

SECURITIES MARKET PRACTICE GROUP

SMPG



SMPG
Global Meeting
Investment Funds Working Group
Minutes
Vienna 19-20th September

Revision History:

- [1] First draft circulated to attendees of the SMPG Investment Funds Working Group meeting, Vienna 8th October.
- [2] Headers and footers were updated with the agreement date and version.

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1. ATTENDEES

1.	AT	Gabriele Schneider (19 th only)	GS
2.	AT	Regina Blach (19 th only)	RB
3.	AT	Bernhard Schlifelner (19 th only)	BS
4.	AT	Rosemarie Brunader (19 th only)	BR
5.	DE	Rudolf Siebel	RS
6.	DE	Klaus Thielmann	KT
7.	ES	Juan Carlos Gallego	JCG
8.	NO	Arild Aukrust	AA
9.	NO	Pal Bergquist	PB
10.	FR	Stephane Camus	SC
11.	IE	Carlos Figueredo	CF
12.	IT	Andreas Milanesio	AM
13.	LU	Anne Sophei Pierre	ASP
14.	UK	Steve Wallace	SW
15.	US	Thomas Sutter	TS
16.	Facilitator	Omar Rodriguez	OR
17.	Co-chair	David Broadway	DB
18.	Co-chair	Nadine Badesire Muhigiri	NBM

2. AGENDA

1. Welcome & Introductions
2. Objectives of the meeting
3. NMPG (Country) Reports & Activity Matrix Review
4. Update on progress with the Order Processing Global Market Practice document, and agreement for sign off.
5. Switch Orders & Confirmation
6. Switch Status & Cancellation
7. Wrap-Up and Next Steps

3. SMPG Overview

3.1. ORGANISATION

- **Co-Chairs**
 - David Broadway / Investment Management Association (UK)
 - Nadine Muhigiri / Euroclear (XS)
- **Facilitator**
 - Omar Rodriguez / S.W.I.F.T. Scrl (XS)
- **Steering Committee Sponsor**
 - Rudolf Siebel / BVI Bundesverband Investment und Asset Management e.V. (DE)

4. Objective of the meeting

To agree the Investment Fund Order and Confirmation Processing Market Practice document to be published as the global market practice for cross border transactions.

Cover Switch processing:

- Order and Confirmation
- Status and Cancellation

Agree core and optional data to be included in the Switch chapter. 1st draft for discussion.

5. NMPG (COUNTRY) REPORTS & ACTIVITY MATRIX UPDATES

Handouts were distributed to the participants covering the updates received as attachment by email before the working sessions in Vienna. The handout is attached to these minutes.

NMPG Representatives were asked to make questions and comments in addition to the information provided in the hand outs about the progress within their local markets as relates to the SMPG Investment Funds Working Group.

5.1. GERMANY

- **KT** provided the update on behalf of the German market indicating that they have finished their market practices for order and confirmation processing, but haven't looked at switches yet.
- They will also look into the global market practice document, and provide feed-back.
- They are looking for a chair and co-chair and will update the group in due course..
- They are looking into EFAMA's Funds Processing Passport process. They support the initiative and work on the comments made by investment fund companies and custodians involved.

5.2. ITALY

- **AM** stated that the Italian NMPG will publish a new collapsed version of the order and confirmation messages which includes the key fields of the messages by the end of September.
- They also used these templates as reference to look into Switches, which they have been reviewing for three months, and expect to publish the 1st draft by the end of September.
- They will also look and validate section by section of the global market practice document agreed in Vienna. This effort is expected to take 3 months, as these templates will be used in Italy as market practices for processing.
- They will look into the EFAMA document (Standardization of Funds Processing in Europe: Order and Settlement Holding and Transaction Reporting, Commission Reporting) published early in September, and discuss it.
- A new project to restructure the domestic funds framework is taking place now, because the current business model does not work. The Bank of Italy is creating a committee to run this project - the IT NMPG is trying to be involved.

5.3. Luxembourg

- **ASP** stated that there are different associations and market practice initiatives in Luxembourg working in parallel with the same objectives as the SMPG, such as ALMUS and FINDEL.
- FINDEL has worked on a new Transfer Market Practice with a view to getting rid of the matching at the transfer agent level. A document has been produced describing the transfer market practice based on transfer instructions which needs to be distributed and validated for acceptance.

5.4. UNITED KINGDOM

SW stated that the UK MPG has had contact with the FINDEL group regarding its work on transfers and has looked into their high level view documentation. At this stage it would appear that the market practices in UK and Luxembourg will be similar.

6. Global Market Practice Document Sign Off Discussion

6.1. The Process

DB stated that the goal of signing off this document is to agree a common basis for global market practices in terms on how the Investment Funds ISO 20022 messages are used, recognising that it is not possible to get complete global agreement that everybody will use the messages the same way.

However, he suggested that the aim was to agree by consensus that the participants signing up to this document considered the document practice it described to be a sensible goal. He noted that signing up to this document does not mean committing the NMPG groups and/or practices to align completely with the content of the publication and that the group has to accept that there are legal, fiscal, cultural reasons why markets will operate differently.

DB proposed that in publishing the document the principal audience would be NMPGs seeking to develop their own national market practices and that implementers should be directed to and relevant local market practice documentation in the first instance.

DB also referred to **SW**'s comment about calling a document final. **DB** agreed that it cannot be the case, because they are living documents; market practices will evolve for regulatory reasons and in the light of implementation experience - the group needs to be flexible and be prepared to go back and revise the document, and amend it when and where necessary. It was agreed ultimately, however, that this was a concept that was widely understood and that while established S&R and CA documents were referred to as "final", so should the documents published by the IFWG.

