



**SMPG
Meeting
Investment Funds Working Group
Minutes
Munich 28th-29th September**

Revision History:

- [1] 1st draft circulated to co-chair of the SMPG Investment Funds Working Group meeting and DESSUG chair.
- [2] 2nd draft circulated to SMPG Investment Funds Working Group attendees to meeting in Munich.

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1. ATTENDEES

1.	DE	Eduard Schroeder	ES
2.	DE	Rudolf Siebel	RS
3.	DE	Klaus Thielmann*	KT
4.	DE	Michael Formann*	MF
5.	DE	Stefanie Bauschert*	SB
6.	DE	Sabine Burneleit*	BS
7.	DE	Christiane Clüsserath*	CC
8.	DE	Michael Ebeling*	ME
9.	DE	Felix Ertl*	FE
10.	DE	Werner Fink*	WF
11.	DE	Johan Hainzinger*	JH
12.	DE	Rainer Henkel*	RH
13.	DE	Josef Hilsch*	HJ
14.	DE	Thomas Hoffmann*	TH
15.	DE	Axel Jochim*	AJ
16.	DE	Andreas Maca*	AM
17.	DE	Stefan Nützel*	SN
18.	DE	Christian Stern*	CS
19.	DE	Josef Welzmler*	JW
20.	GB	Steve Wallace	SW
21.	NO	Pal Bergquist	PB
22.	NO	Arild Aukrust	AA
23.	US	Thomas Sutter	TS
24.	XS	Rainer Vogelgesang*	RV
25.	XS	Christian Westerholt*	CW
26.	Co-chair	Nadine Badesire Muhigiri	NBM
27.	Facilitator	Omar Rodriguez	OR
28.	Co-chair	David Broadway	DB

* Joint session with DESSUG on September 29th

2. AGENDA

1. Welcome – Introduction and Group/Market Updates.
2. Transfers Market Practice Package Sign Off
3. Account Opening
4. Does the Luxembourg Market Practice (MP) of the Findel Group (and ALMUS) compete with the MP of the SMPG when it comes to a global roll out?
5. Possible ways to communicate a global Market Practice
6. How do individual market communities receive the MP proposals and the introduction of SWIFT XML?
7. How do individual countries do the marketing for their local MPs?
8. Price Reporting
9. Price Reporting and/or Account Opening [to be agreed during the course of the meeting]

Items of agenda 4 and 8 in Joint session with DE NMPG (DESSUG)

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
- **Steering Committee Sponsor**
 - Rudolf Siebel / BVI Bundesverband Investment und Asset Management e.V. (DE)

4. Objective of the meeting

Sign off business process and documentation to carry out stock transfers.

Cover stock transfer processing:

- Transfer Instructions
- Transfer Confirmations
- Transfer Status
- Transfer Cancellation
- Transfer Reversal

Sign off core and optional data to be included in the messages used in the stock transfer process.

Try to find answers and the best approach to address the concerns raised by the DE NMPG (DESSUG).

Start discussion on Price Reporting.

Start discussion on Account Opening.

5. NMPG (COUNTRY) UPDATES

5.1. AUSTRALIA

- **OR** stated that the Australian NMPG have just published their 1st Market Practice document on the SMPG website.

Post Meeting: Vanguard Investment Australia, Barclays Global Investors Australia, HSBC, and RBC Dexia (Transfer Agent) have implemented the market practices. RBC Dexia is providing the Transfer Agency service for Goldman Sachs, Schroders, Aberdeen and others.

Macquarie (Wrap) and other counterparties are expected to come on board in Q4 2009 and 2010.

Their market practice document covers:

- Order (Subscription and Redemption) and Confirmation process.
- Reconciliation of portfolio transactions and holdings - Statement Of Holdings and Statement Of Investment Fund Transactions.
- Price Reporting.

There has been agreement in the market practice group that they need to look into further messages, such as Transfers, Switches and Account management, but at the same time the market practice participants would like to wait for the first wave of messages to be adopted by the market.

5.2. EUROCLEAR

- **NBM** stated that they have finished implementing ISO 20022 messages between Distributors and Fund Settle covering the orders (Subscriptions, Redemptions and Switches) and the confirmations business flow. This has not yet been implemented between Fund Settle and Transfer Agents.

5.3. GERMANY

- **ES and KT** announced that Sylvia Wagner stepped down as DESSUG co-chair.

