



**ASIC**  
Australian Securities &  
Investments Commission

<b>Committee</b>	Parliamentary Joint Committee on Corporations and Financial Services
<b>Inquiry</b>	Oversight of ASIC, the Takeover Panel and the Corporations Legislation
<b>Question No.</b>	071
<b>Topic</b>	Credit/Target market determinations
<b>Reference</b>	Spoken, 3 November 2023, Hansard page 21
<b>Committee member</b>	Senator Louise Pratt

### Question

Senator PRATT: That's fine. On notice, could you work out the principle of a target market determination when it comes to the issuing of credit that's required for higher cost goods versus low-cost goods, and the extent to which the need for a target market determination applies.

Ms Chester: I think I understand the question you are asking now. I'm happy to take that on notice, but we will be looking at whether or not they're meeting their design and distribution obligations in terms of our current examination of them.

### Answer

A Target Market Determination (TMD) is required as part of the Design and Distribution Obligations (DDO), which apply to 'financial products' under Div 2 of Pt 2 of the ASIC Act. These include credit contracts regulated under the National Consumer Credit Protection Act and National Credit Code (e.g. credit cards, small amount credit contracts), as well as credit not regulated under the NCCPA or NCC due to exemptions or carve-outs (e.g. buy now pay later).

A TMD describes the 'class' of consumers that comprises the target market for a financial product.

All financial products to which the DDO apply must have a TMD, regardless of the type of product offered or the price of the goods being sold. The TMD must include sufficient information to reasonably conclude that: (a) the product, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market; and (b) the distribution conditions make it likely that the consumers who acquire the product will be in the target market. The key attributes of a product are any of the terms, features or attributes which would impact the product suitability for a class of consumers. Examples of key attributes may include the minimum or maximum amount lent, fees charged and repayment periods.

Price and value will be relevant to compliance with DDO because an issuer of credit for high-cost goods would be expected to demonstrate the consistency of this product with the likely objectives and financial situation of its stated target market. This would be described in the TMD. For example, credit provided for the purchase of high cost, low value goods is unlikely to be demonstrably consistent with the likely objectives and financial situation of low-income consumer cohorts.