

Managed Accounts Glossary

Introduction

[The terms below are to assist members of the financial services community with their engagement with clients and services providers and for the benefit of investors generally. There are references to common legal terms although this is not exhaustive and care should be taken when considering legal obligations]

Most terms have grown up through use and adoption and many do not carry a legal definition. There are legally defined terms that relate to the managed account market, the Corporations Act, ASIC Act and the relevant regulations, including the MDA related regulations, LI 2016/968 and RG179¹. The Corporations Act is the primary source of law for financial services and financial products. However, as managed account services of various types have been developed, words and terms not specifically defined in the Corporations Act have come to mean what the user wants them to mean. The list below provides what IMAP believes are generally accepted definitions but is presented in the full knowledge that particular organisations will feel at liberty to use names and terms they have already adopted or those which seem to best suit their service offering.

A managed account service will contain four main components – Services, Elements and Roles. The definitions below are divided among those three areas.

Term	Definition
Services	
Managed Account	Generic definition for a service which has the following characteristics <ul style="list-style-type: none"> • Delegation of the management of a portfolio of assets by an investor to a suitably authorised manager, generally at a cost • On the terms set out in a standard offer document / agreement rather than an agreement specific to a single client

- Where the administration of the portfolio is an integral part of the overall service

Managed Portfolio	Alternative term for Managed Account
Managed Investment Scheme (MIS)	A defined term in The Corporations Act. A managed account offered in the form of a MIS, unlike a unit trust, is not unitised and nor will the assets be pooled among investors. RG179.2 notes an MDA can be offered as a registered MIS under Ch 5C.
Separately Managed Account (SMA)	<p>Generally offered as an investment option through a platform, although this is not always the case and this structure can be offered as a stand-alone investment product. On platforms, usually offered as a registered MIS, hence including:</p> <ul style="list-style-type: none"> • A PDS as the offer document • A Responsible Entity as the issuer, and • May be recommended on the basis of General Advice rather than Personal Advice <p>However, there are platform SMAs which are not MIS in structure.</p>
Managed Discretionary Account (MDA)	<p>A service which is offered in accordance with LI 2016/968 and RG179, so features:</p> <ul style="list-style-type: none"> • An MDA Provider • An MDA agreement • An Investment Program • Must be recommended with Personal Advice to retail clients • Assets may be held in custodial arrangements – for example on a platform – or in client’s own name.
MDA Agreement	The agreement between the MDA Provider and the Client setting out the terms on which the MDA service will be offered. See the RG179 definition below.
Investment Program	The description of how the discretionary assets in an MDA service will be managed. See the RG 179 definition below.
Individually Managed Account (IMA)	<p>Portfolio management where a single client’s assets are managed separately from those of other clients, and not necessarily in accordance with a model. May be run under an MDA structure or under a Power of Attorney.</p> <p>Generally, now only offered to Wholesale investors</p>



Limited MDA / “No Action” Service

Service created by ASICs letter to IFSA / FSC in November 2004 and banned with effect from October 2017. Under this an MDA service could be operated on a regulated platform without the need for the AFSL to have specific MDA Provider authorisation.

Elements

Investment Model	A notional combination of assets, managed in accordance with a mandate or investment program and serving as the basis on which a client’s specific portfolio will be managed
Portfolio	Each individual client account managed in accordance with an investment model.
Account	Each individual client account managed in accordance with a managed account model
Block trade	A transaction, generally of listed assets, which is undertaken on behalf of multiple client simultaneously and where their individual entitlement is apportioned at the completion of the trade.

Roles

MDA Provider	Responsible for the operation of an MDA service – previously called MDA Operator
Responsible Entity	Responsible for the operation of a Managed Account when run through an MIS structure
External MDA Adviser	An AFS Licensee, other than the MDA Provider, providing advice on the suitability of the MDA service and the investment program. They need to be authorised to provide personal advice on all the investment types included in an MDA service.
Portfolio Manager	The person or organisation responsible for the investment approach, asset allocation and manager selection of the model
Investment Manager	The person or organisation responsible for individual security selection decisions for all or part of a managed account model
Dealer as Manager	Where the AFSL responsible for advice acts as Portfolio Manager or Investment Manager. The AFSL may be MDA Provider or Responsible Entity or may be operating under a delegated authority.
Rep as Manager	Where the Adviser is delegated by the MDA Provider or responsible Entity to act as Portfolio Manager or Investment Manager



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