# Preliminary Assessment Questionnaire: Prospective Exchange Traded Product Issuer

The purpose of the following questionnaire is to assist ASX in providing early guidance to prospective issuers on whether a fund can be converted from the mFund Settlement Service and admitted as an Exchange Traded Product (ETP) under the ASX AQUA Product Rules.

Any guidance provided by ASX in response to the information provided in this document is **indicative only**. The final decision on an ETP admission can only be made once the applicant has submitted all required forms and checklists referred to on the ASX [website](https://www.asx.com.au/issuers/investment-products/how-to-issue/etfs-and-other-etps) as part of a formal application.

The information provided by applicants in response to the questions in this document will not be relied on or referred to if the applicant decides to make a formal application with ASX.

Further information about the requirements to be an ETP issuer can be found on the ASX [website](https://www.asx.com.au/issuers/investment-products/how-to-issue/etfs-and-other-etps)[[1]](#footnote-1).

Please return the completed questionnaire to:

* Attention: Rory Cunningham
* Email: [mFund@asx.com.au](mailto:mFund@asx.com.au)

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|  | **Question** | **Response** |
| **Section 1 - AQUA Product Issuer** | | |
| 1.1. | What is the company name of the applicant? | insert company name of applicant |
| 1.2. | Who is the primary contact for this application? | * [Insert name] * [Insert email address] * [Insert position / title] |
| 1.3. | Please provide the details of the fund(s) you are considering converting to an ETP. | * [Insert fund name and mFund code] * [Insert fund name and mFund code] * [Insert fund name and mFund code] |
| 1.4. | Has the applicant previously issued Exchange Traded Products (ETPs)? | Yes [insert name of registry]  No, please answer Question 1.5.  If the answer is ‘No’, upon formal application ASX is required to assess if the applicant has adequate facilities, systems, processes, procedures, personnel, expertise, and financial resources to fulfil their obligations as an ETP Issuer. |
| 1.5. | Can the applicant provide an indicative list of the names of third parties that they are considering to assist in fulfilling their obligations as an ETP Issuer? | Registry: [insert name of registry]  Custodian: [insert name of custodian]  Market-maker: [insert name of market-maker]  iNAV provider: [insert name of iNAV provider] |
| **Section 2- AQUA Product Structure** | | |
| 2.1. | Will the Issuer utilise the dual access mechanism? For further information in regards to the dual access mechanism, please refer to [INFO 230](https://asic.gov.au/regulatory-resources/markets/market-supervision/exchange-traded-products-admission-guidelines/) and the [ASX ETP Update December 2020](https://www.asx.com.au/content/dam/asx/issuers/asx-investment-products-reports/etp-update/etp-update-december-2020.pdf). | Yes [insert name of registry]  No |
| 2.2. | Does the registry have experience with operating the dual access mechanism? | Yes  No  N/A  If the answer is 'No', ASX recommends that the applicant commence discussions at least three months prior to seeking admission, in order to determine whether the registry has sufficient arrangements in place to operate the dual access mechanism. |
| 2.2. | Will the Fund(s) adopt a feeder-fund structure?  *Note: This is a structure where the ETP will achieve its investment strategy by investing in one or multiple unlisted managed investment scheme(s).* | Yes, please complete Question 2.3  No |
| 2.3. | Can the applicant comply with the following requirements:   * The Responsible Entity of the Underlying Fund(s) must be the same as the Responsible Entity of the ETP. * The Underlying Fund(s) must hold only investments that comply with Operating Rule Schedule 10A.3.3(c). * The Underlying Fund(s) must not contravene the prohibitions under Operating Rule Schedule Rule 10A.3.3(d). * The applicant must be able to review the underlying investments of the Underlying Fund(s) monthly to ensure compliance with Rules Operating Rule Schedule 10A.3.3(c) and (d).   [Operating Rule Schedule 10A](https://www.asx.com.au/content/dam/asx/rules-guidance-notes-waivers/asx-operating-rules/rules/asx_or_schedules.pdf) can be accessed via [ASX Operating Rules Schedules](https://www.asx.com.au/content/dam/asx/rules-guidance-notes-waivers/asx-operating-rules/rules/asx_or_schedules.pdf). All Operating Rules, Schedule and Procedures are available via the [ASX website](https://www.asx.com.au/about/regulation/rules-guidance-notes-and-waivers/asx-operating-rules-guidance-notes-and-waivers). | Yes  No  N/A  If the answer is 'No', the ETP may not be suitable for quotation under the AQUA Rules. |
