

MDA Providers Forum 11 April 2017

AGENDA

Welcome - Toby Potter, Chair IMAP

Introduction - Wes Gillett, HUB24

Our MDA service
John McIlroy, Crystal Wealth Partners

Implications of upcoming ASIC changes
Claire Wivell Plater, The Fold Legal

Our MDA service
David Heather, ManagedAccounts

About IMAP

- Established in 2005
- “Information, Education and Representation for Managed Account Professionals”
- Supported by subscribers, sponsors and event attendance

Managed Accounts Components



Managed Accounts Market

- Pretty good health - over \$40 bn and growing fast
- Increasing effect on reshaping dynamics of advice
- Both MDAs and SMA/MIS versions will grow

MDA Providers' Forum

- Community of interest
 - ASIC
 - Insurers
 - Advisers
 - Improved operating processes
 - Shared knowledge
- Meet 5 or 6 times / year in Sydney and Melbourne

2017 IMAP Activity

- Portfolio Management – Through the Managed Account Lens
 - August 2017
- InvestTech
 - December 2017
- Adviser Roadshow
 - February 2018
- MDA Providers Forum
- Dealer Investment Forum
- Responsible Managers Masterclass

MDA PROVIDERS FORUM

WHAT'S NEW FOR MDAS

Claire Wivell Plater



WHAT'S NEW.

Area	Issue
MDA Provider's FSG	<p>Must contain additional information:</p> <ul style="list-style-type: none"> + External MDA Adviser's name and contact details + MDA service fees and costs – in the same form as a PDS + Outsourcing arrangements + The risks of non-limited recourse products
MDA Contract	<p>Must contain additional information:</p> <ul style="list-style-type: none"> + MDA service fees and costs – in the same form as a PDS + The difference between acquiring financial products directly and through the MDA service + How the contract can be terminated, how long it will take and how MDA assets will be disposed or transferred
Investment Program	<p>Must now contain investment strategy, providing sufficient detail to enable an opinion to be formed on its suitability for the client</p>
SoA	<p>MDA Provider must review - not comprehensive, or an endorsement of the advice – more like a “negative assurance”</p>

WHAT'S NEW CONT'D.

Area	Issue
Unregistered MIS	Now a blanket prohibition – previously could invest in them if the investment would be permitted if they were an MIS, i.e. they complied with the minimum standards in CO 13/1411, s601FD statutory duties and relevant fiduciary duties
Breaches	Report within 10 days (not 5)
Non Limited Recourse Arrangements	Express client consent is required - separately to the MDA Contract
Termination	A written policy is required Clients can ask for a copy
Reporting	MDAs operated under platforms don't need to provide: + Quarterly reports + Audit report
Review reports	MDA provider must review transaction reports and notify clients of omissions

WHAT'S CLEARER.

Area	Issue
MDA Adviser's FSG	Doesn't need any information about MDAs
Conflicts of Interest	A major concern for ASIC, but RG 179 contains helpful guidance
Fee Disclosure Statements	External MDA advisers do not need to include MDA provider fees Integrated MDA services do not need to include MDA provider fees - if advice and MDA provider fees are not bundled

WHAT'S UNCLEAR.

Area	Issue
What's discretionary	Discretion as to the time or price to trade does not require an MDA – but no clear guidance on how this applies in practice
MDA Adviser Authorisation	<p>No guidance on required financial product MDA advice authorisations – separate indications are:</p> <ul style="list-style-type: none"> + MIS + All underlying products <p>Not need for an advice authorisation if they use an external MDA adviser – but discretionary investment management is advice</p>
MDA Provider Authorisation	<p>Can be either:</p> <ul style="list-style-type: none"> + MIS limited to MDA services + Miscellaneous financial products limited to MDA services <p>Must have an issue authorisation. Relief for those who don't</p>
Responsibility for External MDA Advisers	MDA Providers are not responsible for the external MDA advisers who recommend them.
MDA Provider Competency Requirements	<p>MDA Providers must be able to demonstrate they can understand the investment and operational issues of all the types of client portfolio assets under management</p> <p>ASIC will have regard to RG 132: Compliance plans and RG 133: Managed Investments and custodial or depositor services: Holding assets</p>

OTHER STUPID / INCONSISTENT STUFF.

Area	Issue
Investment Strategy	Required in the MDA Contract – <i>why, when it is in the Investment Program?</i>
Investment Program	<p>Must include the following <i>which are more relevant in the MDA Contract</i></p> <ul style="list-style-type: none"> + Nature and scope of discretions + Significant risks associated with the MDA Contract, including the nature and scope of the strategies to be applied in exercising those discretions + Whether and how to give instructions to MDA operator + When and by whom suitability of DA contract will be reviewed <p>Needs to comply with SOA requirements – <i>most are irrelevant</i></p> <p>And that would require it to be <i>called</i> an SoA, when it's an Investment Program</p> <p>Reg Instr 2016/968 requires it to contain a summary of all transactions. But RG 179.11 says it must also include:</p>
Annual Investor Statement	<ul style="list-style-type: none"> + Total MDA management and other fees and costs (as if the MDA was a registered scheme) + Copy of annual review of Investment Program – <i>already provided by MDA adviser</i>

AND NOW FOR SOME ... SHAMELESS SELF PROMOTION.

MDA COMPLIANCE KIT

Document	Contents
MDA Provider FSG Material	
MDA SoA Content	+ Seamlessly links the SoA, MDA Contract and Investment Strategy
Template MDA Contract	+ Comprehensive end to end procedures for both MDA providers and MDA advisers
Template Investment Strategy	+ Suitable for use in or out of regulated platforms
Annual Review MDA SoA/RoA Content	+ Meets all ASIC requirements
MDA Adviser Policy and Procedures	+ Detailed content and user guide
MDA Provider Policy and Procedures	+ Plain language
	+ Includes guidance on implementing all requirements
	+ Easy to customise for your business

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A top-down view of a wooden desk with various items: a white smartphone with a black screen, a clear glass of water, a white ceramic coffee cup on a saucer, and a small dark fruit. A blue-tinted overlay covers the entire image.

Common Reporting Standards ASIC Funding levy NTA requirement Oct 2018

IMAP

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