SECURITIES MARKET PRACTICE GROUP

SMPG

INVESTMENT FUNDS GLOBAL MARKET PRACTICE

ACCOUNT MANAGEMENT

Status: Final 1.0.0.0

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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 29th 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

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)

- Ireland (IE)

- Italy (IT)

- Korea (KR)

- Luxembourg (LU)

- The Netherlands (NL)

- Norway (NO)

- Spain (ES)

- Switzerland (CH)

- Sweden (SE)

- United Kingdom (UK)

- United States (US)

- 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.
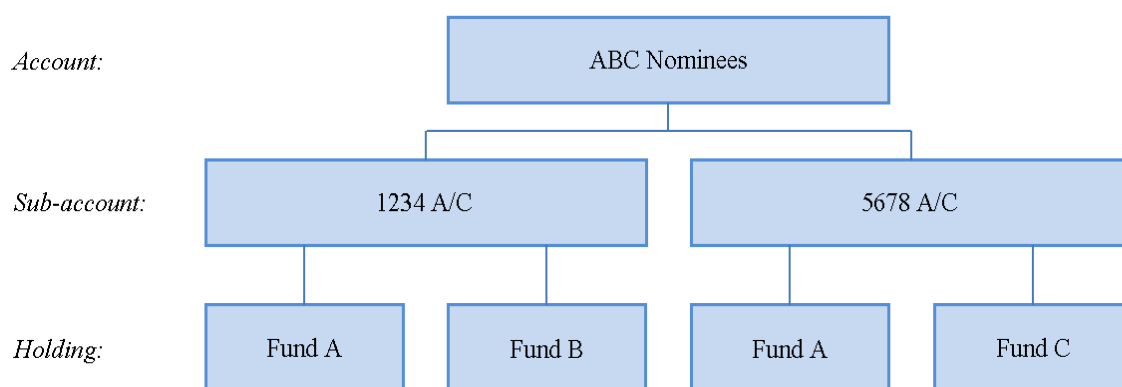
Account opening schemes and process covered in this document:

- Account Opening Instructions
- Account Details Confirmation
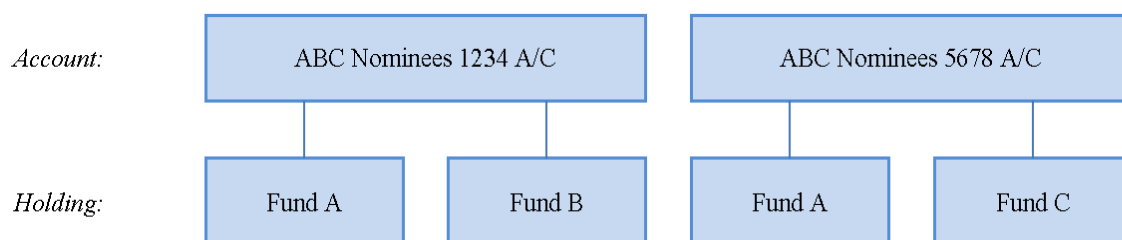- Account Management Status Report

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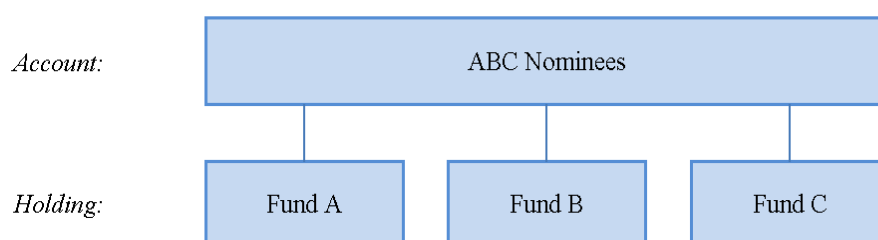
Level 1: Where the account owner may hold a single overarching account structure with individually designated sub-accounts, each holding one or more funds. eg.:
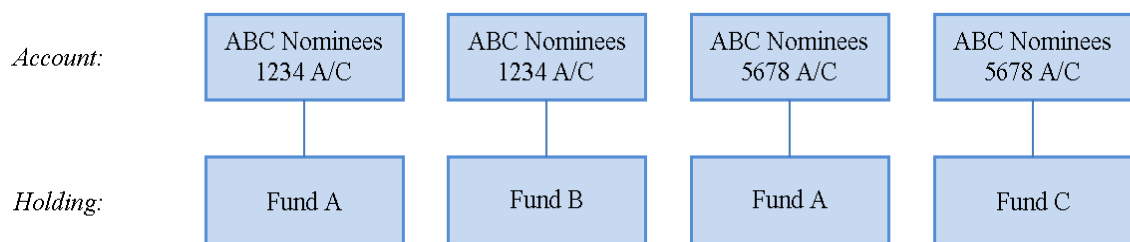

