



ASIC

Australian Securities & Investments Commission

CONSULTATION PAPER 149

Application for an Australian market licence: Financial and Energy Exchange Limited

March 2011

About this paper

This consultation paper summarises details of the application by Financial and Energy Exchange Limited (FEX) for an Australian market licence and seeks comments from interested persons about this application.

About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

Consultation papers: seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

Regulatory guides: give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

Information sheets: provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Reports: describe ASIC compliance or relief activity or the results of a research project.

Document history

This paper was issued on 7 March 2011 and is based on the Corporations Act as at 7 March 2011.

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The consultation process

You are invited to comment on the application by Financial and Energy Exchange Limited (FEX) for an Australian market licence, particularly on the matters raised in this consultation paper.

We also want to hear from you on any other issues you consider important in our consideration of FEX's application.

Your comments will help us formulate our advice to the Minister, who is ultimately responsible for granting the licence.

ASIC has yet to form a view about FEX's licence application and release of this material should not be seen as an indication that ASIC has decided to recommend to the Minister that the application be approved under s795B of the *Corporations Act 2001* (Corporations Act).

Making a submission

We will not treat your submission as confidential unless you specifically request that we treat the whole or part of it (such as any financial information) as confidential.

Comments should be sent by 18 April 2011 to:

Joe Grech
Senior Manager
Exchange Market Operators
Australian Securities and Investments Commission
GPO Box 9827
Sydney NSW 2001
email: joe.grech@asic.gov.au

What will happen next?

Stage 1	7 March 2011	ASIC consultation paper released
Stage 2	18 April 2011	Comments due on the consultation paper

A Background to this paper

Key points

FEX has applied for an Australian market licence under Pt 7.2 of the Corporations Act.

FEX proposes to operate an exchange market for energy, commodity and environmental derivatives.

The Minister is responsible for the licensing of financial markets under s795B of the Corporations Act. When making a decision whether or not to grant a licence, the Minister must take account of a range of matters, including any advice provided by ASIC.

The purpose of this consultation paper is to seek public comment on FEX's licence application to help us in formulating our advice to the Minister.

FEX's application for an Australian market licence

- 1 Financial and Energy Exchange Limited (FEX) is seeking approval from the Minister for an Australian market licence under s795B of the *Corporations Act 2001* (Corporations Act). For the purpose of its clearing and settlement arrangements, FEX has contracted LCH.Clearnet Limited (LCH) to become the clearing house for its proposed market.
- 2 LCH has applied to ASIC under s824B(2) of the Corporations Act for an Australian clearing and settlement facility licence (CS facility licence) to enable it to clear and settle transactions entered into on the proposed market.
- 3 Under the Corporations Act, ASIC must provide the Minister with advice on any application for an Australian market licence. The Minister must take into account a number of matters when deciding whether an applicant has satisfied the criteria set out in s795B(1), including any advice provided by ASIC. This advice will typically consider all relevant aspects of the application, including whether FEX has sufficient financial, technological and human resources to operate the market properly.

FEX's proposed market

- 4 FEX is a public company incorporated in NSW in October 2006. FEX has six major shareholders (in excess of 5%) who have a combined holding of 76% of the current shares on issue. These shareholders are:
 - (a) Iron Mountain Entertainment Pty Ltd (31.36 %);

- (b) AMB Holdings Ltd (13.05%);
- (c) Golden Horizon Finance Co Ltd (12.71%);
- (d) Joyway Consultants (7.43%);
- (e) Megabay Holdings Pty Ltd (7.12%); and
- (f) Nasdaq OMX (5.02%).

5 Under the terms of its licence application, FEX proposes to operate an exchange market for energy, commodity and environmental derivatives (FEX market). The financial products that will be traded on the FEX market at launch will be denominated in US dollars and will be cash-settled.

6 The Financial and Energy Exchange group (FEX Group) also has ownership interests in two entities that currently hold an Australian market licence:

- (a) *Mercari Pty Limited*: FEX owns 100% of Mercari Pty Limited, which operates an electronic over-the-counter (OTC) market for interest rate, foreign exchange, commodity, energy and environmental products.
- (b) *SIM Venture Securities Exchange (SIM VSE)*: FEX has a 50% stake in SIM VSE, which operates a securities market specialising in listings for ‘cleantech’ companies.