KT stated that DESSUG has started looking at processing of multiple orders (how it works in the German market). He also mentioned that the DESSUG group has finished the Order processing, messages: Subscriptions/Redemptions orders and confirmations, and will set up a working group to look more into details BVI¹'s recommendations on the operational issues of Liquidity Management of Real State (property). **RS** gave a little background on Liquidity Management of Real State, stating that the German market has 100 billion in property funds which are very similar to UCITS funds, and that they are redeemed on a daily basis. They are used as saving books. However the collapse of Lehman Brothers influenced the regulators to change the rules, by suggesting that these funds should be either semi-closed or closed, or like in Switzerland, where there is only one redemption point of NAV during the year. These suggestions have been pushed back by the industry, and BVI have recommended make the distinction between retail and institutional investors with a 1 million USD ceiling for retail investors. This leads inevitably to operational concerns, and also changes in the legislation that is expected to be made in 2010, since this can not be tackled by just changing the prospectus.

5.4. NORWAY

- **PB** stated that they are in the process of implementing a new business to business system that supports ISO 20022 messages. The planned live date is 2Q 2010. **AA** stated that they're running into issues to integrate ISO 20022 components and the functionalities of their legacy system into this new system, in order to deliver the same service level as their clients are used to of receiving through their proprietary system. **DB** asked whether the issues that they are confronting were due to limitation of the functionality of the messages, information that could not be transported in the messages, or lack of messages that did not cover specific business processes. **AA** responded by stating that he thinks that their proprietary system has a richer way of communicating with other systems, while ISO 20022 is a more loose and decoupled way of communication. **AA** also provided some examples of the issues they are having, for instance for Transfers messages how to describe giving gifts to children or inheritance. **SW** mentioned this may be covered with the Account Opening message. **AA** also mentioned the Price Reporting message and how they are looking to describe when it is a broadcast or an update of it by using or not a flag for execution. **PB** stated that the policy in Norway is to use ISO 20022 wherever is possible, and develop proprietary messages if necessary to cover the gaps.

PB: also stated that they are in position to send orders and status, and that they are working on solving some issues to generate the confirmation messages. They have already produced a market practice document in Norwegian, which still needs to be translated into English. However, this is not the top priority at the moment.

5.5. UNITED KINGDOM

- **SW** stated that there are two active working groups, one working on Account Opening (the demand for Account Opening has come from Portfolio Transfer), and the other one working on Order processing

¹ Bundesverband Investment und Asset Management e.V.

(Subscriptions and Redemptions). The market practice document has been published on the SMPG website. This group is currently working on Switches (1 to 1). In general terms there is an interest in portfolio transfers and there is a project that may be launched next year. **SW** also highlighted that ISO 20022 is gaining acceptance in the UK, and it can be delivered through other networks than Swift, such as Calastone and, for the future, EMX. He also mentioned that there is a growing market in tools that are flexible enough to support ISO 20022, EMX and others. **SW** updated the group on Corporate Pensions, since this space is one using most of the ISO 20022 messages in the UK. **SW** is trying to get message volumes from Swift, but in terms of value is about 1 billion pounds. **SW** also mentioned that the cost of entry is falling, because there is a hectic competition between different software vendors, all basing software products on market practices, this has translated in more companies being able to sell products that send ISO 20022 messages. **NBM** asked whether the software vendors participated in the market practice meetings, and **SW** replied that they did.

SW also announced that he'll be stepping down as UK co-chair at the end of the year. **DB** mentioned that he's a bit worried about not finding a replacement that could commit as much as **SW** has done in the past, but as contingency measure **DB** may apply for the open position, although he'd rather keep his neutral role as co-chair of the IFWG. **DB** noted that representatives from networks such as Swift, Calastone or EMX should not run the group - it should be a business person or somebody network neutral.

5.6. UNITED STATES

- **TS** reported that during the last ISITC meeting in Boston, when trying to finalize the Order Processing market practices, there was objection to the proposal of using the Copy Indicator for indicating that the order has been already executed. This indicator would be made mandatory for US market practice. **NBM** asked what the issue was, and **TS** responded that in the US they would like to use the copy of order messages as a communication tool between Asset Managers and Custodians to settle the trade, because all that is currently done via fax. The suggestion made by the objector in Boston was to use ISO 15022 settlement messages or future ISO 20022 settlement and reconciliation reengineered messages. However, these messages require mandatory elements such as currency, price and amount, which in the US market are typically not available until the end of the day, whereas settlement needs to be instructed before that for same-day settlement. **DB** suggested that the option of using the Copy Indicator was the best option at this point in time, since the future ISO 20022 settlement message (still under development) will be re-engineered from ISO 15022 and therefore will not solve the issue. The group agreed with the approach, noting that it's one of the purposes of using the Copy Indicator.

