

Product Design and Distribution Policy

For distributors

Version 1.2

Last updated 23 Sep 2021

Purpose

This policy is intended for distributors of products issued by Community First and Easy Street Financial Services Products.

This document's purpose is to provide an overview of the requirements that Community First's distributors must comply with to meet the regulations of DDO laws.

It should be noted that distributors are responsible for meeting their compliance requirements under DDO. Distributors must meet Community First's requirements under this policy in order to distribute Community First's products.

Contents

1. Scope of DDO
2. What is DDO
3. Summary of Obligations
4. Definitions
5. Distributor obligations

Appendix 1 – Reporting Requirements

1. Scope of DDO

Design and Distribution Obligations (DDO) are covered under Part 7.8A *Corporations Act* and come into effect from October 5, 2021.

These regulations apply to:

- a. Product issuers such as Community First and Easy Street to assist them in identifying target markets for their financial products, and;

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- b. Product issuers and distributors to make sure these financial products are suited to the target market.

2. What is DDO?

The DDO obligations require financial institutions to ensure that customers are placed at the centre of the entire product lifecycle and ensure products are targeted to the right people. It aims to help consumers obtain financial products that are appropriate for their objectives, financial situation and needs.

Its aim is:

- a. That financial products are targeted at the correct people;
- b. Make sure financial products are of value to customers, and;
- c. Safeguard Community First and distributor accountability by presenting requirements targeted to each.

The primary obligation placed on issuers and distributors is to ensure a TMD is in place for each financial product and ensure distribution in accordance with the TMD such that:

- if the distribution conditions are met, it would be likely that a customer would be in the target market for the financial product; and
- if the financial product were sold to a customer in the target market, it would likely be consistent with the likely objectives, financial situation and needs of that customer

3. Summary of Obligations

The mandatory requirements mean there are obligations on both issuers and distributors to make sure products are targeted to the correct people.

These obligations are outlined as follows:

Issuer	Distributor
<ul style="list-style-type: none"> • Create TMDs for financial products and make them publically available • Review TMDs to ensure they remain appropriate • Take reasonable steps to ensure they are distributed in line with the TMDs • Notify ASIC of significant dealings • Keep TMD records 	<ul style="list-style-type: none"> • Not distribute unless a TMD has been made • Not distribute if a TMD may no longer be appropriate • Comply with the distribution conditions for the product • Take reasonable steps to ensure the product is distributed in line with the TMD • Keep records of distribution information • Report information to the issuer as required by the TMD

4. Definitions

Personnel means in respect to the distributor any of its:

- a. Distributors if they do or don't operate as part of their own Financial Services Licence
- b. Referrers
- c. Sub-contractors, or;

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- d. Related parties
- e. Agents
- f. Authorised representatives
- g. Brokers
- h. Directors, officers or employees

Product refers to any product issued by Community First or Easy Street Financial Services and distributed by the distributor.

Product Documentation is information to market, sell or promote, a product including advertisements, blogs, articles, media releases, social media marketing, brochures, and application forms.

Regulator is any regulatory or supervisory body such as APRA, ASIC, RBA, OAIC and AFCA with authority over any part of the business or affairs of Community First Credit Union or the distributor, including its employees.

Retail Product Distribution Conduct is referred to in s994A of the Corporations Act 2001 (Cth) which addresses any dealing or arranging of a product or distributing product documentation.

Significant Dealing refers to the factors presented in ASIC Regulatory Guide 274: Product Design and Distribution Obligations or any consequent regulatory guides produced by ASIC.

Target Market Determination or TMD is referred to in section 994A of the Corporations Act (Cth).

5. Distributor obligations

When issuing Community First or Easy Street products distributors must:

i. Comply with the TMD and reasonable actions

From 5 October 2021, the Distributor and its employees must:

- Not take any retail product distribution action unless a TMD has been established;
- Meet the requirements outlined in each TMD including, but not limited to, the distribution conditions, and;
- Inform Community First within five business days if it cannot fulfil the TMD requirements or this policy;
- Take practical measures to:
 - Only market products to customers who fall within the audience of the TMD, unless Community First offers written consent before the product distribution to members beyond the TMD;
 - Offer product information consistent with the TMD;

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- Comply with the distribution conditions of the product
- Product documentation must only be offered to customers who are likely to fall in the TMD's scope.