7 This consultation paper deals exclusively with FEX’s proposed exchange market for energy, commodity and environmental products (referred to in paragraph 5). The information about the other entities that FEX is involved in is provided only as background information to FEX’s overall business structure.

ASIC’s market supervisory function

8 The *Corporations Amendment (Financial Market Supervision) Act 2010* (Financial Market Supervision Act), which commenced on 1 August 2010, transferred to ASIC the responsibility for supervising trading on Australian domestic licensed financial markets. As a result, ASIC now has responsibility for supervising trading activities and conduct of business by market participants in relation to domestic licensed markets.

9 The Financial Market Supervision Act also inserted a new Pt 7.2A into the Corporations Act establishing a new rule-making regime. Under Pt 7.2A, ASIC can make market integrity rules dealing with activities and conduct in relation to licensed financial markets, including participants of the relevant market.

10 FEX’s licence application was received by ASIC before the transfer of market supervision on 1 August 2010. Its draft operating rules therefore

included all matters required to be dealt with under the law in force at that time.

- 11 ASIC is in the process of drafting market integrity rules for the FEX market using the same guiding principles underlying the market integrity rules for the Australian Securities Exchange (ASX) and ASX 24 (previously the SFE market) markets: see Consultation Paper 131 *ASIC Market Integrity Rules: ASX and SFE* (CP 131).
- 12 In brief, those principles were that ASIC should have responsibility for:
- (a) rules relating to market integrity;
 - (b) rules that assist the real-time monitoring of trading for protecting market conduct; and
 - (c) rules relating to general participant conduct, including participant conduct with clients.
- 13 The proposed FEX market integrity rules will be released for public consultation before ASIC provides advice to the Minister on FEX's licence application.

Your feedback

A1Q1 Are there any issues other than those identified in the questions for feedback in Section B of this consultation paper that you would like to raise as part of this consultation?

B Proposed operation of the FEX market

Key points

This section summarises the proposed structure of the FEX market as it relates to:

- the two categories of users FEX proposes to admit to its market (trading participants and clearing entities);
- financial resources;
- human resources;
- technological resources; and
- operating hours.

It also gives details of the proposed arrangements for clearing and settlement, monitoring and compliance, and compensation.

Market structure

Trading participants

- 14 Trading participants on the FEX market will have the right to trade on their own behalf and on behalf of another person. The draft operating rules for the FEX market include the following admission criteria for trading participants:
- (a) The applicant must be either a firm or corporation.
 - (b) The applicant must hold an Australian financial services (AFS) licence, or have relief or an exemption from holding an AFS licence.
 - (c) The applicant will need to satisfy FEX that they have an adequate number of staff who have achieved an acceptable standard of financial service experience and have not been disqualified from acting in that capacity by ASIC or a relevant offshore regulator.
 - (d) The applicant, each of its directors (if a corporation), each of its partners (if a firm), and each of its officers and staff members must also be of good fame, character and repute.
 - (e) Trading participants must maintain a capital level of at least \$1 million.
- 15 The draft operating rules permit trading participants to make available to clients an order router facility, which enables orders to be electronically transmitted to the trading system. The trading participant is responsible for all orders entered into the trading system using the order router facility.

Clearing entities

- 16 The draft operating rules require each trading participant to have a relationship with a clearing entity admitted to the FEX market (FEX clearing entity). FEX clearing entities have the right to undertake clearing and settlement for market contracts executed on the FEX market.
- 17 The draft operating rules set criteria for admission of clearing entities to the FEX market. These include:
- (a) a requirement that the applicant be approved by the clearing house as a clearing member; and
 - (b) a requirement that the applicant demonstrate that they have the ability to maintain a capital level of not less than the greater of \$1 million and the capital level specified by the clearing house for its clearing members.

