

From: [REDACTED]
Sent: Monday, 13 April 2026 4:27 AM
To: [REDACTED]
Subject: Submission on Proposed Remake of Relief for Managed Discretionary Account Services (CS 47)

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Dear Sir or Madam,

Please find below the submission of ARGA Observatory in response to Consultation Paper CS 47 regarding the proposed remake of relief for managed discretionary account (MDA) services.

ARGA Observatory is an independent analytical and legal research organisation working at the intersection of transnational financial risk, regulatory analysis, and compliance frameworks. Our work focuses on the practical implementation of regulatory standards in complex financial structures, including cross-border investment arrangements and intermediary-based service models.

We welcome the opportunity to contribute to this consultation and would like to highlight several considerations related to proportionality, transparency, and the allocation of responsibility within MDA frameworks.

1. Balance between flexibility and investor protection

MDA arrangements inherently involve a degree of discretion exercised by service providers on behalf of clients. Regulatory relief mechanisms in this area play an important role in allowing operational flexibility while maintaining adequate safeguards for investors.

In this context, it is important that any remake of relief:

- preserves sufficient flexibility for legitimate portfolio management practices;
- avoids introducing unnecessary rigidity that may limit efficient service delivery;
- maintains clear and enforceable standards for investor protection.

A well-balanced framework should support both market functionality and client safeguards.

2. Clarity of roles and allocation of responsibility

MDA structures often involve multiple actors, including advisers, platform providers, custodians, and portfolio managers. In such environments, there is a risk that responsibility for key decisions becomes diffused or unclear.

We consider it essential that:

- roles and responsibilities of each participant are clearly defined;

- accountability for discretionary decisions remains identifiable and enforceable;
- reliance on third-party service providers does not obscure responsibility.

Clear allocation of responsibility strengthens both regulatory oversight and client protection.

3. Transparency and client understanding

Given the discretionary nature of MDA services, transparency towards clients is particularly important. Clients should be able to understand:

- the scope of discretion granted to the provider;
- the nature of underlying investment decisions;
- the risks associated with delegated portfolio management.

Disclosure requirements should therefore be sufficiently clear and practical, ensuring that clients are not placed in a position of informational disadvantage.

4. Proportionality of compliance obligations

While regulatory safeguards are necessary, it is important to ensure that compliance obligations remain proportionate to the scale and risk profile of the service.

Excessive or overly complex requirements may:

- increase operational burden without materially improving outcomes;
- create barriers to entry for smaller or specialised providers;
- lead to a shift towards more standardised, less tailored services.

A proportionate approach allows for effective oversight without reducing the diversity and adaptability of the market.

5. Oversight of third-party arrangements

MDA services frequently rely on external providers, including platforms, data services, and execution intermediaries. These dependencies introduce additional operational and governance considerations.

We suggest that the framework should:

- reinforce the responsibility of primary service providers for third-party arrangements;
- ensure appropriate oversight and due diligence processes;
- avoid situations where reliance on external infrastructure reduces transparency or accountability.

Maintaining control over outsourced functions is critical for both regulatory compliance and client protection.

6. Regulatory certainty and continuity

A clear and stable regulatory framework is essential for long-term planning and compliance. Frequent or unclear changes to relief conditions may create uncertainty for both providers and clients.

We encourage:

- maintaining continuity where existing relief has proven effective;
- providing clear transitional arrangements where changes are introduced;
- ensuring that updated requirements are communicated in a structured and accessible manner.

Regulatory certainty supports both compliance and market confidence.

Conclusion

In summary, we support the objective of maintaining an effective and balanced framework for managed discretionary account services. We emphasise the importance of proportionality, transparency, and clear allocation of responsibility, as well as the need to preserve operational flexibility within a well-defined regulatory structure.

We appreciate the opportunity to contribute to this consultation and remain available for any further engagement.

Kind regards,

