



**INVESTMENT FUNDS GLOBAL MARKET PRACTICE
ACCOUNT MANAGEMENT**

Status:	Final 2.1.0.0
Preparation Date	1 July 2014
Author	SMPG IF WG

Changes to previous versions			
Version 0.0.0.1.	Draft	First draft	August 2010
Version 0.0.0.2	Draft	Captured the discussions held at the SMPG meeting in Amsterdam	January 2011
Version 0.0.0.3	Draft	Included feed-back on section 2 and 5.2 provided by the IT NMPG, which was agreed by the group during the conference call held the 29 th of March	April 2011
Version 0.0.0.4	Draft	Added diagrams to the scope section covering "omnibus" nominee scenarios for the different levels of account structure	May 2011
Version 1.0.0.0	Final	Intermediary added as a potential role of a fund hub	August 2011
Version 2.0.0.0	Draft	Updated to V04 of the base standard Alignment of status reporting 'received' with the order process. Cosmestic and alignment modifications	April 2014

1	INTRODUCTION	4
2	SCOPE	5
3	ROLES AND ACTORS	7
4	ACTIVITY DIAGRAMS	8
5	SEQUENCE DIAGRAMS	10
5.1	ACCOUNT OPENING	10
5.2	ACCOUNT MODIFICATION	11
6	BUSINESS DATA REQUIRMENTS	12
7	MARKET USAGE OF STATUS REPORTING	12

1 Introduction

This document contains the global market practice guidelines for the interpretation and usage of ISO 20022 account opening messages by the players in the international investment funds industry.

It serves as a reference for the work of Investment Funds Working Group (IFWG) of the Securities Market Practice Group (SMPG) and is intended to be considered as a basis for market practices in the investment fund business. The definition of such market practices is an important task of the SMPG. It is intended for:

Sell side

- Fund management companies
- Transfer agents

Buy side

- Institutional investors
- Fund platforms and hubs
- Custodians
- Distributors of investment funds

However, its primary purpose is to provide a reference source of the ongoing development of national market practices - implementers are recommended to refer to relevant local market practice documentation in the first instance. The document was prepared in consultation with the following countries and organizations participating in the SMPG IFWG

- Brazil (BR)
- France (FR)
- Germany (DE)
- Italy (IT)
- Luxembourg (LU)
- Norway (NO)
- Switzerland (CH)
- Sweden (SE)
- United Kingdom (UK)
- Clearstream
- Euroclear

This is a living document and is subject to future revision and addition as global market practice develops and evolves.

The main goal of this collaboration is to increase efficiency in the process of distribution and settlement in the cross border investment fund business, and is designed to complement the domestic market practice documents in each market.

2 Scope

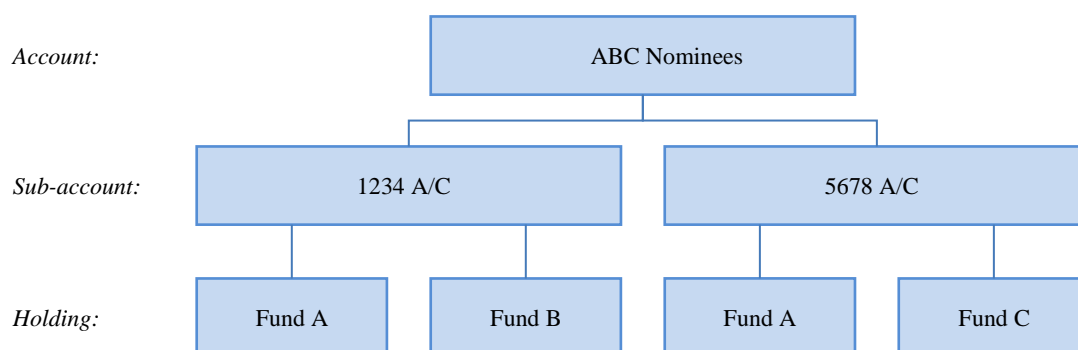
The scope of this document covers the process of opening and modifying investment accounts using an automated messaging process. The recommendation of the SMPG is to communicate using the ISO 20022 message standard, which is non-proprietary and therefore network independent.

