

21QW: From Mr Matt Thistlethwaite MP
Topic: Platform industry

Question:

Are platforms exempted from the interposed vehicle test for RG97?

Answer:

ASIC's aim is to improve the transparency of fee and cost disclosure.

Platform providers, including not for profit RSEs in respect of investment options that are offered through platform-like arrangement (see Q5) are not subject to the interposed vehicle test. However, platform providers still need to disclose platform fees and costs and the costs of underlying investments. In their PDS, platform providers must make it clear to investors that they will incur the costs of the platform and those of the underlying investments. Our revisions to RG 97 make it clear that platform providers need to give examples to show the cumulative effect of fees and costs.

In the case of other super funds, the changes with regards to indirect costs will mean greater disclosure of the costs of investing through interposed vehicles.

In summary, RG 97 is applicable to the disclosures that are in the product disclosure statement, and the periodic statements that will be provided to individual investors. Whichever vehicle is used, if you're a platform provider you will be required to disclose the platform fees and the underlying fees, which will be in the product disclosure statement. If you are not a platform provider, those fees should be disclosed as a result of disclosure through the fund PDS, of the underlying vehicles, which have been described in the regulatory guide as interposed entities or interposed vehicles.

See also ASIC's Regulatory Guide 97 Disclosing fees and costs in PDSs and periodic statements: see RG 97.68-75.

More general information about the treatment of platforms (IDPS and IDPS-like) is included in updated Regulatory Guide 148 Platforms that are managed investment schemes and nominee and custody services.

If securities or interests in an entity is acquired using a platform, the entity is not treated as an interposed vehicle on the basis that they are selected by an investor who has access to more detailed information about the underlying investment, including its fees and costs. The acquisition must be made under a custodial arrangement (see s1012IA of the Corporations Act 2001,). Generally, an investor would obtain a PDS for the underlying investment. The regulatory settings for

investing via platform arrangements have been in place for a long time and the guidance in RG97 reflects these regulatory setting.

The PDS for a platform provider must include prominent statements after the example of fees and costs that other costs will need to be included that are associated with the underlying investments. Issuers can help ensure their PDSs are not misleading by including an example: see RG 97.72 and 73. ASIC can take action if a PDS is misleading. This guidance is also referred to in RG 148.166-167 in a broader platform context as we recognise the importance of consumers understanding the cumulative impact of fees and costs for the platform.

As part of our wider work on fee and cost disclosure, we received feedback from platform providers and others. In 2015, we issued a report on submissions received by ASIC in relation to our fee and cost work: see Report 457 Response to submissions on draft Regulatory Guide 97 Disclosing fees and costs in PDSs and periodic statements. This report discusses concerns with the interposed vehicle test and the treatment of platforms. Non-confidential submissions are available on our website along with Report 457.

<http://www.asic.gov.au/regulatory-resources/find-a-document/reports/rep-457-response-to-submissions-on-draft-regulatory-guide-97-disclosing-fees-and-costs-in-pdss-and-periodic-statements/>