

Commentary: Product Disclosure Statement for Managed Investment Schemes that invest mainly in financial assets

Policy issues and background information

Introduction

1. The Government has committed to Product Disclosure Statements (PDSs) for managed investment schemes that are substantially shorter (no longer than six A4 pages of content, and any additional pages containing a title and table of contents) and simpler than current PDSs. The Government will amend the Corporations Regulations 2001 (the Corporations Regulations) to provide a specific disclosure regime for managed investment schemes.
2. Regulations (the Regulations) prescribing the new managed investment scheme PDS and related matters have been drafted and are being released for public consultation. This commentary provides an explanation of the Regulations.
3. Your comments on the draft regulations and related example PDS are sought by 26 February 2010.

Background

Operation of existing law

4. Managed investment schemes are prescribed as a financial product in the *Corporations Act 2001* (the Act) and are therefore subject to the general disclosure rules of the Act. The Act contains a number of general requirements regarding matters that must be disclosed in PDSs (and there are additional rules set out in the Corporations Regulations for specific products).
5. While sub-section 1013C(3) of the Act states that ‘the information included in the PDS must be worded in a clear, concise and effective manner’, there is no limit on the length of PDSs.
6. The general PDS regime is contained in Part 7.9 of the Act. The main content provisions are in Subdivision C of Division 2 of that Part. The current regime is principles-based and requires disclosure of key information relevant to the financial product such as significant benefits and risks, fees and costs, and other significant features and characteristics. The principles-based nature of the regime is one of the drivers of over-lengthy PDSs, as issuers have responded to the lack of precision and detail in the law by including information that could be considered relevant when in doubt.

Related measures

7. A short 4 page PDS has been prescribed for First Home Saver Accounts (FHSAs) and similar documents are currently being developed for margin loans and superannuation products. The provisions prescribing the FHSA PDS are contained in the Corporations Amendment Regulations 2008 (No.4) and Corporations Amendment Regulations 2008 (No.5). Draft regulations for a special margin loan PDS were recently released for public consultation in September 2009 and will be finalised in early 2010. Draft regulations for a superannuation PDS are also being developed and are being released for public consultation concurrently with these regulations.

Other relevant background

8. Shortened and simplified financial product disclosure was an election commitment of the Government. To implement this commitment the Financial Services Working Group (the Working Group) was jointly established by the then Minister for Superannuation and Corporate Law and the Minister for Finance and Deregulation in February 2008. Following the shift of responsibility for financial services, including disclosure matters, within the Treasury portfolio, the partnership is now being progressed by the Minister for Financial Services, Superannuation and Corporate Law and the Minister for Finance and Deregulation.
9. An example managed investment scheme PDS has been developed by the Working Group in cooperation with industry and other stakeholders, that is intended to provide stakeholders with an example as to how the requirements set out in these regulations (the Regulations) could be satisfied. The example PDS has been consumer tested and incorporates feedback from that process.

Tailoring of current PDS rules for straightforward Managed Investment Scheme PDSs

10. The current rules governing the content of PDSs will be tailored for PDSs for managed investment schemes that invest primarily in financial assets (straightforward managed investment schemes).
11. In general, unless otherwise specified in these instructions, the current rules will apply to managed investment scheme PDSs, including:
 - rules establishing the person responsible for preparing a PDS;
 - rules on the timing and manner of giving a PDS, as well as who is responsible for giving the document; and
 - rules establishing liability for defective PDSs, as well as misleading and deceptive conduct in relation to PDSs.
12. In order to achieve the objective of disclosing key information in a short document, a number of the general content requirements are carved out and replaced with provisions specific to the managed investment scheme PDS. The existing provisions that need to be carved out are set out in more detail in the Regulations.
13. *Note: We are aware of a number of other interactions between the Regulations and existing provisions in the Act and these are being examined further by the Working Group. These include sections 1013FA, 1013H, 1013I, 1013J, 1016C, 1016D and 1016E. The Regulations may be amended further depending on the outcomes of this further examination.*