| **Section 3 - Investment Mandate** | | |
| 3.1. | Will the Underlying Instrument(s)[[2]](#footnote-2) be compliant with Operating Rule Schedule 10A.3.3(c)?  *Note: See* ***Appendix A*** *for a list of Underlying Instrument(s) specified in 10A.3.3(c)* | Yes, please provide further Underlying Instrument information below.  No  If the answer is 'No', the ETP may not be suitable for quotation under the AQUA Rules.  *Underlying Instrument Information*   * [Insert Underlying Instrument] [Insert relevant paragraph under Rule 10A.3.3(c)] * [Insert Underlying Instrument] [Insert relevant paragraph under Rule 10A.3.3(c)] * [Insert Underlying Instrument] [Insert relevant paragraph under Rule 10A.3.3(c)] * [Insert Underlying Instrument] [Insert relevant paragraph under Rule 10A.3.3(c)] |
| 3.2. | Will the Fund engage in short-selling? | Yes, please provide a short summary of the short-selling arrangements below.  No  [Insert summary of short-selling arrangements below] |
| 3.3. | Will the ETP engage in securities lending? | Yes  No  If the answer to this question is 'Yes', the applicant will need to ensure that the securities lending arrangements comply with [INFO 230](https://asic.gov.au/regulatory-resources/markets/market-supervision/exchange-traded-products-admission-guidelines/#securities). |
| 3.4. | Will the gross notional derivatives exposure of the ETP (including both exchange-traded and OTC derivatives) generally remain less than 10% of the NAV, excluding derivatives used to manage interest rate, credit, and currency risk? | Yes  No  If the answer to this question is 'No', please provide details of the maximum gross notional derivative exposures.   * [Insert maximum gross notional derivative exposure] |
| 3.5. | Will the gross notional exposure of OTC derivatives generally remain less than 5% of the NAV, excluding derivatives used solely to manage currency risk? | Yes  No  If the answer to this question is 'No', then the applicant will need to ensure that they can comply with the requirements under Operating Rule Schedule 10A.4.6. |
| 3.6. | Will the ETP use leverage as part of its investment strategy? | Yes  No  If the answer to this question is 'Yes', please provide the maximum amount of leverage permitted by the ETP.   * [Insert maximum gross notional derivative exposure] |
| **Section 4 - Liquidity arrangements** | | |
| 4.1. | Will the ETP use any of the following market-making arrangements?   * Material Portfolio Information (MPI) disclosure model * Internal market-making model   For further information in regards to the above market-making models, please refer to [INFO 230](https://asic.gov.au/regulatory-resources/markets/market-supervision/exchange-traded-products-admission-guidelines/). | Yes  No  If the answer to this question is 'Yes', upon formal application ASX will assess if the chosen market-making model complies with INFO 230. Additionally, in the formal application ASX will require details of the market-making parameters, such as the maximum spread and minimum quantity. |
| **Section 5 - Disclosure** | | |
| 5.1. | Will the ETP disclose its portfolio on a daily basis? | Yes  No, please answer Question 5.2. |
| 5.2. | If the Fund proposes to disclose its portfolio on a delayed basis, does the ETP meet one or more of the following criteria?   * Delayed disclosure is required to protect the intellectual property of the Issuer. * The ETP holds a concentrated portfolio of equity Underlying Instruments. * Delayed disclosure is permitted for ETPs that use the MPI disclosure model. | Yes  No  If the answer is 'No', delayed disclosure may not be appropriate for the ETP. |

**Appendix A**

**ASX Operating Rules Schedule 10A.3.3(c)**

(c) the capital value or distributions of the Financial Product must be linked to Underlying Instruments which are:

(i) securities, derivatives, debentures, bonds or other Financial Products that are admitted to trading on:

(A) the Market;

(B) a Non-ASX Market that is specified in the Procedures[[3]](#footnote-3); or

(C) any other Non-ASX Market where ASX is satisfied that:

(i) the Non-ASX Market is subject to regulation that is at least equivalent to the regulation of a market operator licenced under section 795B(1) of the Corporations Act; and

(ii) the Underlying Instrument is subject to substantially equivalent disclosure requirements to those which would apply if the Underlying Instrument were admitted to trading on the Market;

Note: To avoid doubt, a Crypto-asset that is a security, derivative, debenture, bond or other Financial Product and that meets the requirements of sub-paragraph (i) above may be admitted as an Approved AQUA Product under that sub-paragraph rather than as an Eligible Crypto-asset under sub-paragraph (v) below.

