

LAW & POLICY GROUP

GRIST**AUSTRALIA INCREASES CONSUMER PROTECTION FOR FINANCIAL PRODUCTS**

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18 Apr 2019*

A new Australian law — the [Treasury Laws Amendment \(Design and Distribution Obligations and Product Intervention Powers\) Bill 2019](#) — that aims to increase consumer protections for investors requires issuers and distributors of financial products to promote suitable options to consumers. Financial service companies must identify target markets for their products and adopt reasonable distribution controls. The provisions are being phased in — the product intervention powers took effect on 6 Apr 2019 and the design and distribution obligations will apply from April 2021. The law implements two recommendations included in the 2014 [Financial System Inquiry](#).

The law applies to financial products that require a disclosure document (for example, a product disclosure statement or prospectus) under the Corporations Act or that are regulated under the Australian Securities and Investments Commission (ASIC) Act. Some products requiring disclosure are exempted from the new regime: MySuper products, margin lending facilities, securities issued under an employee share scheme and full-paid ordinary shares.

ASIC has the power to intervene if firms don't comply or where there is a risk of significant detriment to consumers. ASIC also can seek compensation on behalf of consumers affected by contravention of the design and distribution obligations. Companies breaching the rules could face civil and criminal penalties.

RELATED RESOURCES

- [Treasury Laws Amendment \(Design and Distribution Obligations and Product Intervention Powers\) Bill 2019](#) (Parliament of Australia, 5 Apr 2019)
- [Financial System Inquiry \(Commonwealth of Australia\)](#)

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