- Account opening schemes and process covered in this document:
- Account Opening Instructions (acmt.001)
- Account Details Confirmation (acmt.002)
- Account Management Status Report (acmt.006)
- Account Modification Instruction (acmt.003)

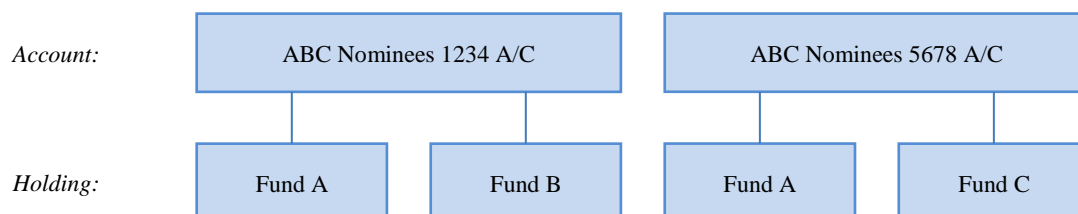
Account levels

The market practices may be used to open/modify accounts which might exist at three levels, depending on the functionality of the Registering Party's systems:

Level 1: Where the account owner may hold a single overarching account structure with individually designated sub-accounts, each holding one or more funds. eg.:

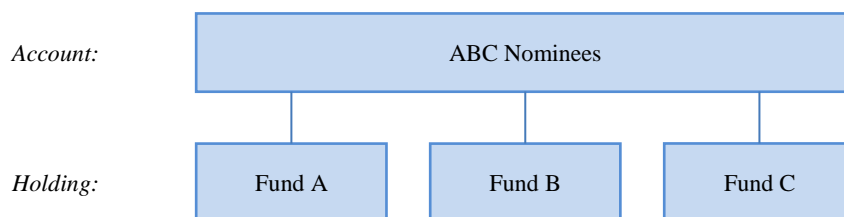


Level 2: Where the account owner maintains individually designated accounts separately (with no overarching account structure), each holding one or more funds, eg.:

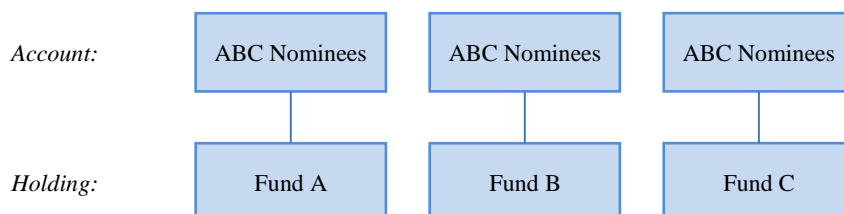


or with a single "omnibus" nominee account:

Level 3: Where the account owner maintains each individual fund holding in a separate account, eg.:



or with "omnibus" nominee accounts:



The business processes associated to the account opening process determined were transfers and subscription orders (in some markets the account opening is only carried out when the subscription order transaction is placed).

Definitions

For the purposes of this document the term 'investment fund' and 'fund' include typical mutual fund and collective investment undertakings, such as unit trusts, open ended investment companies (OEIC¹, SICAV²) and contractual funds (FCP³). Note that although it may be possible for alternative types of fund, eg, hedge funds, to follow the market practice, but the IFWG has not attempted to accommodate these specifically.

- Account owner - the person or institution that legally owns and/or controls the account
- Account opening - the process of establishing an account with the required static data for the purposes of holding fund units
- Account Opening Instruction - an instruction given to the registering party, with the necessary information to open an account for the purposes of holding fund units.
- Account modification - the process of amending the static data associated with an account maintained for the purposes of holding fund units.
- Account Modification Instruction - an instruction given to the registering party, with the necessary information to amend the static data associated with an account maintained for the purposes of holding fund units.
- Account Management Status Report - a report sent to the instructing party to provide the processing status of a previously received Account Opening Instruction or Account Modification Instruction.

