Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 3-5 June 2008

Question: bet 56

Topic: **Rule 22c-2 of the US Investment Company Act**

Hansard Page: **E107**

Senator Bushby asked:

Senator BUSHBY—I will ask one final question, which I would imagine you will respond to when you do that. I imagine the joint committee has actually looked at this. Rule 22c-2 of the US Investment Company Act requires all mutual funds to unit price on a daily basis. I was just wondering why we do not do that in Australia.
Senator Sherry—I am not aware of that provision and I am not sure whether to the best of my recollection that provision in the United States was actually raised at committee hearings. It may have been but I am not sure. But I will certainly—
Senator BUSHBY—Would you mind taking it on notice?
Senator Sherry—I will take it on notice and I will check that out for you but, obviously, a response on unit pricing will be to the joint House-Senate committee.

Answer:

There are many types of managed investment schemes (the equivalent of mutual funds in the US) in Australia. Daily unit pricing may make sense for some types of schemes. However, for other schemes, daily pricing would not make sense and would impose a disproportionate cost burden on these schemes. This would be the case, for instance, for schemes investing in property assets. Property values do not move on a daily basis, and conducting a valuation requires engaging and paying for the services of a professional valuer.

The law covering managed investment schemes requires them to value their assets at regular intervals appropriate to the nature of the assets. This provides the flexibility for each scheme to choose the appropriate frequency for valuing its assets. The Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Commission (APRA) in 2005 jointly issued a guide providing information to industry on best practice in unit pricing. The guide states that the frequency of asset valuation should depend on the nature of the assets and the valuation process. Overall, the approach adopted in Australia strikes an appropriate regulatory balance in ensuring that the interests of investors are adequately protected, while minimising the costs imposed on business.