



ASX

AUSTRALIAN SECURITIES EXCHANGE

# Quoting investment products on ASX

The product manufacturer's roadmap



# ABOUT ASX

ASX Limited (ASX) was created by the merger of the Australian Stock Exchange and SFE Corporation in July 2006.

ASX operates under the brand name Australian Securities Exchange and is one of the world's top-10 listed exchange groups measured by market capitalisation.

ASX spans the primary markets for corporate control and capital formation, and the secondary markets for capital allocation, price discovery and risk transfer. It functions as a market operator, supervisor, central counterparty clearer and payments system facilitator. It promotes good corporate governance among Australia's listed companies and helps educate retail investors.

The diverse domestic and international customer base of ASX includes issuers of a variety of listed securities (such as corporations and trusts), investment and trading banks, fund managers, hedge funds, commodity trading advisers, proprietary and retail traders, and retail investors.

More information on ASX can be found at: [www.asx.com.au](http://www.asx.com.au)

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Exchange Centre, 20 Bridge Street, Sydney NSW 2000 Telephone: 131 279 [www.asx.com.au](http://www.asx.com.au)

# A new market service

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ASX has introduced a new flexible market service to facilitate the quotation, trading and clearing and settlement of a wider range of products.

This new service has been tailored to the requirements of fund managers and investment banks enabling them to quote managed funds, exchange-traded funds (ETFs) and other innovative product structures that previously were not readily accommodated by the ASX Listing Rules and systems.

Australian and international product manufacturers who may be looking to develop investment and trading products for retail or institutional investors, will benefit from the greater flexibility offered by this new service.

In addition to allowing a wider range of products to benefit from quotation on ASX, the service allows issuers to choose the type of market they are quoted on and provides access to the fast and economical CHES (Clearing House Electronic Sub-Register System) clearing and settlement facilities.

A new Rules framework, known as the AQUA Rules supports the quotation of these products on ASX. This new service expands the range of ASX services beyond equities, A-REITS (listed

property trusts), listed investment companies and warrants, all of which are listed under either the ASX Equity Listing Rules or quoted under the ASX Warrant Listing Rules.

## **ASX: Recognised for Innovation**

ASX recognises the need to continually innovate in the funds and structured product space with the development of services to facilitate the quotation of structured products and managed funds. This was recently recognised when ASX was awarded Exchange of the Year 2007 in the Structured Products Asia Awards 2007. The judges identified ASX as a stand out Exchange in the region for "consistent innovation, market responsiveness, and for the breadth of initiatives it has brought to the Structured Products business." The launch of this new market service was one of the key initiatives referred to by the judges in their decision making process.

# Quoting your investment product on ASX

The decision to quote a product on the ASX is an important step for any product manufacturer. Quoting your investment product on ASX provides profile, price distribution, liquidity (if required), efficient T+3 settlement, increased distribution and easier access to the large Australian investor market.

Quoted investment products benefit from raised profile, increased transparency and access to new investors; in addition ASX provides educational and promotional support to retail clients, brokers and financial planners about the benefits, features and risks of quoted products.

This booklet explains the benefits of quoting your investment product on ASX and discusses the important issues you need to consider when deciding whether quoting is right for your product.

