



DESIGN & DISTRIBUTION OBLIGATIONS RG 274

Briefing pack for retail registered funds



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1 – BACKGROUND

DESIGN AND DISTRIBUTION OBLIGATIONS RG274

On 11th December 2020 ASIC released it's final guidance on Design and Distribution Obligations RG 274. These changes come into effect 5th October 2021.

The key aim of this regulation is to move towards a more consumer centric approach for Retail clients of financial products.

Specifically for Equity Trustees Corporate Trustee Services (CTS) this relates to **Retail investors**.

To this end there are a number of key factors identified by ASIC that need to be considered, adopted and implemented by any **Issuer** and/or **Distributor** of products that become, or could become visible to a Retail investor via any sales channel.

At a high level these are captured under the term **Product Governance Arrangements** (replacing ASIC's earlier Product Governance Framework). Simplified these arrangements need to include

- Product design including articulation of the Target Market Determination (TMD)
- Product distribution – how the product reaches a Retail investor
- Product monitoring and review – how the product is monitored and reviewed to ensure it stays within TMD, including but not limited to the sharing of information between Distributor and Issuer

Members of the **Financial Services Council** (FSC) are being granted access to an industry standard TMD template to assist in the implementation and subsequent monitoring of their Retail financial products.

ASIC final guidance notes 11 December 2020 click [here](#)



2 – WHAT IS CHANGING FOR CTS?

CTS is adopting the FSC industry standard TMD template. This ensures a standard approach across our impacted Funds.

CTS acknowledge that some Investment Managers and/or Distributors are FSC members and will have already received communication relating to this template.

Likewise, some Investment Managers may be unaware of this industry standard template coming into existence, or may not be members of the FSC.

KEY CHANGES ISSUER

- TMDs to be created for each Retail investor product and shared across all distribution channels
- Ensuring Product Governance Arrangements address DDO requirements across all stages of the Product lifecycle
- Additional monitoring and review processes to ensure TMDs are reviewed and updated when required, and distribution outside TMD can be identified.
- Notify ASIC of any “significant” dealing outside of TMD
- Perform periodic reviews of TMDs
- Keep detailed records of the TMD review process and decisions made as a result of the review

KEY CHANGES DISTRIBUTOR

- TMDs provided by Issuer to be made publicly available upon request at no extra cost.
- Take reasonable steps to distribute the product as per TMD, including any distribution conditions or restrictions imposed by the Issuer
- Provide the Issuer with relevant and necessary data to support TMD monitoring and review including but not limited to Complaints, performance, pricing, existing consumer classes excluded consumer classes
- Notify Issuer of any “significant” dealing outside of TMD within preset time frame



3 – WHAT DOES THIS MEAN FOR ME?

INVESTMENT MANAGER

- Each product in scope will need a TMD produced and made publicly available by 5th October 2021
- Understanding what data your distributor(s) already collect to be potential TMD review triggers for your products
- Potential involvement in a series of working groups to test out key standard data and triggers to be utilised within TMDs
- Engagement with your Marketing and Promotional teams to align to TMD consumer classes

DISTRIBUTOR PLATFORM (VIA INVESTMENT MANAGER)

- Providing more specific information to the Issuer on products distributed and sold via each channel
- Hosting TMDs
- Communicating and training Distribution network on the specific Distribution conditions and restrictions applicable to each TMD
- Updating marketing or promotional materials to align with TMD by 5th October 2021.
- Partnering with Issuer on periodic reviews of TMDs
- Installing trigger mechanisms for significant dealing to TMDs

SERVICE PROVIDER (UNIT REGISTRY, ADMINISTRATOR, PRIME BROKER)

- Share what data is collected right now that can support Issuers and Distributors to create standard risk based review triggers for TMDs
- Providing more specific information on transactions undertaken relating to pricing, performance and consumer classes
- Provide industry insights related to review triggers

4 - WHAT DO I NEED TO DO BEFORE 31ST MARCH 2021



INVESTMENT MANAGER

- Let us know if you are a member of the FSC or have purchased the FSC TMD
- Verify products in scope for DDO
- Confirm your current distribution arrangements
- Confirm key contact(s) for the Fund in relation to the DDO project
- Let us know if you are willing to take part in a series of Working Groups to standardise TMD population approach, storage, archiving and review triggers
- Advise if you are planning on moving any Wholesale Funds to Retail or vice versa pre 5th October 2021

DISTRIBUTOR PLATFORM (VIA INVESTMENT MANAGER)

- Let us know if you are a member of the FSC or have purchased the FSC TMD
- Advise if you are considering vendor selection to support with TMD publishing, storage and archive and if so whom
- Let us know if you are willing to take part in a series of Working Groups to define, test and review triggers prior to rollout of TMDs

SERVICE PROVIDER (UNIT REGISTRY, ADMINISTRATOR, PRIME BROKER)

- Let us know if you are a member of the FSC or have purchased the FSC TMD
- Let us know if you are willing to take part in a series of Working Groups to define, test and review triggers prior to rollout of TMDs

5 – WHAT HAPPENS NEXT AND WHEN?



