

## Australia: Tightening the Belt – ASIC Consults on NTA

ASIC proposes wide-ranging capital uplifts for responsible entities

### In brief

The Australian Securities and Investments Commission (ASIC) has released [Consultation Paper 388 Net tangible assets requirement for responsible entities](#) (CP 388), seeking feedback on options to increase net tangible assets (NTA) required under [ASIC Instrument 2023/647](#).

Released amid heightened regulatory focus on governance and resilience in the managed funds sector, ASIC's proposals affect responsible entities, investor directed portfolio service (IDPS) operators and directors of retail corporate collective investment vehicles (CCIVs), and may also inform reforms for other licensees.

Submissions are due by **17 April 2026**. ASIC intends to release its position by 31 July 2026 and proposes a six-month transition period if proposals are implemented.

The proposals have significant ramifications for licensees, including potential capital uplift and impacts on scheme and custody structures, competition and fees.

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### Key takeaways

- **Understanding current NTA settings.** Under Instrument 2023/647, responsible entities must hold NTA of at least the greater of AUD 10 million or 10% of average revenue (non-concessional test), or, in specified cases, a concessional minimum of the greater of AUD 150,000, 0.5% of average fund assets (capped at AUD 5 million) or 10% of average revenue, plus a liquidity component (50% in cash or cash equivalents, minimum AUD 150,000, and 100% in liquid assets). This test is assessed at the responsible entity level.
- **Assessing capital impacts of ASIC's options.** CP 388 canvasses a range of options for uplifting the NTA requirements applicable to responsible entities, including:
  - Consumer Price Index (CPI)-based uplifts to key thresholds (including increasing the AUD 150,000 and AUD 10 million minimums, AUD 500,000 Tier AUD 500,000 class minimum and AUD 5 million cap);
  - Increasing or restructuring the AUD 150,000 concessional minimum (including a per-scheme approach or a higher fixed minimum of up to AUD 1 million); and
  - Increasing the AUD 5 million cap under the concessional test.
- **Plan for liquidity and structural changes.** ASIC is seeking feedback on whether to adjust the liquidity component, the ongoing role of the concessional NTA regime based on custody and asset type, and whether equivalent changes should also apply to IDPS operators and corporate directors of retail CCIVs.
  - **Coordinate submissions and messaging.** Submissions are due by 17 April 2026 and ASIC plans to finalise its position by 31 July 2026. Licensees should ensure their submissions address compliance costs, competitive impacts, and interaction with broader reforms (including [Treasury's consultation](#)). Get in touch if you have any questions or would like to discuss what this means for you.

## In more detail

ASIC's review comes amidst a series of high-profile managed investment scheme collapses, which remain subject to ongoing ASIC investigations. These failures have intensified regulatory scrutiny and amplified concerns that the current managed investment scheme framework may not adequately safeguard retail investors. Together with [Treasury's parallel consultation](#) on strengthening oversight and governance of managed investment schemes, these events have highlighted systemic vulnerabilities and placed additional pressure on mechanisms such as the industry-funded Compensation Scheme of Last Resort. ASIC's proposed uplift to NTA requirements forms part of this broader push to reinforce governance, enhance operator resilience and restore confidence across the sector.

### 1. Current NTA framework for responsible entities

Under ASIC Instrument 2023/647, responsible entities, IDPS operators and corporate directors of retail CCIVs are currently subject to:

- A non-concessional NTA requirement under which a responsible entity must hold NTA of at least the greater of AUD 10 million or 10% of average revenue, where the entity does not qualify for the concessional regime.
- A concessional NTA requirement where, if certain conditions are met (for example, fund assets are appropriately held by a custodian, or the assets are Tier AUD 500,000 class assets or special custody assets), the responsible entity may instead hold NTA of at least the greater of AUD 150,000, 0.5% of the average revenue of fund assets (capped at AUD 5 million), or 10% of average revenue.
- Liquidity component, under which all responsible entities must hold least 50% of required NTA in cash or cash equivalents (with a minimum of AUD 150,000), and 100% of its required NTA in liquid assets.

These requirements are designed to ensure responsible entities have adequate financial resources under s 912A(1)(d) of the *Corporations Act 2001* (Cth) ("**Act**"), and to support an orderly transition or wind-up if the responsible entity fails.

ASIC last updated the financial thresholds in the NTA requirement in 2013. In light of recent scheme collapses combined with an intensified regulatory focus on the protection of retail investors, ASIC is reassessing whether these current settings continue to achieve their objectives.

### 2. ASIC's options for increasing the NTA requirement

CP 388 outlines three main options for increasing NTA requirements for responsible entities. ASIC has indicated that it may adopt one or more of these options in combination, depending on feedback received. Each option carries different implications for responsible entities depending on their size, business model and number of schemes operated.

