



mFund Industry Working Group Stakeholder Forum

ASX Investment Products

7 December 2023

Agenda

1. Why are we closing mFund?
2. Fee relief
3. Closure information
4. Planning
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7. Specific matters raised during the consultation process
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Why are we closing mFund?

1. Future growth prospects remain uncertain

- Support for retaining mFund was generally qualified, with feedback typically emphasising the need for ASX to address various operational and connectivity issues with the service. It was unclear from submissions to what extent addressing these issues would improve the future growth prospects of mFund.
- The majority of respondents confirmed that mFund was not a material part of their existing business or central to their distribution strategy going forward.
- Self-directed and advised investors are unlikely to adopt mFund at scale or to the same extent that they adopt exchange traded funds (**ETFs**).

2. Changed regulatory environment

- Design & Distribution Obligations have impacted the willingness of issuers and brokers to offer a broad range of alternative investment strategies and asset classes to investors through mFund.

3. Competition from ETFs

- Active ETFs and the dual access ETF structure are expanding the range of strategies that are available to investors, reducing the comparative advantage of mFund over the ETF structure.

Fee relief

- Covers all mFund related fees charged by ASX to Issuers, PISPs & Trading & Settlement Participants
- Fees to be waived (e.g. annual listing fee) and/or rebated quarterly (e.g. CHESSE Issuer Services fee)
- Initial ETF admission fee to be waived for any fund converting to an ETF
- Effective 1 January 2024

Closure information

- All funds to be progressively removed from mFund by 31 May 2026
- mFund remains open for applications for units and redemptions
 - Note: Funds may opt to apply own policy e.g. closed for applications / open for redemptions
- No new Issuer products to be admitted to mFund
- Timing for removal may be driven by:
 - Strategy i.e. removal or conversion to ETF
 - Size of fund / number of investors
 - Product Disclosure Statement roll dates
 - Distribution dates
 - Other projects

Planning

What ASX needs from Issuers

Item	Notes	Deadline
1. Primary contact(s)	<ul style="list-style-type: none">Nominate a representative from each Issuer, PISP and Trading/Settlement Participant to liaise with ASX for the purposes of mFund closurePlease email details to mFund@asx.com.au	22 December 2023
2. Indicative strategy for your fund	<p>Strategy options</p> <ol style="list-style-type: none">Remove fund from mFund and convert unit holders to holding their units directly with issuerClose fund/unit class permanently and pay out unit holdersConvert to ETF<ol style="list-style-type: none">Complete <i>Preliminary Assessment Questionnaire</i> (ASX Online Resources Page)Attend Webinar Thursday 8th February <ul style="list-style-type: none">Please email details to ashley.parker@asx.com.au	Preliminary guidance by 29 February 2024
3. Target date/period for removal	<ul style="list-style-type: none">Liaise with your Registry to determine achievable target dates for removalPlease email details to ashley.parker@asx.com.au	31 March 2024

