

# Netwealth approach to Product design & distribution obligations

## Q&A for Licensees & Advisers

19 August 2021

From 5 October 2021, issuers and distributors of financial products must comply with the Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Act 2019 (DDO). As you are a distributor of one or more of Netwealth's products, we have prepared this document to help you understand Netwealth's approach to the DDO.

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### 1 What are Product design & distribution obligations (DDO)?

The product design and distribution obligations are intended to help consumers obtain appropriate financial products by requiring issuers and distributors to have a consumer-centric approach to both the design and distribution of their products. It has been designed to reduce the reliance on consumer disclosure and move a larger portion of the burden of appropriate product distribution to the product issuer and any associated distributors.

### 2 What are the legislative and regulatory instruments supporting the DDO regime?

- Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Act 2019, and
- Regulatory Guide 274 – Product Design and Distribution Obligations

### 3 From when is DDO effective?

Issuers and distributors of financial products must comply with the design and distribution obligations in Pt 7.8A of the Corporations Act 2001 (Corporations Act) from 5 October 2021. It is at this date that you will need to ensure you have processes and procedures in place to meet your distribution obligations under the DDO.

#### 4 What is a TMD?

A Target Market Determination (TMD) is a new document prepared by the product issuer (in this case, Netwealth and the issuers of products you use on the Netwealth platform, e.g., fund managers) which describes the class of consumers that comprises the target market for the product. It also contains other important matters relevant to the product's distribution and review.

#### 5 Which Netwealth products are covered by DDO?

The following Netwealth issued products are covered by DDO:

Product category	A TMD has been created for
Platform	Super Accelerator Core Super Accelerator Plus Wealth Accelerator Core Wealth Accelerator Plus Russell Investment Super Series Russell Investment Wealth Series
Managed Accounts	Netwealth Managed Accounts
Managed Funds	Netwealth Index Opportunities Conservative Fund Netwealth Index Opportunities Balanced Fund Netwealth Index Opportunities Growth Fund Netwealth Active 30/70 Conservative Fund Netwealth Active 50/50 Balanced Fund Netwealth Active 70/30 Growth Fund Netwealth Active 90/10 High Growth Fund Netwealth Australian Bond Index Fund Netwealth Australian Property Index Fund Netwealth Australian Equities Index Fund Netwealth Unhedged International Equities Index Fund Netwealth Hedged International Equities Index Fund Netwealth Global Bond Index Fund Magellan GSS Global Fund Magellan GSS Infrastructure Fund First Sentier GSS Concentrated Australian Share Fund Netcash

#### 6 What does Netwealth expect of distributors in relation to DDO?

From 5th October 2021 you will need to understand and follow the distribution conditions and reporting requirements set out in the relevant TMD. This includes regular (quarterly) reporting on complaint numbers even where no complaints were received. You will also need to notify Netwealth of any dealings outside of TMD that you consider significant. These significant dealing reports need to be made within 10 business days of you becoming aware.

For specific requirements relating to each product issued by Netwealth, please see 'Distribution Conditions' and 'Reporting Requirements' section of the relevant TMD.

## 7 What will my reporting requirements be for Netwealth Products?

All products issued by Netwealth at least have the same two reporting requirements shown below. We may include additional reporting requirements if we feel they are necessary for us to meet our obligations under the DDO regime. Please note the final wording may differ slightly from that shown below.

Report	When?	How?
<p><b>Complaints</b> – Complaints (as defined in section 994A(1) of the Act) relating to the product design, product availability and distribution.</p> <p>The distributor should provide all the content of the complaint, having regard to privacy.</p>	<p>Within 10 business days following the end of the calendar quarter.</p>	<p>Using FSC data standards (where possible) and submitting to <a href="mailto:ddo@netwealth.com.au">ddo@netwealth.com.au</a></p>
<p><b>Significant dealings</b> – For each instance where the AFS Licensee becomes aware that a significant dealing has occurred.</p> <ul style="list-style-type: none"><li>• The reason why the dealing was considered outside of target market, and</li><li>• What proportion of acquisition(s) that led to the significant dealing was undertaken under 'excluded conduct' (see s994A(1)).</li></ul>	<p>As soon as practicable, and in any event within 10 business days after the AFS Licensee becomes aware of the significant dealing.</p>	<p>Using FSC data standards (where possible) and submitting to <a href="mailto:ddo@netwealth.com.au">ddo@netwealth.com.au</a></p>

## 8 What obligations apply to the underlying products I use through Netwealth?

Each product will have its own Target Market Determination which will list any obligations you and your Licensee will be obliged to follow should you continue distribution post 5 October. Most Target Market Determinations will include a requirement to report on both significant dealings and complaints, at a minimum.

## 9 How will I be able to report to Netwealth on Complaints & Significant Dealings?

Complaint and significant dealing reports can sent to [ddo@netwealth.com.au](mailto:ddo@netwealth.com.au).

Netwealth will also be able to receive reporting through the BC Gateway (Iress) blockchain solution if your business plans on using it.

## 10 How will Netwealth TMDs be made available?

All Netwealth TMDs will be available from [netwealth.com.au](http://netwealth.com.au) as soon as they are finalised.

We will also be distributing TMDs in PDF format and machine-readable format through Morningstar and Iress (BC Gateway).

## 11 How can I obtain the TMDs for investment options available on the Netwealth platform?

In a similar manner to PDSs today, TMDs for each relevant investment option will be available through the Netwealth platform. Advisers and licensees can do this by logging into the Netwealth portal and

visiting the Compare Funds page. TMDs will progressively be made available as each product issuer makes them available to Morningstar.

**12 As a financial adviser, where should I go to understand my obligations as a distributor?**

DDO obligations go much further than what has been described in this document. You should refer to your Licensee to understand your obligations in full.