SMPG

Global Meeting

Investment Funds Working Group

Minutes (FINAL)

Athens 24th - 26th April 2012

**Revision History:**

[1] 1st draft *(SMPG-IFWG-GM-MIN-Athens-April-2012 v0 1.docx)* circulated to co-chairs of the SMPG Investment Funds Working Group

[2] 2nd draft *(SMPG-IFWG-GM-MIN-Athens-April-2012 v0 2.docx)* circulated (7 May 2012) to co-chairs of the SMPG Investment Funds Working Group

[3] 3rd draft *(SMPG-IFWG-GM-MIN-Athens-April-2012 v0 23.docx)* circulated (9 May 2012) to SMPG Investment Funds working Group members.

[5] 4th draft *(SMPG-IFWG-GM-MIN-Athens-April-2012 v0 4.docx) –* small revisions, circulated (7 June 2012) to SMPG Investment Funds working Group members.

**TABLE OF CONTENTS**

1. Summary of Actions 4

2. List of attachments 4

6. ATTENDEES 4

7. AGENDA 5

8. SMPG investment Funds Organisation 5

9. Objectives of the meeting 5

10. NMPG COUNTRY UPDATES 6

10.1. CLEARSTREAM 6

10.2. SWITZERLAND 6

10.3. DENMARK 6

10.4. EUROCLEAR 7

10.5. GERMANY 7

10.6. ITALY 7

10.7. LUXEMBOURG 7

10.8. NORWAY 8

10.9. SWEDEN 8

10.10. UNITED KINGDOM 8

11. Corporate actions 8

12. Price Report 10

13. Real Estate Funds (DE) 19

14. Place of Settlement (UK) 19

15. Orders 19

16. Orders – Net and Gross Amount 20

17. Orders – Charges & Commissions 21

18. Orders – Trade Date 21

19. Character sets: follow-up 21

20. SMPG Generic Presentation 22

21. Priorities 22

22. MyStandards 22

23. Future Meetings 22

24. Miscellaneous 22

#  Summary of Actions

|  |  |  |  |
| --- | --- | --- | --- |
| # | Item | Responsible | Target Date |
|  | Corporate actions: update "funds" EIG matrix to reflect SR2012 | David Broadway | 4 May |
|  | Price Report Processing: review proposed change requests | All members | 11 May |
|  | SMPG Generic Presentation: provide 2 slides on investment funds.  | Rudolf Siebel | 15 May |
|  | Orders: review proposed net & gross definitions  | All members | 30 May (conference call?) |
|  | Orders: all to consider use of charge and commission components and relevant codes. | All members | 30 May (conference call?) |
|  | Corporate Actions: identify MT564 event codes for each of the priority events for funds identified by the Group  | All members | End-May |
|  | Corporate Actions: Agree on definitions and terminology for the funds events. | All members | End-May |
|  | Corporate actions: sequence diagrams for each of the key events to be prepared by each country for comparison | All members | End-June |
|  | Orders: consider order execution lifecycle (receipt, pricing, execution for conference call discussion | All members |  |
|  | SWIFT Issue: continued problem with unpublished BICs in the payload | J. E. Chapman | TBA |
|  | Inclusion of Asia in monthly conference call / change of time of the monthly conference call | David Broadway/Nadine Mugihi/Janice Chapman | TBA |
|  | MyStandards coordination | David Broadway/Janice Chapman | Ongoing |

#  List of attachments

1. Findel \_Automation Guidelines.pdf
2. SWIFTStandards MX General Information (mxgi 2008.pdf)
3. MX and MT Character Set and Language FAQ.pdf
4. General session: My standards Demonstration power point (MyStandards\_SMPG\_Athens FINAL.pptx)

# ATTENDEES

|  |  |  |  |
| --- | --- | --- | --- |
|  | CH | Thomas Rohr | TR |
|  | DE | Rudolf Siebel | RS |
|  | DK | Niels W. Hougaard | NH |
|  | DK | Henrik Kjærbye | HK |
|  | GB/Co-chair | David Broadway | DB |
|  | IT | Andrea Milanesio | AM |
|  | LU | Charles Bonniver | CB |
|  | NO | Svein R. Borgersen | SB |
|  | SE | Henrik Staffas | HS |
|  | XS(C) | Tomas Bremin | TB |
|  | XS(E)/Co-chair | Nadine Muhigii | NM |
|  | Facilitator | Janice Chapman | JEC |

