

Perpetual Corporate Trust

COLLECTIVE INVESTMENT VEHICLES (“CIV’S”)

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Perpetual 

AGENDA

| Background

| Regulatory landscape

| Corporate CIVs

| Limited Partner CIVs

| The UK experience – OEICs

| The Luxembourg experience - SICAVs

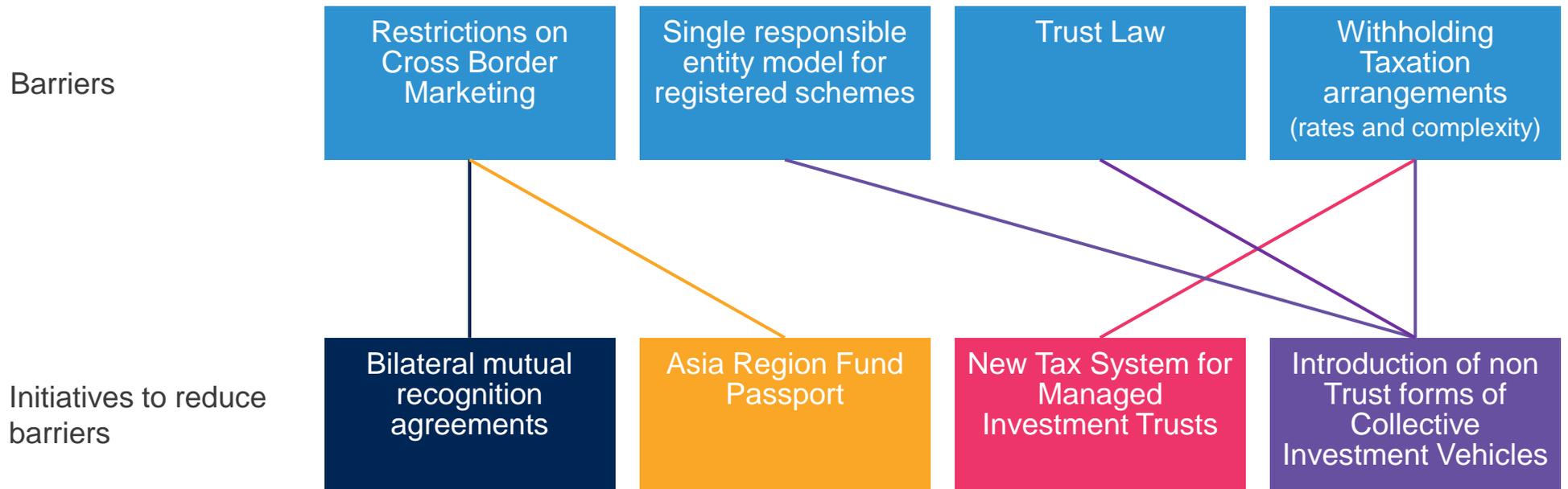
| Potential roles for CIV's

| Some cautionary notes – CIV relevance?

| Issues and challenges

BACKGROUND

A number of initiatives are underway to address the barriers to increasing Australia's export of managed investment services identified by the Productivity Commission in its December 2015 report¹:



INTRODUCTION OF NON TRUST BASED CIVS AIMS TO REMOVE A NUMBER OF BARRIERS TO AUSTRALIAN EXPORTS OF MANAGED INVESTMENT SERVICES

¹ Productivity Commission *Barriers to Growth in Service Exports*, November 2015

CIVS REPRESENT ANOTHER CHANGE IN AN ALREADY CROWDED REGULATORY LANDSCAPE IMPACTING MFS



Asia Region Funds Passport

● Target launch date 15 September 2016

Collective Investment Vehicles

● Company CIVs to be introduced

Limited Partnership CIVs to be introduced ●

■ ● A-MIT rules come into effect, where Trustee Irrevocably elects to apply this regime

