

## Target Market Determination

**BLUESTONE SMSF RESIDENTIAL LOAN****Description of target market****(1) Likely objectives and needs of a self-managed superannuation fund in the target market of the Bluestone SMSF Residential Loan**

The primary objective of the trustees of a self-managed superannuation fund in the target market is to obtain funding through a limited recourse borrowing arrangement for:

- i. Acquisition of a residential property
- ii. Refinancing of an existing limited recourse borrowing arrangement.

**(2) Financial situation of self-managed superannuation funds in the target market:**

The target market consists of self-managed superannuation funds which:

- Have a complying status
- Have a corporate trustee
- Have an acceptable proposed residential property to be purchased by the self-managed superannuation fund and held in trust by a compliant security trustee for the self-managed superannuation fund
- Have determined the acquisition or refinance of the residential property:
  - » is in accordance with the self-managed superannuation fund's regularly reviewed investment strategy; and
  - » satisfies the SIS Act 'sole purpose' test
- Can satisfy our eligibility and lending criteria; and
- Can meet the repayment requirements of the limited recourse borrowing arrangement over the loan term.

**(3) Eligibility requirements****i. Self-Managed Superannuation Fund:**

- Must have a Corporate Trustee
- Status of the fund must be complying
- The legal owner of the proposed security must be a non-trading corporate trustee acting as the security trustee

This product will not be appropriate for an entity other than a self-managed superannuation fund or a self-managed superannuation fund that does not meet our credit assessment requirements.

This Target Market Determination (TMD) is required under section 994B of the Corporations Act 2001 (Cth), and has been prepared in accordance with the Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Act 2019 (Cth) and associated regulations. It sets out the target market for the product, triggers to review the target market and certain other information. It forms part of Bluestone's design and distribution framework for the product.

This document is not a product disclosure statement, and is not a summary of the product features or terms of the product. This document does not take into account any person's individual objectives, financial situation or needs. Persons interested in acquiring this product should carefully read the loan offer and general terms and conditions and obtain independent advice before making a decision whether to buy this product to ensure that it is appropriate for their particular objectives, financial situation and needs.

## Target Market Determination

# BLUESTONE SMSF RESIDENTIAL LOAN

### Description of the product

#### Product description

The Bluestone SMSF Residential Loan is secured by a mortgage over residential property beneficially owned by a self-managed superannuation fund and legally owned by a security trustee. A guarantee limited to the secured residential property is required from the security trustee. A guarantee limited to the loan amount is required from all adult members of the self-managed superannuation fund.

#### Key attributes

Key attributes of the Bluestone SMSF Residential loan include (one or more of the following):

- *Loan amounts* - from a minimum of \$100,000 to a maximum loan of \$1,500,000.
- *Loan to valuation ratio (LVR)* - the loan balance compared to the value of the residential property security expressed as a percentage up to 80%.
- *Loan term* - the total contractual time period from the start of the loan to when the loan principal must be repaid in full. Loan terms from 15 years to a maximum assessable term of 30 years are available.
- *Variable interest rate or fixed interest rate available*
- *Principal and interest repayments or interest only repayments up to 5 years available*
- *Fees payable* - include an establishment fee, settlement fee, legal fees, SMSF documentation review fee and a discharge fee. Special attendance and administration fees may be payable on specific requests.
- *Offset* - not available for this loan type.

The product is likely to be consistent with the objectives, financial situation and needs of self-managed superannuation funds with a corporate trustee because it allows them to finance the purchase of a residential property or refinance of an existing limited recourse borrowing arrangement in a manner compliant with the SIS Act. The product is generally appropriate for self-managed superannuation funds that will receive and use income from rent, other assets of the SMSF and member contributions to meet the required minimum repayments over the term of the loan.