Approach to PDS is prescriptive

14. The straightforward managed investment scheme PDS must contain a summary of all of the key information that a client needs to know before deciding to purchase the product. To ensure that the PDS is a summary of key information, and to help ensure comparability amongst products offered by different providers, it is necessary to specify the type of content set out in the PDS by specifying a number of headings, topics and, in exceptional circumstances, prescribed text.
15. Current PDSs are generally criticised for being too long. To ensure that this problem does not affect straightforward managed investment scheme PDSs, the maximum length of the PDS will be prescribed. However, PDSs will obviously be allowed to be shorter (e.g. in relation to certain very simple managed investment products).

16. The content requirements will generally reflect the general PDS content requirements set out in Part 7.9 of the Act, but will be more specific and targeted at managed investment products. As mentioned above, some existing general PDS requirements will have to be carved out to accommodate this approach.

Incorporation of information by reference

17. The straightforward managed investment scheme PDS may refer to other material located outside the PDS document itself. This information may either be:
- incorporated by reference using the incorporation by reference (IBR) provisions for straightforward managed investment scheme PDSs (see below). In this case the incorporated material is deemed to be part of the PDS and the full range of PDS liability and enforcement provisions of the Act apply; or
 - otherwise referred to, in which case the referred material does not form part of the PDS. It is therefore not subject to the PDS enforcement regime, but is subject to other provisions such as those relating to misleading and deceptive conduct in the Act and the *Australian Securities and Investments Act 2001* (ASIC Act).
18. Information that is made subject to IBR includes information that is subject to constant change, as for example a market-linked index or interest rate. In order to avoid the need to constantly update the PDS, such information may be incorporated by reference.
19. Other incorporated information may be lengthy and detailed in nature, as for example the entire range of fees and costs associated with a product. While it is considered necessary to include this information legally as part of the PDS, if the six-page PDS is to be kept to a summary of key information needed to make an investment decision, some details need to be located outside the actual document. IBR is the solution to achieve this outcome.
20. Information that must be incorporated by reference is prescribed in these regulations. Other information located outside the PDS may be freely referred to and is only subject to general rules such as those against misleading and deceptive conduct in the Act and the ASIC Act.
21. A number of provisions regulating the use of the IBR tool are included in these Regulations. It is noted that the Corporations Regulations contain a number of provisions allowing incorporation by reference (in particular regulations 7.9.15DA, 7.9.15DB and 7.9.15DC). These provisions will not apply to managed investment scheme PDSs, which will have their own IBR regime as prescribed in these Regulations. The draft regulations for the margin loan PDS also include a set of IBR provisions that are similar to those that will be prescribed for the managed investment scheme PDS.

Application and transitional arrangements

22. Appropriate application and transitional arrangements will be made at a later date which will take into account the need to give stakeholders sufficient time to comply with the new requirements.

Draft Regulations

Regulation 1 – Name of Regulations

23. This amendment provides the exact name of the regulations.

Regulation 2 – Commencement

24. This provision will state when the Regulations will commence.

Regulation 3 – Amendment of Corporations Regulations 2001

25. This provision says that Schedule 1 of these Regulations amends the *Corporations Regulations 2001* (the Corporations Regulations).

Schedule 1 – Amendments

Amendment [1] – Subregulation 1.0.02(1)

26. This amendment adds a definition of minor fee for a managed investment scheme, (in addition to the definition of a minor fee for a margin loan that was added for the purposes of the special margin loan PDS that was exposed in September 2009 and the definition of a minor fee for a superannuation product (the regulations for which are being consulted on concurrently with these Regulations)). The concept of a minor fee is used in prescribing certain contents of the straightforward managed investment scheme PDS (see Amendment [10], item 8). The definition says that these are fees which are not applied in the ordinary course of operating a managed investment scheme and are less than \$10.

Amendment [2] – After Subregulation 7.7.08A (1B)

27. Regulation 7.7.08 prescribes the conditions under which a PDS may be combined with a Financial Services Guide (FSG). This amendment clarifies that the regulation does not apply to a managed investment scheme to which these Regulations apply. The reason is that the Government wants to ensure that the consumer is provided with a short and simple PDS, and combining the PDS with other documents would not be consistent with this objective.