**Apologies**

Juan Carlos Gallego (ES)

# AGENDA

* NMPG updates
* Price Reporting
* Corporate actions
* Orders
* Priorities

# SMPG investment Funds Organisation

* + - * + **Co-Chairs**

David Broadway / Investment Management Association (GB)

Nadine Muhigiri / Euroclear (XS)

* + - * + **Facilitator**

Janice E. Chapman / S.W.I.F.T. Scrl

* + - * + **Steering Committee Sponsor**

Rudolf Siebel / Bundesverband Investment und Asset Management e.V. (DE)

# Objectives of the meeting

* Review the business process of price reporting and identify the business data required in the process
* Review preliminary corporate actions on funds mapping performed by DB, and identify additional corporate events that may impact funds.
* Review the UCITS IV confirmations using work done by DB for the UK as a baseline, and determine the necessary updates to make a global recommendation.

# NMPG COUNTRY UPDATES

## CLEARSTREAM

Clearstream has implemented a small correction for inbound order messages, for how the ID of portfolio is provided. Lots of ISO 20022 migrations are in pipeline, and pressure on our testing & transition team is building up. Many old customers and new ones are very interested in MX. However, on the other hand a couple of large customers have both asked for bespoke development with MTs.

Expected cash settlement date (Order Instruction Status Report setr.016) is not currently supported by Clearstream, and we want to use it. The definition is not right in the standard, but the SMPG definition is good. We know that some customers can be "difficult" regarding the interpretation of message elements, so this should be fixed (CR?).

A new message, transparent statement of holding, based on ISO 20022 components, is being developed. This is a ‘special’ kind of statement and Clearstream will implement a proof of concept this year, and we are interested in registering it as a standard message.

## SWITZERLAND

In 2011 CH took the decision to migrate from MT to ISO 20022. Have defined a migration roadmap until 2015. This year a lot of effort to define the Swiss market practice. Focusing on orders only it will address all functional needs which must be covered for Swiss market participants enabling them to migrate from MT to MX. Anticipate that change requests will be required, mainly on definitions. In Q3, expect to deliver its change requests for the orders to IF SMPG for its review.

 Now 50% complete for the market practice covering the whole flow on the order side. The Swiss NMPG is using the GEFEG tool (<http://www.gefeg.com/de/index.htm>) for NMPG internal market practice definitions and as Swiss portal for market practice validation. In addition SWIFT's MyStandards will be used for the NMPG internal market practice review and for the open access to our final publication of the Swiss market practices.

 Major milestones of the Swiss migration roadmap (<http://www.sksf.ch/>):

* Jan 2013: All major Swiss TA & Intermediaries (IMD) start MX implementation
* Nov 2013: All major Swiss TA & IMD are MX enabled
* Nov 2013: Recommended start of the MT-MX migration for Swiss IMD with linked TA + IMD (market side communication)
* Jan 2014: Recommended start of the MT-MX migration for Swiss TA + IMD with their clients (client side communication)
* Jul 2014: Recommended deadline for Swiss clients of TA + IMD to start the MX implementation (late MX Adopters)
* Dec 2014: at least 95% of the clients are fully migrated to MX

## DENMARK

VP is developing a system for registering funds in the ‘European way’. This includes order handling, routing, registering of funds (with decimals). To be developed entirely in ISO 20022. This will support the traditional Danish way as well.

Has started to market LU funds in DK Facilitate primary market in first place, doesn’t exclude secondary. Are acting as facility manager and hopes to show to funds industry that CSD registering with full STP and DVP could be the way to go.

According to new Danish legislation a fund will be obliged to inform investors on how much is paid in fees, etc, on a yearly statement in yield.

## EUROCLEAR

Custody Statement of Holdings and Statement of Investment Funds transactions will be available as of June this year. User has choice of MT or MX.

AFAC – implementing AFAC template – we should try to have AFAC members or an AFAC representative participating to SMPG discussions in order to get AFAC input in the global discussions and try to harmonize the market practices at a global level.

