

# **Broker Fact Sheet**

## Product design and distribution obligations



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## How Bank Australia is implementing this reform and how it may affect you

July 2021

### Delivering positive outcomes and experiences for our customers

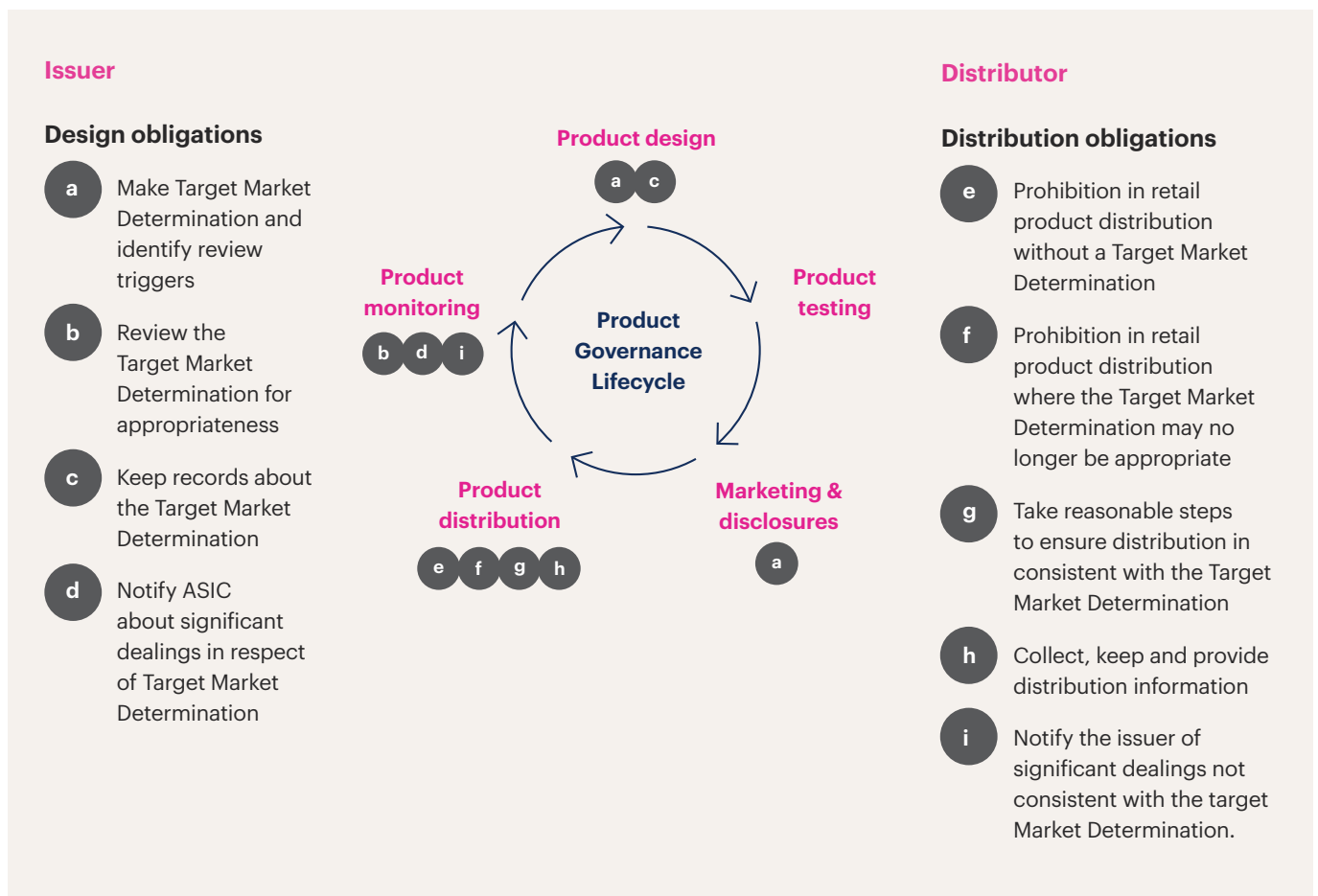
At Bank Australia, we're committed to delivering customer value and offering services that are transparent, honest and fair.