Amendment [3] – Paragraph 7.9.09(1)(f)

28. This provision applies existing Division 4 – ‘Content of Product Disclosure Statements’ of Part 7.9 of the Corporations Regulations to managed investment schemes that are subject to the new simplified PDS requirements. A number of provisions relating to the PDS for these schemes will be inserted into this Division.

Amendment [4] – Part 7.9, Division 4, after Subdivision 4.2C

29. This provision inserts a new subdivision 4.2D into Division 4 of Part 7.9 of the Corporations Regulations with the title ‘Content of Product Disclosure Statement for registered managed investment schemes which invest in financial assets.’¹ This subdivision will apply to registered managed investment schemes which invest at least 80% of their assets in financial assets.

¹ This phrase is not repeated in subsequent commentary for the sake of brevity.

30. *Note: The Working Group will continue to examine the scope of managed investment schemes which are to be covered by these Regulations and has adopted the definition above as an interim measure. It is intended that the regulations will apply to basic or ‘vanilla’ schemes. The Working Group has developed a working definition of schemes that are intended to be included under the new regulations. These are schemes that invest 80 per cent or more of their assets in financial assets. Agri-business schemes and property schemes are example of schemes that would be excluded under this definition.*
31. *Through the consultation process, the Working Group will clarify whether certain types of investments, such as stapled securities for example, are included or excluded from the requirements of the new regime. Schemes that are not included in the new regime will continue to be captured by the current PDS provisions in Chapter 7 of the Corporations Act.*

Regulation 7.9.11S - Application of Subdivision

32. This regulation clarifies that the new subdivision applies to a person who is required to prepare a managed investment scheme PDS, and to the managed investment scheme PDS itself.

Regulation 7.9.11T – Provisions of Part 7.7 of Act that do not apply in relation to managed investment scheme

33. Section 942DA in the Act states that an FSG may be combined with a PDS. This regulation clarifies that this provision does not apply to a managed investment scheme PDS, for the same reasons as mentioned under Amendment [2] above.

Regulation 7.9.11U - Provisions of Part 7.9 of Act that do not apply in relation to managed investment scheme

34. The managed investment scheme PDS has been designed in a manner that allows information that changes frequently or regularly to be incorporated by reference. It is therefore considered that managed investment scheme PDSs will only have to be amended rarely, and only if there are major changes to the scheme. Given that the PDS is a very short document, in such cases it is considered appropriate that a new PDS should be issued, instead of a Supplementary PDS. This item therefore amends the Supplementary PDS provisions of the Act, which are contained in Subdivision D of Division 2 of Part 7.9 of the Act, so that they do not apply to managed investment scheme PDSs.

Regulation 7.9.11V - Modification of Act

This regulation states that Part 7.9 of the Act, which mainly contains the PDS requirements, is modified with respect to a relevant managed investment scheme as prescribed in the new Part 5C of Schedule 10A of the Corporations Regulations. New Part 5C of Schedule 10A is prescribed later on in these Regulations.

Regulation 7.9.11W - Form and content of Product Disclosure Statement for managed investment scheme

35. Paragraphs 1013C(1)(a) and (b) as modified in item 5C.1(1) of these Regulations allow the form and content requirements for a relevant superannuation product PDS to be prescribed by regulation. This regulation states that the content and form requirements for the relevant superannuation product PDS are contained in the regulations in new Schedule 10E of the Corporations Regulations. Schedule 10E is prescribed later on in these Regulations.

Regulation 7.9.11X - Requirements for references to incorporated information for managed investment scheme

36. This regulation sets out a number of high-level requirements applying to information in a relevant managed investment scheme PDS that is incorporated by reference, as

permitted under the new section 1013C(2B) contained in subitem 5C.1 of Part 5C in Schedule 10A of these Regulations.