Financial resources

- 18 In order to comply with the obligation in s792A(d) to have sufficient financial resources, a market licensee must assess what financial resources it will need to fund the ongoing proper operation of the market and all its other activities: see *Regulatory Guide 172 Australian market licences: Australian operators* (RG 172) at RG 172.102.
- 19 Financial forecasts contained in FEX's licence application provide information on the financial resources it will need to meet the costs that will arise during the first 12 months of operation of the FEX market, including those for the FEX Group's other activities.
- 20 FEX has indicated that it will hold this entire amount in cash at the launch of the FEX market, which we will require FEX to confirm at that time. In addition to this amount, at launch, FEX intends to have access to additional funding to meet the financial requirements that will arise for up to 18 months of operation.

Human resources

- 21 As the FEX market is a start-up market, FEX has taken a staged approach to recruiting staff. At launch, FEX will have 21 staff to operate and monitor its market, 15 in operations and six in the monitoring/compliance area. In its application, FEX has indicated that it will hire an additional six staff after 18 months of operating the market if required.

Technological resources

Trading system

- 22 The trading system FEX proposes to use is provided by OMX Technology AB (OMX), a subsidiary of OMX AB Group (OMX Group). OMX Group is a Swedish company now part of the Nasdaq OMX Group (NasdaqOMX).
- 23 The specific trading system that FEX will employ is known as X-stream, which is currently used by 15 other exchanges including the SIX Swiss Exchange, the National Stock Exchange of Australia and NasdaqDubai.
- 24 The trading system matches buy and sell orders using a matching algorithm which operates on a price/time priority basis. This is the most commonly used matching algorithm in the majority of global markets including the ASX and ASX 24 markets.
- 25 Orders by trading participants on the FEX market will be initiated either directly using trading participants in-house proprietary systems, or through trading participants' independent software vendors (companies that offer technology solutions) and routed to the FEX matching system via an application program interface (API) or Financial Information Exchange (FIX) interface.

Physical infrastructure

- 26 The installation and maintenance of the hardware component of FEX's X-stream system is outsourced. The provider will host the primary FEX production system at its Ultimo data centre, with a hot back-up site located in Botany Bay.
- 27 There are four gateways to connect to FEX's X-stream system. If there is a failure in one gateway, the application indicates that the trading participant will be automatically routed to another available gateway. Capacity is shared across all four connections with the load evenly distributed across these connections.

Operating hours

- 28 The FEX market will operate 20 hours a day, 5.5 days a week. The trading hours for the FEX market will be Monday to Friday 8:30 am to 5 pm Sydney time for the 'day' session and Monday to Friday 9 pm to 7:30 am Sydney time for the 'night' session. Based on these times, all trades on the market before 5 pm will be deemed to have traded on that business day. All trades after 9 pm will be deemed to have traded on the next business day.

Clearing and settlement

CS facility arrangements

- 29 LCH will provide central counterparty clearing services for the FEX market (FEX Clearing Facility). LCH is a Recognised Clearing House in the United Kingdom (UK) under the *Financial Services and Markets Act 2000* (FSMA (UK)) and is subject to the FSMA and other UK laws, rules and regulations.
- 30 LCH is subject to oversight by the UK Financial Services Authority (FSA) and is required as a Recognised Clearing House under Part XVIII of the FSMA to ensure ongoing compliance with recognition requirements. The Bank of England also has oversight of LCH's payment system, the Protected Payment System (PPS), under the *Banking Act 2009* (Banking Act (UK)).
- 31 LCH has applied for a CS facility licence under s824B(2) of the Corporations Act, which allows overseas CS facility operators to operate in Australia if the Minister is satisfied that they meet the criteria set out in s824B(2). If granted a CS facility licence, LCH will be subject to primary regulation and supervision by the FSA. LCH will also be regulated by ASIC and the Reserve Bank of Australia (RBA) under Pt 7.3 of the Corporations Act as an overseas CS facility operator.
- 32 Regulatory Guide 211 *Clearing and settlement facilities: Australian and overseas operators* (RG 211) details ASIC's regulatory approach to the licensing of CS facilities.
- 33 The clearing and settlement arrangements for the FEX market will be provided by a CS facility that is not owned by the financial market. This is in contrast to existing domestic CS facilities. However, the Corporations Act and RG 211 contemplate the possibility that a CS facility is not owned by the financial market and is overseas.

