

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Inquiry into Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Bill 2018**

1 November 2018

**Department/Agency:** ASIC

**Question:**

**Topic:** Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Bill 2018

**Reference:** Hansard page no. 25 - 1 November 2018

**Senator:** Ketter

**Question:**

What about the European and UK systems? Do you know whether they include a non-target-market identification?

**Answer:**

Yes.

In the European Union, the Markets in Financial Instruments Directive (MiFID II) introduces an EU wide product governance regime for financial instruments. The MiFID II framework applies to the UK.

Under the MiFID II delegated legislation, in addition to product manufacturers being required to identify a potential target market for their investment products, the firm also needs to consider whether the product would be incompatible with certain target clients (“negative” or “non” target market).

In addition, the distributor is also required to identify any group(s) of clients for whose needs, characteristics and objectives, a service related to the distribution of a certain product would not be compatible.

See Articles 9(9) and 10(2) of the [MiFID II Delegated Directive](#).