Complying Investment Framework

Consultation key findings

Consultation process

- On 17 December 2020 the Government announced key changes to the Business Innovation and Investment Program (BIIP) as a part of getting a better deal for Australia. Details of key changes are available in the Minister's media release and the BIIP Review findings report. In this announcement, the Government committed to further consultation with industry to inform any further changes to the Complying Investment Framework (CIF).
- 19 written submissions were received and several discussions were held with a range of stakeholders, including state and territory governments, Commonwealth agencies, fund managers and migration agents.

Feedback about the Investor stream (IV)

- That Australia is an attractive destination for investor migrants, though there is room to move away from passive State and Territory bonds as the investment. Especially as many bonds are being offered for historically low interest rates.
- That the investment thresholds set in 2012 could be increased.

Feedback about the Significant Investor stream (SIV)

- Feedback reiterated from the previous consultation, that the threshold for the SIV of $5 million should not be increased as there is strong international competition.
- That the investment thresholds within the CIF set in 2012 could be updated.

Feedback about the Complying Investment Framework (CIF)

- The current CIF was implemented in 2015 and is defined by the instrument: Migration (IMMI 15/100: Complying Investments) Instrument 2015. It divides the $5,000,000 investment to be made by SIV holders into three components:
    - $500,000 (10%) Venture Capital and Private Growth Equity funds (VCPE)
    - $1,500,000 (30%) funds investing in Emerging Companies
    - Up to $3,000,000 (60%) in balancing investments
- Since the CIF was implemented in in July 2015, the market has adjusted to accommodate this framework and offer compliant products to SIV applicants.
- There was common feedback that the balancing investment component could be reduced in favour of the other components, as they directly benefit emerging enterprises, the commercialisation of Australian ideas and research and development
    - However opinions are split on whether to increase the VCPE or Emerging Companies component.
- There were mixed views on whether all CIF eligible funds should be ASIC registered funds. This is due to the fact that SIV investors are seen as wholesale investors by ASIC, and registration is normally done for funds that offer products to retail customers.
    - There was general support for finding a way, either through ASIC registration or a separate auditing process, to have funds report on their compliance in a more transparent and regular method.
- Several technical questions were asked in the CIF discussion paper. There was general support for actions to improve the clarity and to close perceived loopholes in the current instrument.
    - There was general support for measures to make the intent of the instrument clearer, including defining the use of derivatives, fund of funds, and securities.
    - However, there was no support for changing the use of ‘bonds or notes issued by a company’ as part of the balancing investment component. This was rejected by nearly all respondents as it would impact on the regular function of funds.
- All respondents reiterated that any changes to be made on 1 July 2021 should be announced ahead of time in order to allow stakeholders to adjust the products to remain compliant.