## GERMANY

In the DE market place there is currently no roadmap for ISO 20022. Applying ISO 20022 order messages is an uphill struggle. However, marketing efforts to encourage the move to ISO20022 continue. BVI and the Praxisforum Depotbanken (German TAs group) published a document entitled "Effizientes Investmentfondsgeschäft durch Standardisierung" (German language) which describes the arguments for automation based on ISO standards, the applicable standards and the bodies involved in standardization. The document is posted on smpg.info in investment funds in the folder for Germany .

The German NMPG (DESSUG) will be holding its meeting in May. Besides the usual work items like the discussion of change requests, there are plans to update the 2005 version of DESSUG’s fund market practice. Additionally, there needs work to be done on real estate fund (REF) transactions. The German fund MP might have to recognize a change request for a new field ‘valid after’ because of a change in the way real estate funds are redeemed. It used to be possible to redeem REFs like UCITS on a daily basis. But because of financial crisis issues, in many cases, redemptions had to be suspended. This led to a change in the law, that means, following the redemption instruction, the actual redemption won’t take place until after a minimum of one year of ownership.

There is more interest in automating commissions. There is also potential for automation of reference data and sales contracts based on the DMFSA (Dematerialised Mutual Funds Sale Agreement) initiative for the exchange of contracts.

*Note that this requirement is also discussed in the section “Real Estate Funds (DE)”.*

## ITALY

The order instruction status report with the status code ‘RECE’ is now a mandatory status for order, accounts and transfer processing.

In September 2011, a project was started by a working group comprising financial operators representing the different types of players concerned, and supported by a number of banking and fund manager associations (ABI, Anasf, Assogestioni, Assoreti and Assosim) The group was formed under the auspices of the supervisory authorities Consob and Bank of Italy

The goal is to implement best practices for fund processing (order, account, transfer and FPP) and to migrate from preparatory message formats to ISO 20022.

Eighteen financial institutions subscribe to the pilot programme and also seven vendors. The pilot is expected to be completed by the end of 2012 / Q1 2013. After the summer of 2012, the initiative will be open to rest of market. There is one single contact point for everything concerning the standard project which is ABILAB (Italian Banking Association technical body) and NMPG is working closely with them.

## LUXEMBOURG

Within Almus, there is a review of the order templates in order to insure that both the FINDEL and ALMUS templates are aligned. This has led to discussions on net amount,  gross amount,  commissions and charges. For commissions and charges, there is a need for clearer guidelines, at a more detailed level. Some codes should perhaps be recommended to be used more as an SLA approach and other should reflect the current market usages. Those will then need to be agreed by the various stakeholders (AFAC, Findel, SMPG,...)  With respect to the order instruction status report and the status ‘RECE’ – from a pure ISO point of view – if a user is on SWIFTNet network (store and forward), the use of the status ‘RECE’ is  probably not needed, but on another network, RECE status is probably needed.

Corporate actions for investment funds – some ALMUS members, mainly the transfer agents, do not see why the transfer agent should start to  automate this process – is this the right party? Who starts the chain? A white paper will be done and shared with the LU community to see whether there is the appetite to address this issue. It would be better to ‘get this in order’ now rather than wait for the regulator to impose something. Should the issuer be the one that ‘starts’ the process – this needs to be an industry decision. (**DB** said there is a similar issue with UK users, although there is a different relationship between the TA and FM in UK.)

## NORWAY

Main activity is on account management, statement of holdings, statement of transactions and confirmations. VPS is closing down its proprietary B2B interfaces and insisting on ISO 2022 for orders this spring. And then to expand to other areas.

New legislation: there will be share classes, ie, a change in the way funds are set up.

## SWEDEN

NMPG work has almost finished on the orders. There has been a lot of discussion on the net and gross amounts. Work has started on the transfers flows. In Sweden, funds will no longer be taxable and this means we will stop doing dividends. Instead, the Swedish government will impose a tax on the unit owners based on the market value. This will make Swedish funds more competitive when compared to international funds.

