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ASIC

Australian Securities &
Investments Commission

**ASIC ISSUES POLICY PROPOSAL PAPER ON
“NON-DISCRETIONARY PORTFOLIO SERVICES”**

The Australian Securities and Investments Commission (ASIC) today issued for public comment a Policy Proposal Paper on how ASIC plans to regulate the operation of “non-discretionary portfolio services”.

For the purposes of the Policy Proposal Paper, a Non-Discretionary Portfolio service is a custodial, transactional and consolidated reporting service.

The concept of a Non-Discretionary Portfolio service includes what is commonly known as a “member discretionary master fund” and a “wrap account service”.

ASIC Commissioner Shane Tregillis said a central theme of our proposals is that clients of a Non-Discretionary Portfolio service should receive the same disclosure documentation about financial products that can be accessed through the service and have the same remedies available to them as if they were investing directly.

“Our proposals should simplify and clarify obligations for operators of Non-Discretionary Portfolio services as our approach focuses on regulating Non-Discretionary Portfolio services as a financial service and not as a managed investment scheme,” Mr Tregillis said.

The main proposals in the Policy Proposal Paper and ASIC’s policy position pending finalisation of relevant policy are briefly described in the Background Paper, which is attached to this media release.

Comments on the proposals in the Policy Proposal Paper are sought by Tuesday 6 July 1999 and should be sent to the project manager as set out in the Policy Proposal Paper.

A copy of the Policy Proposal Paper can be obtained from **ASIC Infoline** on **1300 300 630** and from the Policy and Practice page of the ASIC internet home page on <http://www.asic.gov.au>.

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MEDIA RELEASE



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ASIC Policy Proposal Paper on Non-discretionary Portfolio Services

Background Paper

Main features of the PPP on “Non-discretionary portfolio (NDP) services”

In summary, the main proposals in the PPP are that:

1. an operator and custodian of a NDP service will be required to hold a securities dealers licence;
2. the managed investment provisions will not apply to the operation of NDP services;
3. clients of a NDP service will receive “Advisory Services Guide” like disclosure about the NDP service;
4. clients of a NDP service will receive disclosure about the financial products that may be accessed through the NDP service (accessible financial products) by a prospectus for the respective products or as otherwise required or permitted by the law. For example this may include a concise prospectus for accessible managed investment schemes in accordance with ASIC Policy Statement 137: *Concise prospectuses for managed investments*;
5. clients of a NDP service will receive quarterly statements about their transactions, assets, income and expenses;
6. under our policy, obligations of communication between the operator and clients of a NDP service will be able to be satisfied electronically;
7. our policy is consistent with proposed amendments to the law (including proposals regarding regulation of financial service providers and disclosure about financial products under the Federal Government’s *Corporate Law Economic Reform Program*); and
8. after finalisation of our policy, a transitional period of 13 months will apply.

ASIC’s current policy position

Pending completion of ASIC’s final policy on the regulation of NDP services, ASIC will continue its policy position that:

1. for member discretionary master funds - relief applies as set out in Class Order [CO 96/1580] and discussed in ASIC Policy Statement 94: *Member discretionary master funds* (PS 94); and
2. for “wrap account services” - ASIC will consider granting relief to applicants on a case by case basis in a form substantially similar to that it has recently granted in a number of cases.

It should be noted that until ASIC finalises its policy on regulation of NDP services, ASIC will only consider minor or technical modifications to the relief that it provides regarding member discretionary master funds and that it is prepared to grant regarding “wrap account services”.

A copy of the PS 94, Class Order [CO 96/1580] and the relief that ASIC is prepared to grant the operator of a wrap account service can be obtained from **ASIC Infoline** on **1300 300 630** and from the Policy and Practice page of the ASIC internet home page on **<http://www.asic.gov.au>**.
