

# Design, Distribution Obligations and Product Intervention Proposals (DDOPIP)

## **Introduction**

This response is provided by John Godfrey in a personal capacity. My career spans 55 years of banking, accounting, investment banking, treasury operations, financial planning (Godfrey Pembroke), adviser training and trustee roles. I am currently a director of Informed Investor, which is an information intermediary with the objective of reducing financial complexity.

Informed Investor provides Digital Product Profiles (DPPs) of investment products that supplement the existing PDS to ensure that there is a source of investment product information that meets the needs of the digital and traditional investors, with or without an adviser. As an independent information intermediary and by extending the use of our tools that reduce financial complexity and require interaction by users, I believe there is a concept solution for the efficient delivery of the DDOPIP.

## **Our response**

My interest in the DDOPIP is confined to the design and distribution elements; however I believe that this response has implications for the intervention issues. I am well placed to provide the consumer view as Informed Investor is not a product issuer, adviser / distributor nor regulator.

Informed Investor has recently submitted a proposal to ASIC that seeks to develop a digital complementary disclosure source (Digital Product Profile) for the PDS - [www.informedinvestor.info](http://www.informedinvestor.info) - it provides timely performance information, highlights the product's key features, uses videos and delivers an interactive tool (that meets today's required communication standards. There are continuing discussions with ASIC re this matter. This recent proposal to ASIC accompanies forms part of this response.

The DDOPIP proposals mirror a global trend that seeks to match the consumer / investor (the target consumer) and the target of the product, with or without a distribution / advice intermediary. The proposals acknowledge the shortcomings of the disclosure approach but from my reading do not limit the opportunities to improve on the current disclosure approach nor the twin desired outcomes of better target matching and better understanding.

## **Self-assessment matching**

1. The concept outlined
  - a. The simplest analogy is a financial product dating agency
  - b. At its heart is a website/platform that meets security, privacy and matching regulation, standards and protocols
  - c. It is driven by a checklist(s) of 'benchmarking needs questions' relevant to a consumer's financial needs and what products are designed to offer. There can

be one checklist or a series depending on the subject - investments, insurance and credit. These checklists of needs questions are based on the input of consumers, advisers and professional bodies. They are accepted (or become accepted) as the 'benchmark needs questions'.

- d. Each question would invite a 1 – 5 rating answer.
  - i. To what extent do you need/seek regular income?
  - ii. Do you need the investment to be capital guaranteed?
  - iii. Do you need an investment that can be easily realised?
  - iv. Do you need an investment that is most likely to deliver on its objectives within 5 years?
  - v. Do you need an investment that is most likely to deliver on its objectives beyond five years?
  - vi. Etc. – the number being appropriate to the financial product group
- e. The platform would offer guidelines to help users define what the 1 – 5 rating means to each question.
- f. Product issuers answer the questions to identify the extent that a product delivers on the benchmark needs.
- g. Consumers answer the questions irrespective of an adviser/ distributor relationship
- h. At that point consumers and products each have an identity relative to the 'benchmark needs questions'
- i. The platform could then produce reports
  - i. A matching report – good match, degree of matching, no match, warning, etc.
  - ii. A potential match report – a list of products that match the consumer's identity
  - iii. An alert report – if either party's target identity changes
  - iv. An evidence report – of the process arriving at the level of matching (subject to privacy protocols) that can be used in the provision of Best Interests Duty advice, disputes resolution, compliance.
- j. The platform provides the following benefits
  - i. No issuer or intermediary has to develop a separate system this is a universal platform with benchmark standards
  - ii. Guidelines (such as used in census) that help to define what the 1 – 5 rating means to financial terms start to have some common definitions.
  - iii. Free to the consumer but the stakeholders that gain a valuable benefit would pay for data and feedback appropriate to their requirements subject to security and privacy.
  - iv. The concept envisages that this approach is applied to all products by varying the relevant benchmark needs questions
  - v. Each consumer can have a range of identities – eg a SMSF requires a different set of answers to an individual and an individual's portfolio may require a range of identities. It would also benefit solving the reality that

different partners in a relationship have different attitudes to money and investment (not confined to risk either).

- vi. The concept does not envisage gathering extensive private information
- vii. This is a self-policing concept that provides for changes in the intentions of products or the lives of consumers
- k. Target matching and informed understanding benefits  
In my view if each product had a digital product profile available as an independent aid to understanding the product – key facts, manager interview, quizzes - then there is the twin benefit of successful target matching and more informed understanding

## DDOPIP Questions

In addressing the questions raised in the proposals I present a table where the second column is an answer I have inferred to be the nature of its implementation (which I call the ‘tiered’ approach) and the third column is an answer if this concept approach existed (self-assessment approach).