## UNITED KINGDOM

The UKFMPG has three working groups working currently on different issues:

[1] Transfers: new regulation from the end of 2012 has driven the UK industry to seek an automated for transfers between nominee holders, which will utilise ISO 20022 messaging. The UKFMPG has drafted market practice covering the complete flow, from discovery of the assets held by the delivering nominee to transfer of the underlying holdings on the respective fund registers. A 3rd draft was issued in December 2011 and it is hoped that the final version will be released soon.

The UK will continue with the current SR2007 messages new SR 2012 goes live, but will then immediately start adapting market practice to the new version for adoption from November 2013.

[2] Statements: a draft market practice covering the custody and transaction statements, and associated query and status messages, has been drafted and is currently out for comment with the working group.

[3] Orders: The group has just commenced a review of the UK market practice for orders with respect specifically to:

[a] alignment with current approach for the documentation;

[b] implementation of the UCITS IV requirements for order confirmations; and

[c] to provide a mechanism for share class conversions using the switch messages, albeit conversions are not "orders" per se.

DB added that the UKFMPG circulation lists now extends to 164 individuals across various financial institutions and services providers. He estimated that of these, perhaps 35 were active in some way, but there is a large interest group tracking the work.

# Corporate actions

Bernard Lenelle (BL), Corporate Actions WG Co-chair joined to advise the group and the following points were covered:

[a]are there any issues arising from the corporate action WG specific to funds**?**

**BL:**

[1] Reinvestments – there are many questions from the market about how reinvestment for funds units are processed and reported. The most common issues are what is being reinvested, how do you have to express the amounts being reinvested, how to express the tax.

[2] In the past, discussions about end of the life of a fund shows that there seems to be different ways of reporting this, for example, it’s reported as liquidation or as a kind of redemption. The differences in approach and terminology are confusing.

 [b] how can we best take this work forward, how can we now make this a joint effort?

**BL:** The corporate action templates are structured in two parts:

[1] business scenario and example, explained very simply

[2] how this is represented in the MT 564.

BL suggested that the IFWG not to spend too much time looked at detail straight away – leave this to the corporate actions working group. The funds group should focus on the business by providing on business examples.

The funds group should create the business scenarios (country based if necessary). The corporate action WG will decide in agreement with the IFWG what goes into the message

There are monthly corporate action WG calls – when ready, the funds group should request to be put on the agenda.

Other discussion points

TB noted that Almus has considered the issue of whose responsibility is it to issue notifications - the fuind promoter of the TA? The TAs do not agree to automate this process as there is no gain for them**. CB** suggests there needs to be an industry discussion in LU about this, and that this will take time. Distributors want to put pressure on funds promoters so the promoter can press its agent to send the notification. Even though it’s not good to create a market practice recommendation without having the right players around the table, IFWG will start working out what data should be used while the process discussions are going on.

**DB**: in the UK the TAs are actually outsource source providers to the fund management company (ie. the promoter) - under the UK regulations TA is the responsibility of the fund management company, so it is up to them to agree who does what with their TA provider. Although the problem is the same, it’s underlying relationship is different.

**TB**: Clearstream receives both liquidation and redemption notification for end of life of a fund.

Are these two distinct business scenarios? If yes, need to define each case and be able to differentiate. **DB**s view: if client driven it is redemption and if it is fund driven, then it’s a liquidation.

**NM** asked the group the following question – “do we manage reinvestment through corporation actions?”

**AM –** In Italy there is a notification flow and, if necessary, a payment flow sent by the TA to distributor. The corporation action process in Italy is very unstructured, and there is a need to harmonise but no one wants to spend the money! Italy is at very early stage.

**DB –** In UK, it is part of the distribution process, reinvestment is usually processed ahead of dividend date so that all reporting to investor can be done at same time. Not electronic at present - instead of issuing a cheque or payment instruction for the cash dividend, the fund manager sends a statement saying “we purchased units with your dividend”. Dividend reinvestment is less common in UK than it used to be, with accumulation share classes being preferred - the outcome is similar, but accumulation is easier to administer. The key issue with dividends generally in the UK is the lack of any market announcement.

Reinvestment, as a term, is not clear. It was agreed that the funds group needs to establish a common vocabulary and indicate any synonyms. It was agreed that an event is something that affects the holding of existing investor or generates income, and that an announcement, such as a name change, is more of a reference data change. Meetings are out of scope at this stage.

