

MANAGED DISCRETIONARY ACCOUNT SERVICES.

**Claire Wivell Plater
June 2014**



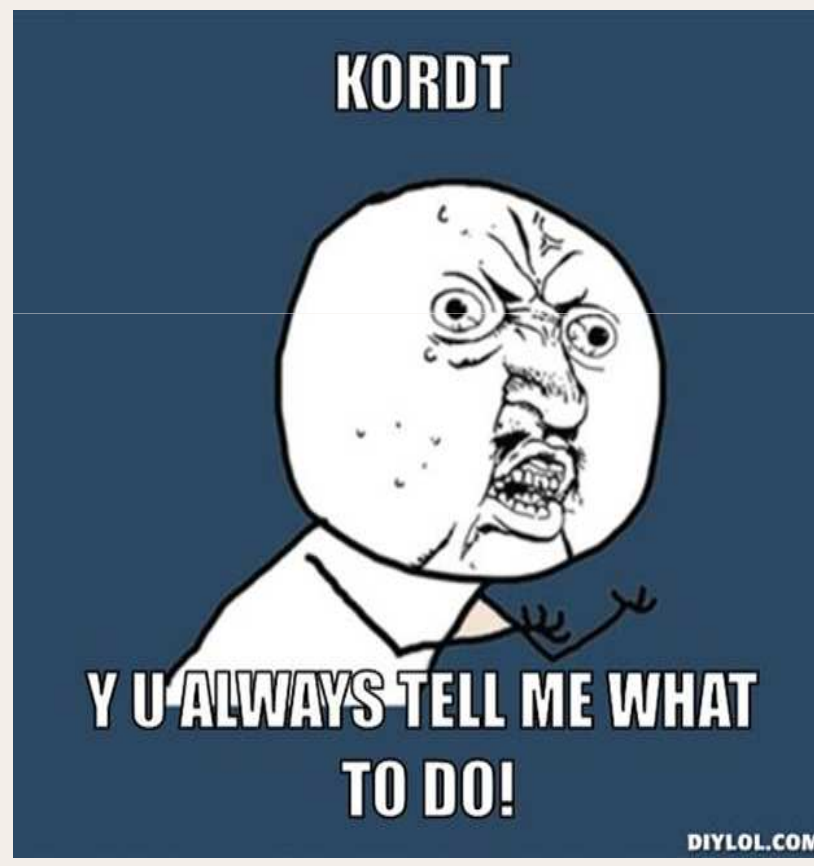
THEFOLDLEGAL.COM.AU

AGENDA.

- + What is an MDA service
 - + Different types of MDA services
 - + Compliance requirements for MDAs
-

MDA SERVICE.

- + Adviser has autonomy to manage client's portfolio
 - + In accordance with a pre-agreed Investment Program
-



COMPONENTS OF AN MDA.

Personal Advice

A financial adviser advises a client to invest their assets into a discretionary management service.

Investment Management

An investment manager recommends the investments in which the client should invest – usually a range of 'model portfolios'.

MDA Service

Administration / Reporting

Administrator buys and sells the investments in accordance with the manager's requirements and reports to the client on performance.

Asset Holding

The investments are either held by the client directly, or by an AFS licensed custodian.

COMMON TERMINOLOGY.

MDA

MDA operator manages a portfolio of assets for an investor on a discretionary basis via specific individual mandate or through model portfolios. All assets are owned by or for investor.

SMA

Responsible entity offers 1 or more professionally managed 'model' portfolios. RE holds the assets on behalf of the investor, not through an MIS.

TYPES OF MDA

IMA

Personalised account where investor owns all assets. Usually operated on a discretionary basis, but with a customised individual mandate. All assets are owned by or for investor.

UMA

'Unified managed account' – personalised investment account that encompasses every investment vehicle within 1 co-ordinated account. Can be discretionary or non discretionary. Key objective is consolidated reporting.

MDA SERVICE.

MDA operator (or external adviser) advises client to use MDA service

Client makes contributions

MDA operator designs and manages investments

Assets are not pooled

Custody is optional – and can be outsourced



3 PATHS TO DISCRETIONARY SERVICES.



- Through an MIS



- AFS authorised MDA Service



- “Limited” MDA



LIMITED MDA SERVICE.

IN ADDITION....