¹ Open-Ended Investment Company

² Société d'Investissement à Capital Variable

³ Fonds Commun de Placement

- Account Details Confirmation - a report sent to the instructing party, to confirm the opening or modification of an account. This report contains detailed information relevant to the opened account or modification.

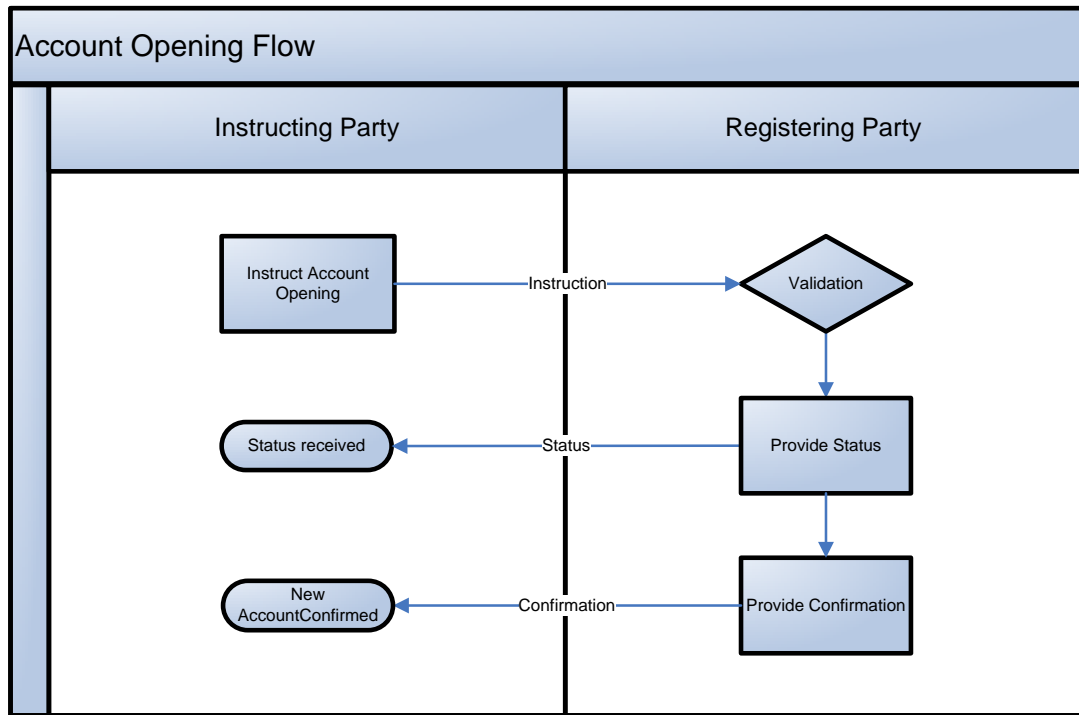
3 Roles and Actors

This section describes the actors involved in the process outlined in this document, and the roles that they play.

Instructing Party	Intermediary	Registering Party
The party that instructs an account opening or modification - usually the account owner	The party that receives an instruction from the instructing party and transmits it to the registering party.	The party that receives and registers the instruction, for example, transfer agent, fund manager order desk.