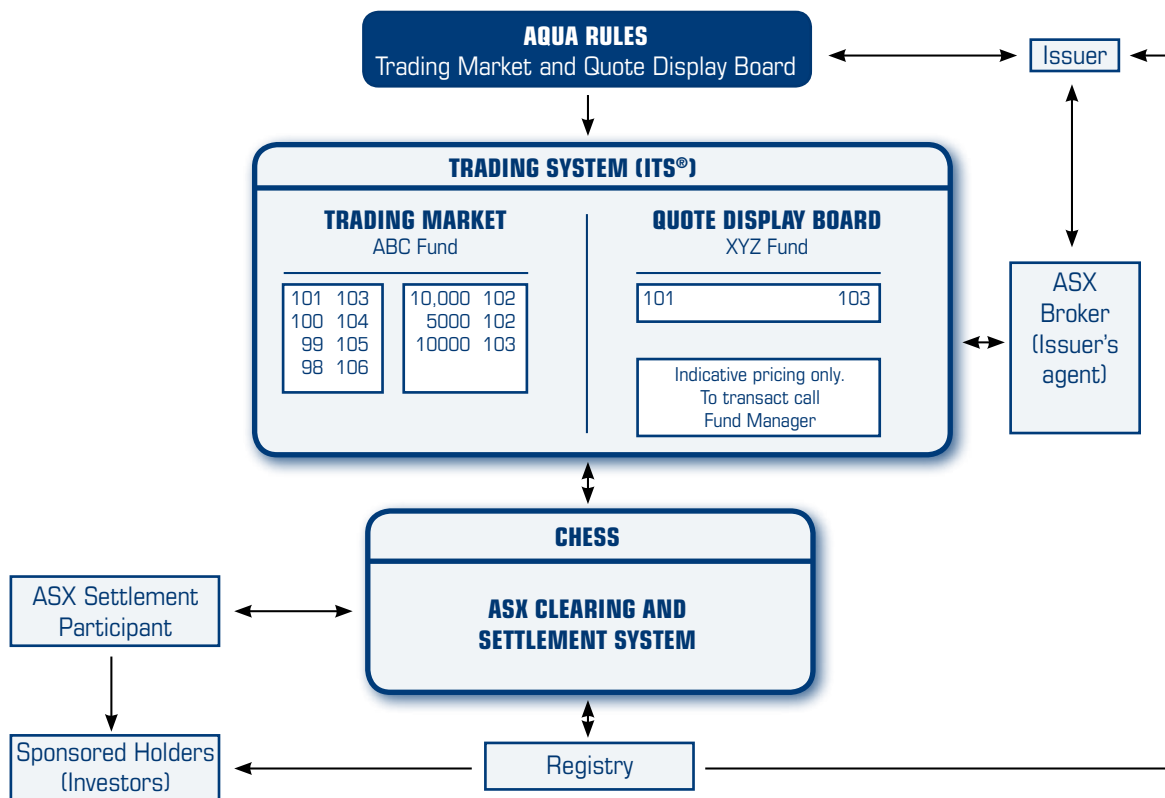
## Choosing your quotation option

ASX has designed the new service to be as flexible as possible, so that it offers a range of choices for product issuers. Product quotation prior to this was a one-size-fits-all approach in terms of the elements of the ASX services a product really needed.

The new service provides the product issuer with the flexibility to select whether live trading in an open market is required. If not, the product manufacturer can choose not to trade its products in an open market but can still benefit from T+3 settlement of transactions via ASX CHESS. This flexibility is provided by the 'Quote Display Board', which forms part of the new market service and which is described in detail later in this brochure.

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## AQUA Quotation Options



# The benefits of quoting on ASX

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Quoting an investment product on ASX offers significant benefits to product issuers and provides very clear and tangible benefits to their investors both institutional and retail.

## Benefits for product issuers

There are a number of benefits that can be realised through quoting your investment product on ASX. These include:

### Increased Price and Product Distribution

Quoting on ASX creates the opportunity to use ASX Participants (stockbrokers) and financial planners as highly effective, low-cost distributors for your product.

ASX has an extensive network of stockbrokers nation-wide covering the full breadth of services from full-service institutional stockbroking to online, no-advice retail broking. An ASX quotation means these intermediaries can act as your distributor to their own retail and institutional client bases.

More recently, financial planners have been offering direct advice on quoted investments through an ASX broker. This effectively extends the distribution reach available through ASX to include the extensive network of financial planners. The effectiveness of this distribution channel is further increased through the inclusion of ASX quoted investments into Master Trust platforms and WRAP accounts.