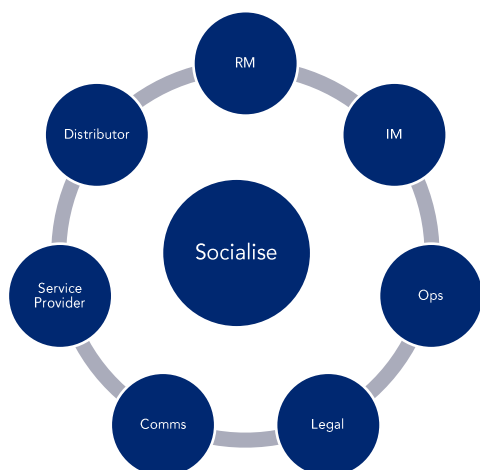
MARCH

APRIL

MAY – SEPTEMBER

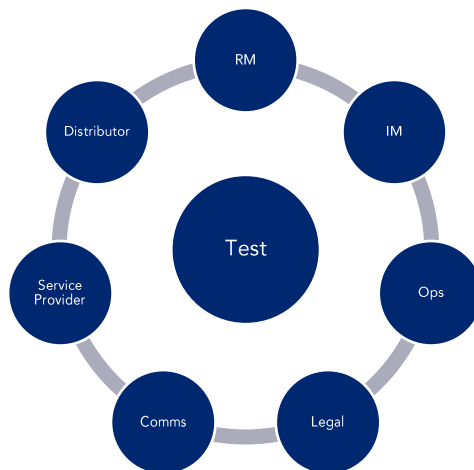
Socialise

Share project plan, approach and TMD with Working groups



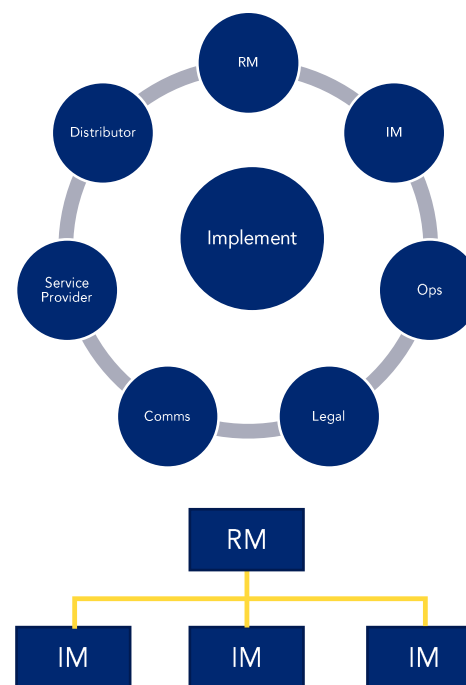
Test

Work through TMD data points and triggers with Working Groups /



Implement and Train

Rollout TMD population, publish and review triggers in tranches.



6-8 week cycle (1 fund start to finish)/Tranched approach Simple vs Complex funds

5 – HOW WILL WE CREATE THE WORKING GROUPS?

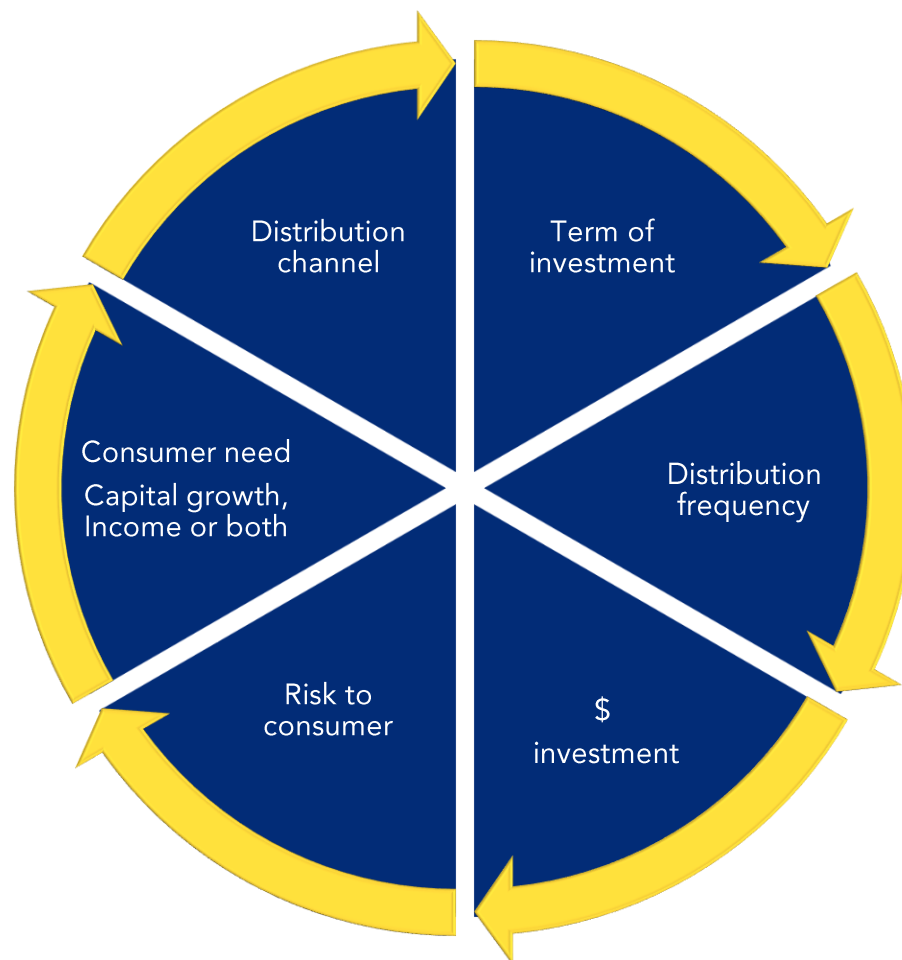


We intend to group the in-scope Funds into 'like' categories to enable targeted focused working group sessions.

Groupings will be shared at the Socialise phase and are subject to amendment based on discussion at these working groups.

Each working group session will work towards an outcome of developing a standard approach to populating key fields within the TMD.

The outcomes will go through a Test phase with a number of Funds to assure effective deployment.





6 – QUESTIONS AND KEY CONTACTS

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