Question Number	Tiered Approach	Self-assessment Approach
1	It is hard to see the logic for excluding any group as the risks while specific to a product type are real and need to be understood for suitability, fit for purpose and the effects if they change.	There is no reason to exclude any group and a uniform approach does not single out any group to be better or worse than another.
2.	No. There is significant evidence that wealth is not a determinant of financial acumen or product understanding.	There is every reason for an individual to be required to complete their target identity. It could provide them with a list of potential investment products not previously recognised as suitable. If SMSF and investment companies require an investment strategy then they can complete their identity as it would be a compliance feature for trustees and directors.
3	Yes – but the issue is that the majority of the performance obligations lie with the consumer so that understanding and suitability is important	The borrower of regulated credit product should be taking equal responsibility with the provider and the identity needs of the user can be matched against the identity features of the product. A credit facility identity checklist would do much to make a consumer consider the outcomes of their actions
4	Yes – but as above for 3	As above for 3

5	Yes – the issuer has to be responsible for the identity of the product. No entities should be excluded	Yes – the issuer has to be responsible for the identity of the product. No entities should be excluded
6	Yes - As the question has an 'a' <u>and</u> 'b' definition, then both arms of the question have to be confirmed	Yes - As the question has an 'a' <u>and</u> 'b' definition then both arms of the question have to be confirmed
7.	Yes - FOFA 244 sets out the established rules for general advice. This should not be a question about advice but about real world compatibility between the user's needs being met by a product	Yes – Informed Investor (as an example) is an independent information intermediary in this process and hence excluded from such a definition. It is central to this work to be specifically outside a definition so that we can continue provide 'factual and helpful information without advice, opinion or recommendation).FOFA 244.28 Example B.
8	No - they should be included	No - they should be included. Self-assessment, each client has, for the sake of mutual empowerment, an identity that also has to be recognised by an adviser. By including advisers / distributors in the process and indeed getting their client working with them on the identity only enhances the adviser's ability to meet Best Interest Duty responsibilities.
9	Yes, with the observation that the consumer has no idea of who is licensed. To act otherwise is not consumer centric	Self-assessment makes no distinction between being licensed to not. If there is a product that is being directed for use by the consumer simply define the target as per the benchmark questions
10	Yes	Yes – each product is directed at a target market and using self-assessment there is no need to identify the non-target market. By defining the target market that is sufficient. A benchmark needs checklist is more likely to help the designers of product to not work in a vacuum.
11	There are clearly different requirements for differently focused risk management products.	Self-assessment would have questions/checklist relevant to the products whether life, trauma, general, medical, travel insurance. The product's identity is easily checked against reality
12	Under the tiered approach it would be better for the distributor to be versed in the product target market and be on the lookout for the right consumer	Under self-assessment the distributor is by-passed and where it is an adviser they should be co-joined in the process of confirming the client's identity. This

		also has compliance supporting features.
13	These issues are important in a tiered approach.	With self-assessment the impact of the distributor is minimised. The consumer knows if a product is matched with them or not. They are empowered. They are in a position to reflect today's reality – the digital generations want the answers directly then they can make up their mind as who to deal with or use. It should always be consumer centric.
14	These issues are important in a tiered approach	Under self-assessment if the review determined that the target identity had changed then it would be possible for all existing consumers who were using that product to be warned that they were now mismatched or the level of mismatching. The issuer could probably have some idea of the now disengaged users and implement plans to manage it. Intermediaries who had been permitted to share their related consumer's identity would also be informed and required to act in response.
15	I cannot answer this	With self-assessment it would seem that the legislation would be less as it would have universal application and not require additional definitions. A self-assessing platform could have many aspects that did not require legislation or regulation.
16	Yes	Under self-assessment this is not required as the data makes for automatic feedback and the need to act – again this is driven by the consumer not the distributor
17	Under a tiered approach this is probably a complicated issue	Under self-assessment the extent of the mismatch could be highlighted. It is a measureable feedback and the product may be acceptable or not as the consumer is aware that they are entering a non-identity matched zone. If they continue to act on the mismatch a report could protect or expose. It could be that this is a separate segment of the consumer's portfolio which has a specific purpose and they can have a 'second' identity for that purpose. The consumer is ultimately responsible for