Level 2: Where the account owner maintains individually designated accounts separately (with no overarching account structure), each holding one of more funds, eg.:
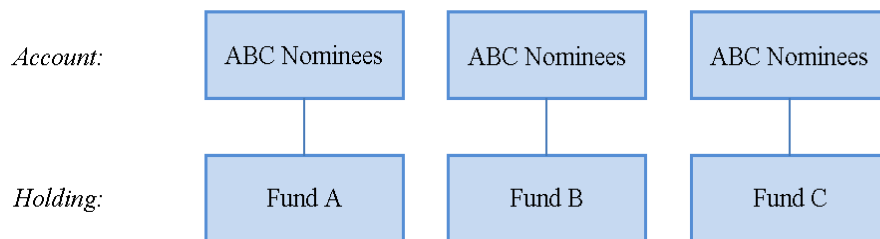

or with a single "omnibus" nominee account:

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

Account:	ABC Nominees 1234 A/C	ABC Nominees 1234 A/C	ABC Nominees 5678 A/C	ABC Nominees 5678 A/C
Holding:	Fund A	Fund B	Fund A	Fund C

or with "omnibus" nominee accounts:

Account:	ABC Nominees	ABC Nominees	ABC Nominees
Holding:	Fund A	Fund B	Fund C

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 (OEIC[1], SICAV[2]) and contractual funds (FCP[3]). 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.

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[1] Open-Ended Investment Company
[2] Société d'Investissement a 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.
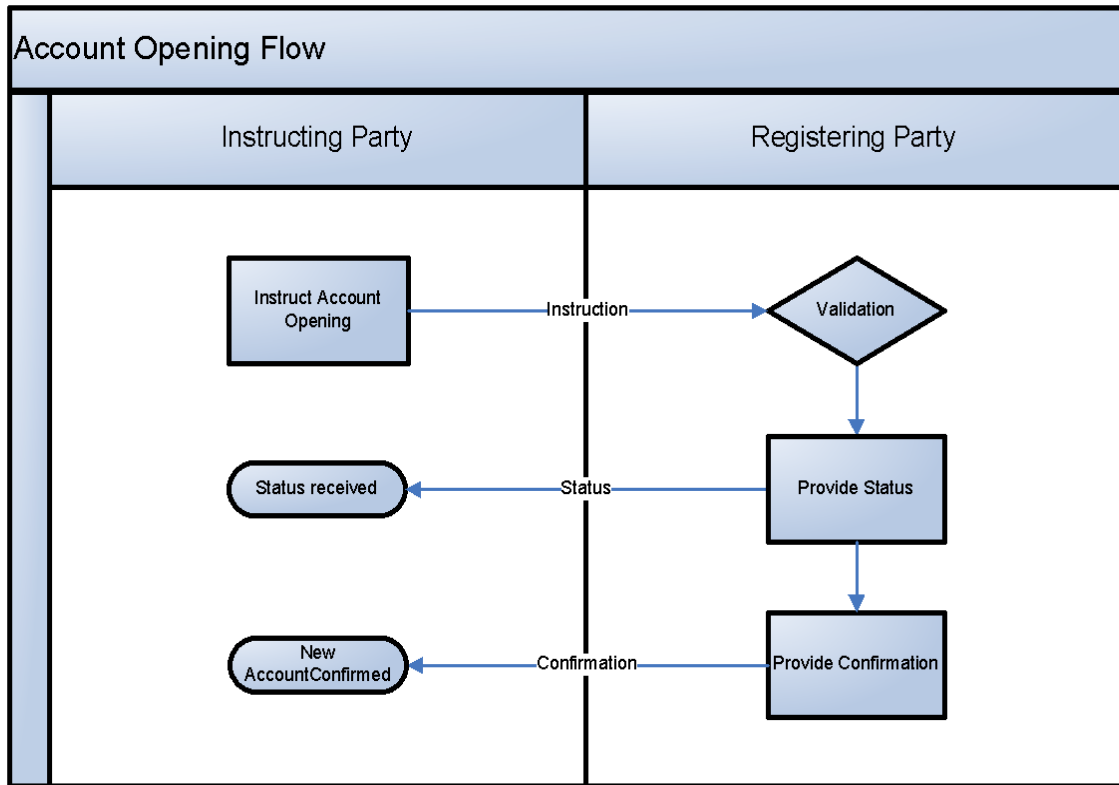
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3. Roles and Actors