RS mentioned that ISITC would like that the IFWG discuss Trailer Fees, which are actually transported in cash messages. **TS** updated the group on the subject that what they are looking for is to define market practice for fees paid by the Funds to the Distributors. They're still drafting the documentation. **RS** asked whether these were new messages, and if so that they would need to create a business case for it. **DB** noted that they are using payment messages, and suggested that consideration needs to be given about where is the best place to determine market practice between the SMPG and the Payments Market Practice Group. It was agreed that we could look at the issue at our next meeting in Luxembourg next year in our general IFWG session, if the documentation is ready.

6. Stock transfers Discussions

- The group had extended discussions on the sequence diagrams included in the market practice document draft as well as data elements required in the different messages covering the business process.
- It was agreed that the business process to be recommended in the market practice documentation is a single leg process initiated by the Delivering Party, but noting that in some markets (e.g. UK and US) the Receiving Party may initiate the stock transfer process.
- It was also suggested that the double leg process will be removed from the documentation, since the business need may be confined to CSD environments, which are out of the scope. However, NMPGs will be consulted through LinkedIn, whether or not they require an automated double leg process out of a CSD environment.
- The market practice documents and data requirement templates represented in xls files (e.g. Copy Indicator to be used in the Status Message) will be updated to reflect the discussions and decisions made during the working sessions, during this exercise the group found gaps – issues with lack of

message elements that are required to properly process the messages, or enforcement or not of message elements (mandatory Vs optional).

ACTION:

- **OR** update Stock Transfers package, and distribute them to the group for review.
- **OR** set up a discussion in LinkedIn about Double Leg processes out of a CSD environment. Is this the business process used in your market to carry out stock transfers?
- **OR** to draft proposals for usage of Extension building block, where the messages lack the necessary message elements to carry the information and write up change requests to be submitted to ISO for evaluation.

7. Stock transfer data requirements

Please refer to:

[TranOutInst010809\(a\).xls](#)

[TranInInst010809\(d\).xls](#)

[TranInstSts010809\(b\).xls](#)

[TranOutConf010809\(c\).xls](#)

[TranInConf010809\(e\).xls](#)

[TranOutCan010809\(f\).xls](#)

[TranInCan010809\(g\).xls](#)

[TranCanSts010809\(h\).xls](#)

[TranOutConRev010809\(i\).xls](#)

[TranInConRev010809\(j\).xls](#)

8. Joint session with DESSUG

Does the Luxembourg Market Practice (MP) of the Findel Group (and ALMUS) compete with the MP of the SMPG when it comes to a global roll out?

ES stated that Swift LITE is only supporting the Findel market practice (template) regardless the country the Swift LITE user (distributors) is located, which indeed promotes the adoption of LU market practice, but undermines the usage of global market practices or other local practices, becoming the facto the standard adopted by a broader community of users. There were strong feelings from the audience that it was unfortunate that Swift is building a product that only support a specific market practice. **TS** responded that it is not intentionally created to follow Findel or a market practice. It is a matter of what codes Swift LITE supports currently. It does not mean that other codes cannot be added later. Ultimately codes will have to be added to support customers' needs.

Post Meeting: the current Swift LITE release supports SMPG, Findel, AFAC, French and Australian market practices.

SW asked the number of users Swift LITE has, and **MF** answered that the number of users is quite limited at this stage. **SW** stated that in the space of Corporate Pensions (Via Nova) they chose to make their market practice compatible with Findel to ensure Fidelity participation, but it is also UK compatible. **SW** also suggested that the Global Market Practice for the SMPG would eventually include a Findel compatibility, and that we should ensure that we engage with Findel in the discussions.

The group discussed the reasoning of having two different groups in LU aiming at the same objectives, and why they cannot come together and leverage one from the other, so that the work is developed in

one way, the group also wondered why they could not have separate working groups looking into different priorities, for example one group focusing on order processing while the other focus on transfers. **DB** stated that the previous LU representative was a member of both groups which kept alignment between ALMUS and Findel market practice, and were also fed into the SMPG. **OR** stated that he is in touch with ALMUS and that he expects a new representative is appointed before SMPG in October, who hopefully will keep the alignment between both groups as the predecessor did.

Post Meeting: LU representative has been appointed by ALMUS.

RS stated that from an operational point of view he, **DB** and EFAMA² representatives could discuss with Findel at a meeting already scheduled for November, how they see the relationship they have with ALMUS, and whether or not they can come together to establish a single Luxembourgish market practice. **RS** asked how different the market practices were. **DB** responded that the differences should be mainly related to taxes, but that the overall process should be generic.

TS asked whether or not a gap analysis had been performed between the different market practices pointing out the differences. **SW** suggested that they should, since LU signed up to the global market practice document. Therefore, Findel market practices should be taken into account.