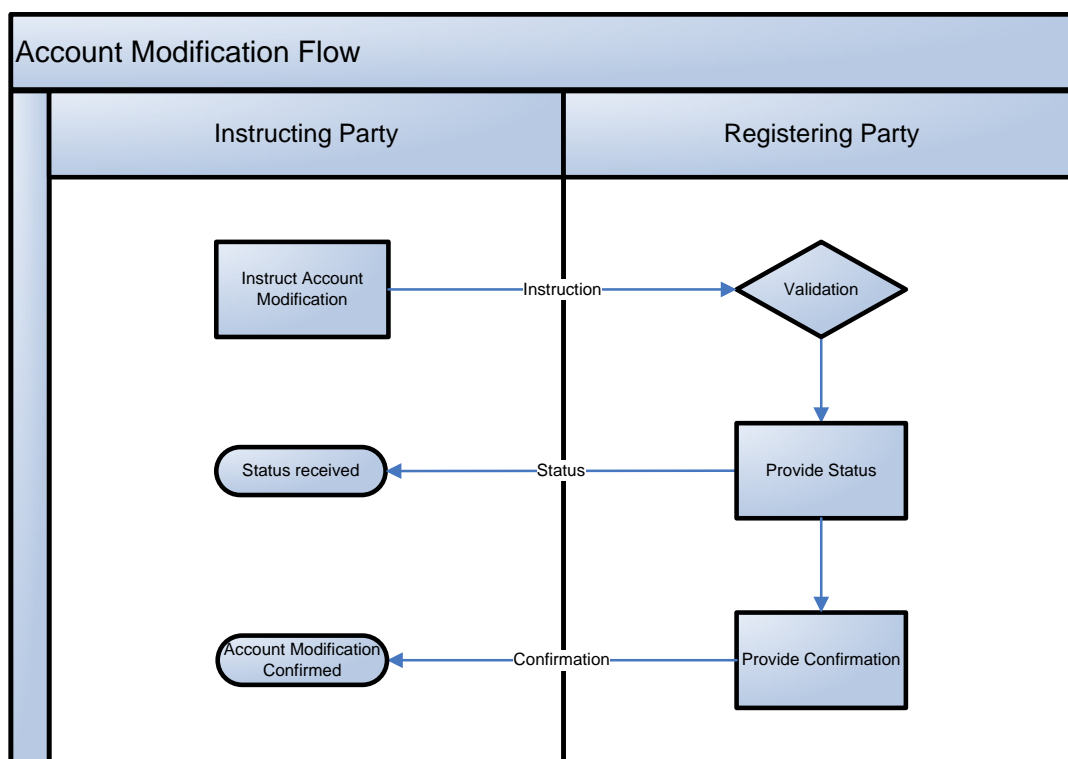
Actor	Description	Examples/synonyms	Typical Roles
Fund manager	The company that is responsible for the management and operation of the fund, eg, determines the investment strategy, appoints the service providers, and makes major decisions for the fund. It is usually responsible for promotion distribution and marketing of the fund.	Fund Company, Fund management company, Fund promoter	Registering Party
Transfer agent	The entity that undertakes the execution of subscription, redemption and switch orders on behalf of the fund.		Registering Party
Investor	The party whose money is invested. It can be one or more individuals or entities.		Instructing Party
Custodian	A party who holds the assets on behalf of an individual or institutional investor. They may be asked to send orders on behalf of the investor.		Instructing Party Registering Party
Investment manager	An entity that may be appointed by an investor to make investment decisions on their behalf.		Instructing Party
Fund platform	An entity that collects and aggregates investor orders for placement with the registering party, and maintains the shares in its nominee account	Aggregator, consolidator	Instructing Party Registering Party
Fund hub	An entity that manages and centralizes communication, settlement and coordination of individual orders among the various parties. A Hub's can range from managed order routing to settlement and asset servicing.	For example Vestima, Fundsettle, etc.	Intermediary Instructing Party Registering Party
Distributor	An entity through which investors may buy or sell funds units. This may be on an advisory or execution-only basis.	For example brokers, financial advisors, and banks.	Intermediary

4 Activity Diagrams



Instructing Party	Registering Party
<u>Instruct Order</u> Instruction of the account opening to the registering party.	<u>Validate /Process Instruction</u> Validation of the account opening instruction and the ability to process it.
	<u>Status</u> To indicate to the instructing party if the account opening instruction could be processed.
	<u>Execution</u> Processing of the account opening.
	<u>Confirmation</u> Notification to the instructing party that the account has been opened.

