

FUNDS MANAGEMENT

RETAIL AND WHOLESALE CLIENTS

This Fact Sheet explains the distinction between retail clients and wholesale clients in the context of registered and unregistered managed funds, and why the distinction is important.

Under the Corporations Act, a person is a retail client unless the person satisfies the criteria for being a wholesale client. The table on the following page lists most of the different types of wholesale clients.

A number of requirements in the Corporations Act come into play when a retail client is involved. These include the following (subject to exemptions in particular circumstances):

- if a regulated person gives personal financial product advice to a retail client about interests in a managed fund or offers to issue or sell interests in the fund to the client, the client must receive a product disclosure statement for the fund;
- if a regulated person provides a financial service to a retail client, the client must receive a financial services guide;
- if a regulated person gives personal financial product advice to a retail client, the client must receive a statement of advice;
- if a regulated person gives general advice to a retail client, the client must be given a general advice warning;
- generally, a managed fund that has retail clients as members will need to be registered with ASIC;
- a fund manager that has retail clients as investors must have an internal dispute resolution procedure and be a member of FOS (the Financial Ombudsman Service);
- a fund manager must provide retail clients with ongoing disclosure of material changes and significant events affecting the fund;
- a fund manager must provide periodic statements to retail clients showing transactions and changes in investment balances;
- a fund manager must provide confirmations of transactions to retail clients;
- depending on the nature of the fund, a retail client may have a cooling off right in relation to an investment in the fund.

WHOLESALE CLIENTS

a person that invests \$500,000 or more

Note: One may aggregate amounts invested at or about the same time by the person, an associate of the person or a body corporate controlled and wholly owned by the person, in products within the same class offered by the same issuer.

a person that can demonstrate, by way of an accountant's certificate, that the person has net assets of at least \$2.5 million or a gross income for each of the last 2 financial years of at least \$250,000

Note: In determining whether the person has net assets of at least \$2.5 million, the net assets of a company or trust controlled by the person may be included. In determining the gross income of the person, the gross income of a company or trust controlled by the person may be included. If the person qualifies as a wholesale client under this test, then a company or trust controlled by the person is also a wholesale client (regardless of the financial position of the company or trust).

a person that a financial services licensee is satisfied has previous experience in using financial services and investing in financial products that allows the person to assess the merits, value and risks of the investment (amongst other things), the licensee gives the person a statement of its reasons for being satisfied as to those matters and the person signs an acknowledgement

a financial services licensee

a person who is regulated by APRA, other than a trustee of a superannuation fund, an approved deposit fund, a pooled superannuation trust or a public sector superannuation scheme

a person registered as a body under the Financial Corporations Act 1974

a person who is the trustee of a superannuation fund, an approved deposit fund, a pooled superannuation trust or a public sector superannuation scheme and the fund, trust or scheme has net assets of at least \$10 million

a person that has or controls gross assets of at least \$10 million (including any assets held by an associate or under a trust that the person manages)

a person who is a listed entity, or a related body corporate of a listed entity

a person who is an exempt public authority

a person who is a body corporate or an unincorporated body that carries on a business of investment in financial products, interests in land or other investments, and for those purposes invests funds received following an offer or invitation to the public where the terms of the offer provided for the funds subscribed to be invested for those purposes

a related body corporate of any body corporate that is a wholesale client

a person who is regulated by APRA, other than a trustee of a superannuation fund, an approved deposit fund, a pooled superannuation trust or a public sector superannuation scheme

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