ACTION:

- **OR:** find differences between ALMUS, Findel, AFAC and SMPG Global Market Practice.

Possible ways to communicate a global Market Practice, how do individual market communities receive the MP proposals and the introduction of SWIFT XML? How do individual countries do the marketing for their local MPs?

The group agreed that the problem is to create a solid business case that would encourage implementation of ISO 20022, not necessarily market practices, since all the market players agree on the strategy of implementing ISO 20022. However, implementation costs and current market conditions are not ideal to find budgets for re-engineering processes and projects. It was noted, for example, that Clearstream had implemented ISO 20022 due to pressure from important market players, but they considered that there was no real business case to migrate to XML since ISO 15022 and 20022 syntax carry the same information. There are not real new functionalities developed in the order processing flow that would justify the business case to migrate to 20022; rather it is the evolution of the market and necessity to communicate with counterparts in the syntax they support that drives institutions to implement ISO 20022 and at the same time co-exist with ISO 15022.

The group also discussed what the best way to promote implementation was: one idea was to identify sensible incentives such as reducing processing deadline windows for faxes, better cut off times and service level agreements for electronic communication.

Negotiation of better trailer fees was another option that was debated, but this approach may not be possible in some markets.

There were strong feelings that the migration deadline from MT to MX (2012) should not be postponed, although, this is not an official position from DESSUG. **ES** undertook to confirm the DESSUG view and come back to **OR**.

9. Price Reporting

- **RV** demonstrated the GEFEG and SDK (Standards Development Kit) tool, by walking the group through the generation of the German market practice documentation in the context of the ISO 20022 Price Reporting message (schema).

² European Fund and Asset Management Association

DESSUG members updated the group on who would be using the Price Report message, and what they would be doing with it in Germany. The users would be mainly Fund Managers and WM (Data Providers) who would be using this report to publish their fund prices.

PB stated that in Norway the report will be used to receive price updates from Fund Managers, and to report back the updates to the Fund Managers. He also made a presentation ([PriceReportScenario20090910.pptx](#)) to illustrate how it works.

ES stated that the Price Report in Germany could also be used by the Fund Accountant to send it to the Depo Bank but this has to be explored in detail, or to be sent to WM (Data Providers) or to receive it from WM (Data Providers).

AM questioned whether they should be defining German market practice if nobody is using the Price Report yet. **ES** responded that even though nobody is using it now, that the group should work on this in view of its usage in the future. However, some **DESSUG members** stated that they didn't have a business case for it. Therefore, they didn't see what added value this discussion would bring to them. **ES** encouraged the institutions involved in DESSUG to go back to their institutions and check who the subject matter experts are, so that they can be invited to contribute to this discussion in the future, and also check that what they are defining as market practice is feasible to implement.

KT mentioned that DESSUG needs to discuss how they can get all the market actors in this process together, so that they can gather the business requirements for the Price Report, and ask BVI how they could help bringing all the concerned parties together.

10. Account Opening

AA asked whether or not there was a business justification for the usage of the Account Opening message in the Funds domain. **NBM** stated that there is business justification in the context of T2S to use a securities account management message. However, she was surprised to find out that they are looking at a Cash Account Management message, and asked whether they had checked the Account Opening message developed for Funds, since it is much closer to securities than cash, but they stated that it was not appropriate. Therefore, she suggested that we should investigate whether the Account Opening message is missing some business requirements that would imply broaden the scope of the message, which should be applicable to any type of financial instrument.

ACTION:

- **OR** to check why T2S states that the Account Opening message developed for Funds is not suitable to cover their business requirements.
- **OR** to set up discussion in LinkedIn on how the Account Opening process work in the NMPGs.

11. Miscellaneous

DB mentioned that there has been a question raised by the CA group to have a conference call to talk about corporate action notifications on funds, what the business requirements are to notify these events. **NBM** added to this that there is an additional conference call planned with the S&R group in October to discuss the statement of holding messages.

ACTION:

- **OR** to organize a conference call with National Convenors, CA working group and IFWG groups and request more detailed information from Karin Deridder
- **OR** to organize conference call on Friday October 9th at 14:00CET with IFWG group and circulate the most updated information on the statement of holding messages proposal made by the S&R group + the CA events documentation to define the group's position on both subjects.

12. Future Meetings

12.1. Physical Meeting Schedule

2010 Physical Meeting Schedule	
From April 27 th through April 29 th in Luxembourg	SMPG Global Meeting
September after SIBOS in Amsterdam?	SMPG Global Meeting?

13. Future Topics

- Account Opening.