AVCAL
Australian Private Equity &
Venture Capital Association Limited

18 June 2014

Mr John Price
Commissioner
Australian Securities and Investments Commission
Level 24, 120 Collins St
MELBOURNE VIC 2000

By email: john.price@asic.gov.au
deregulation@asic.gov.au

Dear John,

**Submission to Report 391 – ASIC's deregulatory initiatives**

Thank you for your invitation to comment on ASIC's deregulatory initiatives.

As you know, the Australian Private Equity and Venture Capital Association Limited (AVCAL) represents the venture capital (VC) and private equity (PE) industry in Australia, which has a combined total of over $24 billion in funds under management for a wide range of domestic and offshore investors, including Australian-based industry and retail superannuation funds. VC and PE firms invest billions of dollars in a wide range of companies ranging from startups to large businesses spanning many sectors across the national economy. These investments help to support a total of more than half a million jobs, and contribute over four per cent every year to Australia's national economic output.

It should be said at the outset that AVCAL is very supportive of ASIC's deregulatory initiatives aimed at reducing the compliance costs for businesses. There are two key areas that we believe would benefit from regulatory changes that reduce red tape and compliance costs. These are outlined below:

1. **Streamline the application process for AFS licenses.**

   AFS license applicants have to submit large amounts of information in multiple tranches as part of the licensing application. For instance, once the initial application has been allocated for review, ASIC then typically requests that a licensee provides additional evidentiary information in addition to the material lodged in the initial phase of the application. Following receipt of this additional information, ASIC may ask for further information about certain aspects of the application. The overall process will typically take between three and four to complete.

   In practice, fund managers offering multiple products and services will need to apply for multiple AFS licenses. A considerable amount of time can be consumed supplying information which is identical to previous applications, and restating responses (already provided previously) to subsequent questions and information requests by ASIC in the processing of new license applications.

   AVCAL suggests that if the fund manager nominates responsible managers who have been, or are currently, responsible managers for other licensees, then ASIC should examine the feasibility of applying a 'risk-based' approach to these applicants to make the process more streamlined and efficient for both ASIC and the applicant. For example, where an applicant has already held an AFS license for many years with no breaches, a risk-based assessment may be helpful in reducing the time needed to compile and assess a new application, which will help to mitigate the need to assess information that has already been assessed in previous applications.

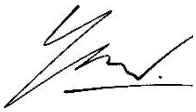
2. **Reduce the compliance burden on the nominated contact officer.**

   Feedback from our members indicates that (at present) ASIC directs its inquiries only to the nominated contact officer, and will receive responses only from that one designated person. This approach prevails even for minor queries such as requests for invoices and annual statements. This can take up a considerable amount of the contact officer's time, especially as that person may also not always be available when an interaction with ASIC needs to happen.

   To reduce the compliance burden on the nominated contact officer, AVCAL suggests that ASIC explore how greater flexibility in this area could be achieved, particularly in circumstances where the interaction is only limited to administrative-like processes. For example, it may be appropriate to consider allowing an employee of the company to quote the organisation's current corporate key number (which is only available to certain designated employees within the business) and to provide other verification details (such as the names of officeholders and their details), as sufficient proof that they are an authorised person from the company.

Thank you for the opportunity to provide our input to ASIC's current deregulatory initiatives. If you would like to discuss any aspect of this submission, please do not hesitate to contact me or Dr Kar Mei Tang on (02) 8243 7000.

Yours sincerely,



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