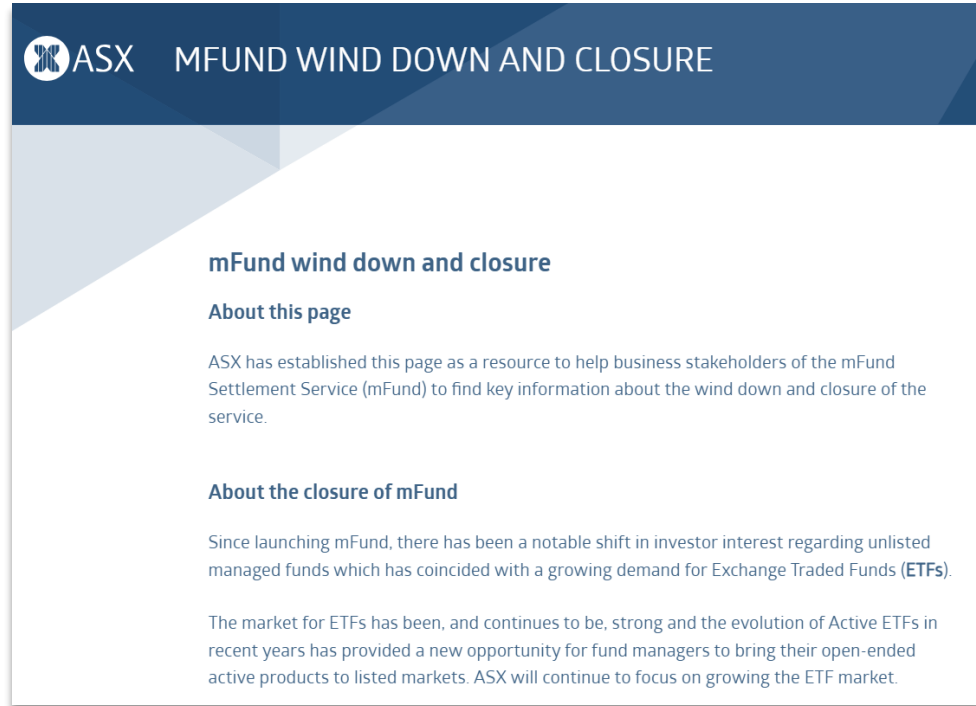
Industry Working Group

Facilitate a fair and orderly wind down

- Representatives from:
 - Issuers (&/or Investment Managers)
 - PISPs/Registries, and
 - Trading and Settlement Participants (Brokers)
- Act as focus group to help raise issues and provide feedback on closure policies & procedures
- To meet every second month from February 2024 (or as required).
- Proposed meeting schedule for first half 2024
 - 22 February 2024
 - 10 April 2024
 - 5 June 2024

Resources page

ASX Online¹ will be used to maintain a record of all presentations, FAQs, procedures, key contacts etc.



The screenshot shows a webpage with a dark blue header containing the ASX logo and the title 'MFUND WIND DOWN AND CLOSURE'. Below the header, the main content area is white with a light blue diagonal graphic element on the left. The page features a main heading 'mFund wind down and closure', followed by a sub-heading 'About this page' and a paragraph of text. Below that is another sub-heading 'About the closure of mFund' and a longer paragraph of text.

ASX MFUND WIND DOWN AND CLOSURE

mFund wind down and closure

About this page

ASX has established this page as a resource to help business stakeholders of the mFund Settlement Service (mFund) to find key information about the wind down and closure of the service.

About the closure of mFund

Since launching mFund, there has been a notable shift in investor interest regarding unlisted managed funds which has coincided with a growing demand for Exchange Traded Funds (ETFs). The market for ETFs has been, and continues to be, strong and the evolution of Active ETFs in recent years has provided a new opportunity for fund managers to bring their open-ended active products to listed markets. ASX will continue to focus on growing the ETF market.

Specific matters raised to date by mFund stakeholders

Matter	Points raised	Steps to be undertaken
Investor Details	<ul style="list-style-type: none"> Issuers are missing a material amount of investor details or have out-of-date information. E.g. address, email, phone #, adviser details. This information is required for issuers/registries to be able to make contact with investors and request they fill in forms for AML/CTF purposes. 	<ul style="list-style-type: none"> ASX to work with issuers and brokers to understand when/how a bulk update can be made to investor detail information and what results this will yield. Important that unit registries are ready to receive this information and update <u>core</u> registry systems.
AML/CTF	<ul style="list-style-type: none"> Can the existing AML/CTF relief for mFund be relied upon by Issuers when converting investors from broker to issuer sponsored? 	<ul style="list-style-type: none"> ASX is in the process of receiving legal advice from external counsel and will report back through the working group.
Removal Process	<ul style="list-style-type: none"> Ensure that the removal process on ASX side is as streamlined as possible. How will ASX manage multiple issuers wishing to have their funds removed at/around the same time? 	<ul style="list-style-type: none"> ASX is refining the current steps involved in the removal process and will report back with through the working group to seek feedback on the updated removal process.
Conversion to ETF process	<ul style="list-style-type: none"> What is the process to convert an mFund (unlisted managed fund) to an Exchange Traded Fund? 	<ul style="list-style-type: none"> ASX has arranged a webinar for mFund issuers on Thursday 8th February The first step for issuers is to determine if their fund meets the AQUA rules for being admitted as an ETF¹. See <i>ASX Online - mFund Wind Down & Closure</i> resources page with links to information about ETF admission requirements. Please contact Rory.Cunningham@asx.com.au if you would like to arrange a discussion with ASX prior to the webinar.

Draft agenda for Working Group meeting - 22 February 2024

Agenda item	Description
1. Removal process	ASX to present removal process and receive feedback from the Working Group
2. AML/KYC	ASX to discuss AML/KYC as it relates to mFund and conversions to issuer sponsored
3. Investor details	ASX to open discussion on requirements / challenges with current investor detail information
4. Any other items	Any other items of business – please notify ASX in advance if you would like to add items to the agenda

Key contacts

Please email mFund@asx.com.au for general enquiries or to commence the removal process.

Alternatively, please contact any of the following team members if you have further questions.

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Questions?