(ii) debentures, bonds, deposit products or Money Market Instruments that are:

(A) included in an index specified in the Procedures[[4]](#footnote-4); or

(B) issued or guaranteed by a government or by an entity of a type specified in the Procedures[[5]](#footnote-5) and in respect of which ASX is satisfied that Relevant Authorised Participants and AQUA Market Makers have sufficient information available in a timely manner to enable them to reliably determine prices at which the debentures, bonds, deposit products or Money Market Instruments are bought or sold;

(iii) an Eligible Debt Portfolio[[6]](#footnote-6);

(iv) commodities or currencies where ASX is satisfied that:

(A) the prices at which such commodities or currencies are bought or sold are available to market users in a timely manner; or

(B) there is a regulated derivatives market which controls price discovery for the commodity or currency in question; and

(v) Eligible Crypto-assets[[7]](#footnote-7); and

(vi) indices over any of the Underlying Instruments listed in paragraphs (c)(i) to (c)(v) where ASX is satisfied that the index in question is widely regarded as having robust and transparent eligibility criteria, governance arrangements and methodologies for constructing and maintaining the index.

1. <https://www.asx.com.au/issuers/investment-products/how-to-issue/etfs-and-other-etps> [↑](#footnote-ref-1)
2. In relation to AQUA Products, “Underlying Instrument” means the Financial Product, index, foreign or Australian currency, commodity, Crypto-asset or other point of reference for determining the value of the AQUA Product. [↑](#footnote-ref-2)
3. For the purpose of Rule 10A.3.3(c)(i)(B), the following exchanges are specified:

   (a) a Non-ASX Market that is a member of the World Federation of Exchanges; and

   (b) a Non-ASX Market that is a member of the Federation of European Securities Exchanges. [↑](#footnote-ref-3)
4. For the purpose of Rule 10A.3.3(c)(ii)(A), the following indices are specified:

   (a) the Bloomberg AusBond Bank Bill Index;

   (b) the Bloomberg AusBond Master 0+ Yr Index;

   (c) the S&P/ASX Australian Fixed Interest Index;

   (d) the S&P/ASX Bank Bill Index;

   (e) the Barclays Global Aggregate Index;

   (f) the J.P. Morgan Emerging Markets Bond Index Global;

   (g) the Markit iBoxx Global Developed Markets Liquid High Yield Index;

   (h) the Markit iBoxx USD Liquid Investment Grade Index;

   (i) the Markit iBoxx EUR High Yield main cum crossover LC Index;

   (j) the Markit iBoxx ABF Pan-Asia Index;

   (k) the Markit iBoxx EUR Overall Index;

   (l) the Markit iBoxx GBP Overall Index;

   (m) the Markit iBoxx Global Inflation-Linked All USD Index;

   (n) the Markit iBoxx USD Overall Index;

   (o) the Markit iBoxx USD Emerging Markets Sovereigns Index. [↑](#footnote-ref-4)
5. For the purpose of Rule 10A.3.3(c)(ii)(B), the following types of entities are specified:

   (a) an entity which is admitted to listing on or which has a class of its securities quoted on:

   (1) the Market; or

   (2) a Non-ASX Market that is specified in the Procedures for the purpose of Rule 10A.3.3(c)(i)(B);

   (b) a semi-government authority;

   (c) an entity which is prudentially regulated by the Australian Prudential Regulation Authority (APRA), or for a foreign entity, by the equivalent regulator in its home jurisdiction. [↑](#footnote-ref-5)
6. **"**Eligible Debt Portfolio**"** means:

   (a) a portfolio of Underlying Instruments that comprise:

   (i) investment grade debt;

   (ii) high yield corporate debt; or

   (iii) mortgage or asset backed securities;

   (b) where no one issuer of the Underlying Instruments accounts for more than 10% of the net asset value of the portfolio; and

   (c) where the Underlying Instruments are subject to a Reliable Pricing Framework. [↑](#footnote-ref-6)
7. For the purpose of paragraph (a) of the definition of “Eligible Crypto-asset”, the following Crypto-assets are specified:

   (a) bitcoin (BTC); and

   (b) ether (ETH). [↑](#footnote-ref-7)