface will apply to any transaction initiated by the client, nor use the words 'bid' or 'offer' on the interface.¹⁴

A trading participant that seeks to transact managed fund products based on client instructions received through an online broker interface may give a PDS or CPDS to a client by making it available online in a manner that complies with Corporations Regulations 7.9.02A and 7.9.02B.¹⁵

4. Settlement requirements

To participate in mFund, a trading participant is required to have arrangements in place to settle mFund transactions via the ASX Settlement facility, the operator of CHESS.¹⁶ If it is a settlement participant in that facility, it can do this itself. Otherwise, it must appoint an appropriately accredited third party settlement participant to settle mFund transactions on its behalf.

Where a trading participant does not settle mFund transactions itself but utilises a third party settlement participant, the participant must give to the settlement participant:

- a representation that the participant gave the PDS or CPDS referred to in paragraph (b) of section 2 above to the client prior to submitting any application for the relevant managed fund product and the date of that PDS or CPDS;¹⁷
- a representation that the requirements of Part 2 of the AML/CTF Act have been satisfied in relation to the client;¹⁸ and
- the answers given by the client to the questions referred to in paragraph (e) of section 2 above in relation to whether the client is a US citizen, US tax resident or an entity other than a 'superannuation fund'.¹⁹

5. Certification requirements

Trading participants are required to certify their compliance with the client requirements mentioned in section 2 above:

- prior to commencing to accept client applications for managed fund products;
- annually, within 10 business days after 30 June each year; and

¹⁴ ASX Operating Rules Procedure 4655(d)(ii).

¹⁵ See note 2 of ASX Operating Rule 4652.

¹⁶ ASX Operating Rule 4651 and ASX Operating Rules Procedure 4651.

¹⁷ ASX Operating Rule 4654(a). Where a participant receives a representation from an intermediary that the client has been given a PDS or CPDS and the date of that PDS or CPDS, as contemplated by ASX Operating Rule 4653, the participant may treat that as if the intermediary were acting as the agent of the participant for the purposes of ASX Operating Rule 4654(a) and, on that basis, provide the representation required under ASX Operating Rule 4654(a) that the client has been provided with a PDS or CPDS (as applicable) bearing the date referred to in the intermediary's representation.

¹⁸ ASX Operating Rule 4654(b).

¹⁹ ASX Operating Rules Procedure 4655 paragraph (a)(vi).

- for online brokers, within 10 business days of making any material modification to their online broking interface that affects the way in which information about managed fund products or the mFund service is presented to clients via the interface.²⁰

The certification is to be:

- made by the head of compliance or an equivalent employee of the trading participant in the form prescribed by ASX from time to time; and
- retained for 7 years.

For these purposes, ASX has prescribed the form of the certifications set out in Annexures A to C of this Guidance Note.

In each case, the certifications should be provided on the participant's letterhead and sent to:

The Manager
ASX Participants Compliance
ASX Limited
20 Bridge Street
Sydney NSW 2000

²⁰ ASX Operating Rules Procedure 4655(b).

ANNEXURE A: CERTIFICATION PRIOR TO COMMENCEMENT OF MFUND ACTIVITIES

Certification of compliance under ASX Operating Rules Procedure 4655(b)(i)

After due enquiry, I certify that, prior to commencing to accept client applications for Managed Funds Products, *[insert name of Trading Participant]* has designed and implemented procedures that comply fully with the requirements set out in paragraph (a) of ASX Operating Rules Procedure 4655.

Capitalised terms used in this certification have the same meaning as is given to them in the ASX Operating Rules.

Name & Position

Signature

Date

ANNEXURE B: ANNUAL CERTIFICATION

Certification of compliance under ASX Operating Rules Procedure 4655(b)(ii) for the year ended 30 June [insert year].

After due enquiry, I certify that [insert name of Trading Participant] (the "Participant") had in place over the year mentioned above (or so much of that year as the Participant conducted transactions in the ASX Managed Funds Service) procedures that complied fully with the requirements set out in paragraph (a) of ASX Operating Rules Procedure 4655.

Capitalised terms used in this certification have the same meaning as is given to them in the ASX Operating Rules.

Name & Position

Signature

Date

ANNEXURE C: MATERIAL MODIFICATION CERTIFICATION

Certification of compliance under ASX Operating Rules Procedure 4655(b)(iii)

A material modification was made by *[insert name of Trading Participant]* (the "Participant") to its online broking interface on *[insert date of modification]* which affected the way in which information about Managed Fund Products or the ASX Managed Funds Service is presented to clients via the interface.

After due enquiry, I certify that, notwithstanding the material modification referred to above, the Participant continues to have procedures in place that comply fully with the requirements set out in paragraph (a) of ASX Operating Rules Procedure 4655.

Capitalised terms used in this certification have the same meaning as is given to them in the ASX Operating Rules.

Name & Position

Signature

Date