



5 September 2008

Natalie Muir
Senior Solicitor
Securities Commission
P O Box 1179
Wellington

Dear Ms Muir,

**Review of Australian Registered Managed Investment Schemes
Exemption Notice 2003**

Thank you for the opportunity for the Investment Savings and Insurance Association ("ISI") to provide comments on the review of the Australian Registered Managed Investment Schemes Exemption Notice 2003 ("ARMIS Notice").

We have reviewed the ARMIS Notice in conjunction with the new mutual recognition of securities offerings ("MRSO") regime and our recommendations are as follows:

1. The 12 months proposed for existing issuers to transition from reliance on the ARMIS Notice to the MRSO regime should be extended to 30 September 2012.
2. The exemptions for dividend reinvestment under the existing ARMIS exemption notice should be retained.

Transition

The transition period needs to be longer than the proposed 12 months. A significant amount of time will be needed for the legal, compliance and product teams to consider the implications of the MRSO provisions across the large number of products on the market. That will include compiling all of the necessary documents for re-filing and ensuring compliance with obligations of the new regime.

Some reduction in compliance could be achieved by implementing transition as part of scheduled disclosure document roll-overs, which is more cost and time effective,

but disclosure documents for Australian registered managed investment schemes are not always rolled every 12 months.

Our preference would be for the ARMIS Notice to remain in place as an option until 2012 for issuers currently relying on it, allowing time for any necessary amendments to have been made to MRSO following the RFPP changes to regulation of securities offerings. That would avoid the possibility of those issuers incurring additional compliance costs from having the MRSO regime change soon after they have made the transition.

Distribution Reinvestment Schemes

We recommend that the Commission should retain the exemptions for dividend reinvestment under the existing ARMIS Notice.

The ARMIS Notice provides for exemptions from certain New Zealand securities law requirements for securities which are offered under a distribution reinvestment scheme, provided certain conditions are met. Most of the conditions set out in the ARMIS Notice for the distribution reinvestment exemption to apply are not replicated in the MRSO regime. Those conditions include:

- Obligations on the Australian issuer to clearly document the terms and conditions of the distribution scheme.
- Obligations on the Australian issuer to make available financial information on request.
- The offer under the distribution reinvestment scheme to be made to all persons in New Zealand who are entitled to participate, and those persons must be given a reasonable opportunity to accept the offer.
- Obligations on the Australian issuer to ensure it does not hold information that is not publicly available and which may have a material adverse effect on the price of the securities being offered if it was publicly available.

In addition, there would be difficulties for an Australian issuer in complying with the MRSO Regulations in respect of a distribution reinvestment scheme. For example, at clause 11(3)(c) of the Regulations the "opt-in" notice to be given by the Australian issuer must specify the proposed offer period for the offer of securities in New Zealand and Australia. It is unlikely that the Australian issuer would be able to specify the offer periods for securities under a distribution reinvestment scheme, given that such offerings may or may not occur and are wholly dependent on future events and circumstances.

There is also uncertainty as to whether dividend reinvestment would always be covered under the terms of the MRSO regime, for example if a scheme was subsequently closed but left with New Zealand investors who wished to reinvest distributions in accordance with the terms of the original Australian PDS.

We consider that there is no reason for any significant difference between a dividend reinvestment scheme provided by an Australian issuer under the ARMIS Notice and one provided by a New Zealand issuer under the Securities Act (Dividend Reinvestment) Exemption Notice 1998. Given that, and your comment that the Securities Commission is considering whether the Regulations adequately cover

distribution reinvestment, we consider it essential to retain the exemptions for dividend reinvestment under the existing ARMIS Notice.

We would be happy to discuss these comments with you if that would be helpful.

yours sincerely

Deborah Keating
EXECUTIVE OFFICER