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Australian Securities & Investments Commission

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10-11CA ASIC says beware of unsolicited offers for units in frozen funds

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ASIC today warned consumers about unsolicited offers to buy units in frozen funds.

ASIC has received complaints from investors who have received unexpected offers to buy their units in frozen funds, at prices less than the total amount that investors could expect to receive from their funds under a redemption facility or withdrawal offer.

A frozen fund is a registered managed investment scheme that was marketed on the basis that investors had an ongoing or periodic right to redeem their investments on request, but has since then suspended that right.

Unsolicited offers for units in frozen funds will usually offer to buy the units for substantially less than the amount a member would expect to receive from the fund under a redemption facility. If you receive an unexpected offer, and you are thinking about accepting it, you should:

- a) make sure you try to understand how much your investment is really worth, and how and when you will be able to access your funds – call the responsible entity of your fund to get information that will help with this
- b) think carefully before you accept an unexpected offer: do you really need to sell?
- c) talk to the responsible entity of your fund or get advice from a licensed financial planner, so you can make an informed choice.

A freeze on withdrawals does not necessarily mean that members will not receive their money back or that distributions will stop or not recommence. The length of time it will take for capital to be returned to members who want it back, and any losses on the fund assets, vary significantly from fund to fund. Many frozen funds are providing regular withdrawal offers, and many still pay distributions.

Some frozen funds expect to be able to provide members with access to their full entitlements, paid in instalments over time. In these cases it may not be in the best interests of investors to accept a heavily discounted offer.

ASIC has worked closely with responsible entities of frozen funds to encourage and help them improve investors' access to their money. ASIC has modified the law to allow responsible entities to make periodic withdrawal offers and to return capital to members in exceptional circumstances of hardship. Hardship includes where members cannot meet reasonable and immediate family living expenses, have medical costs, funeral expenses, imminent foreclosure or are unemployed for at least 3 months without other means.

Changes to the law that are expected to come into effect shortly will make it illegal for people to get copies of registers of unit holders if the purpose for obtaining the copy is improper. That means it will be more difficult for people to get contact details of unit holders and make these unexpected offers.

Until then, if you receive an unexpected offer for your investment in a frozen fund ASIC strongly urges you to speak to the responsible entity of your fund or to get independent advice from a licensed financial planner before accepting.

Visit the Fido website for [more information on unsolicited offers for units in frozen funds](#) or see [Infosheet 111](#).

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