It was preliminary agreed that these are the events that are most important for funds:

[1] Dividend – cash, reinvestment & accumulation (note that in the UK, all three are treated as dividend payments for tax purposes , while accumulation/roll-up is not usually regarded as an event in other funds markets)

[3] Fund merger

[4] Closure/termination

[5] Demerger

[6] Split (unit sub-division)

These are the most important events for the Group to link to the event codes in MT 564.

**ACTIONS:**

[1] As a preliminary step, each member of the group is to look at these common events and decide which event code should be used in the MT 564 ‘EIG matrix’.

[2] Terminology needs to be more clearly understood and harmonised.

[3] **DB** to update the work on the EIG matrix for fund work for the 2012 standard (completed)

**DB** noted that hedge funds are out of scope for the IFWG, which doesn’t have the necessary expertise

# Price Report

**Introduction:**

The main aim of the Price Report agenda item was to discuss desired functionality and determine what, if any, change requests might be required to support the functionality.

It should be noted that there has been some review of the price report minutes already prior to the publication of these minutes to ascertain a preliminary view on the price report functionality. In some areas, it can be seen that there is dissension about the requirements and the potential change requests. Feedback from reviewers is shown in italic.

**The Price Report Minutes**

Price reporting functionality was discussed as a whole.

There is currently no message that can be used to **request a price report**. There was broad consensus that there was no need for such a message, as there is very limited number of scenarios where it would be used.

However, there is also no message available to provide feedback, for example, to indicate that a price report has been received or processed by receiver. In some cases, the sender may need to know that a price report is received, accepted or rejected, particularly when a price is corrected. Examples of why a price report might be rejected are because a price is missing or a change fails the recipients tolerance checks or the report is for the wrong date.

**Action:** **JEC** to describe this gap in functionality to SWIFT markets so that a business case can be considered for the development of an ISO 20022 message. Any new message developed should be generic in its approach. VPS, Norway has implemented price report messages and, thus, **SB** may be requested to provide estimates of potential volumes. **NH** also thinks that, in the future, they could have a similar need.

There was a discussion about message naming in general. **AM** said that a **status** message is sent in a response to an instruction such as a subscription order or transfer instruction, but the wider view was that . Generally, people said that a ‘status’ messages should be available for any kind of acknowledgment response.

Four price report scenarios were defined by the group; these are set out below

**The Cancellation & Amendment scenarios**

**[1] After a price report is sent, it is necessary to cancel the whole report - the prices will not be subsequently corrected.**



The price report cancellation quotes the price report identification (new element) of the original report (the ‘new’). The original price report is cancelled by quoting its price report identification. The details of the prices being cancelled must not be specified, the price report identification is sufficient.

If the Price Report has been transmitted in more than one physical message due to pagination, only a single Price Report Cancellation message should be required. Cancelling by quoting the price report identification (new element) cancels a whole price report, regardless of how many physical messages were required to transmit the price report.

In the price report cancellation, it is necessary to indicate that the prices will not be corrected (new element).

Change requests will be required to support this functionality – see below.

**[2] After a price report is sent, it is necessary to cancel the whole report and send a new price report with corrected prices.**

****

The price report cancellation quotes the price report identification (new element) of the original report (the ‘new’). The original price report is cancelled by quoting its price report identification. The details of the prices being cancelled must not be specified, the price report identification is sufficient.

***TR****: The message recipient uses this price report identification as the only relevant criteria for the mandatory revocation of all previously processed prices received with the original Price Report (e.g. the revocation of prices already used for internal price data services and/or external price distribution services).*

If the Price Report has been transmitted in more than one physical message due to pagination, only a single Price Report Cancellation message should be required. Cancelling by quoting the price report identification (new element) cancels a whole price report, regardless of how many physical messages were required to transmit the price report. In the price report cancellation, it is necessary to indicate that the prices will be corrected (new element).

Subsequently, a price report is sent with corrected prices.

Change requests will be required to support this functionality – see below.