### Distribution conditions

- Bluestone conducts a full credit assessment on every loan application ensuring that the objectives, financial situation and needs of the consumer are met.
- Mortgage Brokers are required to hold an Australian Credit License or maintain an appointment as a Credit Representative authorised to engage in credit activities on behalf of a credit licensee as part of Bluestone's accreditation requirements. In addition, Mortgage Brokers are subject to a higher duty under Best Interests Duties to ensure that the product is in the best interests of the particular consumer.
- Accredited mortgage brokers and Bluestone direct channel staff distribute the product
- Reasonable enquiry and verification are made to ascertain the borrower's financial situation, SIS Act compliance status and credit record of the fund members and guarantors
- An assessment is made to determine whether the borrower can service the loan and the product is not unsuitable for the borrower
- A valuation is obtained on the residential property offered as security
- The product should not be distributed to borrowers who do not meet the credit requirements for this loan. This product is unlikely to meet the needs, objectives and financial situation of self-managed superannuation funds that do not meet the eligibility criteria.

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**BLUESTONE SMSF RESIDENTIAL LOAN**

The product is only distributed by accredited mortgage brokers and Bluestone staff, who are trained on the features of the product and how they serve the needs of the target market. Self-managed superannuation fund applications are assessed based on the self-managed superannuation funds financial situation. Therefore, those that acquire the product are more likely to be in the target market.

Bluestone's suitability consideration is limited to an assessment for credit purposes only. It does not extend to the suitability in relation to the investment strategy of the self-managed superannuation fund.

**Events and circumstances (review triggers) that would reasonably suggest that the TMD is no longer appropriate**

- A material change to the design or distribution of the product, including related documentation or policies;
- Product performance is materially inconsistent with Bluestone's expectations of the appropriateness of the product to consumers:
  - » Where there is a significant change in our total borrowers (joint borrowers to be treated as a single borrower) requiring financial assistance at any one time;
  - » Where there is a significant change in our total borrowers (joint borrowers to be treated as a single borrower) that are in arrears;
  - » Where there is a significant change in loan applications declined
  - » Where there is a significant or unexpectedly high number of complaints that arise from product or distribution concerns
- Reporting from distributors, or consistent feedback from distributors on the target market which suggests that the determination may no longer be appropriate
- Regulator orders or directions in relation to the distribution of this product where Bluestone considers this reasonably suggests that this TMD is no longer appropriate
- The occurrence of a significant dealing in the product outside the target market
- A material change to the design or distribution of the product, including related documentation or policies;
- A material change to Bluestone's Credit Policy

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<b>Review periods</b>	Subject to intervening review triggers, the first review will occur no more than 12 months after the introduction of this TMD, and this TMD is reviewed every 12 months thereafter.
<b>Reporting periods</b>	<p>The quarterly reporting period for complaints commences on 1 January of each year. Distributors must report to Bluestone any complaints relating to the product within 10 business days of the end of the reporting period. This includes the details of any complaint received, and the number of complaints received in every quarter.</p> <p>Distributors must also report to Bluestone any significant dealings in the product which is not consistent with the TMD. This information must be provided as soon as practicable and in any case, within 10 business days after becoming aware.</p>
<b>Reporting requirements</b>	<p><b>Bluestone Group:</b></p> <ul style="list-style-type: none"> <li>• Relevant regulation, legislation and/or ASIC instruments relating to the change in law</li> <li>• Complaints and the nature of the complaints regarding product design, product availability and distribution condition</li> <li>• During the review period, the monthly expected and actual number of:               <ol style="list-style-type: none"> <li>a. Percentage of loan applications declined</li> <li>b. The reasons for declining loan applications</li> <li>c. The number and balance of settled loans</li> <li>d. The number of loans in arrears and the balance of arrears</li> <li>e. The number of loans where the security is enforced</li> <li>f. The number of loans and balance of loans paid out in full</li> </ol> </li> </ul> <p><b>Accredited brokers and aggregators:</b></p> <ul style="list-style-type: none"> <li>• Complaints and the nature of the complaints regarding product design, product availability and distribution condition</li> <li>• Dealing in the product which the regulated person becomes aware is not consistent with the TMD</li> </ul>
<b>Contact Us</b>	If you have any questions or feedback on this TMD, please call <b>13 BLUE</b> or visit <a href="https://bluestone.com.au">bluestone.com.au</a>