Assets are held in a regulated platform e.g. IDPS, superannuation wraps and master trusts

Can only transact within the platform

Adviser must hold a Power of Attorney

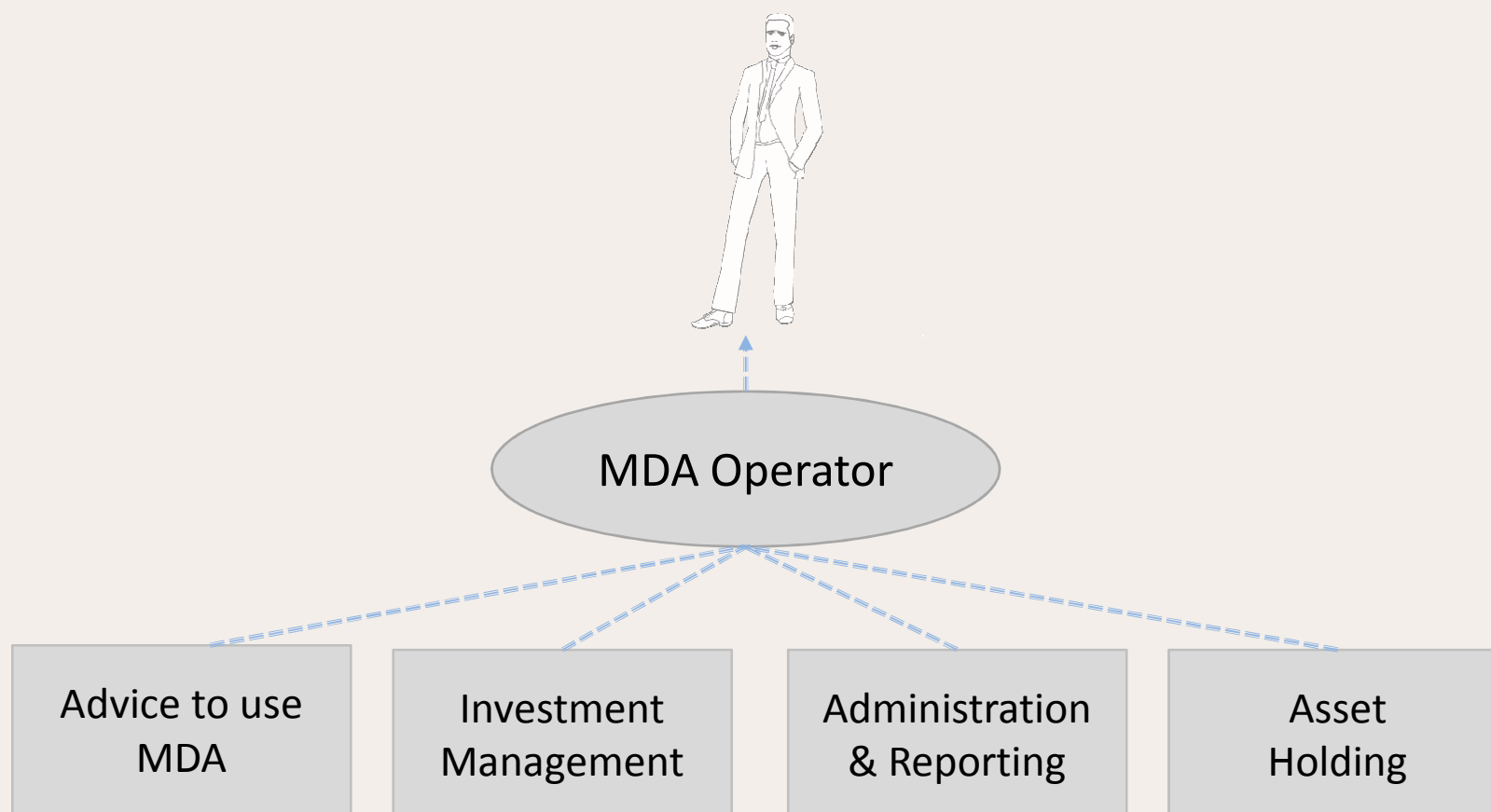


WHO DOES WHAT.

