



User Guide

# Fractional Share Processing

Overview ..... 3  
How to Enroll..... 3  
Trading: Buy Orders ..... 3  
Trading: Sell Orders ..... 3  
Transferring Shares via ACATS ..... 3

## Overview

Axos Advisor Services will expand fractional share processing beyond traditional Mutual Funds and Money Markets to now include equities and ETFs. The products that are now eligible include: Common Stock (C), ETFs (ETF), Closed-end Mutual Funds (CM), Preferred Stock (P), WHFIT ETFs (WF), WHFIT Stock (WS), and Public REIT (RHTA).

## How to Enroll

Contact your Customer Service Advocate to activate the fractional shares feature. Once activated, fractional shares will automatically be applied to your models/accounts as part of the normal trading process.

## Trading: Buy Orders

- Buy orders will be aggregated (by model) and rounded down to the nearest full lot before being submitted for execution.
- Once filled, the shares will be allocated back to the underlying client accounts, with each client receiving their portion of the fractional shares purchased.

## Trading: Sell Orders

- The total number of shares eligible for sale will appear in the Trade Blotter.
- If applicable, trades will be created for full and fractional shares
- For orders containing full and fractional shares, only the whole shares will be sent to the market. The fractional shares will be sold to the Axos Clearing house account using the average price for the executed whole share trade.
  - Note: In situations where a trade order remains outstanding for multiple days, such as in a limit order, the fractional shares will be sold only after ALL the full shares have been sold.
- The trade will appear on the client account as a single transaction using the average price the entire trade execution.
- Trades for less than 1 full share will not be sent to market, but instead will be sold to the Axos Clearing house account using that day's closing price.
- Note: For accounts with an Establish Term Date and the "Term/Sell" flag set to hold. The Service Team can change the flag to "Sell". This will result in the system building the Sell trades overnight and placing them in the trade blotter for the Advisor to approve in the morning.

## Transferring Shares via ACATS

Fractional shares of equities/ETFs are not currently transferable via the ACATS process. When fulfilling a full ACATS out request, TCA will transfer the full equity/ETF

shares and sell the fractional holdings. The resulting proceed will be sent to the recipient firm as part of the residual sweep process.