Your feedback

B1Q1 Are there any issues for trading participants with these clearing and settlement arrangements? Are there any issues that FEX should address in its arrangements with a CS facility that it does not own and that is overseas?

LCH's structure and services

- 34 LCH provides central counterparty clearing and settlement services for a range of asset classes on both exchange-traded and OTC markets.
- 35 It is a wholly owned subsidiary of LCH.Clearnet Group Ltd (LCH Group) registered in England. Members own 83% of the LCH Group, being major global investment banks, broker-dealers and specialist commodity houses.

Exchanges that have a clearing relationship with the LCH Group own the remaining 17%. FEX at this time does not hold an equity stake in LCH.

- 36 In providing clearing and settlement services to the FEX market, LCH will largely rely on its existing rules and procedures for admission to clearing membership and the systems it has in place for risk and trade management, margin collection and default management. Additional rules and procedures specific to the FEX market have been drafted by LCH.
- 37 The LCH rules, agreements with its clearing members and the Clearing Services Agreement between LCH and FEX are governed by English laws.
- 38 More information on LCH, including its current rulebook and its default fund rules and procedures, is publicly available at www.lchclearnet.com.

Location of facility

- 39 LCH will provide the FEX Clearing Facility from its existing infrastructure, which is located in the UK. FEX contracts will be transmitted to LCH using a FIX messaging interface.

Operating hours

- 40 LCH will be open to accept FEX contracts for registration and novation from 9:30 pm AEST to 6 pm AEST. For an overview of the operational timelines between FEX and LCH across both Sydney and London time zones, see the Appendix to this paper.
- 41 There will be periods of time when the FEX market is open for trading and LCH will not be accepting transactions for trade registration. This period may vary from 0.5 hours to 2.5 hours, depending on daylight saving arrangements.
- 42 The trades are queued by FEX when LCH is not accepting transactions and are then transmitted by FEX once LCH opens. The queuing of trades at source has been implemented on a number of other markets cleared by LCH, including, for example, the London Metal Exchange (LME) automated trading system LMESelect. On other markets cleared by LCH, trade registration occurs in real-time.
- 43 A risk of trade registration not occurring in real time is that FEX is not advised until LCH opens for trade registration that a trade has been declined for registration. LCH may decline to register a trade that fails to meet key eligibility for clearing, and it may decline to register a contract in the name of a defaulting clearing member under its default rules.
- 44 FEX will mitigate the risk of its contracts failing key eligibility criteria for clearing by reconfirming the criteria daily with LCH and performing its own

validation checks to ensure that only contracts eligible for clearing are transmitted to LCH. FEX will have powers under its operating rules to cancel trades declined for registration by LCH.

- 45 LCH mitigates the risk of clearing member default through its rulebook, which includes membership criteria, daily risk-based monitoring of its members and powers to call additional margins or restrict positions held by clearing members. If a clearing member is in default under LCH's default rules, FEX will implement agreed and documented default management procedures that include restricting or revoking a trading participant's trading access by FEX.

Your feedback

B1Q2 Would the queuing of trades for trade registration pose an issue for trading participants? If so, why?

Clearing members

- 46 To clear and settle FEX trades, a person, firm or corporation must be admitted as a FEX clearing entity and a clearing member of LCH.
- 47 At the launch of the FEX market, it is anticipated that trading participants will have clearing arrangements through London-based branches or entities of their respective group structures that are existing LCH clearing members.
- 48 Trading participants who do not have group relationships will have to make third party clearing arrangements.
- 49 At the launch of the FEX market, there will be at least three LCH members prepared to clear FEX trades on behalf of these participants.

Trade registration and novation

- 50 After a FEX contract is entered into by the buyer and seller, their clearing entity details are added, and the contract is immediately validated by FEX against key eligibility criteria. If it is determined to be a market contract eligible for clearing it will be transmitted to LCH as a 'FEX transaction'.
- 51 LCH registers FEX transactions upon receipt, subject to validation against key eligibility criteria. The key eligibility criteria include information such as contract code, currency and clearing member mnemonic.
- 52 Once successfully validated, the FEX transaction will be accepted and registered by LCH and a message will be sent to FEX confirming the transaction's registration. If not successfully validated, a rejection message will be sent to FEX.