### Increased Visibility

Without visibility even the largest distribution channel can be rendered ineffective. Through a network of vendors including IRESS, Reuters and Bloomberg, over 40,000 professional investors world-wide and more than 80,000 active retail investors gain access to prices and key product characteristics of products quoted on ASX. This exposure is further increased through the internet, where typically between 1.4 and 1.5 million investors visit [www.asx.com.au](http://www.asx.com.au) each month seeking information such as prices, announcements and product education or information.

## Growth of FUM

Increased distribution and visibility and the potential opening of new customer markets can collectively assist to increase demand and thereby drive a growth in funds under management of your product.

In addition, because ASX trading and settlement systems largely administer investor activity, a quotation on ASX allows the fund manufacturer or issuer to focus on core business development activities.

## Greater administration efficiency

The ASX settlement platform can reduce the cost of your back office and client administration functions.

The use of the ASX sub-register and settlement system, CHESS should deliver significant efficiencies in back-office operation.

CHESS offers:

- Streamlined management of client registration details and functions, through ASX Participants.
- Automatic production of client holding statements each time a movement occurs in a client account.
- Fully automated reconciliation through CHESS DvP settlement which eliminates settlement risk and provides immediate access to cleared funds.

## New customer markets opened

Institutional investors can be limited by their mandates, regulatory or other legal constraints from investing in unlisted products. A quotation on ASX can open this otherwise closed market to product issuers.

Readily available market information, distributed by vendors, also has the potential to open new overseas wholesale customer markets that would otherwise be difficult to reach.

### Benefits for your investors

ASX trading and settlement systems allow investors to move into and out of their investments easily and without delay, a feature not readily available in an unlisted environment.

The ASX trading system enables investors to readily see prices and liquidity, thus facilitating trading decisions. This information is readily available through the internet, market data vendors and through traditional media outlets such as newspapers and magazines.

Settlement through CHESSE ensures investors transactions are settled in three days (T+3) with settlement risk eliminated through the operation of transfer of entitlement against cleared funds (delivery versus payment). This is a significant improvement upon the variable environment for unlisted products, where access to cash can take up to 30 days

### Additional benefits for product issuers

#### Opportunity for international products to be sponsored on ASX

A significant benefit of the new service is the flexibility it offers international product issuers. Under the new Rules framework a product can be quoted on ASX by an entity other than the original product manufacturer or issuer; in this case the local sponsor is responsible for complying with the Rules.

This effectively provides a simple and quick solution for investment banks or other local issuers to bring any international product that complies with the new Rules framework to the Australian market.

### ASX quotation as a distribution channel

Many products have multiple distribution channels and a product issuer may wish to add an ASX quotation as one of these channels. In this instance, the issuer will only wish to quote a small portion of the product's units on ASX; prior to the AQUA quotation Rules, this was not possible on ASX.

Under the AQUA Rules, issuers can choose to quote only a small portion (or even begin a new channel) on ASX.

### Increased profile and prestige

The Traded on ASX emblem provides issuers with an instantly recognisable symbol to differentiate investment products traded on ASX from the non-quoted products available. Only issuers of investment products on the ASX are eligible to use this emblem.



# A Choice of Markets

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One of the key elements of the new service is the flexibility it offers to product issuers to choose between quoting their product in a regular Trading Market offering liquidity and increased broker distribution or on the new Quote Display Board which provides visibility of product, indicative pricing on screen and access to CHESS.

## The Trading Market

The Funds, Warrants, and Structured Products trading market provides a trading platform for products for on-market trading. In operational terms, the trading market operates on ASX's Integrated Trading System (ITS®) with continuous matching of bids and offers and an opening and closing auction.

## The Quote Display Board (QDB)

The new QDB is available for products that are either not suited to on-market trading or the product issuer does not need or want on-market trading. The QDB allows products and prices to be posted and off-market transactions to be settled in CHESS.

For example forward priced products may not be suitable to be 'traded' in a live secondary market. In this case indicative application and redemption prices for products can be quoted on the QDB. The product issuer has complete control to post and amend its prices and these prices cannot be traded against – they are indicative prices only.