● Revised definition of a MIT takes effect

Managed Investment Trusts

● Division 6B and Division 6C of Part III of ITAA (dealing with the taxation of a unit trust similar to a company under certain circumstances) repealed

● 'Non arms length' income rule (effectively, taxing the trust at 30% on any related party income that exceeds the arms length amount) takes effect

■ ● For MITs established before June 2010, grandfathering from requirement that substantial part of investment management activity occurring in Australia' rule expire

● CGT reforms subjecting foreign vendors to non final withholding tax of 10% on sale of real property or interests in real property (to be withheld by the vendor) take effect

Other Items of Note

● PDS

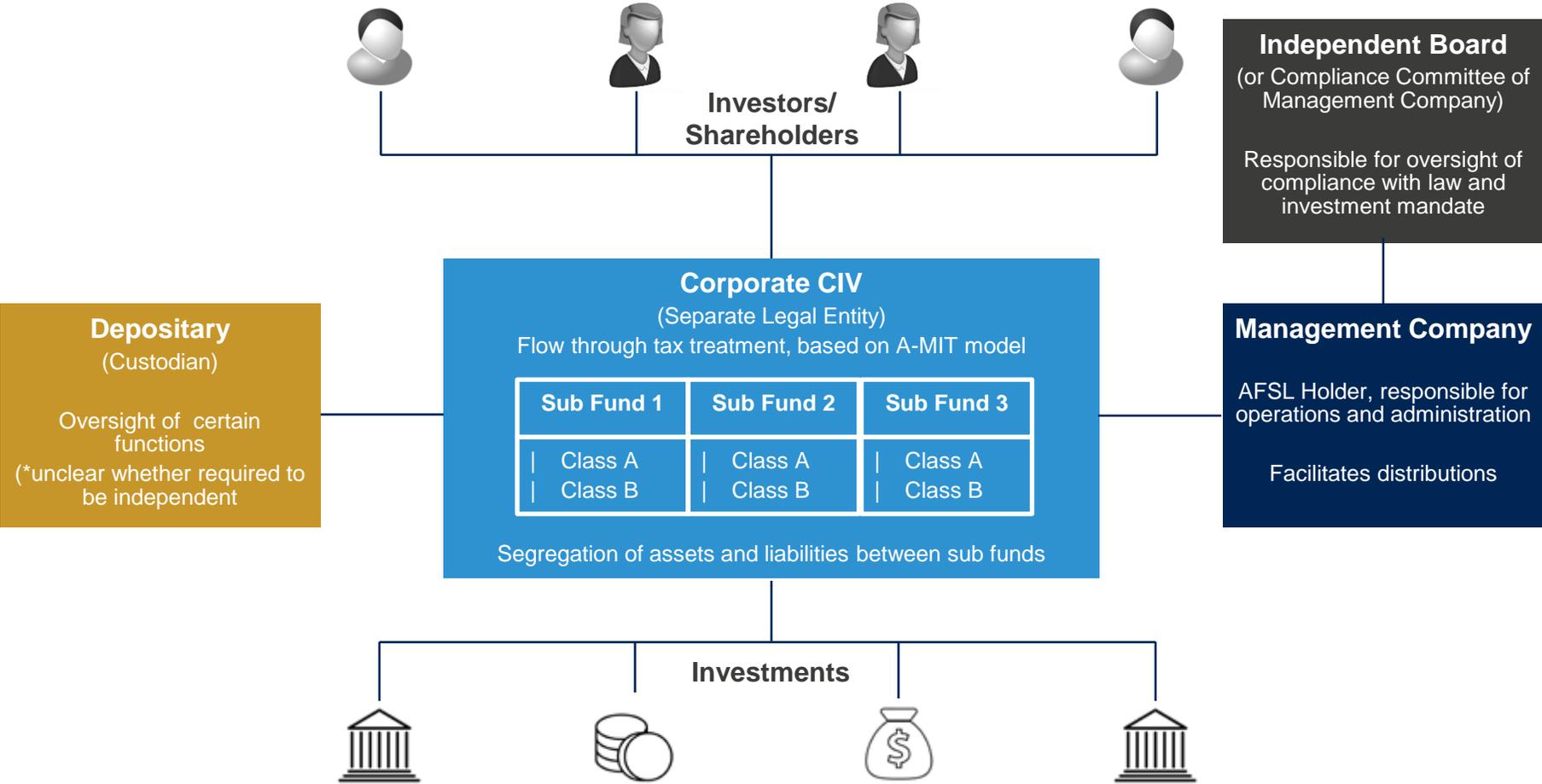
Changes to fee and cost disclosures for retail & superannuation funds

