

More changes to Corporations Law

Australian investment in unit trusts grew from \$2 billion in 1980 to over \$38 billion in 1992, according to the federal Attorney-General, Michael Lavarch.

Mr Lavarch made the observation last month when he tabled *Other People's Money*, a report on collective investment schemes by the Australian Law Reform Commission and the Companies and Securities Advisory Committee.

The report makes a large number of recommendations for amendments to the *Corporations Law* as it applies to unit trusts and other collective investment schemes.

Mr Lavarch said the collective investments industry is rivalling the banking industry as the place where Australians want to invest.

He said an effective and efficient regulatory regime which "strikes the right balance between the efficient fundraising for business and effective protection for investors" is necessary.

The principal recommendation of the report is that each collective investment scheme should have a "responsible entity" which would be solely responsible to investors for the conduct of the scheme.

This recommendation was intended

to remove uncertainty created by managers and trustees.

Recommendations include the removal of the current requirement for a prescribed interest scheme to have both a manager and an independent trustee, and the introduction of specific rules for the buy-back of investment units held in collective investment schemes.

Responsibility for schemes would vest in the scheme operator which must establish appropriate compliance measures which could include the appointment of a third party to hold scheme assets to assist with management of the scheme.

Other major recommendations include: the introduction of a licensing regime for operators; increasing the level of disclosure to investors; increasing the obligations of intermediaries that advise investors; and increasing the powers of the Australian Securities Commission.

Mr Lavarch said the Government will not be making any decision on the recommendations until it had consulted with key industry groups.

He emphasised that any legislative changes resulting from the report would have prospective application only.

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