37. The regulation states that incorporation by reference may only be used when expressly allowed under these Regulations.
38. The regulation requires that if a matter is incorporated by reference it must be in writing, be clearly distinguishable from other matters that are not incorporated and be publicly available.
39. The reasons for the requirement to distinguish incorporated information from other information is to clearly separate incorporated and non-incorporated information, as the two are subject to different liability and enforcement regimes. It is considered that mixing up the two types of information could lead to confusion and disputes, especially where some of the information was defective.
40. A reference to incorporated material must provide a concise description of what is contained in the material. For example, where a provider incorporates detailed information about insurance cover available through a managed investment scheme, a short reference such as: 'for more information about XYZ Managed Investment's insurance cover and the premiums, see [location details]' would have to be provided. The issuer must also ensure that the reference is clearly distinguishable from the other information in the PDS.
41. This regulation also requires each version of the incorporated information to be separately identified by including the date on which it was prepared in a prominent position on the document. It is noted that the PDS document itself will have to be dated as required by existing section 1013G of the Act.
42. If material is incorporated by reference, it must be reasonably quickly and easily accessible to a person relying on the PDS. This means that a person must be able to locate the material without great difficulty.
43. If a URL is provided, this should link to the material with as few steps as possible. For example, linking directly to the material, or via a prominent link on a splash page, would be considered to be reasonably accessible. If a URL links only to the home page of a provider's website, and a person needs to navigate a number of links on the site to locate the material, this would not be considered to be reasonably accessible. It is noted that a telephone number for requesting hard copies can be provided once in the PDS, as stated in Amendment [10], Item 2, subitem 2(b).
44. The regulation finally provides that whenever the physical PDS is given to a client, all the incorporated information is deemed to have been given at the same time. This clause addresses concerns from industry stakeholders that they would otherwise be liable to claims that important information had not been provided. The PDS will contain a prominent warning telling readers that important information is incorporated into the document, and that they should consult this information before making a final investment decision. Additionally, the PDS will contain clearly distinguishable references to the incorporated material and will concisely describe the matter which is being incorporated.

Regulation 7.9.11Y - Retention of copies of Product Disclosure Statement for managed investment scheme

45. This regulation requires that each PDS version must be retained by the responsible person for a period of 7 years. This is consistent with existing record-keeping requirements for PDSs. The regulation also applies this requirement to incorporated information located outside the PDS document and provides guidance on how to determine the start of the 7 year period in various situations.

Regulation 7.9.11Z - Requirement to provide copy of Product Disclosure Statement for managed investment scheme free of charge

46. Not all persons may have access to a computer or the internet. This regulation therefore requires that responsible persons must provide a free hard copy of the PDS, including incorporated information, upon request and within 5 business days.

Amendments [5] and [6] – Regulation 7.9.15DA

47. Regulation 7.9.15DA contains the existing incorporation by reference provisions that apply to a PDS. Since these Regulations introduce a separate incorporation by reference regime for managed investment scheme PDSs, there is no need for the existing requirements to apply. These amendments therefore ensure that the existing requirements in regulation 7.9.15DA do not apply to managed investment scheme PDSs.

Amendment [7] - Regulation 7.9.15DB

48. Regulation 7.9.15DB contains the existing record-keeping requirements for the incorporation by reference provisions in regulation 7.9.15DA. Given that there are specific record-keeping requirements that apply to information incorporated by reference into managed investment scheme PDSs, there is no further need for this requirement. This amendment therefore ensures that regulation 7.9.15DB does not apply to managed investment scheme PDSs.

Amendment [8] Regulation 7.9.15DC

49. Regulation 7.9.15DC clarifies how the lodgement requirements in section 1015B of the Act apply to PDSs containing information incorporated by reference. The amendments clarify that this regulation does not apply to managed investment scheme PDSs.

Amendment [9] Schedule 10A, after Part 5B

50. This item introduces a new Part 5C into Schedule 10A of the Corporations Regulations. The new Part contains a number of amendments to the Act relating to managed investment scheme PDSs.