		their actions
18	I think this becomes very complicated under the tiered approach.	With self-assessment the evidence is clear. I have described the protections above. If they have acted with a distributor or adviser then there is knowledge if they have gone 'ex-target' and it is the responsibility of the distributor or adviser to act. The evidence is clear as to the nature and level of response.
19	Yes and yes	I believe that self-assessment would provide the evidence by an exception report for a review to be acted on. Such a report would also be available to the product issuer as further protection. The consumer would also have received a warning.
20	I cannot answer this	With self-assessment it would seem that the legislation would be less as it would have universal application and not require additional definitions. A self-assessing platform could have many aspects that did not require legislation or regulation.
21	Yes	Yes
22	Yes	Yes – the implementation of self-assessment makes materially less demands on the individual issuer, distributor, adviser and potential consumer. I see that the programming required is not unusual and akin to a 'matching website', the questions can be confirmed with each group. Once in place there is unlikely to be much future change. There is the need to write question guides and increase the spread of the DPP approach. Reporting and security / privacy has features common to a online matching agency with the added feature of the access to the identity with consumers who have approved access to their adviser or distributor. Each party is responsible for entering their identity based on the questions. Once in place that would facilitate implementation or a hurdle to implementation. There is no denying that this is a big task but it is done once for all stakeholders, it's done uniformly

		with standards and education and understanding integral to the outcome. It is built for the consumer it is consumer centric
22 - 34	Not addressed	Not addressed – as self-assessment would change the perceptions and responses of the intervention powers with the general view that there will be better data in one place at a common standard for ASIC to use to administer

## Conclusion

My motive for presenting this concept is that it is consumer centric and reduces the complexity of financial decisions. The 'benchmark needs questions' to be answered are at the heart of quality outcomes. There are numerous online 'matching' services or evaluations services that have addressed the issues to be resolved if self-assessment was adopted. The potential for a single platform of valuable data that would assist all stakeholders cannot be underestimated. If there is recognition that further work has merit then I would welcome a discussion.

John Godfrey - Informed Investor Pty Limited

13 March 2017

## SUBMISSION TO ASIC PRESENTING THE CASE FOR DIGITAL PRODUCT PROFILES

### EXECUTIVE SUMMARY

- Informed Investor with Thomson Reuters has developed an aid to investment product understanding called a Digital Product Profile (DPP)
- We are responding to a very obvious ASIC need with a practical, independent and creative approach
- Our DPP has earned us widespread and growing industry support
- We meet all the key measures and standards for successful relevant communication
- There is no one else with a solution that offers such extensive benefits
- We seek from ASIC recognition that
  - our DPP delivers material benefits to all stakeholders
  - these benefits are sufficient to require all investment related PDSs to have a DPP
  - our DPP sets a standard acceptable to ASIC (subject to ASIC's review and advice)
  - a DPP must be provided independent of product issuers, advice intermediaries and the regulator for it to be in the best position to meet FOFA 244.28 Example B
- That ASIC
  - require all investment related PDSs to have an accompanying DPP
  - defines the DPP standards
  - accredit organisations that can deliver the DPP as defined
  - accredit Informed Investor as such an organisation
  - be open to discussions to move the opportunity forward

Dated 27 February 2017

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## INTRODUCTION

Informed Investor aims to help all investors make more informed investment decisions, using digital content that is decipherable, engaging and interactive. The way consumers receive information has changed dramatically over the last five years. This submission starts with the view that the PDS has not kept up with the quick, visual and interactive focus now demanded by the investing public and that there is a practical way to meet this challenge.

As an information intermediary and as an outcome of ASIC's advice to us in March 2015, we have developed an aid to the investor's understanding of the PDS. We call it a 'Digital Product Profile' and it includes the PDS's key facts. We see no need to change the PDS but there is a need to supplement and complement it for ASIC's and the PDS's objectives to be achieved. Informed Investor has, with the support of Thomson Reuters, successfully trialled an approach over the last 2 years that presents ASIC with a solution.

Below we describe what we deliver, the benefits to stakeholders and the basis for wider implementation.

## THE PROPONENTS

1. A 'business alliance partnership' between Informed Investor and Thomson Reuters.
2. Informed Investor is an information intermediary in the business of reducing financial complexity.
  - a. It is majority owned by interests associated with Tim McGowen and John Godfrey.

**Tim McGowen** has 25 years of investment experience and was the Founder and CEO of Fortitude Capital, which won numerous industry awards, including the AIMA 2008 & 2009 Hedge Fund of the Year.

He brings this experience to the development and delivery of our Digital Product Profiles. He sees digital tools as imperative for improved adviser and consumer understanding of financial products. He believes the industry needs to recognise that videos, quizzes and other digital tools will enhance disclosure for product issuers.

