

Australia's property industry

Creating for Generations

15 August 2018

The Manager
Consumer and Corporations Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email

Dear Ruth

Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Power) Bill 2018

Thank you for the opportunity to comment on the exposure draft of the *Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Power) Bill 2018* (the Bill).

The Property Council is the peak body for owners, and investors in Australia's \$670 billion property investment industry. We represent owners, fund managers, developers and investors across all quadrants of property investment: debt, equity, public and private. The property industry now employs more people than any other sector. Creating more than 1.4 million jobs, property is the biggest direct contributor to employment in Australia by industry.

We appreciate the consultative approach taken by Treasury in seeking feedback on the revised bill and support the Government's endeavours to assist consumers make well informed decisions on their investment strategies, through a more customer-centric approach to the issuance and distribution of financial products.

We have two broad concerns with the Bill as currently drafted:

Exemption of ordinary listed shares does not extend to units or stapled securities – the Bill proposes to exclude ordinary listed shares from the design and distribution obligations on the basis they are fundamental to corporate fundraising. This exclusion does not extend to ordinary listed units.

It is common for property groups to be established using managed investment trusts, or stapled securities (where a share in a company is stapled to a unit in a trust). For these listed property groups, it is the issuance of units in the unit trust, or issuance of units and shares in the stapled security, that provides the means of corporate fundraising.

Units are covered by the same listing rules and provisions as shares. Units in managed investment schemes are well regulated under section 5C of the Corporations Act and are also widely understood



by investors. Unit trusts are an indispensable component of corporate fundraising for Australia's listed property entities.

By not exempting unit trusts and stapled securities from the design and distribution obligations an unlevel playing field will exist that will create confusion for issuers and investors across the stock exchange.

Extending the exemption to all listed securities (whether shares, units, or stapled securities) removes unnecessary roadblocks to corporate fundraising which is in line with the policy intent of the legislation, and ensures issuers and investors are working in a like-for-like investment regime.

Obligation on distributors to collect, keep and provide distribution information – the Bill proposes that distributors must report on issues and complaints about a financial product at dates specified by the issuer set within the target market determination.

As distributors can deliver multiple products from multiple issuers, reporting dates could vary from product to product due to the lack of standardised timelines set within the exposure draft. This would mean that distributors would be required to monitor multiple products at multiple times to ensure that distributors are reporting at designated timelines specified by issuers.

The concern is that, without a standardised approach to reporting, this would lead to increased compliance costs for distributors, which could result in potentially increasing costs to consumers.

Providing standardisation for reporting requirements will assist retail distributors in providing relevant information to the issuer in a timely and cost-effective manner, reducing overheads and minimising additional costs to the end-user. However, establishing standardisation requires ongoing consultation with industry to agree a model that does not either create excessive compliance at one point in the calendar, nor create ongoing compliance measures that hampers day to day operations.

For small and medium enterprises without long internal infrastructure compliance chains adhering to the current structure will not only be expensive but oppressive to developing and growing their business.

If you have any queries about the above submission, please contact Collin Jennings on [REDACTED] or myself on [REDACTED].

Yours sincerely

A handwritten signature in black ink, appearing to read "Belinda Ngo".

Belinda Ngo
Executive Director, Capital Markets.