DB asked the group whether they had a problem with the substance of the document, scope, activity diagrams, etc, that they could not agree with, other than presentational issues or typos changes, which it was recognised still needed to be made. The group agreed to it, but noted that some changes raised during these working session needed to be incorporated before publishing it.

OR suggested to have and agree on a maintenance process for the documentation, and encouraged the participants not to wait until the physical meetings to raise the flag, but feel free to contact him with their issues, so he can document them, share them with the group and organise how to tackle them, by putting the issue on the agenda and discussed in conference calls or physical meetings. This item (the process to be agreed) will be discussed in future conference calls.

ACTION: **OR** to incorporate all the necessary changes before publishing the final version of the Investment Funds Order and Confirmation Processing Market Practices document on the SMPG website.

6.2. Introduction

The group agreed to the Introduction proposed by **DB** after discussing the process to agree the scope and purpose of the document, and minor changes suggested by the group.

SW suggested to add Asia-Pacific countries to the contributors list. **OR** volunteered to contact the Asia-Pacific NMPG's and ask them whether they would like to be included in the list of SMPG contributing countries and organisations.

ACTION: **OR** to contact Asia Pacific markets. *(Post meeting note: the response was; that they would prefer not to be included in the list of contributors at this stage. No response was received by AU & NZ by the time these minutes were written)*

6.3. Data Requirements

KT asked what the charge type DISC meant (on page 17), and the group clarified it stood for discount.

6.4. Sequence diagrams

KT pointed out that the activity diagram for cancellation order rejection scenario needed to be updated.

ACTION: update has been incorporated as follows: “*” was added to activity diagram to refer to **This step in the process may be omitted where the intermediary is able to determine for itself that the order cannot be cancelled.*

7. Switch definition and scope

- An extended debate took place to agree on the definition: “An instruction to sell in a fund with the proceeds used to purchase units in another fund. A switch is usually within the one fund family or fund umbrella and does not result in any changes to the holder and investor”
- It was agreed that the switch process is to be redemption driven, even though in Italy it is conceptually subscription driven, as the main goal of the switch is to get out of one fund and get into another for which the investor has to subscribe. Nevertheless, **AM** did not believe the Italian MPG would have any objections to the global consensus on the redemption driven approach.
- Another extended debate took place on how to deal with switches where there are different valuation points, but it was concluded that the participants would need to go back to their markets, and find out how this process is currently carried out.

The questions to be considered, when for example switching out of a fund with daily pricing to a fund where the valuation point is struck at the end of the month are:

- 1) Can the switch order be held up by the executing party? And will the executing party send an order status for the switch, and at a later stage a switch confirmation to the ordering party?
- 2) Will the executing party send separate status and confirmation messages to the ordering party, one for the redemption leg, and another to the subscription leg?
- 3) Will the switch transaction be rejected by the ordering party, and then the executing party requests the ordering party to place the redemption and subscriptions separately.

For the purposes of the meeting, however, it was agreed that the process to be described will only cover switches when the valuation points for both funds allow both legs to be executed on the same day.

- **NBM** asked whether cash in/cash out would not be covered. **DB** suggested to keep it out of the scope for the purpose of the current discussion. The assumption at this point in time is that there's a full (100%) redemption of the cash raised on the redemption leg. Cash in/cash out will be covered when discussing switches from one to many, many to one, where there's residual cash.

ACTION:

- As the concept of holder has been included in the Switch definition. It should also be included in the glossary. **DB** to propose a definition of "holder" as part of the switch chapter work.
- **All** to get information from their markets on how switches are treated when there are different valuation points.

8. Switch data requirements

Please refer to SMPG-IFWG-MP-Switches_V0.1_19 September2008.doc

9. Future Meetings & Conference Call Schedule

9.1. Physical Meeting Schedule

2009 Physical Meeting Schedule	
April	SMPG Funds Meeting - April –
September	SMPG Global Meeting – September –

The group agreed that only one global meeting will be held in Europe this year, due to the current market conditions, and Hong Kong will be a marketing meeting for those who are able to attend in order to promote and reach out the Asian countries. However, the way forward is to continue with the location rotation of the regions (Europe, Americas & Asia-Pacific) every year.

9.2. Conference Call Schedule

The timing – cancellation of the conference calls will be decided by co-chairs and facilitator, based on the numbers of participants confirmations received previous to the calls.

The conference calls may be rescheduled to 14:00CET starting with the one of October 15th

10. Future Topics

The group agreed that the following topics are the main one to be addressed in the future:

- Transfers
- Ensure that Investment Funds group is involved in the re-engineering of the MT535 and MT 536 discussions held by the Settlement and Reconciliation group that leads to a single statement message for all asset classes.

11. Miscellaneous

AA and **SW** suggested the use of social network tools such as Facebook and LinkedIn for forums, promotion of the group, and reach out the Investment Funds community members. **OR** noted that the SMPG website has a forum for this purpose, but the group felt that it was likely to be outdated without the functionality offered by the 2.0 web tools. **OR** also noted that there is an SMPG group in LinkedIn.

RS: mentioned that we need to raise awareness of what the group does, and market the deliverables of the group.

ACTION:

- **OR** to check the possibility of using the existing SMPG LinkedIn group as a communication channel to exchange ideas, information, etc, and find out who the administrator of the group is. (*Post meeting note: Alexandre Kech (SMPG secretary) is the administrator of this group, so we could potentially use it, but the group we'll probably have to define first the scope*)
- **OR** to check how Swift could help with this.

12. Handouts



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