**John Godfrey** has over 55 years of financial services experience. He was a founder of Godfrey Pembroke and has been the Chair of the FPA and awarded life membership. Between 1985 and 1999 Godfrey Weston and then Godfrey Pembroke was the most awarded financial planning group in Australia.

In his role as a judge of financial advice awards for FPA/Money Management and ASSET publications he saw there was a need to align good practice with an obvious consumer need. Post the GFC he knew that this experience should be used to address the common investor plea *'I didn't know what I was doing'*.

He set about trying to find ways to reduce financial complexity and views what we now present is a result of this vision and a desire to provide the tools to help people understand their actions with information current at the time they have to make decisions.

- b. Informed Investor uses Financial Express, a global provider of product analytics, to supply monthly performance data.

- c. Informed Investor uses the services of experienced contracted practitioners for content and quiz development, IT, social media and filming delivery.

### 3. Thomson Reuters

Thomson Reuters is a leading source of intelligent information for businesses and professionals. They combine industry knowledge and expertise with innovative technology to deliver accurate, relevant and timely information to diverse professional, government and corporate audiences. Within the Australian market they have extensive existing customer reach and recognition as a trusted brand.

What sets Thomson Reuters apart from competitors is its flexible and innovative approach to meeting the diverse needs of our audience. Its customers are presented with a range of delivery formats including segment specific online solutions and it offers the broadest range of high quality interlinked legal, tax, financial planning and regulatory content of any information provider in Australia.

To ensure Thomson Reuters continue to meet the evolving needs of its various users and to equip it to align solutions to key business partners (such as ASIC), Thomson Reuters maintain a sizable Australian development operation to build and enhance local solutions and to leverage the best technology available from the global Thomson Reuters organisation.

During Thomson Reuters longstanding relationship with ASIC, Australian corporate, professional and government users have benefited greatly from a fertile programme of product development, significantly enhanced online delivery and linking, and a range of content benefits. Thomson Reuters place great strategic importance on our role as current publisher of the ASIC Digest and are highly committed to the further development of the commercial relationship with ASIC. Teaming Informed Investor with Thomson Reuters, we believe we are perfectly positioned to help ASIC meet its strategic objectives in relation to assisting financial firms to be aligned with consumers and treat them fairly and ethically.

## ARE RESPONDING TO ASIC RECOGNISED NEED

The development of our DPP is in response to a relentless unease that the current approach needs fixing. We can refer to literally hundreds of comments, laments and reports that raise this issue since we started documenting them in 2010, yet none promote a workable, scalable and practical solution.

We see issues raised by ASIC as the most important and we highlight them simply to remind ASIC that we are addressing the issues it and other government bodies have raised. The study by Telstra is a critical research document that is well worth the read.

1. The FOFA 244.28 Example B (December 2012) that *'an independent source of helpful and factual information about products, which does not recommend, express an opinion or provides advice'* is general advice, prompted us to develop our approach.
2. The ASIC March 2015 email to us that confirmed our position as a supplier of additional support material:
  - a. *ASIC views our 'key fact summary' as additional support material, and 'as long as they (the product issuer) meet these disclosure obligations, they are not prevented from making available other material to clients (such as material specific to the product, that would aid investor understanding).'*
  - b. *Further ASIC stated; 'we are very supportive of initiatives to develop innovative new disclosure, including the role for investor self-assessments to improve engagement and understanding'.*
3. ASIC's first strategic priority – *'to promote investor and financial consumer trust and confidence:*
  - a. *education – investor responsibility for investment decisions remains core to our system. We empower investors and financial consumers through our financial literacy work*
  - b. *gatekeepers – we will hold gatekeepers to account*
  - c. *consumer behaviour – recognising how investors and consumers make decisions'*
4. The foreshadowed issues from the Financial Services Inquiry (2015):
  - a. The FSI recommendations demonstrate a shift in financial services regulation away from a disclosure-based regime to one placing greater responsibility on product issuers and distributors.

