



# TRADING POLICY

Version 2.0 released April 2018

## ABSTRACT

Transactions form the core of every client level calculation on the system. This document outlines our policy in relation to the purchase and sale of securities under discretion in a managed account.

WealthO2

## Introduction

WealthO2 is the trading name of a group of companies engaged in the provision of financial services to Australian Financial Services Licensees (AFSL) and their clients. MDA Operator, a subsidiary of WealthO2, provides managed account services.

This policy has been prepared by MDA Operator Pty Ltd (ACN 609 025 130) trading as MA Operator. MDA Operator Pty Ltd is a Corporate Authorised Representative (CAR) of WealthO2 Pty Ltd AFSL: 500032) which is licensed to deal on Managed Discretionary Accounts ("MDA").

## Scope

### Who this Policy applies to

This document covers the trading policy and service offering for clients of the service who delegate the trading of securities and managed funds to MA Operator and MDA Operator.

### Broking accounts

WealthO2 is broker agnostic and assists an AFSL establish accounts at the broker of their choice. We have broking arrangements with the following brokers:

- Australian Money Market
- CommSec
- Desktop broker
- Open Markets

An associated IDPS-like registered scheme known as uXchange is used to buy and sell unlisted managed funds.

## Prices and cash vetting

All trades placed are based on a rebalance calculation performed as at the last closing price for equities and last available price for Managed Funds. Market movements during this period have not been factored in. Prices can be historical if for e.g. an mFund is not traded there is no price issued by ASX.

Rebalances are calculated using closing last price of the previous trading day.

Rebalances are calculated based on the cash CMA balances as of the last data feed which typically is every morning by 10am or can be as often as 3 times a day. WealthO2 will not take responsibility for withdrawals that are not reflected in the balance of the CMA at the time of the rebalance.

### MDA Providers and bulk processing

As MDA providers place trades in bulk, it's up to the MDA Provider to ensure there is sufficient cash in the client's portfolios to cater for the shortfall that can arise from market prices increasing

compared to the closing price of the previous day. Any failed trades and any costs or differences incurred to correct the shortfall at a client HIN level will be the responsibility of the MDA Provider.

It is advised that the MDA Provider review the total cost of sales including brokerage before placing the buy orders. WealthO2 can provide this 2-step process as administrator agent for the MDA Provider however WealthO2 will not take responsibility for the costs incurred in event of a failed trade.

### ROA / HIN and single rebalance MDA based orders

A Record of Advice (ROA) is sent to a client as part of the rebalance process to summarise the trades required to move a client's portfolio back to its intended position. The client confirms their approval of the recommended trades by signing the ROA.

Each client is given up to 72 hours to approve the ROA. Therefore the rebalance calculation approved by ROA clients may be as great as 72 hours old prior to the trades being placed.

For all, the AFSL should ensure that the broker agreement / service they enter into provides cash vetting on the HIN based broker accounts. Hence in the event of market movement causing a potential over buy order, the trade will be prevented and the AFSL can then amend the instruction for the remaining orders and prevent the failed trade. WealthO2 will not take responsibility for the costs incurred in event of a failed trade. WealthO2 strongly encourages the AFSL to ensure sufficient cash is allocated per client portfolio and also that their ROA's state the facts re estimated trades being approved and authority is based on ability for AFSL to amend orders in line with market movements.

## Trading rules

WO2 uses best endeavors to execute trades but is not responsible for losses (or missed gains) due to failure to complete trading within 24 business hours of the confirmed orders (where the .

### ASX Equities

The policy for the purchase and sale of Australian Listed securities (excluding mFunds) held on the ASX is:

- Approved<sup>1</sup> Trades are placed in the market as soon as possible after they are received by MDA Operator however in event of bulk orders, each broker has a pre-market cutoff in order to process the orders and the rebooking's before close. In event too that the orders are ready for trading close to the market close, then it may not be in the client's interest to be subject to close out prices and hence waiting to the following day may be beneficial. The AFSL / MDA Provider can make this judgement.  
All trades are placed at Market to Limit, unless otherwise advised
- If the market moves after the trade is placed (and before the order is filled), the trade will be adjusted so that any unfilled positions are filled at the prevailing market price.

<sup>1</sup> MDA Operator must have approval from the client prior to placing a trade on the market. The MDA agreement provides this discretion. For non-MDA clients we need specific approval via the ROA process.

- For COMMSEC, ACA , MDA Operator has no visibility on Clients Accounts so cannot verify what balances are seen online.
- Trading is done via 3rd party trade desk and the use of 3rd party software such as IRESS.
- For MDA bulk orders, the rebooking sheet needs to be provided to the Broker at least 30 mins before market close
- If a trade is only partially filled, the remaining amount can be placed the following day.

### Listed Managed Funds

Listed managed Funds known as mFunds have different trading aspects to other listed securities which affect the manner in which MDA Operator is able to trade these securities. Our policy in relation to mFunds is:

- mFund trades are placed to the market as soon as possible after they are received by MDA Operator
- The ASX cut-off for mFunds is 10:30am Sydney time. Any trades received after that time will be placed for the following business day
- mFund trade confirmations can be delayed from Brokers which can cause holding calculations to vary with adjustments for the unconfirmed asset movement on buys

### Australian Money Market

Australian Money Market (AMM) is a fixed income broker that facilitates the trades of bank deposit products such as term deposits and high yielding cash accounts. Our policy in relation to trading these bank deposit products is:

- Trades are placed to Australian Money Market as soon as possible after they are received by MDA Operator
- The cut-off for AMM is noon or 1:30pm Sydney time dependent on the asset. Any trades received after that time will be placed for the following business day.
- Some AMM providers have delays between when they confirm the trades and move the money. This can result in the portfolio being incorrectly value during this period.

### uXchange

uXchange is a registered scheme which facilitates the purchase and sale of unlisted managed funds. uXchange is a related entity of MDA Operator established specifically to provide this product. Our policy in relation to trading unlisted managed funds is:

- Trades are placed to uXchange as soon as possible after they are received by MDA Operator and will be placed prior to cutoff on a best endeavors basis
- The cut-off for uXchange is 11am Sydney time. Any trades received after that time will be placed for the following business day.
- uXchange will only confirm final units or dollars once the fund manager confirms the orders to the custodian.

## No short selling

Short selling involves selling financial products that have been borrowed (rather than those that are owned by a client) with a view to repurchasing them later at a lower price and returning them to the lender.

Short selling requires an expertise not held by MDA Operator and we are therefore not able to offer this trading capability.

## Need more information?



For more information please contact our support team: 1300 726 008



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