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ASIC WARNS FUND MANAGERS TO BE 'TRUE TO LABEL'

LANGTON CLARKE
Partner
Funds Management

61 7 3239 2926
langton.clarke@mcmahonclarke.com

On the back of ASIC's crackdown on advertising of managed investment products which **we reported last month**, the regulator has doubled down warning fund managers must ensure their products are 'true to label'. ASIC recognises that during times of market volatility, consumers may be looking for higher returns and financial product labelling is influential.

ASIC'S CONCERNS

As part of the surveillance of 37 managed funds that collectively hold approximately $21 billion in assets, ASIC identified two significant concerns:

1. Confusing or inappropriate 'cash' product labels—for example, some schemes labelled as 'cash funds' had asset holdings more akin to a bond fund which has higher risk and less liquidity compared to a traditional cash fund.
2. A mismatch between redemption features offered and underlying liquidity—ASIC has previously expressed concern about this issue, and whilst fixed income and property funds had redemption features that satisfactorily matched underlying liquidity, in some funds the liquidity of the fund's assets did not support the short redemption terms offered.

ASIC highlighted that managers must ensure their funds are 'true to label' otherwise they run the risk of engaging in misleading conduct. ASIC proved again it is not a toothless tiger and sought correction action from 13 fund managers, including changes to fund names, a change to underlying asset allocation, and withdrawal of promotional material.

HOW CAN WE HELP?

ASIC's crackdown on investment advertising, and now a focus on product labelling generally, means fund managers must be vigilant when creating and promoting their funds. We can help with both components and answering any queries you may have about ASIC's concerns.