- 53 For all markets it clears, LCH has the power under its rules to decline to register a transaction where it considers such action necessary for its own protection or the protection of the relevant market.
- 54 Under its proposed rules for the FEX market, LCH will have the power to set aside the contract if after registration it determines that the contract was not a FEX transaction, or at the time it was registered it did not meet the key eligibility criteria.
- 55 A FEX contract once set aside is deemed never to have been registered. LCH applies these rules to all markets that it clears.
- 56 Powers to decline registration and cancel contracts are a feature of clearing house operating rules domestically and internationally.

Your feedback

B1Q3 Would LCH's power to set aside FEX contracts after registration pose an issue for trading participants? If so, why?

Margining

- 57 After a FEX contract is executed, a client must pay an initial and variation margin.
- 58 LCH collects and pays margins and settlement obligations for cash-settled transactions, initial and variation margins through the PPS. An initial margin is a deposit provided to cover a potential loss in normal market conditions arising as a result of a change in overnight market prices. A variation margin is the valuation of the contract value of open positions against market settlement prices (also referred to as 'mark-to-market').
- 59 LCH currently accepts cash payments in British pounds sterling, US dollars, Japanese yen, euros and several other European currencies. For a full list of currencies LCH accepts, go to www.lchclearnet.com/member_notices/circulars/acceptable_collateral.asp.
- 60 The PPS is a direct debit system operated by a network of commercial banks, known as PPS banks, which provide accounts to both LCH and its clearing members in currencies in which margin obligations are incurred. PPS banks are obliged to make irrevocable payments to LCH at its request without requiring the pre-approval of its clients being LCH clearing members. The PPS is subject to the oversight of the Bank of England under the Banking Act (UK).
- 61 LCH has two established PPS, in the UK and the United States (US), to collect margins across UK and US banking windows. At the commencement

of the FEX Clearing Facility, LCH will use a correspondent bank based in Asia to collect any intra-day and additional end-of-day margins called from clearing members in the Asian banking window.

- 62 LCH collects end-of-day margins netted across all markets cleared and currencies from clearing members. Three scheduled intra-day FEX market margin calculations may result in the calling of intra-day margins from members across the UK, US and Asian banking windows. LCH may also call for the payment of additional cover from any clearing members before registering exchange for physicals (EFP) trades and block trades, or after the analysis of clearing member liabilities in end-of-day reports.
- 63 For details of LCH's operational timelines for the calling of intra-day and end-of-day margins, see the Appendix to this paper.

Your feedback

B1Q4 Are the proposed clearing and settlement arrangements for the FEX market adequate? If not, why not?

Monitoring and compliance function

- 64 Market licensees retain responsibility for the operation of their markets. They are required to set rules for their markets, which continue to be referred to in the Corporations Act as 'operating rules'.
- 65 These operating rules govern how trading can take place on the market and deal with operational matters, admission of participants, monitoring and enforcement issues.
- 66 The proposed arrangements for the FEX market provide for the formation of a Compliance Department and a Compliance and Conduct Committee (CCC) as a disciplinary committee. The Compliance Department will investigate alleged breaches of operating rules and, where the breach is not significant, record a breach and finalise the matter.
- 67 For breaches of operating rules that are considered significant, the Compliance Department will refer the matter to the CCC for disciplinary action.
- 68 The CCC may conduct a hearing or conduct proceedings on the papers and can make a finding that a breach has or has not occurred. The draft operating rules provide for a range of sanctions and penalties including fines, censures and issuing directions for parties to take remedial action.
- 69 Decisions of the CCC may be appealed to FEX's Appeal Tribunal.

Your feedback

B1Q5 Are the proposed arrangements for monitoring and enforcing compliance with the operating rules of the FEX market adequate? If not, why not?