The following diagram provides an overview of the account modification process. It shows the main activities that will result in the processing of an account modification by the Registering Party.



Instructing Party	Registering Party
<u>Instruct Modification</u> Instruction of the account modification to the registering party.	<u>Validate /Process Instruction</u> Validation of the account modification instruction and the ability to process it.
	<u>Status</u> To indicate to the instructing party if the account modification instruction could be processed.
	<u>Execution</u> Processing of the account modification.
	<u>Confirmation</u> Notification to the instructing party that the account or investment plan has been modified.

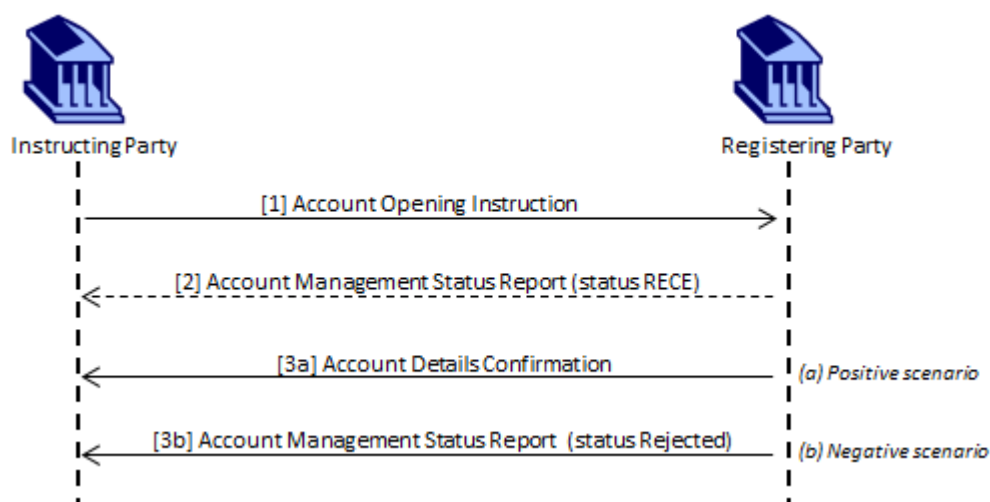
5 Sequence Diagrams

The following diagrams describe the communication flows for specific scenarios. It shows the typical exchanges of messages in the context of a transaction.

5.1 Account Opening

This diagram describes the flow of messages between the Instructing Party, and the Registering Party in both positive (a) and rejection (b) scenarios.

Example:



The messages used in the above flow are as follows:

	<i>Identifier</i>
Account Opening Instruction	acmt.001
Account Management Status Report	acmt.006
Account Details Confirmation	acmt.002

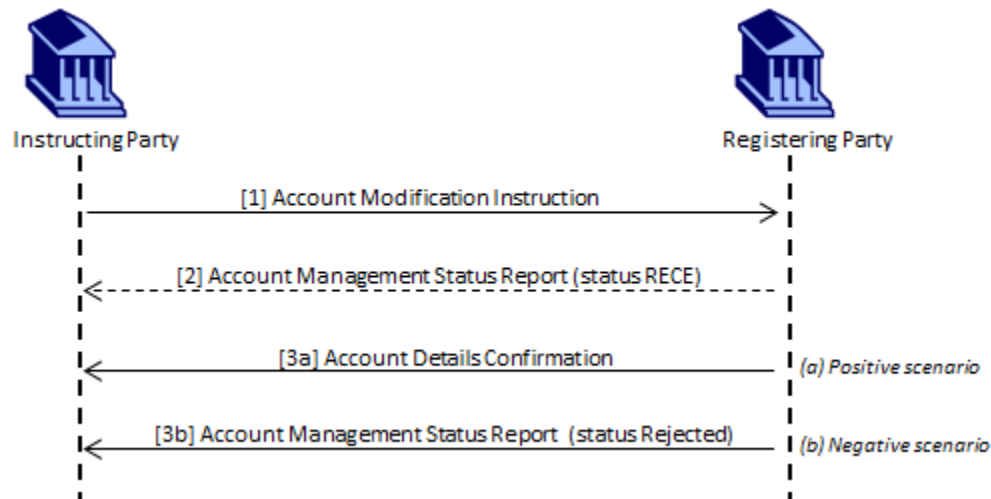
- 5.1.1 The account opening instruction is sent by the instructing party to the registering party
- 5.1.2 The registering party may respond with an Account Management Status Report message with the status “Received” (RECE), depending on its SLA with the registering party. If the account cannot be created immediately the registering party can send one or more status messages to the instructing party to keep them updated on progress so far.
- 5.1.3 (a) If the instruction is accepted by the Registering Party, the details of the successfully opened account are sent by the registering party to the instructing party.
(b) If the account cannot be created, the registering party sends a status message to the instructing party rejecting the instruction, and specifying the reason for rejection.

