

W E A L T H O<sub>2</sub>

# WealthO2 Securities Trading Policy

v2.5 October 2020

## **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.*



# The WealthO2 Trading Policy

## 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). 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 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 MoneyMarket
- CommSec
- Desktop broker
- Open Markets

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

# The WealthO2 Trading Policy

## 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 example if 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 8.30am. 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.

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## 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.

# The WealthO2 Trading Policy

## Trading Rules

WealthO2 uses best endeavours to execute trades within 24 hours of the ROA completion notification but is not responsible for losses (or missed gains) due to failure to complete trading of the confirmed orders.

## ASX Equities, Exchange Traded Funds (ETFs) and Listed Investment Companies (LICs)

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 cut-off 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.
- For COMMSEC, ACA, MDA Operator has no visibility on Clients Accounts so cannot verify what balances are seen online.

<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.

# The WealthO2 Trading Policy

## ASX Equities, Exchange Traded Funds (ETFs) and Listed Investment Companies (LICs) (continued)

- 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.
- ASX trades are generally placed within 24 hours of being received by our team (this is not guaranteed).

## Listed Managed Funds (mFunds)

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.

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## 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 12:30pm 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 cut-off on a best endeavour's 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.

# The WealthO2 Trading Policy

## Dollar Cost Averaging

WealthO2 offers a Dollar Cost Averaging (DCA) service for Practices to be able to instruct in advance on a wide variety of transactions that will be executed for them on a regular basis. The DCA is on a reasonable effort's basis.

This is for a practice to provide instructions that will be executed by WealthO2 to buy securities on a pre-agreed date for a pre-agreed list of securities (commonly instructed via a shared spreadsheet). This is generally executed at a favourable transaction price and allows efficiencies for the practice.

WealthO2 also offers a Double Dollar Cost Averaging (DDCA) capability, where double trading can take place if a lower price level (in percentage terms) is reached for one or more specified securities. The details should be provided in the agreed spreadsheet 24 hours prior to the trading day.

The list of DCA clients and the securities to buy is reviewed and updated on a monthly basis by the practice representative at least 24 hours prior to the execution of the trades. If there are unclear instructions or insufficient funds, the transactions may not be placed. In the event that trades will need to be placed on a different date to the agreed date, the favourable transaction rate may not be applied.

If a trading issue is discovered as part of the monthly review, this will be rectified at the discretion of WealthO2. The issue will need to be notified in writing within 33 days of the incident and any rectification will cover the period from the incident through to the monthly review, at the discretion of WealthO2.

The DCA trading does not adjust for market movements, so it is recommended that the practice representative run a rebalance for the client at the end of the period.

# The WealthO2 Trading Policy

## 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.

# The WealthO2 Trading Policy

## Appendices

### Appendix A: Key Terms & Definitions

**AFCA:** Australian Financial Complaints Authority

**AFS licence:** An Australian financial services licence under s913B of the Corporations Act that authorises a person who carries on a financial services business to provide financial services.

**AFS licensee:** A person who holds an AFS licence under s913B of the Corporations Act

**ASIC:** Australian Securities and Investments Commission

**Consumer:** The term consumer means a means a 'retail client' for a financial product.

**Design and distribution obligations:** The obligations contained in Pt 7.8A of the Corporations Act

**Dollar Cost Averaging:** Also known as Regular Investment Plan/Program, this is a regular investment, as specified by the AFSL, commonly on a monthly basis, to invest on behalf of their clients.

**financial adviser:** An individual who is authorised to give personal advice to consumers on Ch 7 financial products.

**financial advice:** A recommendation or a statement of opinion, or a report of either of these things, that is intended to, or can reasonably be regarded as being intended to, influence a client in deciding about a particular financial product or class of product as defined in s766B of the Corporations Act.

**IDPS:** An investor directed portfolio service as defined in Class Order [CO 13/763] Investor directed portfolio services or any instrument that amends or replaces that class order.

**Issuer:** A person who is subject to the TMD requirements in s994B (including sellers in a regulated sale situation), unless indicated otherwise.

**Member:** The term member refers to a 'retail client' for a financial product who is a member of a fund.

**Platform:** An investor directed portfolio service (IDPS) and IDPS like scheme.

**PDS:** A Product Disclosure Statement—a document that must be given to a consumer for the offer or issue of a financial product in accordance with Div 2 of Pt 7.9 of the Corporations Act

**Retail client:** A client as defined in s761G of the Corporations Act and Div 2 of Pt 7.1 of the Corporations Regulations

# The WealthO2 Trading Policy

## Appendix B: Change Log

### **Version 0.92:**

The original version of this document was produced by Mr Peter Sawtell on the 24<sup>th</sup> of February 2017.

This version of this document that was taken to the Risk and Compliance Committee for review on the 12<sup>th</sup> of March 2017.

### **Version 1.00:**

This version approved by the Risk and Compliance Committee and taken to the WealthO2 Board for approval in March 2017.

### **Version 1.1:**

This version was a review and update in April 2018, approved by the Risk and Compliance Committee.

### **Version 2.1:**

This version was a review and update in December 2018 approved by the Risk and Compliance Committee and approved at the WealthO2 Board.

### **Version 2.2:**

This version was a review and update in July 2019, approved by the Risk and Compliance Committee and approved at the WealthO2 Board.

### **Version 2.3:**

This version was a review and update in March 2020, approved by the Risk and Compliance Committee and approved at the WealthO2 Board.

### **Version 2.4:**

This version was a review and update in July 2019, approved by the Risk and Compliance Committee and approved at the WealthO2 Board.

### **Version 2.5:**

This version was a review and update in July 2020, approved by the Risk and Compliance Committee and approved at the WealthO2 Board.

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