

**GUIDE**

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This additional proof is to be used where [insert defined company name] is providing incidental custody services when operating a wholesale fund and has appointed a third-party custodian to hold client assets.

**Additional Documents Required**

| <b>Required Document</b>   | <b>Completed<br/>(Yes/No/Not<br/>Applicable)</b> |
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| Copies of agreements with service providers providing custody services |  |

**SAMPLE**

## ASIC Licensing Application Proof

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**Supporting Proof Document:** C1 Custodial/Depository Statement

**Applicant:** [insert full company name]

**Reference Number:** [insert]

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This C1 Proof includes:

- (a) details of the custodial or depository services [insert defined company name] intends to provide;
- (b) a copy of [insert defined company name]'s pro forma or standard agreement used to cover the custodial or depository services [insert defined company name] will provide;
- (c) a description of how [insert defined company name]'s clients will authorise transactions [insert defined company name] performs on their behalf;
- (d) a description of systems, including service-specific accounting, computing and operating systems, and how [insert defined company name] will monitor and maintain these systems;
- (e) a description of how [insert defined company name] will identify and determine the status of investments [insert defined company name] holds;
- (f) a description of how [insert defined company name] will manage access to and security of client accounts;
- (g) a description of how [insert defined company name] will market products/services in the market place;
- (h) copies of [insert defined company name]'s agreements with service providers undertaking transactional, custodial or sub-custodial functions on [insert defined company name]'s behalf;
- (i) if [insert defined company name] is an external MDA custodian, a description of [insert defined company name]'s procedures to ensure that each MDA client's assets are managed as a discrete portfolio; and
- (j) if [insert defined company name] is an incidental provider of custodial or depository services, details of how [insert defined company name] meet the definition of 'incidental provider'.

## SECTION A – OVERVIEW

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### 1. THE CUSTODIAL OR DEPOSITORY SERVICES [INSERT DEFINED COMPANY NAME] INTENDS TO PROVIDE

- 1.1 [insert full company name] (“[insert defined company name]”) is applying to be authorised to provide Custodial Services which are incidental to the operation of its proposed unregistered managed investment scheme (“**Fund**”).
- 1.2 RG 166.173 defines incidental provider as an Australian Financial Services (“**AFS**”) licensee that is authorised to provide a custodial or depository service:
- (a) that does not provide any custodial or depository services other than services which:
    - (i) are a need of the person to whom the services are provided because of, or in order to obtain the provision of other financial services by the AFS licensee or its related bodies corporate;
    - (ii) do not form part of an IDPS; and
    - (iii) who’s custodial or depository services revenue is less than 10% of its financial services business revenue.
- 1.3 [insert defined company name] believes it is an incidental provider as it intends to operate a Fund and understands that the trustee is deemed to have a beneficial interest in the financial products for the members and, hence, needs to be authorised to provide custodial services. Such services will be incidental to the provision of advice and dealing services. [insert defined company name] does not intend to operate a stand-alone custody business. [insert defined company name] will outsource this function and appoint a suitable third-party custodian who complies with the *Corporations Act 2001* (Cth) (“**Corporations Act**”).
- 1.4 In addition, the custodial services will not form part of an IDPS and [insert defined company name] will not generate nor does [insert defined company name] propose to generate in the future any revenue from the provision of custodial services.
- 1.5 [insert defined company name] does not intend to charge a separate fee for such custodial or depository services. In ascertaining a revenue amount that would be properly referable to such services [insert defined company name] estimates, based on the cost of providing such services in the first year of its licensed activities, an amount of \$[insert amount] would appropriately represent its custodial and depository service revenue. [insert defined company name]’s projected aggregate revenue for the ensuing 12-month period represents less than [insert percentage]% of [insert defined company name]’s financial services business revenue.
- 1.6 [insert defined company name] will appoint an eligible custodian who will hold physical custody of financial products at all times. [insert defined company name] will not be holding any financial products at any time. **[UPDATE IN ACCORDANCE WITH BUSINESS PROCEDURES]**

## SECTION B – [INSERT DEFINED COMPANY NAME]’S CUSTODIAL/DEPOSITORY STATEMENT

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