● Statements

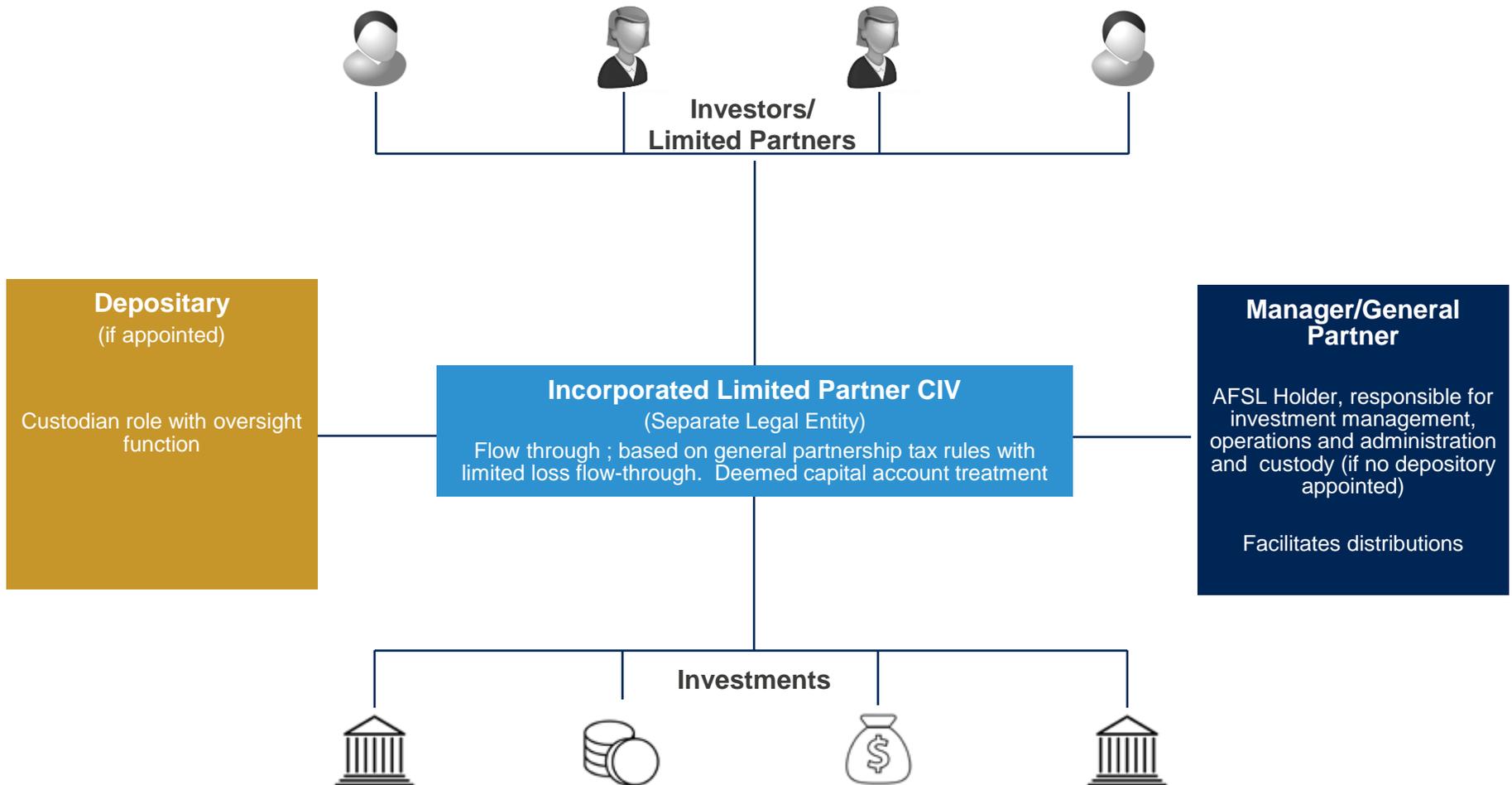
● Common reporting standards (ie global FATCA) take effect