Item 5C.1 Subsections 1013C (1) and (2)

51. This item modifies subsections 1013C (1) and (2) of the Act by replacing the current content of these two subsections with a number of new subsections.
52. New subsection (1) states that the contents and form of a managed investment scheme PDS are prescribed in regulations. The detailed regulations are provided in Schedule 10E of the Corporations Regulations (see below), as provided in regulation 7.9.11W (see above).
53. New subsections (2), (2A) and (2B) prescribe certain matters in relation to the new managed investment scheme IBR regime. They state that a managed investment scheme PDS may incorporate information by reference, that all information incorporated by reference is considered to be part of the PDS, and that the regulations may prescribe further requirements applying to incorporating information by reference into a managed investment scheme PDS.
54. Information incorporated by reference into a managed investment scheme PDS is therefore subject to the legal regime that applies to PDSs. This is an important provision as it decides the extent and nature of the legal liability attaching to the incorporated information. For instance, the PDS enforcement provisions will apply to this information, allowing among other things consumers to claim for losses or damages where the information proves to be defective.

55. New subsections (2C) and (2D) allow other information to be referred to without being formally incorporated. Therefore, the PDS liability regime will not attach to referenced information which is not formally part of the PDS. Such information will be subject to requirements such as those against misleading and deceptive conduct in the Act and the ASIC Act.

Items 5C.2 and 5A.3 Sections 1013D and 1013E

56. These items ensure that sections 1013D and 1013E do not apply to a managed investment scheme PDS. They are superfluous because the regulations in Schedule 10E (see below) prescribe the form and contents of a managed investment scheme PDS.

Item 5C.4 Subsection 1013L

57. Section 1013L allows a PDS to consist of one or more documents. This item amends this section to state that a managed investment scheme PDS may consist of more than one document, but only if the documents consist of the prescribed PDS document and copies of incorporated information that form part of the PDS.

Item 5C.5 Subsection 1015D (3)

58. This subsection states that a PDS must be kept for 7 years. It is superfluous because these Regulations contain detailed record-keeping provisions (see draft regulation 7.9.11Y). This provision therefore disapplies subsection 1015D (3) in relation to a managed investment scheme PDS.

Amendment [10] After Schedule 10D

59. This amendment inserts a new Schedule 10E into the Corporations Regulations containing the detailed regulations prescribing the form and content of a managed investment scheme PDS.

Item 1 - Length and font size for Product Disclosure Statement for managed investment scheme

60. This provision ensures that the managed investment scheme PDS does not exceed a maximum page limit, while providing for alternative formats which deliver the equivalent content. Requirements relating to font sizes are also included to ensure that the PDS is readable.
61. The total length of the PDS (not including a title page, table of contents and any information incorporated by reference) must not exceed
- (a) 6 A4 pages of content; or
 - (b) 12 A5 pages of content; or
 - (c) 18 DL pages of content; or
 - (d) if in any other format, as long as would fit into 6 A4 pages.
62. The font size must not be less than:
- (a) for body text—9 points;
 - (b) for the company's name, address, (if applicable) ABN, ACN, ARSN and AFSL —8 points.

Item 2 – Minimum content of Product Disclosure Statement for managed investment scheme

63. This item states that the managed investment scheme PDS must be made up of a number of sections which must be numbered, ordered and titled as prescribed in the Regulations.
64. It is prescribed that the PDS must include a table of contents using the headings provided. The main reason for prescribing headings is to ensure comparability. Allowing issuers to vary the headings may unnecessarily confuse consumers.
65. Depending on the product's target market and distribution channels, not all potential customers may have access to the internet. In such cases, simply providing a URL would mean that the incorporated material would not be considered to be reasonably accessible. A requirement is therefore included to provide a telephone number in the PDS which can be used to request a hard copy of the PDS, including incorporated information.
66. The PDS must also contain a statement telling the reader that it contains references to important information, and that consumers should consider that information before making a final decision to invest in the product.
67. A warning must also be included that the information provided is general information only and does not take account of the client's personal financial situation or needs. A recommendation must be added to obtain financial advice tailored to the client's personal circumstances. It is further prescribed that this statement must be displayed in a prominent style and position at or near the beginning of the document.
68. The PDS may also include other sections and information at the discretion of the responsible person, but these must fit within the prescribed page length. Other sections, if included, should be located at the end of the prescribed sections.

