

NEWS ALERT 28.08.20

# RELIEF FOR INVESTORS IN FROZEN FUNDS

ASIC has just announced new relief measures for responsible entities (REs) of registered managed investment schemes that have become ‘frozen funds’.

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ASIC has just **announced** new relief measures for responsible entities (REs) of registered managed investment schemes that have become ‘frozen funds’. The relief, which is designed to permit withdrawals by members facing financial hardship due to the pandemic, is similar to the hardship relief previously granted by ASIC on a case-by-case basis only.

## WHAT IS A FROZEN FUND?

A frozen fund is where the RE has suspended or cancelled redemptions and it is closed to new applications to protect all investors in the fund during a time of instability. ASIC recognises that during the pandemic REs may need to freeze funds which may cause problems for individual members experiencing financial hardship.

## WHAT ARE THE REQUIREMENTS?

A RE seeking to rely on the legislative instrument must—

- notify ASIC and scheme members of its intention to rely on the relief and publish a statement on its website explaining the effect of allowing hardship withdrawals

- before making a hardship withdrawal, be satisfied it has adequate cash to fulfill future hardship withdrawal requests and continue the day-to-day operations of the fund over the following six months
- provide quarterly data to ASIC in the prescribed form, and
- comply with all other conditions of the relief.

## WHAT RELIEF IS AVAILABLE?

The relief is not available to REs of mortgage funds, IPDS-like schemes, certain litigation funding schemes, and time-sharing schemes.

The relief provides for four categories of hardship – urgent financial hardship, unemployment, compassionate grounds, and permanent incapacity. Where a member meets the criteria for one (or more) of the categories, the RE may allow a member to withdraw in accordance with the provisions of the fund’s constitution. A member may make up to four hardship withdrawals not exceeding a total of \$100,000 in any calendar year.

## DO YOU NEED HELP?

If you need help determining whether your fund should be frozen, whether relief is appropriate, how hardship withdrawals can be dealt with and ensuring ongoing compliance with your obligations then we can help.