● Enhanced asset allocation and portfolio holdings information for Superannuation products takes effect

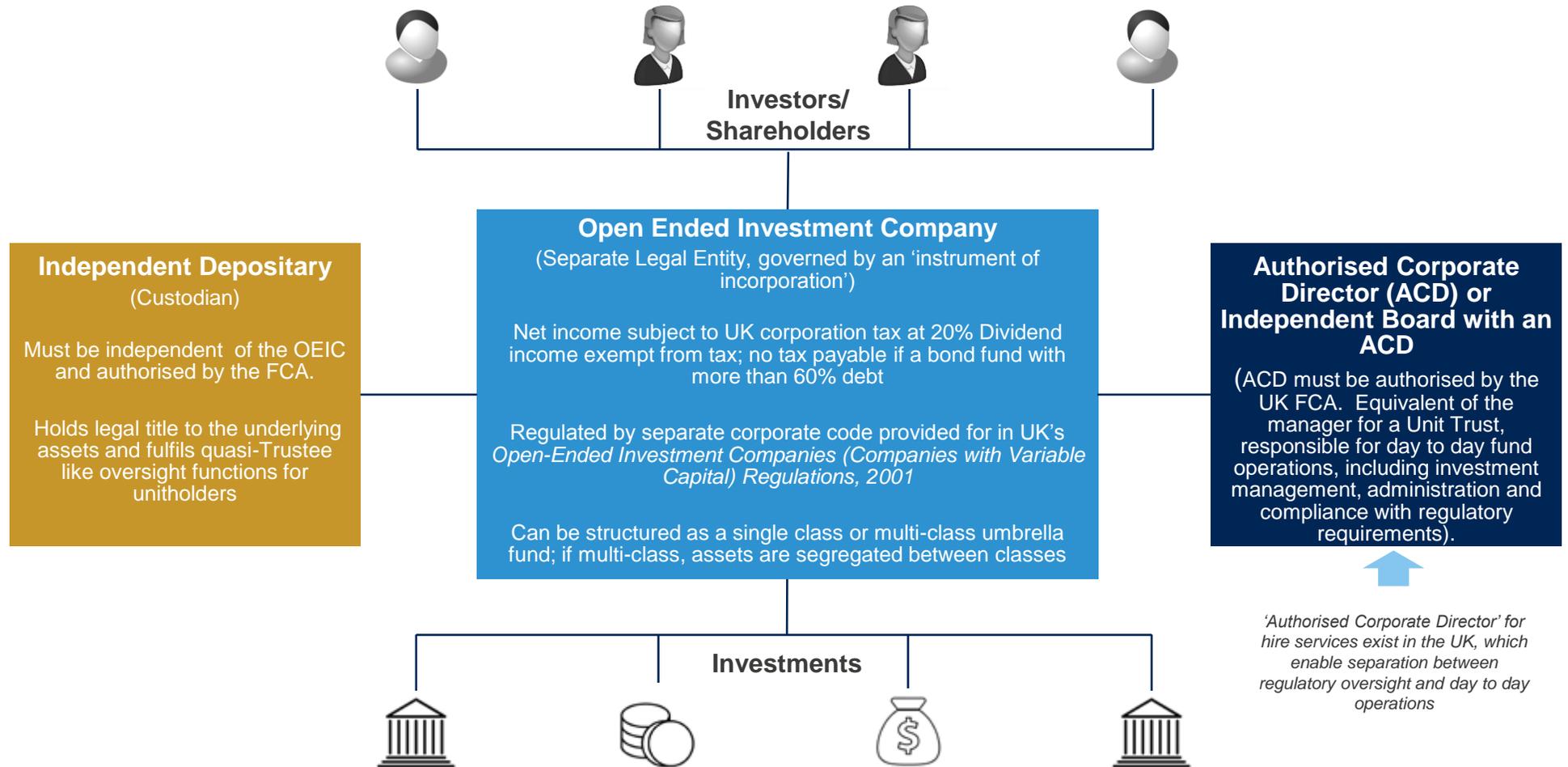
CORPORATE CIVS – POTENTIAL STRUCTURE



LIMITED PARTNER CIVS – POTENTIAL STRUCTURE

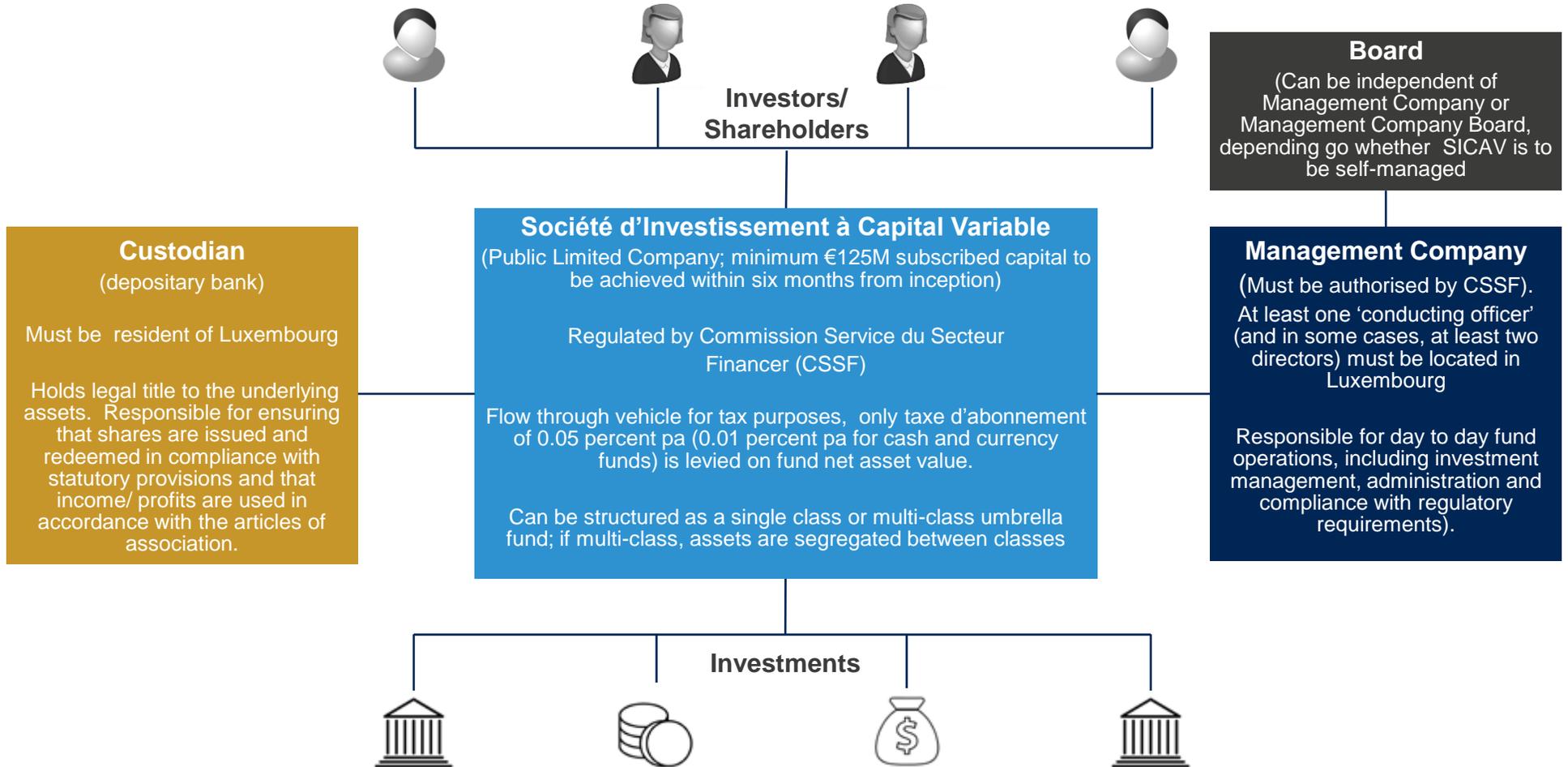


THE UK EXPERIENCE - OPEN ENDED INVESTMENT CORPORATIONS (OEICs)



Tax Transparent Funds' (that can be co-ownership schemes or partnership schemes) were launched in the UK in 2013, to improve competitiveness of offerings against other European jurisdictions (particularly Luxemburg and Ireland). Perhaps these should be the reference model for Australia rather than OEICs?

THE LUXEMBOURG EXPERIENCE - SICAVS



POTENTIAL NEW ROLES IN CIV STRUCTURES

	Extension from	Equivalent to	Corporate CIV	Limited Partner CIV
Management Company for Hire	RE Services Wholesale Trustee	RE or Trustee for Hire	✓ <input type="checkbox"/>	
Compliance Committee for Hire (either complete Committee or individual independent committee members)	RE Services Wholesale Trustee	No real equivalent, but can be modelled on existing 'Directors for Hire' approach	✓ <input type="checkbox"/>	