**[3] After a price report is sent, it is necessary to cancel one or more prices (partial cancellation), these prices will not be corrected.**

****

The price report cancellation quotes the price report identification (new element) of the original report The individual prices to be cancelled are identified in the PriceReportTobeCancelled sequence (to be renamed PriceDetailsToBeCanceled in iterations of the PriceValuationDetails sequence.

If the original price report was transmitted, for example, as two physical messages (due to pagination) and there is, for example, one price in the 1st physical message and one price in the 2nd physical message that are to be cancelled, these two prices can be quoted in the same physical cancellation message.

Change requests will be required to support this functionality – see below.

**[4] A price report is sent and it is necessary to cancel one or more prices (partial cancellation), these prices will be corrected.**

****

The price report cancellation quotes the price report identification (new element) of the original report). The individual prices to be cancelled are identified in the PriceReportTobeCancelled sequence (to be renamed PriceDetailsToBeCanceled in iterations of the PriceValuationDetails sequence.

If the original price report was transmitted, for example, as two physical messages (due to pagination) and there is, for example, one price in the 1st physical message and one price in the 2nd physical message that are to be cancelled, these two prices can be quoted in the same physical cancellation message.

Subsequently, a price report is sent with corrected prices

Change requests will be required to support this functionality – see below.

**CHANGE REQUESTS**

**PLEASE NOTE: This set of change requests has been superseded by document submitted to ISO 20022 on 30 May 2012.**

This preliminary set of change request requires a detailed review.

**Price Report (reda.001.001.03) Change Requests**

[1] New mandatory element ‘Price Report Identification’ (Max35Text) to be added. This be located above the Price Valuation Details sequence, that is at the highest level in the message

[2] New optional element ‘Cancellation Identification’. (Market practice will recommend the use of the element if the Price Report is being sent with price corrections, following a Price Report Cancellation (sentence needs to be added to the Scope & Usage section of the documentation).

***TB****: I hope that Andrea could reconsider, and allow this to be mandatory in case the price report is a replacement. An info hub needs some processing and storage capacity to detect when a provider is modifying a previously sent price, and thus protect the integrity of message flows for its users downstream.*

***JEC:*** *as this message is used for both ‘new’ price report and to replace a cancelled price report, this needs to be optional. However, if it’s possible to have a conditional rule between presence of this element and item [3], then this will tighten this up*.

[3] New mandatory element to indicate the Price Report

[a] is a new notification of prices.

[b] contains a partial replacement, that is, correction of prices previously sent

[c] contains a complete replacement, that is correction of prices previously sent ??

[4] Addition to message scope and usage section: “The price report should only contain prices for one NAV date.”

***TB****: Alternatively the NAV date could be promoted to a grouping element, with price details underneath, so that each NAV date is only mentioned once.*

[5] Change of multiplicity: Price Valuation Details / Identification to be change from mandatory to be optional.

***TB:*** *Isn't this the Id that would allow a partial cancellation?*

***NM****: No , other elements such as the ISIN and Date and Price Currency will identify unambiguously the price to be cancelled*.

**Other preliminary review comments:**

***TB:*** *It is not clear how or when to use the Related Reference in the price report, as it implies that there are price report request and/or status messages. Shall we ask for it to be removed?*

*NM: Previous and related references are legacy from ISO 15022 and there is no need to keep them.*

**Price Report Cancellation (reda.002.001.03) Change Requests**

[1] Price Report Identification (Max35Text) element to be added. (This needs to be part of a new choice component.)

[2] Price Report To Be Cancelled sequence to be renamed to Price Report Details To Be Cancelled. (This needs to be part of a new choice component.)

[3] New mandatory choice component: choice between Price Report Identification and Price Report Details To Be Cancelled

[4] Scope & Usage documentation

|  |  |
| --- | --- |
| Current Scope Usage | Proposed Scope Usage |
| The PriceReportCancellation is used to cancel an entire PriceReport message that was previously sent. If only a part of the information needs to be cancelled and replaced, the PriceReportCorrection message must be used. This message must contain the reference of the message to be cancelled. This message may also contain details of the message to be cancelled, but this is not recommended. | The PriceReportCancellation message is used to either:* cancel an entire PriceReport that was previously sent.