Item 3- Contents of section 1 (About [name of responsible entity])

69. This section is intended to provide a brief summary of the responsible entity, the investment manager and the managed investment scheme. A statement must be provided of the key benefits of investing through a managed investment scheme. It must also have statements to the effect that:
 - member funds are pooled together and managed by the responsible entity to buy investments; and
 - the responsible entity has day to day control of the fund.

Item 4 Contents of section 2 (How to invest with [name of responsible entity])

70. This section must provide an overview of how the managed investment scheme covered by the PDS works. The text must include important summary information on the following topics:
 - Minimum investment amounts, if applicable;
 - That money contributed by members is used to buy “interests” which represent shares in the total value of assets in the managed investment scheme;
 - That the price of interests will vary as the market value of assets in the managed investment scheme rises or falls;
 - How members can increase or decrease their investment (by buying or selling interests); and
 - That in some circumstances, such as when there is a freeze on withdrawals, members may not be able to withdraw their funds immediately upon request.

71. More detailed information on the buying and selling of interests must be provided and the IBR mechanism may be used to incorporate this information.

Item 5 Contents of section 3 (Benefits of investing with [name of responsible entity])

72. Issuers should first provide key information in this section about the managed investment scheme covered by the PDS, including a summary of its significant features, its benefits and any related services offered by the product provider.
73. The existing PDS content requirements include a requirement to provide information on the extent to which labour standards or environmental, social or ethical considerations are taken into account in the selection, retention or realisation of the investment, where a product has an investment component (section 1013D(1)(l)). The issuer must use the IBR mechanism to incorporate by reference a summary of this information.
74. The issuer may use the IBR mechanism to incorporate by reference important information not included in the PDS document itself about other significant benefits of investing in managed investment scheme, as well as about other significant features and characteristics of the product.

Item 6 Contents of section 4 (Risks of investing in with [name of responsible entity])

75. Section 4 should contain a statement saying that all investments carry risk; that different strategies may carry different levels of risk, depending on the assets that make up the strategy; and that assets with the highest long-term returns may also carry the highest level of short-term risk.
76. Section 4 must contain a description of the key risks of investing in managed investment schemes, including the risk that:
- The value of investments will vary;
 - The level of returns will vary, and that future returns may differ from past returns;
 - Returns are not guaranteed and members may lose some of their money; and
 - Laws affecting managed investment schemes may change in future.
77. Section 4 must contain a statement that the appropriate level of risk for each member will vary depending on a range of factors including age, investment time frame, where other parts of the member's wealth are invested and the member's risk tolerance.
78. A statement should also be made in Section 4 that a financial adviser can help with understanding risk and designing an appropriate investment strategy.
79. The issuer may use the IBR mechanism to incorporate by reference any further information it wishes to provide about significant risks.

Item 7 Contents of section 5 (How we invest your money)

80. Section 5 must contain a summary description of the investment options offered by the fund. There must be a warning that the member must consider the likely investment return, risk and their investment timeframe when choosing which option to invest in.
81. The section must also set out information for at least one investment option, providing at least the following information for each option:
- The name and a short description of the option, including which type of investors it is intended to be suitable for;

- The asset mix the option invests in and the strategic allocation of the asset classes;
 - The investment return objective of the fund, expressed in terms of a spread above the rate of inflation. A short explanation of this measure should be provided;
 - The minimum suggested time frame for holding the investment; and
 - A summary risk description.
82. The required information must be disclosed for a balanced option. If the managed investment scheme does not have a balanced option, it must disclose the option under which it has the most funds invested. It is noted that the definition of a balanced option is taken from the enhanced fee regulations in the Corporations Regulations.
83. Information for members wanting to switch investments and any changes the responsible entity can make to the investment options and their investments can be included in this section or incorporated by reference (as below).
84. The issuer must use the IBR mechanism to incorporate the information prescribed above in paragraph 81 for each investment option available in the managed investment scheme in a similar format to that used in the PDS document.
85. The issuer may use the IBR mechanism to incorporate by reference further information about investment options.
86. ***Note: Consumer testing has shown that consumers often do not understand the investments options available to them when they are presented in different formats. For this reason, the regulations require that at least one investment option must be included in the six-page PDS, and that it must be set out in a standard form and include prescribed information. In order to promote comparability between products, the regulations require that each PDS must disclose the balanced option, or, if the scheme does not have a balanced option, the option that has the most funds under management.***