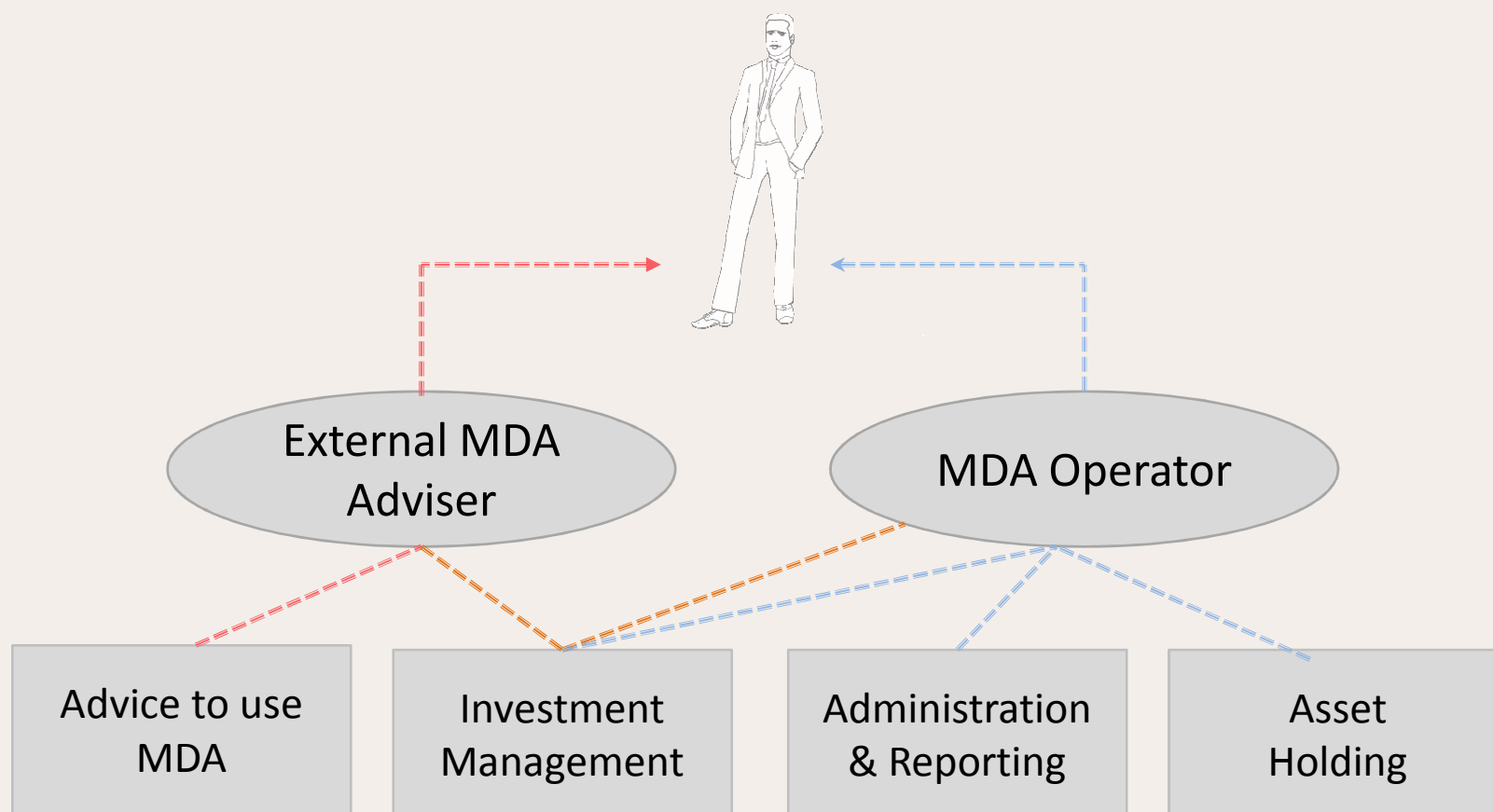
	Personal Advice	Investment Management	Admin / Reporting	Asset Holding
MIS and Auth. MDA Service	✓	✓	✓	Optional
“Limited” MDA	✓	✓	Platform	Platform

NB: Some full service MDA operators use platforms for Asset Holding

WHO DOES WHAT.



WHO DOES WHAT.



LIKELY FUTURE OF MDA SERVICES?

- + No more 'Limited' MDAs
 - AFS authorisation will be required
 - 2 year transition period
 - No need for separate reporting or audits
 - + Increased financial requirements for MDA operators and custodians
 - + Additional information in FSGs and MDA contracts
 - + Specific termination policy
 - + Special provisions for non-limited recourse investments
 - + Additional guidance on a number of issues
-



MDA COMPLIANCE










REQUIREMENTS.

ADVICE.



- + MDA service AND Investment Program must be appropriate for and in the best interests of the client
- + This is personal advice



COMPARISON OF COMPLIANCE REQUIREMENTS.

	Full MDA	Limited MDA
MDA Licence Authorisation		No
Special FSG		
PDSs	No	No
Power of Attorney from client	No	
MDA Contract		
Investment Program		
Documented compliance measures		Effectively

COMPARISON OF COMPLIANCE REQUIREMENTS.

	Full MDA	Limited MDA
Professional indemnity insurance	\$5m	\$2m
Audit report including compliance opinion		Effectively
Quarterly report on all transactions, A&L, revenue & expenses		Effectively
Annual report on all transactions and audit report <i>(incl. review of suitability of MDA)</i>		Effectively
Keep records of MDA Contracts, FSGs, Quarterly and Annual Reports – 7 years		Effectively
Notify ASIC of breaches		Effectively

LIMITED MDA KIT

- + FSG material
- + SoA, MDA Contract and Investment Program material
- + Power of Attorney
- + 'Review SoA/RoA' material
- + 'Limited' MDA Policies and Procedures.



QUESTIONS.



[Sanders](#)