OR* cancel one or more individual prices.

  |
|  | The cancellation should not contain the cancellation of prices for more than one NAV date. ***TB:*** *Why not?* |

[5] Previous Reference – multiplicity to be changed from mandatory to optional

[6] New optional element ‘Reason’, with code list, so that the reason why the report is cancelled can be specified.

[7] New optional element ‘Expected Price Correction Date’

[8] New mandatory element ‘Correction Indicator’ (YesNoIndicator) – to specify whether or not the cancellation of the report is going to be followed by a correction. (Is there a need for an ‘unknown’ option? ***AM*** *suggests code list with Y, N and Unknown).*

[9] New mandatory element ‘Cancellation Identification’.

[10] Change of multiplicity: Price Valuation Details / Identification to be change from mandatory to be optional.

***TR****:*

*Proposal:*

 *I think that it would be better that a partial Price Report Cancellation is always limited to prices received in only one previous Price Report.*

*If yes I would propose to change the above choice to "Price Report Identification" and "Price Report Identification and Price Report Details".*

*Such a limited solution for the partial Price Report Cancellation implies that all cancelled price details will always relate to one previously received Price Report (as it is proposed for a "non-partial" Price Report Cancellation which always refers to only one previous price report).*

*This means that affected price report details received in different Price Reports must be cancelled with use of multiple partial Price Report Cancellations: ⇨ Therefore one partial Price Report Cancellation would be required for each affected previous Price Report.*

Other review comments:

***TB:*** *The FundCompany element is static reference data. Does it belong in a price report? Put another way: can the price report be used to communicate a change in FundCompany designation?*

**Price Report Correction (reda.003.001.03) Change Requests**

[1] Removal of message, a period of time (to be determined) after the revised Price Report and Price Report Cancellation messages have been implemented (on SWIFTNet).

**When the above changes have been implemented, the following general principles apply:**

[1] References and Identifications

Business references are used to identify the price report and a cancellation. Technical reference may still be used to link a cancellation message to a previous price report message and to link a price report message being used as an amendment to the cancellation (that is the message reference is quoted in the previous reference field on the next message in the chain). However the recommendation is to make the link between the price report and cancellation with the Price Report Identification and Cancellation identification elements.

To be expanded upon.

**Other items recorded at the Athens meeting**

[1] When cancelling a price, you may not yet know what the correct price may be. Prices found to wrong immediately or later, and need correct prices. You might cancel for same ISIN a number of prices for a number of different value dates. (It was agreed that if this is the case, then separate messages would be used for each date.)

[2] Price report business document – needs to have sequence diagrams covering rejection, missing price flows and acknowledgement flows even though MXs do not exist?

[3] Have to be careful about any potential changes on the early adopters.

[4] **TR** – thinks we should send only one price report in a price report message. **NM** says you can, standard allows it. **TR** – would want the standard changed so that it was only permitted to send one price per price report message. **NH** - will cost more on SWIFT. TR – should address this with SWIFT directly. **RS**: agrees with **TR** that price of report price issue should addressed with SWIFT. But some people want a ‘bulk’ price report as designed.

**AM** – agrees with concept of single price per message, but would want practice of pool reference to link messages for easier cancellation, if they should all need cancellation *(****JEC****: this last item is resolved by the proposed message modifications above)*

[5] **AM**: Price report should be considered more of an instruction and should be treated as such.

**SUMMARY** (thanks for the input of AM)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|   | S1Price report + cancellation | S2Price report + cancellation + price report | S3 Price report + cancellation | S4Price report + cancellation + price report | Note |
| **Price cancellation** |  |   |   |  |   |
| Choice between: |  |  |  |  |   |
| - Price Report Identification D  | M | M |  |  |
| - Price Report Details To Be Cancelled  |  |  | M | M |
| Correction Indicator | false | true | false | true | ***AM*** *suggests code list with Y, N and Unknown.* |
| Reason code for cancellation | O | O | O | O |   |
| Expected price correction date/time  | Not required | O | Not required | O |   |
| Cancellation ID  | M | M | M | M |   |
| Previous Reference | O |  O |  O | O | Usage not recommended by MP |
|   |  |   |   |  |   |
| **Price report** |  |   |   |  |   |
| Price Report Identification | M |  M | M | M |   |
| Cancellation Identification (quotes Cancellation ID received in cancellation) | Not required |  O | Not required | O | Usage recommended by MP. In a hub/service provider scenario, this might not always be provided. |
| Element to indicate is a partial replacement, complete replacement or new notification of prices | Not required |  O | Not required |  | In a hub/service provider scenario, this might not always be provided. |

**General**

[1] All change request to be listed at the end of the Price Report business process document. We should wait until the change requests approved (August 2012) before continuing on market practice.