- b. Issues to improve consumer outcomes include:
    - i. the removing of impediments to innovative and electronic disclosure;
    - ii. the development of industry standards on risk and fee disclosure;
    - iii. consumers should bear responsibility for their financial decisions;
    - iv. information provided to consumers should be accessible, engaging and understandable;
    - v. the scope to promote efficient communication of information to consumers in a way that responds to technological advances and changing consumer preferences.
5. The issues raised in ASIC's Regulation of ETFs Report 282:
- Issues raised in ASIC Regulation of ETFs Report 282 and under the ASX Settlement exemption notice 2013. 'This disintermediated nature of ETFs heightens our interest in ensuring retail investors are confident and informed ... we intend to discuss ... how effective disclosure might be provided ... whether it is appropriate to require a pre-order disclosure ...'*
6. The need for a response raised in ASIC 'Insights' 2015:
- 'ASIC wants industry to harness the opportunities of digitisation and is encouraging the use of more engaging forms of communication using digital media – interactive, video and audio.'*
7. The conclusions of the 2013 Telstra Digital Investor Whitepaper:
- <https://www.telstra.com.au/content/dam/tcom/business-enterprise/industries/pdf/business-enterprise-whitepaper-digital-investor.pdf>
- a. *'The path to purchase has already changed and while today the face-to-face channel is still the major channel used to purchase wealth management products, there is a significant shift toward the Internet, particularly for Digital Investors. Importantly, the internet is now the primary media used for searching and selecting wealth management products'. (Section 1.0 and 3.2)*
  - b. *'The Digital Affluent and Digital Heirs are the most informed, media saturated and connected generations ever. Smartphones, tablets and laptops are the key access points for these consumers and, just as importantly, they are also key devices for their advisers. Being connected anywhere at any time to any media on any device has trained these generations to expect immediate, well considered, well designed, and well informed service interactions'. (see Section 1.8)*

- c. *'In fact, digital channels provide a huge opportunity for regulatory compliance since all interactions and investment activity can be monitored, stored and reported to the relevant authorities – provided the platforms used keep up to date with compliance requirements.'* (Section 2.1.2)
  - d. *'Educational Videos on financial topics have the greatest overall appeal, with nearly half (47%) finding them appealing. Amongst those who find it appealing, more than three quarters (78%) indicated they were extremely/somewhat likely to use the service.'* (Section 3.46)
8. The principles outlined in the 'Design and Distribution Obligations and Product Intervention Powers' Proposal. (December 2016) – (section 1.2 *paraphrased*)
- a. *Consumers should receive fair treatment and products that meet their needs*
  - b. *A more consumer centric approach to the product life cycle*
  - c. *Consumers remain ultimately responsible for the consequences of their financial decisions*
  - d. *Cover a broad product range but implemented in a flexible and scalable manner*
  - e. *Not inhibit product innovation and allow for a diversity of products*
  - f. *Implemented in a way that avoids unnecessary regulatory costs*

We view this Proposal as strengthening our case for DPP recognition and in the Attachment we set out why our approach provides a practical basis for the first step in the implementation of these proposals.

## BY DEVELOPING A SOLUTION

1. Our platform [www.informedinvestor.info](http://www.informedinvestor.info) provides resources and tools that promote expertise, client engagement and professional development. One of its features is the Digital Product Profile (DPP), which is the focus of this submission.
2. Our platform is free for all investors - SMSF trustees researching investment strategies, an adviser's client doing a product quiz or new investors exploring financial concepts.
3. Our production process aims to set the highest possible standards.
  - a. Identify product issuers who want to use our services.
  - b. Conclude a Service Agreement between the parties. A DPP only exists if the product issuer has a current PDS. The DPP stresses the importance of the PDS and provides a link to it.
  - c. Informed Investor enters direct PDS extracts under the headings that cover key features: 'objectives', 'benefits', 'costs', 'risks', 'mandate' and 'investment team' (not always in the PDS but critically important information). This input is confirmed by the issuer's compliance resource.
  - d. Informed Investor prepares 6-8 research style questions for a ~8 minute video interview. The content is confirmed by the issuer's compliance resource.
  - e. Informed Investor creates two quizzes based on the key facts and the video. 10 questions for advisers and 5 for retail users. The correct answers are confirmed by the issuer's compliance resource.
  - f. Monthly data for 'performance', 'benchmark', 'top 10 holdings' and 'FUM' is sourced from Financial Express.
  - g. The DPP is then submitted to the FPA for CPD accreditation.
  - h. Informed Investor updates content in response to the issuer's advice via the terms of the Service Agreement.
  - i. Informed Investor updates quizzes should it be needed and alerts those who have previously completed the quiz of the change and offers a new quiz.
  - j. Informed Investor provides Asset Class introductions that support the products under a Strategy Topic(s) entry.
  - k. Informed Investor retains the quiz feedback data so that users have a record and FSPs and clients have a trail to support the BID process. Product issuers can get selected feedback subject to privacy protocols.
  - l. DPP example  
<http://informedinvestor.info/products/Magellan+Global+Fund/MGE0001AU-3/>