To use the QDB, the product issuer must establish a relationship with (or own) an ASX Market Participant, acting as their agent, to gain access to the QDB and the settlement facilities of CHESS. Any off-market transactions can then be routed to CHESS by the Participants on both sides of the transaction (the issuer's agent and another ASX Market / Trading Participant). Issuers may also decide to quote naturally illiquid products on the QDB, or products in which they do not wish to make markets.

## What products can be quoted?

The key feature of products quoted under the Aqua Rules is that their value is determined from other assets such as a share, index, foreign or Australian currency or commodity.

In general, there are three broad categories of product that can be quoted in this way:

- Managed Fund Products
- Exchange Traded Funds (ETFs) and
- Structured Products

The AQUA Rules provide further details of the definitions of products that are able to be quoted.

The other routes for quotation on ASX, the Equity Listing Rules and the Warrants Listing Rules, complete the spectrum of quotation opportunities on ASX from traditional equities, through managed funds and ETF products, to more complex structured products and warrants.

# Who can be an issuer?

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The range of issuers that can quote products depends on the type of product in question.

Banks and other large, well capitalised and regulated organisations are able to quote all of the products that meet the product definitions in the new Rules and that ASX agrees to quote.

Responsible Entities (REs) of managed funds, ASX listed entities and other organisations accepted by ASX are able to quote a subset of the full range.

Further details of eligibility can be found within the AQUA Rules on [www.asx.com.au/AQUA](http://www.asx.com.au/AQUA)

## International products on ASX: The Sponsor Concept

The AQUA Rules provide a simple and effective framework to enable international products to be quoted on ASX.

A local party may become the 'sponsor' or distributor of a product in Australia, or 'white label' products for distribution on the Australian market, provided that they comply with the requirements under the AQUA Rules.

## The quoting process

The quoting process for a product issuer happens in two stages:

1. Approval of the issuer and
2. Approval of the product

The approval of the issuer (or manufacturer) only happens once, when that issuer's first product is being quoted. Approval of the product is a separate step each time a new product is quoted on ASX.

## Step 1: Approval of the issuer

An entity must be nominated as the issuer of the product to be quoted on ASX (for internationally sponsored products this will be the entity that will comply with the rules). That entity then applies to ASX to be an Approved Issuer and is required to provide the relevant supporting documentation to demonstrate that it meets the eligibility criteria – full details of the required documentation can be found in the AQUA Rules at [www.asx.com.au/AQUA](http://www.asx.com.au/AQUA)

## Step 2: Approval of the product

Under the Corporations Act an issuer is generally required to prepare a Prospectus or a Product Disclosure Statement (PDS) in respect of products issued in Australia. There are exemptions for certain issues to certain parties but given most products quoted on ASX are likely to be aimed at retail investors, a PDS or prospectus is likely to be required.

## How long does it take?

The first time an issuer applies to quote a product on ASX, depending on the complexity of the proposed new issue, the turnaround between submission of application and quotation will be anywhere between three weeks and three months. Subsequent quotations of similar products by the same issuer can be expected to be approved within one week. Essentially, the more ASX is familiar with an issuer and its products the quicker the timeframe. For example, current structured products issued by banks as warrants are usually quoted within two days.



# Cost considerations - Funds

The fees payable in respect of funds vary depending on whether the Trading Market or Quote Display Board is selected by the product issuer. Please note that these fees do not include GST.

## Trading Market

INITIAL FEES	\$15,000 per new issuer (one-off payment) \$2,000 per new fund
ANNUAL FEES	Basis points fee based on the number of funds & FUM (see tables below)

TABLE 1. SCHEDULE FOR 1-4 FUNDS (PER FUND)

Funds Under Management (A\$)	Annual listing fee (A\$)
Up to \$100m	3.5 bps of FUM under \$100m
\$100m to \$500m	\$35,000 + 2.5 bps of FUM over \$100m
\$500m to \$1,000m	\$135,000 + 2.0 bps of FUM over \$500m
\$1,000m to \$2,000m	\$235,000 + 1.5 bps of FUM over \$1,000m
Over \$2,000m	\$385,000 + 0.75 bps of FUM over \$2,000m