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

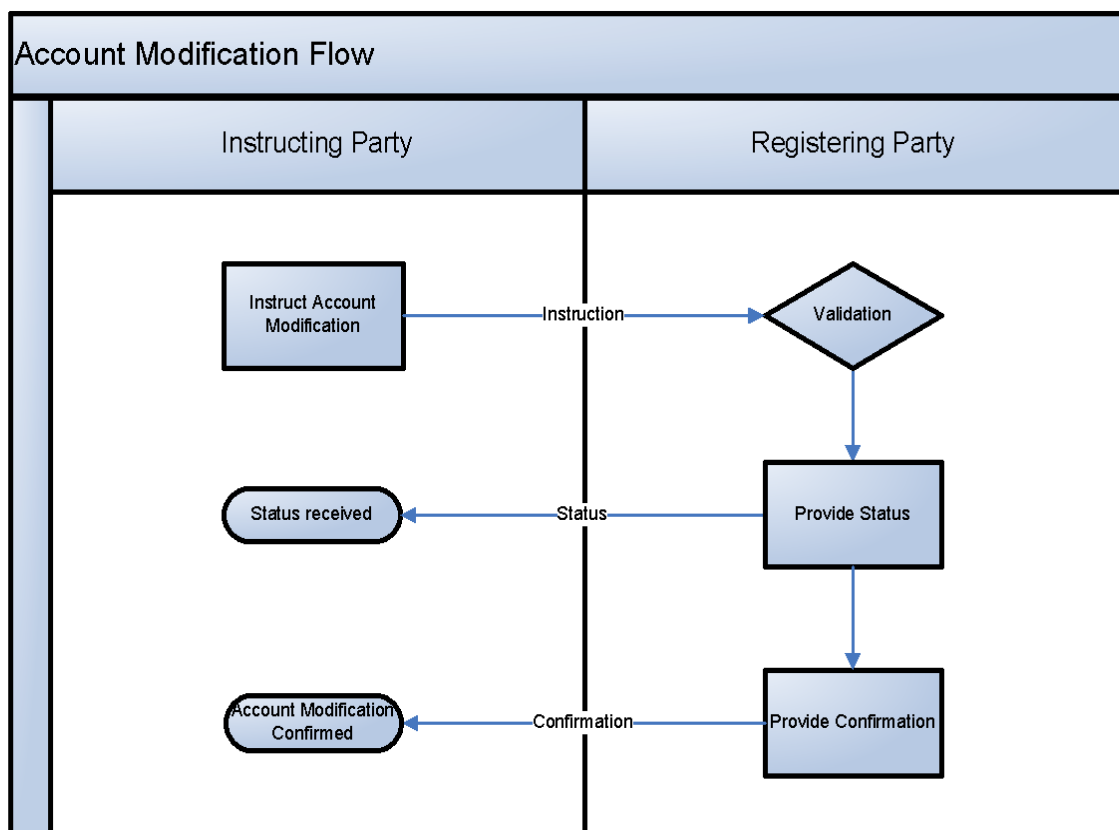| Instructing Party	Intermediary	Registering Party
The party that instructs an account opening or modification - usually the account owner	The party that receives an instruction from the instructing party and transmits it to the registering party.	The party that receives and registers the instruction, 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

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

Account Opening Flow

Instructing Party	Registering Party
Instruct Account Opening → *Instruction* → Validation	
Status received ← *Status* ← Provide Status	
New AccountConfirmed ← *Confirmation* ← Provide Confirmation	

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.