## WITH A RANGE OF STAKEHOLDER BENEFITS

1. ASIC – Our DPPs deliver an extensive list of benefits to ASIC.
  - a. Complement and supplement the PDS, which has known weaknesses.
  - b. It is an independent information tool that has the consumer’s voice. By not being a product issuer or an advice intermediary means Informed Investor supports ASIC’s role of ‘*holding the gatekeepers to account*’.
  - c. This is a platform that was developed under Example B set out in FOFA 244.28 and can be seen as a regulator suggested change.
  - d. A platform that delivers to the emerging digital savvy investor and recognises the research presented in the Telstra whitepaper – ‘*The Digital Investor*’.
  - e. A single source of PDS support material that is engaging, ‘clear, concise and effective’ so that comparisons can be made between products.
  - f. A transparent single source of aid to product understanding, which is accessed under ‘asset type’ or by ‘issuer name’ and so helps factual product comparisons.
  - g. A free and independent platform with research style interviews (with consistent yet tailored questions) with the product manager that have not been previously available directly to the public.
  - h. A source of timely performance information delivered by Financial Express which is not available in the PDS and delivers a clear and concise summary of this aspect of the product to aid understanding.
  - i. A disclosure channel that product issuers support because they see it in their interests to make details of their products more logically accessible by being located on one site.
  - j. Delivery in full on the Good Disclosure Principles set out in RG 168:
    - i. timely – a source of monthly performance, benchmark, top holdings and FUM information, which information is not available in a PDS;
    - ii. relevant and complete – we help the investor to focus on the ‘relevant’ and add to the ‘completeness’ of a PDS;
    - iii. promote product understanding – without question – our quiz is an additional understanding tool;
    - iv. promote product comparison – without question – content grouped under asset class, a consistent format, research style videos and quizzes;
    - v. highlight important information – without question – by sticking to the relevant we highlight the important ;

- vi. have regard to consumers' needs – without question – our 'philosophy' videos add to the consumer's knowledge in an engaging and basic way.
- k. Quizzes that take a disinterested position. This tool also offers free FPA CPD accreditation. Access (subject to further discussions) to the results which should be seen as the extent that the adviser has attempted to research a product as per 'safe harbour'. We are discussing with FOS the prospect of quiz results being recognised in the external disputes resolution process.

*'This is the nub of Medcraft's argument ... his suggestion is not to get people to do an exam, but to test whether the person who reads the PDS, actually understood the PDS.'* (ASA quoted June 2014)

- l. A well thought out process which meets all the criteria for reducing complexity and aiding a confident financial decision so that ASIC is seen as narrowing the disclosure gap at both ends – lifting consumer literacy on one hand and reducing complexity on the other.
- m. An engagement tool via the investor quiz that subtly raises further issues of fact that should be important to an investor.
- n. The opportunity for ASIC to have further global regulator leadership as we are unable to find any similar approach overseas.
- o. Nominal cost implications for the product issuer because the video is available to the product issuer for its wider communications strategy.
- p. No change to the existing PDS content obligations.
- q. A platform that offers video Q&A's presented by a range of professional associations to address issues as a further aid of investor understanding and independent of product issuer or adviser intermediary (see Appendix - Associations).
- r. A platform that supports the objectives of MoneySmart by being a parallel source of product information where it is not appropriate for MoneySmart to deliver.
- s. A platform that issues alerts if the quizzes change and so has a further avenue to support ongoing investor understanding. This has the potential to make the SOA an 'alive' document.
- t. A platform that is driven by experienced investment professionals and a business alliance partnership with Thomson Reuters, a business already trusted by ASIC.
- u. We give ASIC an aid that takes the consumer's position and delivers information that is designed to reduce the complexity of financial decisions and supports understanding and informed decision making.

2. Consumers get a tool that:
  - a. is for them – not advice intermediary, product issuer or regulator;
  - b. can be trusted to deliver a timely, independent, factual and helpful introduction to a product;
  - c. complements MoneySmart by covering products (not possible via MoneySmart);
  - d. supports MoneySmart by offering quizzes (which can interact in the advice process) and videos on common subjects;
  - e. is a single point of initial enquiry of what products are available for consideration providing an introduction, complementary information and a path to the PDS;
  - f. delivers transparent and level playing field outcomes between the parties;
  - g. offers the prospect of improved confidence in decision-making with or without an adviser.
  
3. Financial Service Providers get a tool that:
  - a. compliance providers recognise can improve the advice process flow by engaging the client;
  - b. helps, via FPA CPD accreditation, them to deliver on product related Best Interest Duty;
  - c. provides a record of the extent that a client attempted to understand the product;
  - d. provides a record of the extent to which an adviser attempted to independently research a product.
  
