

MEDIA RELEASE

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Property funds need to act fast as unpopular compliance demands pass into law

Unlisted property funds need to start considering measures to comply with the government's recent introduction of product design and distribution obligations, according to Property Funds Association, which also says the new legislation could see fewer choices for investors.

The Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Power) Bill 2019 (Act) was passed into law on 5 April 2019. The product intervention power applied immediately and the design and distribution obligations will apply from 5 April 2021.

Paul Healy, CEO of Property Funds Association (PFA), the peak industry body for the \$125 billion Australian unlisted wholesale and retail property funds sector, said the passing of the Act will disappoint many in the unlisted retail property funds industry. "PFA believes the Act mandates a compliance regime which could see managers shun retail products and favour wholesale products, limiting the choices available to retail unlisted property investors.

"Many unlisted property funds will find it more difficult and expensive to bring retail products to market." The Act does not apply to wholesale products.

Mr Healy said two years is not a long time to implement a significant new compliance framework in property funds management, meaning property fund managers already need to consider their compliance measures.

The biggest looming challenge facing retail funds is the required Target Market Determination when creating new funds. "The Target Market Determination introduces several possible issues which could make bringing new products to market more costly, and delay some projects.

"It is hoped ASIC and industry guidance will provide clarity and ensure the rules are applied consistently."

Mr Healy said the new Act could be seen to shift responsibility from the financial adviser to the product issuer. "Product issuers may need to take extensive precautions with investors, including potential for needing to put in place fact finding measures, consumer testing or/and ensuring that financial advice is provided to prospective investors, even for simple products which are well understood in the market place."

"It's possible issuers may outsource some aspects related to the Target Market Determination, which potentially introduces other risks."

Property Funds Association will be hosting its annual conference from 5-7 May 2019 in Hobart, one of the highlights on the property fund industry's calendar – this year's theme is Critical Change: Crisis, Challenge or Catalyst for Property Investment.

About Property Funds Association

The Property Funds Association of Australia is the peak body representing the Australian unlisted wholesale and retail property funds sector, currently worth more than \$125 billion.

As the professional association for Australian Financial Services Licensed (AFSL) property fund managers, their advisors, consultants and representatives, we support and promote investment into unlisted property trusts, funds and syndicates, and assist members in developing and operating their businesses.

Visit: www.propertyfunds.org.au

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