



Design and Distribution Obligations - Information for Product Issuers

Issued by Macquarie Investment Management Limited

ABN 66 002 867 003, AFSL 237492

Date: 16 September 2021

Introduction

The Design and Distribution Obligations (DDO) come into effect on 5 October 2021 for all issuers and distributors of financial products covered by DDO.

Some of the financial products that are generally subject to the DDO regime include:

- Certain superannuation funds
- Investor directed portfolio services
- Managed investment schemes
- Exchange traded products
- Separately managed accounts
- Banking products, such as a cash management account or term deposit

Macquarie Investment Management Limited ('MIML') is the operator for the Investor Directed Portfolio Service ('IDPS') and the Trustee of the Macquarie Superannuation Plan (together, the 'Macquarie Wrap platform'). MIML's IDPS products are available to both retail and wholesale investors.

Through its Macquarie Wrap platform products, MIML is a distributor of the investment options that are available within each of the Wrap platform products. The purpose of this document is to set out how MIML intends to meet its obligations as a distributor in respect of these investment options.

Key Dates

To ensure MIML can meet its obligations as a distributor, we're currently working towards the following key dates:

Dates	Action Required
20 September 2021	<ul style="list-style-type: none">TMDs and associated data to be provided to Morningstar to avoid your product(s) being removed from the Macquarie Wrap investment menu.
5 October 2021	<ul style="list-style-type: none">Notify MIML of your preferred email address to receive DDO-related reportingDDO commences

Macquarie Wrap platform

Target market determinations

Target Market Determinations (TMDs) for Macquarie Wrap platform products will be available by 5 October 2021 and from our DDO Hub <https://www.macquarie.com.au/ddo>.

TMDs have been prepared for the following Wrap platform products:

- Macquarie Investment Directed Portfolio Service, comprising Investment Manager II, Investment Consolidator II and Macquarie Vision Macquarie Investment
- Macquarie Super, comprising Super Manager II, Super Consolidator II and Macquarie Vision Macquarie Super
- Macquarie Pension, comprising Pension Manager II, Pension Consolidator II and Macquarie Vision Macquarie Pension

A TMD for the Macquarie Separately Managed Account (SMA), issued by Macquarie Investments Services Limited, will also be published to our DDO Hub.

Investment Options

The investment menus for the Macquarie Wrap are available via the below links:

- IDPS investment menu: <https://www.macquarie.com.au/investmenu>
- Super investment menu: <https://www.macquarie.com.au/supermenu>

Product issuer TMDs

Access to TMDs

MIML has joined Morningstar in a strategic partnership to assist with meeting our DDO compliance obligations. Morningstar will provide us with the TMDs and associated data for all impacted managed funds (with the agreement and cooperation of the fund's product issuer) available on MIML's Wrap platform.

We are requesting all issuers with financial products available through the Wrap platform to provide Morningstar with their TMDs and relevant data for their products that are in scope for DDO. Morningstar's requirements can be found at <https://go.morningstar.com/ddo-requirements>

Final TMDs and relevant data should be provided to Morningstar by 20 September 2021 to avoid your product(s) being removed from the Wrap platform's investment menu. No extensions to this date will be considered to ensure MIML has sufficient time to review TMDs prior to 5 October 2021 when DDO comes into effect.

As there are more than 1,000 investment options on the Wrap platform investment menu that require a TMD, MIML is not able to accommodate requests to source TMDs directly from individual product issuer websites or other service providers.

MIML will be making TMDs available to financial advisers via its online adviser portal.

Updates to TMDs

From 5 October 2021, if changes are made to the TMDs for your products, or you decide to cease distribution of your products temporarily or permanently, please notify us as soon as possible, so that we can update our systems and processes accordingly. Notification to MIML should be provided via email to bfswrapddo@macquarie.com.

You must **also** notify Morningstar of any changes to the TMDs or distribution arrangements for your products.

Reasonable steps

Advised clients

As a distributor, MIML must take reasonable steps that will, or are reasonably likely to, result in distribution of a financial product being consistent with the TMD for that product. MIML is undertaking a range of activities to meet this obligation, including implementing changes to the way in which financial advisers can transact on behalf of their clients.

Where a client has a financial adviser linked to their Wrap account, the adviser and/or their support staff can buy and sell investments on behalf of the client through its online adviser portal.

MIML is enhancing its online transaction functionality to require confirmation from the adviser or their support staff that the client has received personal advice in relation to the transaction or is within the TMD for the product. This change will apply where the client is acquiring either an initial or further interest in the product.

If personal advice has been provided to the client, the transaction can proceed even if the client is not within the relevant product's TMD. If personal advice has not been provided, then the adviser or their support staff must confirm the client is within the TMD for the transaction to proceed. If personal advice has not been provided and the client is outside the TMD for the product, then the transaction will not be allowed to proceed.