Item 8 Contents of section 6 (Fees and costs)

87. Section 6 must set out the main fees and costs for no more than the balanced option (or if there is no balanced option, the option which the entity has the most funds invested). The information must be presented in the manner prescribed in this regulation.
88. The section must start with a general warning about the potential impact of fees and costs on the final balance for a member, illustrated with a concise example.
89. This must be followed by a table summarising the main fees and costs for the balanced (or other) option set out in the following manner:
- The table must be accompanied by a warning that it does *not* include *all* the fees and costs of the relevant investment option or of the product generally.
 - The table must be organised into two columns, the first one setting out what the fees and costs are, and the second one setting out the fees and costs for that category.
 - The first row of the table must contain the fees and costs paid when money is contributed to the managed investment scheme.
 - The second row must contain the fees and costs paid while the money stays in the managed investment scheme, including any fees and costs payable for

switching investment options. This row should also mention whether any performance fees are payable, but does not have to provide details of how the fees are calculated.

- The third row must contain the fees and costs payable when money moves out of the managed investment scheme.
90. The fees and costs shown in the table must be the maximum payable by a member. A statement may be provided that this is the case, and that members may in reality be paying less.
 91. A statement must be provided that the information in the table can be used to compare fees and costs between different managed investment schemes.
 92. A concise general statement must be provided explaining that fees and costs can be paid directly out of the member's account or deducted from investment earnings.
 93. This must be followed by a worked example for the investment option used in this section which must be calculated in accordance with a number of detailed assumptions included in the Regulations. The worked example is based on an investment in a managed investment scheme which is held for 10 years, to which further regular contributions are made, and for which an assumed rate of return is provided.
 94. A statement must be included that the worked example can be used to compare this managed investment scheme with other managed investment schemes. It must also be stated that the actual fees and costs paid by a member will be different from those provided in the example.
 95. A reference to ASIC's calculator on FIDO must be provided, with an explanation that these can be used to calculate the impact of fees and costs on account balances. A reference to the responsible entity's own calculator, if there is one, may also be provided.
 96. The section must contain a warning that additional fees may be paid to a financial adviser if a financial adviser is consulted and if applicable, a reference to the Statement of Advice must be provided in which details of these fees can be obtained.
 97. The issuer must use the IBR mechanism to incorporate information on fees and costs for all investment options calculated and presented as prescribed in the enhanced fee disclosure provisions in Schedule 10 of the Corporations Regulations 2001.
 98. If the issuer wishes to provide further information in relation to fees and costs, this information must be incorporated by reference.

Item 9 Contents of section 7 (How managed investment schemes are taxed)

99. Section 7 must include a warning that investing in a managed investment scheme is likely to have tax consequences and that consumers are strongly advised to seek professional tax advice.
100. Section 7 must also include a statement saying that:
 - Managed investment schemes do not pay tax on behalf of members; and
 - Members are assessed for tax on any income and capital gains generated by the managed investment scheme.
101. The issuer may use the IBR mechanism to incorporate by reference additional information about how taxation applies to managed investment schemes. Additionally, a reference to a government website providing the relevant information may be included.

Item 10 Contents of section 8 (How to apply)

102. This section must provide information on how to invest in the managed investment scheme and how to make a complaint. It must also include a statement about the cooling-off period that applies to the managed investment scheme.
103. The IBR mechanism must be used to provide further key information relating to cooling-off periods and complaints processes.