

<insert company logo>

MDA ADVISER POLICY AND PROCEDURES

<INSERT LICENSEE'S NAME>

(AFSL <INSERT AFSL NUMBER>)

SAMPLE

2. RECOMMENDING OUR MDA SERVICE

You must not recommend an MDA service unless it is in the best interests of the client, having regard to their personal circumstances and goals.

This means that the MDA service must be appropriate for the client; i.e. it must:

- Be fit for purpose – the MDA service must be likely to achieve the client’s goals; and
- Put the client in a better position – this will be the case if a reasonable adviser would consider that the client is likely to be in a better position if they use the MDA service.

TIP

This is an objective test. Advice will be in a client’s best interests if a reasonably expert adviser, exercising care and objectively assessing the client’s relevant circumstances, would regard it as being so.

You must also prioritise the client’s interests over your or our interests.

Some examples of how this could apply are:

- **Adviser convenience** - Advisers may like the convenience of not needing to contact clients to obtain instructions before changes are made to the client’s investments. If clients are not comfortable to relinquish that level of control, recommending an MDA service would prioritise the adviser’s interests over the client’s interest.
- **Cost** – If advisers (or their licensee) receive an additional fee when clients use an in-house investment management service, recommending the service when it is not suitable or not really necessary for a client, would prioritise the adviser’s (or licensee’s) financial interests over the client’s financial interests.

USER GUIDE: Include this paragraph if the adviser is an employee and/or authorised representative of the MDA provider or the MDA provider is a related entity to the advising licensee. Also, because our MDA service is an in-house service, we derive additional revenue if clients use this service because we receive an investment management fee in addition to our advice fee. This gives rise to a potential conflict of interest. For this reason, you must only recommend our MDA service if it offers an additional benefit for the client – see below.

Following our policy regarding when to recommend an MDA service will assist you to manage conflicts of interest and meet your best interests duty to clients.

2.1 MDA advice policy

2.1.1 Client criteria

USER GUIDE: This paragraph and table apply to all MDA providers because you can only provide an MDA service to a client if it is suitable for them. Otherwise you breach the best interests duty. THIS IS VERY IMPORTANT. You must only recommend an MDA service to clients who meet the criteria in the table below:

USER GUIDE: Customise the table below to be consistent with the reasons why YOUR business recommends MDA services and the criteria that you wish your advisers to apply when deciding whether to recommend an MDA service. NB, these are only suggested reasons. Delete any that do not apply to your MDA service. Add and other reasons why you recommend MDA services.

Issue	Template Criteria
Client Trust	<ul style="list-style-type: none">• The client understands and is comfortable giving the agreed level of discretion to the MDA provider and not being involved in day to day decisions about their investments.
Client Investment Preferences	<ul style="list-style-type: none">• The client wants their investments to be actively managed.
Client Involvement Preferences	<ul style="list-style-type: none">• The client wants to be involved in defining the investment approach.

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Issue	Template Criteria
	<ul style="list-style-type: none"> The client wants their portfolio to be automatically rebalanced back to the recommended asset allocation on an ongoing basis without having to give approval each time.
Client Concerns	<ul style="list-style-type: none"> The client wants direct ownership of their investments. The client wants the tax implications of their investments to be attributed to them so that they can control their overall tax position.
Client Convenience	<ul style="list-style-type: none"> The client is difficult to contact and does not want this to delay the implementation of investment recommendations. The client does not wish to be intimately involved in day to day decisions regarding the management of their investments.
Costs	<ul style="list-style-type: none"> The MDA service is cheaper for the client than a non-discretionary service. The MDA service is more expensive than a non-discretionary service, but the additional cost is highly likely to be offset by the additional returns.

2.1.2 Additional benefit

USER GUIDE: Include this paragraph if the adviser is an employee and/or authorised representative of the MDA provider or the MDA provider is a related entity to the authorising licensee. THIS IS VERY IMPORTANT: A FAILURE TO DO THIS PROPERLY POSES A HIGH RISK OF BREACHING THE BEST INTERESTS DUTY. Assess the following when determining whether our MDA service offers an additional benefit to the client:

- <list the issues advisers can take into account when considering whether our MDA service is an additional benefit for the client - these may relate to the investment team's superior investment methodology, expertise or approach; the interrelationships between the investment team and the client/adviser, the ability to include alternative assets in the MDA portfolio, or other benefits, as appropriate.>

2.2 Discuss it with the client

USER GUIDE: Customise this paragraph to ensure you include all the issues and information that you require your advisers to discuss with clients in order to ascertain their suitability for an MDA service. Before deciding whether to recommend an MDA service to the client, carefully explain what an MDA service is and how the MDA service you will recommend operates. Ensure you cover the following points:

- USER GUIDE:** Include this if you provide ongoing service on a discretionary and non-discretionary basis. You have 2 choices about how your investments are managed going forward. Either I can contact you each time your investments need to change, or you can give <insert name of MDA provider> the authority to make changes as they see fit. This is called a managed discretionary account service or MDA service.
- USER NOTE:** Customise this paragraph to be consistent with the reasons why your business offers the MDA service. <insert name of licensee> is a professional investment manager who <describe the licensee's investment management capabilities and approach to investments>. We have designed model portfolios of investments that reflect our approach to managing investments and are suitable for our clients.
- USER GUIDE:** Include this if you use an external MDA provider. We use/work with <insert name of MDA provider> to provide this service. They are a professional investment manager who <describe the MDA provider's capabilities and approach to investments>. They have designed/Our investment team has worked with them to design model portfolios of investments that reflect our approach to managing investments and are suitable for our clients.
- <If the MDA provider is related to the licensee/adviser, clearly explain the nature of the relationship>
- USER GUIDE:** Include this if you use an external MDA provider and the licensee receives a fee from the MDA provider for their investment management services. <insert name of MDA provider> charges fees for the MDA service and they pay <insert name of licensee> a fee for their contribution to the investment management process.

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