5.2 Account Modification

This diagram describes the flow of messages between the Instructing Party, and the Registering Party in both positive (a) and rejection (b) scenarios.

Note that the modification process should be used to modify account information provided that the account structure remains unchanged (e.g. not to add a sub-account). Only the information to be modified should be included in the message, not the entire set of data.*

Example:



The messages used in the above flow are as follows:

	<i>Identifier</i>
Account Modification Instruction	acmt.003
Account Management Status Report	acmt.006
Account Details Confirmation	acmt.002

- 5.2.1 The account opening instruction is sent by the instructing party to the registering party
- 5.2.2 The registering party may respond with an Account Management Status Report message with the status “Received” (RECE), depending on its SLA with the registering party. If the account cannot be created immediately the registering party can send one or more status messages to the instructing party to keep them updated on progress so far.
- 5.2.3 (a) If the instruction is accepted by the Registering Party, the details of the successfully modified account are sent by the registering party to the instructing party.
(b) If the account cannot be modified, the registering party sends a status message to the instructing party rejecting the instruction, and specifying the reason for rejection.

** In order to add a new sub-account, the account opening message should be used with the OpeningType “SUPA”.*

6 **Business Data Requirements**

This section describes the business information that will be needed for the business process to take place. This information relates to a single transaction.

For the detailed global market practice, see MyStandards:

Collection Name:
SMPG-Global-IF-AccountManagement-V2.1 Final (1-July-2014)
Message Usage Guidelines:
01_AccountOpeningInstructionV03_acmt.001.001.04
02_AccountDetailsConfirmationV03_acmt.002.001.04
03_AccountModificationInstructionV03_acmt.003.001.04

7 **Market usage of Status Reporting**

Status Reporting – A registering party, sends the Account Management Status Report message to the instructing party, to confirm whether or not the account opening is valid and accepted for execution.

The following status reports are recommended by the SMPG:

- To confirm that an account opening or modification instruction has been received and validated technically (RECE). Parties may agree that in some or all circumstances the receiver of an order instruction message will send this status response immediately on receipt to indicate simply that it has been received and validated technically for processing, but without legally accepting the order at that stage. This flow is optional and subject to the SLA between the parties.
- To report the processing and/or acceptance and validation of an account opening or modification instruction.
- To report the rejection of an account opening or modification and the reason for rejection

In some business scenarios other status messages may be provided but these should be agreed by SLA.

SMPG recommends to use the message identification of the initial AccountOpeningInstruction or AccountModificationInstruction message as the linking reference. The message identification of the account opening/modification instruction should be used as a 'related reference' in any related AccountManagementStatusReport messages and in the AccountDetailsConfirmation message.

The SMPG does not recommend the use of further details as these would need to be validated by the receiver of the status causing an additional processing burden to the recipient.

For the detailed global market practice, see MyStandards:

Collection Name:

SMPG-Global-IF-AccountManagement-V2.1 Final (1-July-2014)
<i>Message Usage Guidelines:</i>
04_AccountManagementStatusReportV03_acmt.006.001.04