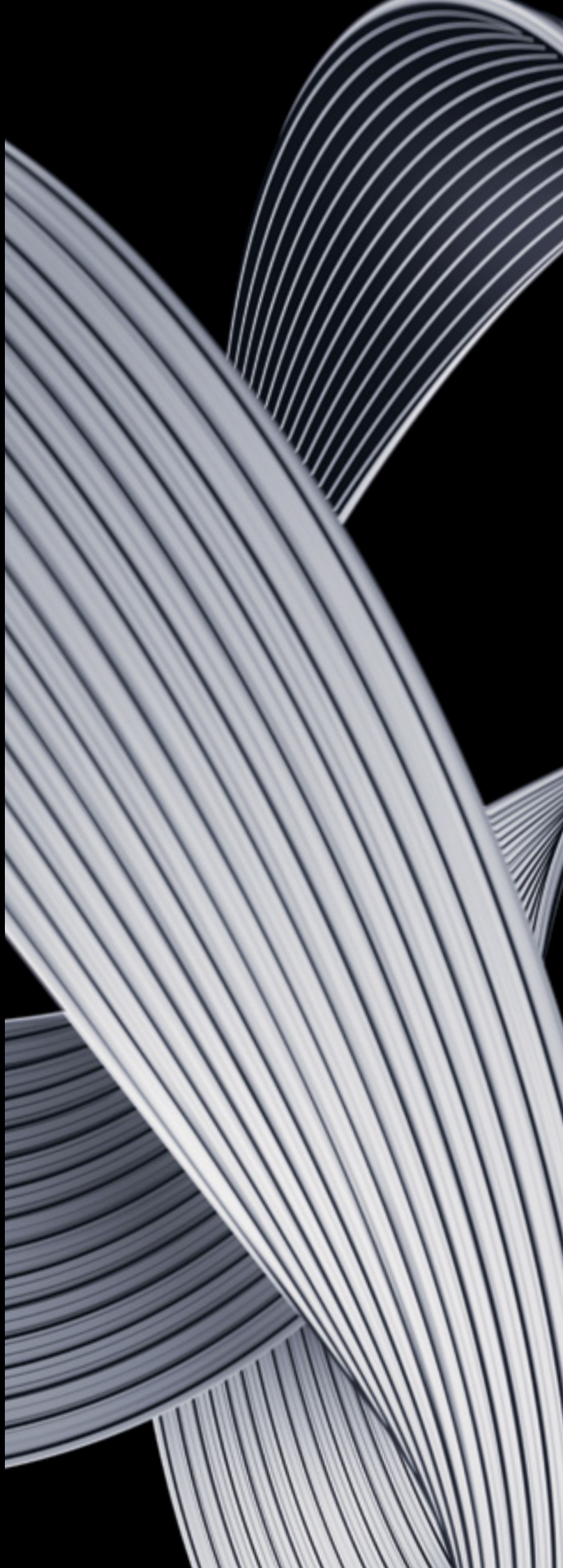


Design and Distribution Obligations

Training pack for distributors





Design and Distribution Obligations Training Pack

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Overview

This training pack will help you understand more about the Design and Distribution Obligations (DDO) regime and the obligations it places on product issuers (Issuers) and product distributors (Distributors).

The objective of DDO is to help clients obtain financial products that are appropriate for their likely objectives, financial situation and needs. It requires Issuers and Distributors of financial products to adopt a client-centric approach to product design and distribution.

For more information about DDO, including our current TMD's go to macquarie.com.au/ddo.

What are the Design and Distribution Obligations?

DDO requires issuers and distributors of financial products to have a customer-centric approach to the design and distribution of their products, with the aim of helping customers to obtain financial products that are appropriate for their objectives, financial situation and needs.

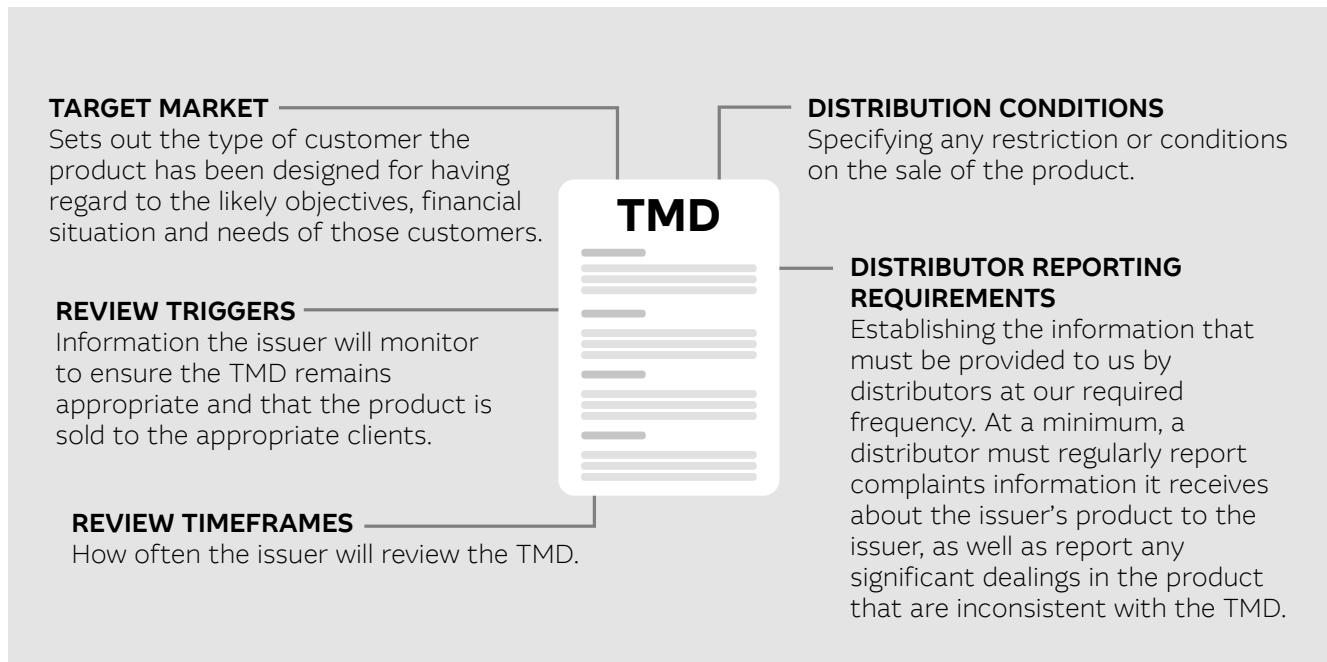
The obligations apply to a broad number of financial products including (but not limited to) home loans, credit cards, car loans, wrap platforms and bank accounts.