#### Option 1 – CPI uplift of thresholds

Under Option 1, ASIC proposes to increase the NTA thresholds to reflect cumulative CPI growth since 2013. In approximate terms, this would:

- Increase the AUD 150,000 concessional minimum to around AUD 200,000;
- Increase the AUD 500,000 minimum applicable to holders of Tier AUD 500,000 class assets to around AUD 700,000;
- Raise the AUD 5 million cap on the 0.5% average value of fund assets limb to approximately AUD 6.9 million; and
- Increase the AUD 10 million non-concessional minimum to approximately AUD 13.8 million.

ASIC has characterised this option as a baseline recalibration intended to restore the "real" value of the thresholds over time. This option preserves the existing structure of the NTA regime in the least disruptive manner. However, it would still require responsible entities operating close to the current minimum thresholds to inject additional capital or adjust balance sheet arrangements.

#### Option 2 – Changing the AUD 150,000 concessional minimum

Under Option 2, ASIC is consulting a more substantive shift in approach via two alternative approaches to the existing concessional minimum:

- Option A: increase the AUD 150,000 minimum to a higher fixed amount, potentially up to AUD 1 million; or

- Option B: apply the AUD 150,000 minimum on a per-scheme basis so that a responsible entity must hold at least the greater of:
  - AUD 150,000 per scheme operated;
  - 0.5% of the average value of fund assets (up to the existing AUD 5 million cap); or
  - 10% of average revenue.

ASIC’s paper indicates these alternatives are intended to ensure responsible entities are entities of sufficient substance, better able to fund orderly transitions or wind-ups, and that capital requirements more accurately reflect the cost and risk profile of operating multiple schemes.

Responsible entities should note that these proposals would materially affect responsible entities that operate multiple schemes or rely on the concessional minimum as their primary NTA limb. A per-scheme model, in particular, would significantly increase capital requirements for platform operators, trustees with multiple small or legacy schemes, and start-ups pursuing a multi-fund strategy.

**Option 3 – Increasing the AUD 5 million cap**

Under Option 3, ASIC proposes to increase the current AUD 5 million cap on the 0.5% average value of fund assets limb of the concessional NTA test. ASIC’s stated rationale is that operating risk does not plateau once fund assets exceed a particular size, and the existing AUD 5 million cap (introduced in 2002) may no longer be sufficient for very large funds.

This option will be most relevant for responsible entities of large funds which currently operate under the limb with a AUD 5 million cap. Removal or uplift of the cap would result in materially higher NTA requirements, even where existing governance and compliance frameworks are well established.

**3. Ancillary considerations**

**Liquidity component.** ASIC is not making a formal proposal, but is also seeking feedback on whether the existing cash and liquid asset requirements remain appropriate, whether the minimum cash requirement should also be CPI-indexed, and whether the liquidity ratios should continue to be expressed as a proportion of required NTA.

**Concessional NTA regime.** ASIC is also consulting on the broader appropriateness of maintaining a concessional regime based on custody and asset type (including Tier AUD 500,000 class and special custody assets). It questions whether, given the broader objectives of the NTA requirement, it remains appropriate for responsible entities to benefit from concessional NTA simply because assets are held by a custodian.

**Extension to IDPS operators and corporate directors of retail CCIVs.** ASIC’s consultation paper also proposes that any changes adopted for responsible entities should also apply to IDPS operators and corporate directors of retail CCIVs, to preserve regulatory parity between fund operators.

Whilst ASIC and Treasury continues to consult on regulatory uplift in the funds space, financial services operators should also note that CP 388 canvasses the potential for future changes to NTA requirements for other Australian Financial Services (AFS) licensees (including custodial or depository service providers, issuers of margin lending facilities and retail over-the-counter (OTC) derivative issuers), and whether NTA requirements should be introduced for categories such as managed discretionary account (MDA) providers, operators of unregistered schemes, non-cash payment facility issuers, financial advice licensees crowd-sourced funding (CSF) intermediaries.

**4. Timeline and transition**

ASIC’s indicative timetable is:

Date	Event
18 March 2026	CP 388 released (Stage 1)
17 April 2026	Submissions due (Stage 2)
31 July 2026	ASIC to release its position and response to consultation (Stage 3)

If ASIC proceeds, it is proposing a six-month transition period to allow responsible entities and other fund operators to adjust their capital structures and operating capacity.

The proposed changes will have significant impacts across all responsible entities in Australia, big or small. For many this may require uplifted capital injections or a re-design of scheme and custody structures.

For specific advice on the potential implications of CP 388 for your business, please contact our financial services team.

Nicholas Langsworth, Associate, and Sergey Shumakov, Trainee, have contributed to this legal update.

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