Compensation arrangements

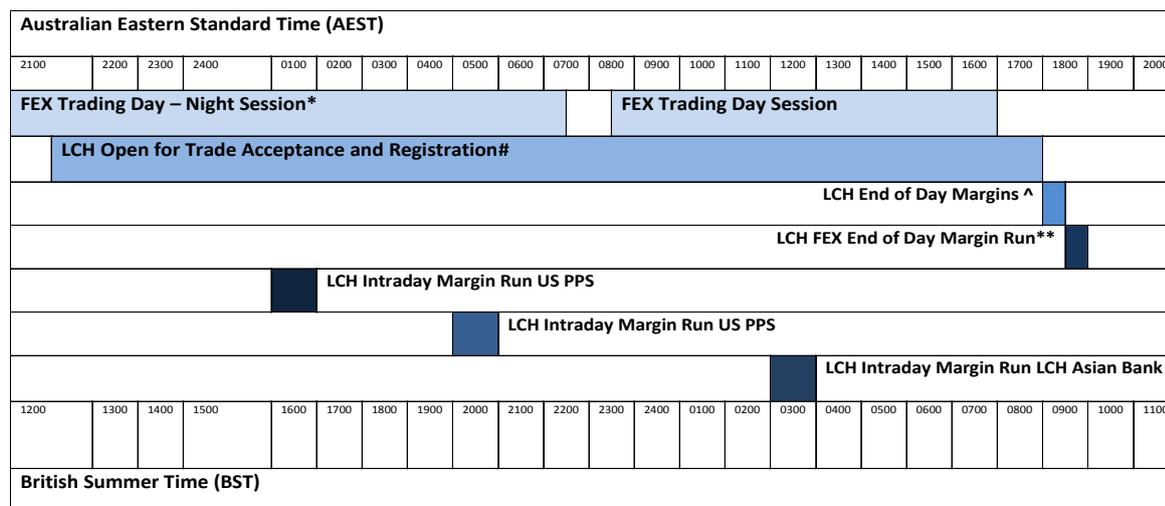
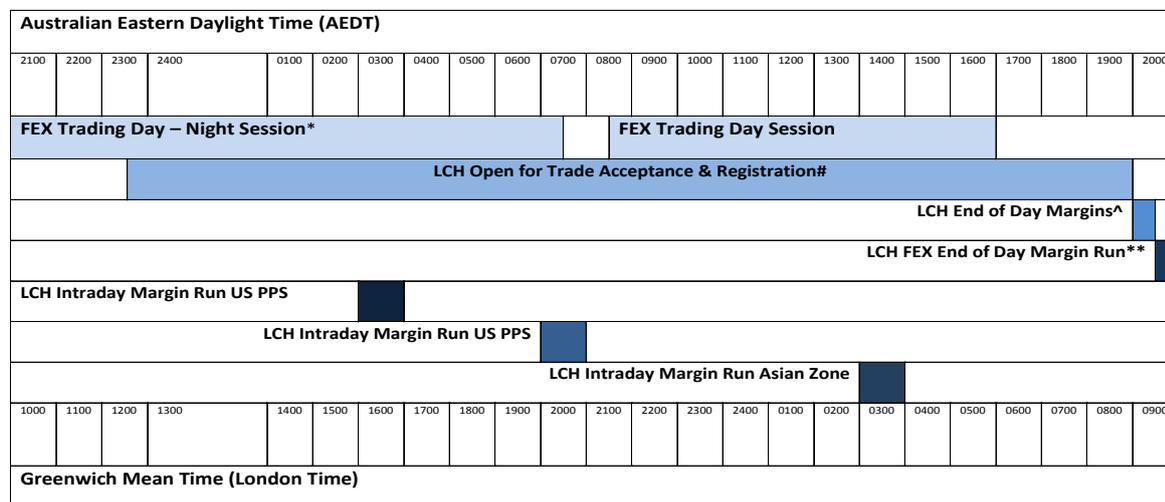
- 70 The FEX board is responsible for ensuring that FEX has approved compensation arrangements for its market in accordance with Pt 7.5 of the Corporations Act.
- 71 FEX proposes to use a combination of a fidelity fund and a bank guarantee as the source of its compensation arrangements. The proposed compensation arrangements will be set at a \$1 million minimum amount on launch.
- 72 The minimum compensation arrangements proposed by FEX are consistent with other similar markets operating in Australia.
- 73 The value of the fidelity fund will increase over time as trading participants on the FEX market make annual contributions to the fund.
- 74 FEX's compensation regime is set out in its compensation fund rules. The board will assess the compensation arrangements on a quarterly basis or more frequently if required, to ensure that they continue to be adequate.