ASIC Regulatory Guide 274 outlines the reasonable measures distributors should make to support the delivery of the relevant product to the right market. Adequate product governance is a requirement to ensure that compliance is monitored, and to recognise areas for improvement and that staff are suitably trained.

ii. Concluding product distribution

- a. If Community First send a written notice to a distributor that it must end any retail product distribution, the distributor and its employees must comply as soon as possible. This compliance with the notice must occur no later than 10 business days from being advised by Community First.
- b. If a Regulator requests a halt in the distribution of any retail product conduct, the distributor and its employees must comply with this notice or order.
- c. No retail product distribution conduct can be restarted by the distributor and its employees without a written authority from Community First.
- d. If the distributor receives a replacement TMD by Community First, the distributor must comply.

iii. Delivering information to Community First

The distributor must:

- Give Community First all information it is obligated to as explained in Appendix 1 for each product, within the timeframe outlined;
- Ensure the veracity and quality of the information provided to Community First is assessed yearly.

iv. Preserving records

- a. Accurate records must be completed and kept by the distributor of:
 - Any retail product distribution conduct it completes in relation to Community First's products;
 - Any information the distributor is obliged to report to Community First, outlining the dates reported.
- b. These records are to be kept for at least seven years.

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v. Significant dealings

The distributor must:

- Analyse and consider any information or data that it retains or receives from its personnel to determine if a potential or actual significant dealing has taken place;
- Report to Community First a potential or actual significant dealing of a product within 10 business days of its happening.

Appendix 1 describes in more detail how Significant Dealing information is to be given to Community First and in what form.

vi. Regulator engagement

- It's mandatory for the distributor to notify Community First within two business days of receiving any request, notice or enquiry from a regulator such as APRA or ASIC regarding the products, the *Distributor's Retail Product Distribution Conduct* in respect of the products or the TMDs. The distributor must discuss the matter with Community First before providing a reply to the regulator;
- Give all necessary information and records to comply with any reasonable directions from Community First to assist in meeting its requirements.

Appendix 1: Reporting requirements

Reporting

Reporting must take place in line with the TMD, unless given earlier. Distributors must complete an annual attestation to be provided by Community First which will include a series of DDO questions to confirm you have fulfilled your reporting requirements.

Distribution Information Reporting enables us to monitor and adhere to our obligations. The following Distribution information must also be reported to Community First:

Complaints

Definition

A complaint is defined as an expression of dissatisfaction made to or about an organization, related to its products, services, staff or the handling of a complaint, where a response or resolution is explicitly or implicitly expected or legally required.

Distributors must ensure that any complaints information provided is consistent with their obligations under other relevant laws or guidelines.

Scope

In respect to any member complaints, the distributor is obligated to provide Community First with the following:

- Any complaints about a product and if there were none, the distributor must also provide Community First with this information)
- The total number of complaints
- The nature of the complaints

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- How the resolution was reached

Complaints must be reported to Community First within 10 business days or as soon as practicable.

Significant dealings

Scope

The distributor must report any significant dealings to Community First.

Reporting

Reporting significant dealings by distributors should take place within 10 business days. This report should be brought to the attention of Community First by contacting your relationship contact at Community First and completing the questions below which should be emailed to DDOreporting@communityfirst.com.au.

Question	Answer
How many sales were made to customers purchasing the product that were not in the target market? Please include the number of sales and value of sales.	
Please note which products were involved in the significant dealing.	
What was the actual or potential harm to consumers?	
Can you provide any background as to why these consumers were issued the product?	
Please detail the nature and extent of the inconsistency of distribution with the TMD.	

For further assistance

Please contact your main relationship contact with us should you require any assistance or email DDOreporting@communityfirst.com.au.

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