General Partner for Hire	RE Services Wholesale Trustee	RE or Trustee for Hire		✓ <input type="checkbox"/>
Depository/Custodian (but only for appointments where a related party entity is not appointed to oversee or manage the CIV)	Custody Wholesale Trustee	Trustee and/or Custodian for Hire	✓ <input type="checkbox"/>	✓ <input type="checkbox"/>

EXISTING CAPABILITIES WITHIN PERPETUAL WILL BE EXTENDED TO SUPPORT CIVS

ISSUES AND CHALLENGES

INVESTOR DEMAND

- | Size of the opportunity has not objectively been quantified;
- | Removing barriers to export of Australian managed investments will be effective only if there is unmet investor demand
- | Have we asked what investors actually want? Existing investors have adapted and primary consideration remains the investment with structure secondary

APPROACH AND TIMEFRAME

- | OEICs appear to be Treasury's 'blueprint' for new CIV structures; is this the right model?
- | Given early stage of development, is there a risk that the end model will be compromised if only to meet the target launch timeframe?
- | Achieving tax neutrality across *all* qualifying CIV structures (trusts, companies and partnerships)
- | The CIV regime should be harmonised and in line with the MIT tax rules. Investors should be agnostic to which legal vehicle they use to avoid "regulatory arbitrage"

TARGET MARKET

- | Aside from 'foreign investors', the target market has not been well defined
- | Barriers confronting institutional investors likely to differ from retail investors
- | Role of gatekeepers to investment decisions

OTHER BARRIERS

- | UCITs and OEICs have limitations on ability to use debt funding
- | Issues around cross collateralisation (or protected cells) need to be addressed
- | Lack of brand + distribution network
- | Patient capital required to establish international presence
- | Will investors tolerate less independence in an Australian CIV than other CIV markets?