We understand there are many components to the new Design & Distribution Obligations that affect us as issuer of products and you as a distributor of those products, so to support you we're sharing our approach to this reform and how this may affect you.

### An overview of the obligations

The Design and Distribution Obligations apply to:

- Issuers of financial products
- Distributors of financial products



## For Issuers

Before Bank Australia and its distributors (including Brokers when acting under a general advice model) engage in retail distribution conduct for certain retail products, Bank Australia must prepare a Target Market Determination (TMD) – see the Target Market Determinations section below.

Additionally, Bank Australia must:

- Make a Target Market Determination and identify review triggers
- Review the Target Market Determination for appropriateness
- Keep records about the Target Market Determination
- Notify ASIC about significant dealings in respect of Target Market Determination

## For distributors (Brokers)

Distributors must:

- Prohibition in retail product distribution without a Target Market Determination
- Prohibition in retail product distribution where the Target Market Determination may no longer be appropriate
- Take reasonable steps to ensure distribution is consistent with the Target Market Determination
- Collect, keep and provide distribution information
- Notify the issuer of significant dealings not consistent with the Target Market Determination

## Target market determinations

Target Market Determinations (TMDs) describe the class of customers a product is designed for, to make sure we continue to offer value across our products to customers.

TMDs will include:

- A description of the product, including its key attributes and eligibility criteria
- The likely objectives, financial situation and needs of the class of customers who comprise the target market
- A description of who the product is not suitable for, and who are ineligible for the product
- Our distribution conditions
- The distribution information we need from our distributors, and reporting timeframes.

A distributor will need to comply with the distribution conditions outlined in the TMD for the product together with their distribution arrangements with Bank Australia. A distributor must also take reasonable steps that will, or are reasonably likely to, result in distribution of a product being consistent with the TMD (see Distribution conditions and reasonable steps section below).

## **Making the TMD publicly available**

From 5 October 2021, a TMD must be made publicly available and free of charge for a financial product to be sold.

Bank Australia will make the TMD for each relevant retail product available online through your usual partner channel <https://www.bankaustralia.com.au/brokersupport>.

## **Promotional materials**

Any materials produced referring to Bank Australia product need to be shared with us for approval. Please contact your Bank Australia Account Manager for how this needs to be done.

## **Distribution conditions and reasonable steps**

Bank Australia requires its distributors to distribute retail products using its application process. The application process incorporates the eligibility criteria set out in the TMD.

Products should not be sold outside of any Bank Australia approved application process.

In addition to the application process, distributors must also consider their own reasonable steps to make sure their distribution of our retail products is consistent with the TMD. These may include (but aren't limited to):

- Your marketing activity and materials are aimed at the target market.
- You monitor compliance with our TMD, including compliance with our Distribution Conditions and Distribution Information.
- You identify and manage potential conflicts of interests.
- You have processes and procedures in place for monitoring for, and escalation of, non-compliance with our TMD.
- Your staff are adequately trained in the product and its distribution, including our TMD and application process.

You have processes and procedures in place for monitoring, and escalation of, the sales conduct of your staff.

## Significant dealings

A distributor must monitor the distribution of our retail products for compliance with our TMD.

If a dealing is identified as not complying with the TMD, a distributor must assess whether that dealing is significant to it. You will need to consider a process independent of Bank Australia for assessing whether any identified non-compliance dealing is significant for you.

If assessed as significant by the distributor, a distributor must notify Bank Australia (in writing) of that significant dealing as soon as practical, but in any event within 10 business days of becoming aware.

Whether a dealing is significant will likely differ between issuers and distributors, and be determined on a case-by-case basis, but these factors may be considered relevant:

- Proportion of consumers who acquire the product and aren't in the target market
- The extent of actual or potential harm to these consumers
- Nature and extent of inconsistency of distribution with the TMD
- Proportion of consumers not in the target market who acquire the product
- The time period in which these acquisitions outside the target market occurred.

Notification of significant dealing is to be in the prescribed Bank Australia format.

## Where can I go for information?

Whilst we will continue to update you on how we're addressing regulatory reforms, in the first instance contact your Bank Australia Account Manager.

Please note this document provides general information only about the reforms and Bank Australia's approach. It is not legal advice. Please contact your legal team, or obtain independent legal advice, for information on what you and your company are required to do to comply with these reforms.