

MSC Update

28 June 2021



Dear customer

We would like to take this opportunity to remind you of the upcoming Design and Distribution Obligations (**DDO**) which come into effect on 5 October 2021.

As the manager of a Registered Managed Investment Scheme (**MIS**), customer will be required to meet additional obligations when distributing financial products to retail clients.

Below is a summary of the new obligations and how they impact you as a distributor and MSC as an issuer of financial products. We expect to provide further details in due course.

Design and Distribution Obligations

From 5 October 2021, there will be new obligations on issuers and distributors of financial products issued to retail clients. The purpose of the DDO amendments is for issuers and distributors of financial products to develop and maintain effective product governance arrangements so that consumers receive financial products that are consistent with their likely objectives, financial situation and needs.

This involves making a target market determination (**TMD**) for the product which sets out the key attributes of the product, a description of the likely objectives, financial situation and needs of investors in the target market, and appropriate parameters around the distribution of the product. A TMD is a stand-alone written document that must be made publicly available on your website.

Issuer Obligations of MSC

Where MSC acts as trustee of a managed investment scheme offered to retail clients, MSC will be required to comply with the obligations for Issuers, which include:

- (a) making a target market determination (**TMD**) for the scheme;
- (b) taking reasonable steps to direct distribution of the interests in line with the TMD;
- (c) reviewing and monitoring the TMD (i.e. post-sales review);
- (d) notifying ASIC of significant dealings not consistent with the TMD; and
- (e) keeping records of decisions made.

Consistent with MSC's current engagement via the Management Agreement, MSC will rely on you as the Manager to prepare and review the TMD for your own scheme and monitor when specified triggers are met. MSC is preparing a template TMD which it will provide to Managers within the next month. You will be required to tailor the template TMD for its scheme and provide it to MSC for review and approval.

MSC will also require Managers to regularly report on aspects of the scheme's distribution, including

methods of distribution, performance, complaints and investor feedback in order to ensure it is able to adequately monitor and review the TMD and that distribution is in line with the TMD.

This will involve Managers recording and reporting additional data to MSC on a quarterly basis. These data keeping obligations and additional reports will be required under our Management Agreements, which will be amended prior to the commencement of the DDO in October.

Distributor obligations of the Manager

In addition to the obligations of MSC as the issuer of financial products, distribution obligations will apply to Managers engaging in 'retail product distribution conduct' which includes:

- (a) arranging to issue a financial product;
- (b) providing financial product advice; and
- (c) giving a PDS to a retail client.

You will need to take reasonable steps to ensure that distribution is consistent with an up to date and appropriate TMD.

You will also need to report any significant instances of dealings that are not in accordance with the TMD to MSC so that it can notify ASIC of any significant dealings.

These additional obligations will need to be reflected in our Management Agreements and Corporate Authorised Representative Agreements, which will need to be amended prior to the commencement of the DDO in October.

We will be in contact within the next month with further information about the implementation of the DDO and required next steps including timeframes around preparing the TMD for your Scheme, amending our agreements and further details regarding your increased reporting requirements.

In the meantime, please feel free to contact us if you have any questions about these new obligations.



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