Previously advised clients

In opening an account within the Wrap platform, clients are required to engage the services of a financial adviser to assist them with their investments. However, clients may remove their adviser, or the adviser may cease their relationship with the client.

If a client chooses to continue to operate their account/s without an adviser, they may directly transact on their account by submitting written instructions to MIML. These instructions are processed by Macquarie's operations teams.

To assist in meeting its reasonable steps obligation, MIML is introducing a restricted investment menu for clients who do not have a financial adviser associated with their Wrap platform account. The restricted menu will comprise financial products that are either not covered by DDO (e.g., most ordinary shares) or where the TMD for the product does not specify distribution conditions that require the client to have a financial adviser. This restricted menu will apply where the client is acquiring either an initial or further interest in a product.

Wholesale products and clients

Products designed for wholesale clients

There is a difference between a wholesale fund and a fund that is only available for wholesale Investors – the latter is generally distributed through an Investment Memorandum.

The Macquarie Wrap platform aggregates all transactions that are placed by or on behalf of its account holders so that only one transaction is placed with the investment manager. In doing so, the Wrap platform allows retail investors to access wholesale funds. Consequently, all wholesale funds that are available via the Wrap platform will require a TMD to remain on the investment menu for the Wrap platform.

Where a fund is only available for wholesale investors (i.e., it is distributed through an Investment Memorandum), the DDO regime does not apply and a TMD is not required. These funds are only available via the Wrap platform to wholesale investors who have provided Macquarie with the necessary documentation to confirm their wholesale status.

Wholesale clients acquiring retail products

DDO applies in relation to financial products that are distributed to retail clients.

Where MIML is advised that a wholesale investor holds an IDPS account within the Wrap platform, there will be no additional restrictions placed on the investments that they are able to transact on within their IDPS account. That is, the client's adviser will not be required to confirm that they have received personal advice in respect of the transaction or that they are within the TMD for the product.

Note that the client must provide Macquarie with the necessary documentation to confirm their wholesale status.

Closed products

Hard closed products

As stated in ASIC's Regulatory Guide RG 274 *Design and Distribution Obligations* ('RG 274'), closed products for which no further offers or issues are being made after the commencement of DDO are not affected by the design and distribution obligations. As such, a TMD is not required for closed products.

When a fund is hard closed, the Macquarie Wrap platform does not allow existing clients to add to their current holdings and new customers are unable to acquire any units in the fund.

Reporting

Complaints

MIML is implementing governance arrangements to ensure it keeps complete and accurate records of the number of complaints received about the products it distributes via the Wrap Platform.

In accordance with the data standards developed by the Financial Services Council, MIML is proposing to implement a quarterly reporting cycle to provide relevant data, including complaints information to product issuers, responsible entities and trustees. Initially, complaints information will be provided by MIML in a spreadsheet that is emailed to the relevant product issuer, responsible entities, and trustees. It is envisaged that this process will be enhanced over time.

MIML will only report complaints information related to investment managers that it receives from clients.

To avoid delays in MIML reporting this information to you, please notify us of your preferred email address for DDO reporting purposes by 5 October 2021.

As there are more than 1,000 investment options on the Wrap platform investment menu that require a TMD, MIML is not able to accommodate requests from individual product issuers to provide reporting via their own online portal.

Significant dealings

If MIML becomes aware of a significant dealing in an investment that is not consistent with the TMD, it must notify the issuer as soon as practicable, and within 10 business days of becoming aware of a significant dealing. MIML is implementing governance arrangements to monitor dealings that are not within the TMD for the relevant product.

The term significant dealings is not defined in the DDO legislation. However, in determining whether a significant dealing has occurred, MIML will consider the factors outlined in ASIC's *RG 274* including:

- the proportion of customers not in the target market
- the actual or potential harm to consumers, including amount of loss
- the nature and extent of inconsistency of distribution to the target market determination.

Initially, significant dealings information will be provided by MIML via email to the relevant product issuer. To avoid delays in MIML reporting this information to you, please notify us of your preferred email address for DDO reporting purposes by 5 October 2021.

Contracts and other information

Updates to existing agreements

MIML does not envisage a need to update existing Investment Menu Agreements (IMA), as the current IMA contains a requirement to comply with all relevant law. However, Macquarie is looking at updating our standard IMA over a period of time and we may amend various clauses to include requirements relevant to DDO for both Macquarie and issuers on the Macquarie Wrap platform.

We will not entertain ad hoc amendments to agreements, as we are relying on the existing requirements around the clauses as noted above.

Contacts

Jason Evans

Product Director - Investments

Macquarie Group | Banking and Financial Services

bfswrapddo@macquarie.com