4. Product Issuers:
  - a. have seen the PDS, which is intended to help investors, become a legal document setting out the 'contract' between the issuer and the investor;
  - b. know that the PDS is not helping them to educate intending investors and seek a practical alternative;
  - c. are ready supporters of the cause to 'reduce financial complexity' as it involves a nominal outlay and delivers significant social benefits;

- d. are keen to get their message out and to compete on a fair basis and we have found ready acceptance as we help them build a profile, build an audience and greater investor understanding;
- e. all product issuers to date have renewed their annual subscription and all have decided to increase the products requiring DPPs;
- f. product issuers face only nominal extra work when working with II to produce a DPP;
- g. can fulfil the important obligation of consumer testing of the PDS via our investor quiz.

#### 5. Informed Investor and Thomson Reuters

- a. Informed Investor gets to achieve its business objective of reducing financial complexity and being known as a business that delivers helpful and factual information using digital tools.
- b. TR gets to reinforce its existing strong relations with ASIC and to further its business objectives of being 'the answer company'. Specifically – *'we promote the rule of law, power financial markets, help governments operate more efficiently'*

## WITH QUALITY ATTRIBUTES

1. Our quizzes support the following outcomes:
  - a. Advisers who successfully complete the 10 question quiz covering the key features and the video content can earn free FPA CPD accreditation. It also supports providing some evidence that an adviser made an attempt to meet the independent research requirements of the 'safe harbour' BID process.
  - b. Retail investors are directed to issues of importance via the quizzes, covering the key facts and the video, which adds to the quality of the engagement.
  - c. Retail investors who are clients of an adviser are placed in a stronger position in making a decision. A poor score is accepted as a warning that the client does not understand the product and requires either re-direction or more education. A good score is seen as confirmation to move to the next stage in the financial planning process. The transparent nature of this process empowers the consumer.
  
2. Innovation
  - a. ASIC needs to be able to take advantage of the well-documented evidence that digital tools provide the best opportunity to impart information and understanding. (*Telstra 'The Digital Investor' Whitepaper*)
  - b. Product issuers are seeking approved ways to innovate and are restrained by the PDS requirements and the compliance / legal overlays. Here is an answer that is already acceptable to them as it helps promote their products, educate the market and is issued by an independent third party which strengthens trust.
  
3. Government digital policy
  - a. Our DPP appears to be in accord with the Corporations Act as per an ASIC website quote:

*'The Corporations Act 2001 (Corporations Act) itself is generally neutral as to the form of the disclosure for financial services—that is, the legislation does not preference one form for disclosure (such as printed documents) over another form (such as digital documents), as long as the information is*

*provided to the consumer at a mandated point in time, meets content requirements, and, in some cases, meets overarching requirements, such as being “clear, concise and effective”.*

- b. Our DPP complements the PDS – again from an ASIC website quote:  
*‘Providers are also generally able to deliver upfront disclosures electronically, but while electronic versions of upfront disclosures are routinely made available, these are generally static, PDF duplicates of a printed document.’*
- c. Our DPP supports the ‘Removing Barriers Electronic Disclosure’ initiatives but we are not seeking relief from any existing process but acceptance that a DPP is basic to investor understanding best practice.

#### 4. Global Leadership

- a. Our DPP supports ASIC’s assumed intention to maintain a global leading securities regulator role.
  - i. In other jurisdictions there have been moves which accept that a short form PDS or a simplified prospectus is still unable to deliver the desired understanding outcomes. Irrespective of the approach of other regulators none seem to have taken the potential for product understanding to the DPP level.
  - ii. The DPP supports the PDS by enabling access to a digital form with added information that is supported by the product issuers and delivers not previously available benefits for intending and current investors.
  - iii. Given that we cannot find a similar approach elsewhere there is the opportunity to deliver further international leadership without changing the basic structure.

## THAT LEADS US TO SEEK FROM ASIC

1. Recognition that our DPP delivers material benefits to all stakeholders.
2. Recognition that these benefits are sufficient to require all investment related PDSs to have a DPP.
3. Recognition that our DPP sets a standard acceptable to ASIC (subject to ASIC's review and advice).
4. Recognition that a DPP must be provided independent of product issuers, advice intermediaries and the regulator for it to be in the best position to meet FOFA 244.28 Example B.
5. **That ASIC**
  - a. require all issuers of investment related PDSs to have an accompanying DPP**
  - b. defines the DPP standards**
  - c. accredit organisations that can deliver the DPP as defined**
  - d. accredit Informed Investor as such an organisation**
  - e. be open to discussions to move the opportunity forward**

## ATTACHMENTS

### Alignment with the “Design and Distribution Obligations and Product Intervention Powers’ Proposal

In our view this Proposal strengthens our case for DPP recognition.