TABLE 2. SCHEDULE FOR 5-9 FUNDS (FUM AGGREGATED)

Funds Under Management (A\$)	Annual listing fee (A\$)
Up to \$500m	2.0 bps of FUM under \$500m
\$500m to \$1,000m	\$100,000 + 1.5 bps of FUM over \$500m
\$1,000m to \$2,000m	\$175,000 + 1.25 bps of FUM over \$1,000m
\$2,000m to \$5,000m	\$300,000 + 0.75 bps of FUM over \$2,000m
Over \$5,000m	\$525,000 + 0.25 bps of FUM over \$5,000m

TABLE 3: SCHEDULE FOR 10+ FUNDS (FUM AGGREGATED)

Funds Under Management (A\$)	Annual listing fee (A\$)
Up to \$1,000m	1.5 bps of FUM under \$1,000m
\$1,000m to \$2,000m	\$150,000 + 1.0 bps of FUM over \$1,000m
\$2,000m to \$5,000m	\$250,000 + 0.5 bps of FUM over \$2,000m
\$5,000m to \$10,000m	\$400,000 + 0.25 bps of FUM over \$5,000m
Over \$10,000m	\$525,000 + 0.10 bps of FUM over \$10,000m

## Quote Display Board

INITIAL FEES	\$15,000 per new issuer (one-off payment) \$2,000 per new fund	
ANNUAL FEES	Up to \$50m FUM	\$2,000 per fund per annum
	\$50m to \$100m	\$4,000 per fund per annum
	\$100m to \$200m	\$6,000 per fund per annum
	\$200m to \$500m	\$8,000 per fund per annum
	\$500m +	\$10,000 per fund per annum

\* ASX will use market value as a proxy for funds under management (FUM) (number of units x market price) where appropriate. The FUM or market Value in question is the amount of the fund quoted on ASX. This number will be derived by ASX. For example a previously unlisted fund may have FUM of \$500m when it applies to be quoted on ASX. The ASX FUM /market value may actually start at \$Nil and will grow as trades occur on ASX. Issuers must report the total number of units on issue in the fund including CHESS and issuer sponsored sub registers that was quoted on the ASX trading system to ASX quarterly.

# Cost considerations - Structured products

The fees payable in respect of structured products vary depending on whether the Trading Market or Quote Display Board is selected by the product issuer. Please note that these fees do not include GST.

## Trading Market

INITIAL FEES	\$15,000 per new issuer (one-off payment) \$1,000 per product
TURNOVER FEES	10bps of value traded capped @ \$10,000 p.a. per product (7.5bps if the product is less than 1 year to expiry)

## Quote Display Board

INITIAL FEES	\$15,000 per new issuer (one-off payment) \$500 per product capped at 100 products per type (i.e. a program fee of \$50,000)
ANNUAL FEES	\$500 per product capped at 100 products per type. Product issuers should consult with ASX prior to quoting a series of products on the QDB to determine if the product issue is part of a 'program'. *

\* A 'Program' is the issue of a series of products where:

- The key features and benefits of each product in the series are identical
- The rights and obligations of each product in the series are identical
- Each product only differs from other products in the program in respect of the underlying share, basket of shares, index or other reference Asset
- Each product in a program is issued either at the same time or within 6 months of the first product issued in the program (issues following this will constitute a new program).

## The next steps

ASX recommend that product issuers discuss their requirements for quoting products with ASX at an early stage. All discussions will be on a strictly confidential basis and ASX will be able to review draft documentation to help ensure a smooth passage for any proposal.

Please contact:

**Annmaree Varelas**

Manager

Funds, Warrants & Structured Products

Level 5, 20 Bridge Street

SYDNEY NSW 2000

Ph: +61 2 9227 0318

Email: [annmaree.varelas@asx.com.au](mailto:annmaree.varelas@asx.com.au)







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