What is a Target Market Determination (TMD)?

As a product issuer it's our responsibility to create a TMD for each of our products covered by DDO. The TMD:

- **Describes the Target Market:** sets out the type of customer the product has been designed for having regard to the likely objectives, financial situation and needs of those customers.
- **Establishes Distribution Conditions:** details the conditions or restrictions on the sale of the product.
- **Establishes Reporting Requirements:** sets out the relevant information that must be provided to us by distributors at our required frequency. At a minimum, a distributor must regularly report complaint information it receives about the issuer's product to the issuer, as well as report any significant dealings in the product that are inconsistent with the TMD.

What is included in a TMD?



Reflection questions

How are you going to keep track of TMDs and ensure that they are current?

How are you going to train your staff on TMDs and their individual reporting requirements?

Key Obligations

What are the key obligations for a product issuer?

Our key responsibilities as a product issuer are:

- to create and maintain a TMD for all our products that are covered by DDO
- to take reasonable steps to ensure our products are distributed in line with those TMDs.

What are the key obligations for a product distributor?

The key obligations for product distributors are:

- to ensure there's a TMD in place for all of the products that they distribute that are covered by DDO
- to understand and follow the distribution conditions and reporting requirements set by the product issuer in the relevant TMD (e.g. they must keep and report on the information specified in the TMD)
- to take reasonable steps to ensure the product is distributed in line with the TMD
- to keep records of distribution information
- to report information to the issuer as required by the TMD.

* Note: In certain circumstances involving Personal Advice, the distributor reasonable steps obligations do not apply.

What are distribution conditions?

Distribution conditions are conditions or restrictions on the sale of a product, put in place by the issuer, to ensure that the product is sold to customers in line with the TMD. Product distributors will need to adhere to the distribution conditions established in the TMD.

If you're a distributor of our product/s, what's expected of you?

You're expected to understand the requirements we establish in the TMDs for our products.

This means you need to:

- understand the target market defined in a TMD and take reasonable steps to ensure the product is distributed in accordance with the TMD
- understand and adhere to any distribution conditions established in the TMD
- provide information as specified in the TMD, at the required frequency and in the required form
- keep accurate records of the reasonable steps taken and any information provided to us
- report to us where you believe a significant dealing in the product which is inconsistent with the product's TMD has occurred.

* Note: In certain circumstances involving Personal Advice, the distributor reasonable steps obligations do not apply.



Reflection question

What policies are you putting in place to ensure you meet your obligations as a distributor?

Reporting requirements

Reporting requirements may differ with each TMD. Reporting on complaints and significant dealings is a minimum requirement of DDO however, some issuers may require you to provide additional information.

Complaints reporting

What's a complaint?

DDO requires external distributors of our products to report to us the complaints they have received about our products (covered by our TMDs).

A complaint is an expression of dissatisfaction made by an account holder (or someone legitimately representing their interests) related to our products, where a response or resolution is explicitly or implicitly expected or legally required.

Distributors should refer to ASIC's guidance on complaints (Regulatory Guide 271) for further information.

What does a distributor need to do?

We expect distributors of our products to report complaints to us as soon as they occur, using our online complaints form (macquarie.com.au/feedback-and-complaints/complaints-form.html).



Reflection questions

How will you ensure that any product-related complaints are forwarded to us as they arise?

Significant dealing

What is a significant dealing?

A significant dealing report is intended to capture material or significant distribution of a product outside of its TMD.

Whether or not a dealing is significant will depend on a variety of circumstances, including the scale of distribution outside the TMD and the risk of harm to those consumers from such distribution.

Each distributor will need to make their own assessment as to whether a particular dealing (or dealings) outside of a TMD is significant and needs to be reported to Macquarie.

What does a distributor need to do?

A distributor must report any significant dealings to us as soon as possible, but at latest within 10 business days of becoming aware of the dealing.

Significant dealings must be reported to Macquarie via email (**ddosignificantdealings@macquarie.com**) and should contain the following details:

- the TMD the significant dealing relates to;
- the date or the date range which the dealing occurred;
- a description of the dealing;
- an explanation of why the dealing is considered significant;
- an explanation of why the dealing is considered to be inconsistent with the TMD;
- how the dealing was identified (e.g., through monitoring, complaints etc); and
- what steps have been or will be taken in relation to the significant dealing.



Reflection questions

What processes are you putting in place to detect a significant dealing?

How are you going to capture the details of significant dealings related to a Macquarie product?

What processes are you putting in place to ensure you report any significant dealings to us within 10 business days of becoming aware of the dealing?

Summary

DDO will go live on 5 October 2021.

Make sure you are familiar with your key obligations as a distributor under DDO.

Make sure you are familiar with TMDs and ensure that you are taking reasonable steps that will (or are reasonably likely to) result in distribution of a product being consistent with the relevant TMD.

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