Your feedback

B1Q6 Is the size of the proposed fund sufficient? If not, why not?

Appendix: Proposed operational timelines for FEX market and LCH

Figure 1: Proposed timelines for trading, trade acceptance and registration and margining



* After the completion of the Friday night session at 7.30 am Sydney time, the FEX market will close for trading and reopen on Monday for the day session of Monday’s trading.

After the completion of the Friday night session, LCH will close for trade registration and reopen for the continuation of trade registration for Monday’s trade date either before or at the commencement of the Monday day session.

^ At 9 am London time, LCH clearing member (PPS banks) are required to make irrevocable commitments to meet end-of-day margin calls netted across all markets and currencies.

** At 9.30 am London time, end-of-day margin runs for the FEX market will be calculated. These margins will be called on a trade-date+1 basis and not after close of business.

Key terms

Term	Meaning in this document
AEST	Australian Eastern Standard Time (Sydney time)
AFS licence	An Australian financial services licence under s913B of the Corporations Act that authorises a person who carries out a financial services business to provide financial services Note: This is a definition contained in s761A of the Corporations Act.
ASIC	Australian Securities and Investments Commission
Australian market licence	An Australian market licence under s795B of the Corporations Act that authorises a person to operate a financial market
Banking Act (UK)	<i>Banking Act 2009</i> (UK)
CCC	Compliance and Conduct Committee, the proposed disciplinary committee for the FEX market
Corporations Act	<i>Corporations Act 2001</i> (Cth), including regulations made for the purposes of that Act
CS facility licence	An Australian clearing and settlement facility licence under s824B that authorises a person to operate a CS facility in Australia
FEX	Financial and Energy Exchange Limited
FEX clearing entity	A clearing entity admitted to the FEX market, which has the right to undertake clearing and settlement for market contracts executed on the FEX market
FEX Clearing Facility	LCH's proposed clearing and settlement facility to be provided to financial institutions who wish to clear and settle transactions entered into on the market to be operated by FEX
FEX contract	A contract formed as a result of a matched transaction on the FEX market
FEX market	The market that FEX proposes to operate under its Australian market licence
FEX transaction	A FEX contract with attached details of the clearing entity nominated by the trading participant
Financial Market Supervision Act	<i>Corporations Amendment (Financial Market Supervision) Act 2010</i> (Cth)
FSA	Financial Services Authority (UK)
FSMA (UK)	<i>Financial Services and Markets Act 2000</i> (UK)

Term	Meaning in this document
LCH	LCH.Clearnet Limited
London time	The local time in London, which will be Greenwich Mean Time (GMT) or British Summer Time (BST)
market integrity rules	Rules made by ASIC, under s798G of the Corporations Act, for trading on domestic licensed markets
market licensee	The holder of an Australian market licence under Pt 7.2 of the Corporations Act
PPS	The Protected Payment System, a direct debit system operated by a network of commercial banks, known as the PPS banks
RBA	Reserve Bank of Australia
s795B (for example)	A section of the Corporations Act (in this example, numbered 795B)
Sydney time	The local time in Sydney, which will be Australian Eastern Standard Time (AEST) or Australian Eastern Daylight Time (AEDT)
X-stream	The trading system that FEX proposes to use

List of questions

Questions for your feedback

A1Q1 Are there any issues other than those identified in the questions for feedback in Section B of this consultation paper that you would like to raise as part of this consultation?

B1Q1 Are there any issues for trading participants with these clearing and settlement arrangements? Are there any issues that FEX should address in its arrangements with a CS facility that it does not own and that is overseas?

B1Q2 Would the queuing of trades for trade registration pose an issue for trading participants? If so, why?

B1Q3 Would LCH's power to set aside FEX contracts after registration pose an issue for trading participants? If so, why?

B1Q4 Are the proposed clearing and settlement arrangements for the FEX market adequate? If not, why not?

B1Q5 Are the proposed arrangements for monitoring and enforcing compliance with the operating rules of the FEX market adequate? If not, why not?

B1Q6 Is the size of the proposed fund sufficient? If not, why not?