Account Modification Flow

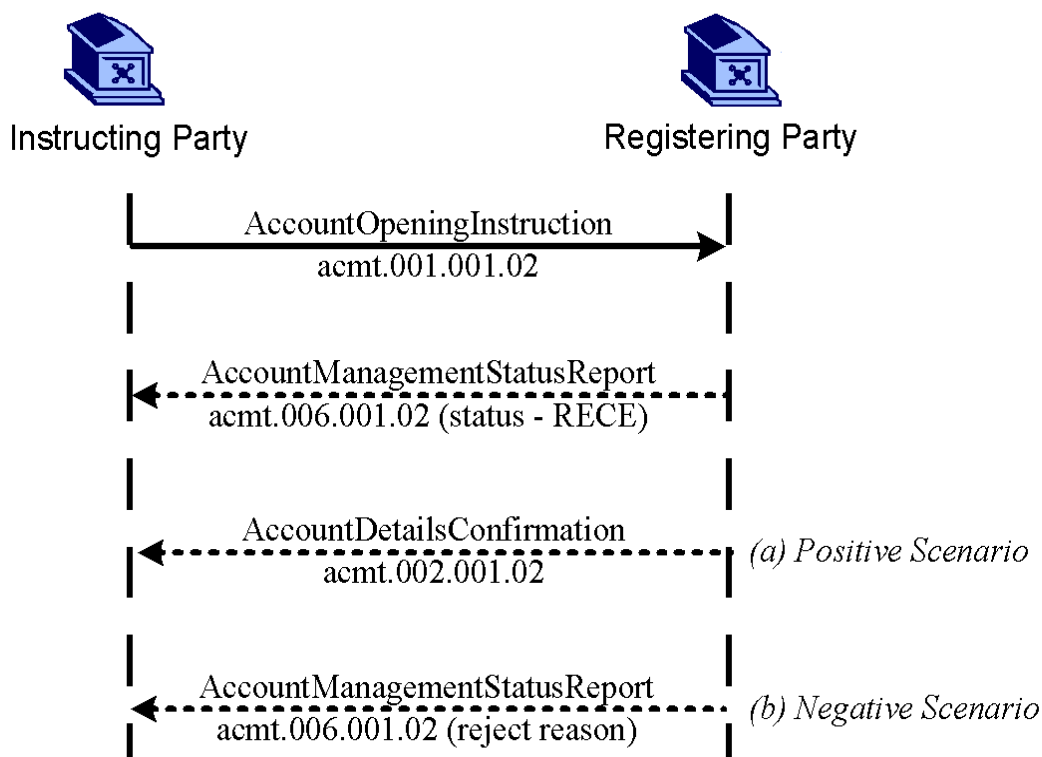| Instructing Party	Registering Party
Instruct Account Modification → *Instruction* → Validation	
Status received ← *Status* ← Provide Status	
Account Modification Confirmed ← *Confirmation* ← Provide Confirmation	

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:

5.1.1 The account opening instruction is sent by the instructing party to the registering party

5.1.2 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.
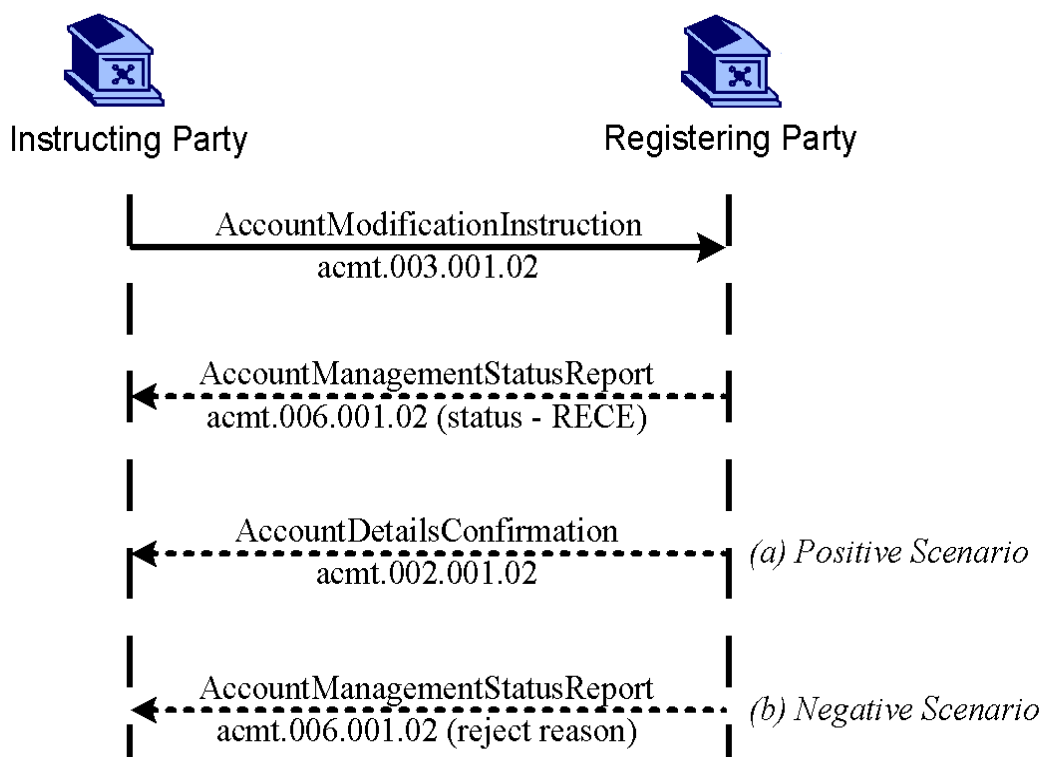
(b) If the account cannot be created, the registering party sends a status message to the instructing party rejecting the instruction, and specifying the reason for rejection.

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:

Instructing Party   **Registering Party**

AccountModificationInstruction
acmt.003.001.02

AccountManagementStatusReport
acmt.006.001.02 (status - RECE)

AccountDetailsConfirmation
acmt.002.001.02   *(a) Positive Scenario*

AccountManagementStatusReport
acmt.006.001.02 (reject reason)   *(b) Negative Scenario*

5.2.1   The account opening instruction is sent by the instructing party to the registering party

5.2.2   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 process 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.

6.1 Account Opening

For detailed global market practices please refer to: Acc(a)Open.xls

6.2 Account Modification

For detailed global market practices please refer to: Acc(b)Mod.xls

6.3 Account Details Confirmation

For detailed global market practices please refer to: Acc(c)DtlConf.xls

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 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 AccountOpeningInstructionV02 or AccountModificationInstructionV02 message as the linking reference. The message identification of the account opening/modification instruction should be used as a 'related reference' in any related AccountManagementStatusReportV02 messages and in the AccountDetailsConfirmationV02 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 detailed global market practices please refer to: Acc(d)MgmtStsRprt.xls

ANNEX – Change requests raised by the SMPG IFWG related to account management that will be reviewed by the maintenance working group.

#	Market	Region	Nature	Description	Message(s) Impacted	Title	Date Submitted
U-023-2010	Global	Global	Add new element	Add a mandatory [1..0] collateral indicator at InvestmentAccount level and at InvestmentAccount/FundDetails level	Account Opening Account Details Confirmation	Collateral Indicator	October 2010
U-024-2010	Global	Global	Add new element	Add an optional [0..1] Service Level Agreement Identifier at the message level	Account Opening Account Details Confirmation	Service Level Agreement Identifier	October 2010
U-025-2010	Global	Global	Add new element	Add an optional [0..1] Master Account Identifier at the Investment Account level	Account Opening Account Details Confirmation	Master Account Identifier	October 2010