#### 1. Common intentions

Our DPP has been developed with the same guiding principles as this Proposal, i.e. the fair and ethical treatment of investors, and our approach improves the outcomes for consumers. Our DPP aligns the interests of the consumer and issuer and discussions with FOS are intended to provide an aid for faster and effective dispute resolution.

#### 2. Recognition of disclosure

We agree there are limitations on relying on disclosure and developed the DPP to overcome many of these shortcomings. As an independent information intermediary and neither distributor nor issuer, we are well placed to deliver on what seems to be the next stage of the regulatory framework.

#### 3. Aligned with the Proposal’s central theme

Our focus on the question and answer process supports its central themes:

- i. recognising, identifying and recording individual consumer needs (the target identity)
- ii. ensuring the delivery of understandable product information (PDS accompanied by the DPP)
- iii. delivering a disinterested recorded result that serves the regulator, issuer, distributor and advise

#### 4. The format of a solution exists



- a. Interactive and self-assessing product understanding checked off against the individual's determination of their 'target identity' seems the only way to deliver on the intentions. Unless a product is understood can a consumer (or an issuer or distributor) know if they are or are not the target? This endorses the principle that investors take responsibility for their decisions.
- b. Under 4.2 in the proposal there is a list of principles
  - i. Our DPP facilitates 'consumer needs feedback' via our quizzes or the potential of our quizzes.
  - ii. Our alert system encourages a 'consumer centric approach for the life of a product' as we can inform and deliver a new quiz should the key features of a product change sufficiently for a new quiz to be prepared.
  - iii. Consumers still need our DPP to aid in understanding the 'consequences of their decisions'
- c. We submit that a platform that provides a consumer quiz to recognise their 'target identity' and offers investment understanding aids linked to those quiz outcomes meets the elements of the Proposal.

#### 5. Regulator aligned features

- a. We know that our approach does not add to the cost of regulation.
- b. We see every reason to continue our current approach where product issuers subscribe and it is free to the consumer.
- c. Product issuers would then be on a level playing field and a consumer's information would be in one secure vault with access to all products.
- d. We see our service remaining unlicensed as a professional information intermediary, objective and robust with no tension between the interests of providers and consumers.
- e. We are ideally suited for the direct investor and FSPs, who can input client data (they already hold) that would be available to the consumer as a check.

- f. The knowledge levels of distributors can be channelled through our independent intermediary platform triggering distributor / FSP training.

## 6. Summary

We have included the above to point out that our current submission sets the basis for a service that fundamentally meets the December 2016 proposals howsoever implemented.

## IOSCO

ASIC is a member of IOSCO and we reviewed the principles set out by IOSCO to ensure that our DPP supported the PDS in all aspects. It is our view that we meet every principle

1. *'Key information should include disclosures that inform the investor of the fundamental benefits, risks, terms and costs of the product ...*
2. *Key information should be delivered or made available for free, to an investor before the point of sale, so that the investor has the opportunity to consider the information and make an informed decision about whether to invest*
3. *Key information should be delivered or made available in a manner that is appropriate for the target investor*
4. *Disclosure of the key information should be in plain language and in a simple accessible and comparable format to facilitate a meaningful comparison of information disclosed for competing products*
5. *Key information disclosures should be clear, accurate and not misleading to the target investor. Disclosures should be updated on a regular basis*
6. *In deciding what key information disclosure to impose on intermediaries and product producers, regulators should consider who has control over the information that is to be disclosed. '*

## Partner Associations

We have Q&A videos from

- Financial Planning Association
- Australian Stock Exchange
- SMSF Association
- IMAPS – Investment Management Accounts Professionals
- AIMA – Alternative Investment Management Association
- Insurance Council of Australia

## History

1. While work on producing topics occurred well prior to the delivery of FOFA guidelines, it was 244.28 Example B that motivated this development. A pilot study in late 2014 to early 2015 delivered very encouraging results that were presented to Peter Kell and Miles Larby in April 2015.
2. In March 2015 we approached ASIC, having outlined our intentions and received support for producing additional PDS disclosure material. We then spent the next year developing the platform
3. In early 2016 we signed up the first product issuer under our format. A year later we now have approaching 50 products and over 15 product issuers. We expect this to double over the next six months as new issuers subscribe and existing issuers increase their representation.

## Business Model

Product issuers \$2500 + GST p/annum p/product subject to a reduction for quantity filming

## DPP Platform

At [www.informedinvestor.info](http://www.informedinvestor.info) all DPPs are available for viewing – go to ‘Products’ then select an ‘Asset Class’ and then select a ‘product’