



Mutual Limited

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AFSL No. 230347  
ABN 42 010 338 324

Level 12, 15 William Street, Melbourne VIC 3000  
Phone: +61 3 8681 1900 Fax: +61 3 9670 6446

Email: [mutual@mutualtd.com.au](mailto:mutual@mutualtd.com.au)  
Website: [www.mutualtd.com.au](http://www.mutualtd.com.au)

**The Director, Skills and Innovation Policy Section  
Migration Planning and Visa Policy Branch  
Department of Home Affairs**

Email: [ICAP@homeaffairs.gov.au](mailto:ICAP@homeaffairs.gov.au)

**RE: Submission to consultation questions on the Complying Investment Framework (CIF) for the Business Innovation and Investment Program (BIIP)**

### **Background**

Mutual Limited is an independently owned fund manager specialising in fixed income assets across short-term securities, government debt, structured debt, APRA and corporate credit. Mutual are the Responsible Entity and Investment Manager of five retail registered managed investment schemes (MIS) and sixteen wholesale mandates with over \$3bn of assets under management.

Two of the Mutual MIS offerings are SIV compliant. MCTDF (APIR PRM0010/13/14AU) is a complying fund for all applications pre 30 June 2015 and MIF (APIR PRM0015/17AU) is a complying fund for applications pre 30 June 2015 and is a complying fund for 'balancing' applications post 30 June 2015.

### **Submission**

Mutual Limited make a submission to the consultation questions 3, 4 c. and 5 as these areas impact how we offer investment options to SIV investors.

### **3. Changes to the types of funds eligible to offer complying investments.**

We believe all eligible funds should be limited to ASIC registered managed investment schemes issued under a Product Disclosure Statement as this engages the compliance oversight of ASIC on the investments. Further safeguards on a registered managed investment schemes under a PDS includes the requirement for an independent custodian, an external auditor and Responsible Entity. Given the requirements for Responsible Entities, specifically the NTA requirements under RG 166 for retail funds, we believe the threshold of funds under management is sufficient at \$100m for providers of product that meets the criteria for emerging companies or balancing investments.



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**4 c. Under the Balancing Investment component should investments be limited to bonds or notes issued by a company that is quoted on the Australian securities exchange?**

Limiting the investment universe to bonds or notes issued only by companies quoted on an Australian securities exchange will be detrimental to risk adjusted returns available to investors as the supply is limited. As an example, this restriction will exclude funds investing in securities issued by APRA regulated entities such as insurance entities and mutual banks. We suggest two additions to this guidance.

The first is acceptable issuers of bonds or notes is extended to APRA regulated bodies, which would allow access to a more diverse universe of counterparties for SIV investors. APRA is considered a world leading regulator and extending access to these issuers will provide access to deep and liquid markets and deliver investors an enhanced return while maintaining an acceptable risk.

The second relates to what we believe is a restriction resulting from the Complying significant investments framework. Part 2, section 11 (7) (b) of the guidelines eliminates debt instruments relating to Australian residential real property. We submit this should be amended to allow investment in rated Residential Mortgage Back Securities (RMBS), further expanding the available investments and resulting diversification benefits for SIV investors.

**5. Should fund managers be required to provide annual independent audit reports to show their compliance with the CIF legislative instrument?**

If all eligible funds are required to be registered management investments schemes, ASIC already require the fund to be audited for compliance with the funds Product Disclosure Statement (PDS). The PDS determines how a fund invests, and directs whether a fund is SIV compliant. Therefore, by auditing the scheme to adherence to the PDS by default audits the registered scheme for compliance with the CIF. If a further level of comfort was required, we believe an attestation from the Responsible Entity as to compliance with the CIF would be an adequate safe guard. This attestation is strengthened by the ASIC oversight on Responsible Entities.