[2] The next monthly meeting (16 May 2012) will be dedicated to a review of the price report functionality and the required change requests in order to be able to meet the 1st June 2012 deadline for the submission of change request to ISO 20022.

**Possible Workarounds for the above functionality until the change requests are implemented**

This need for workarounds will be determined.

# Real Estate Funds (DE)

Germany has a large real estate funds (REF) market. Normally redemptions are accepted on a daily basis, but following the financial crisis many funds were suspended and redemptions need to be deferred.

As a result the German government stepped in and introduced regulation so that when a redemption order is placed, the actual redemption won’t actually be executed until after a minimum of one year to ensure that the necessary funds can be raised. This will be law from 1st January 2013. Distributors will undertake all the legal checks before allowing the redemption and then send the order on to the transfer agent. The transfer agent has then to store the redemption for up to a year before its execution. DE is requesting a new date field for this in the redemption order message.

The discussion resulted in the proposal that DE could use the ‘Requested Future Trade Date’ for this purpose.

# Place of Settlement (UK)

In the Stockholm global meeting, there was some controversial discussion because funds users proposed to use 95P PSET for the transfer agent’s BIC, when settlement was not in a CSD. The Settlement & Reconciliation (S & R) WG said that 95P PSET was reserved for the BIC of the CSD, with the 94C PSET being used to indicate the country of the transfer agent.

Within the funds specific ISO 20022 transfer messages (which were developed to support the transfer agent model), the BIC of the transfer agent may be used in the place of settlement field. There is no conflict with S & R.

If funds follow the CDS model, then settlement and reconciliation messages are used and the market practice follows the S & R market practice. (95P PSET is a CSD).

# Orders

The goal of this session was to discuss and agree any aspects of market practice that were finalised last year.

Each country was asked to state its issues.

|  |  |
| --- | --- |
| LU | Net & gross amount clarification of definitions needed. Commissions & charges: in the message, some codes are common to both the commissions & charges sequences. Some charge codes seem market specific? Alignment with Findel is necessary - it is generally agreed that Almus (as the LU NMPG) and Findel should be consistent.**Action**: circulate the Findel orders document (This is posted on “swiftcommunity.net in the community ‘Funds Distribution Automation: More Together’ – the document is called ‘Findel Automation Guidelines’ |
| SE | Gross and net amount |
| DK | Nothing to report yet. |
| IT | * Have reviewed all recommendations – only one item: The RECE status, which has been covered. There are about 23 change requests generated by Italy and submitted to ISO in 2011, some of them have been already discussed in SMPG. And there could be another 19 to be submitted in the following year. Only Account CRs (3) will be submitted by May 2012 to ISO for next maintenance cycle, all the rest will stay on hold
* There could be money laundering changes to the law.
* FATCA could also have an impact on the order and confirmation messages. This should be discussed also at the global level.
* Italy will re-review the changes requests on the orders that have been approved by ISO 20022 to ensure they are still relevant.
 |
| NO | No issues to report on order yet. However what’s the status on the use of local character sets? *See section “Character Sets: Follow up” below.* |
| Clear stream | Net and gross amount. It’s an ordered amount whether net or gross. Clearstream followed the recommended market practice use.Trade date – three definitions used ‘date of order’, “trade date”, execution date. The underlying issue being the identification of the entitlement date in case of a CA. This must be clarified.**SWIFT ISSUE:** Continued problem with unpublished BICs in the payload Of ISO 20022 messages. The message rules state that the BIC must be a registered BIC. However, the MVAL validation on SWIFTNet expects a published BIC. All BICs 11 s are registered even if not published, and therefore must be allowed! (See MX BIC rule). In SWIFTNet FIN, the rule was correctly implemented and the same rule must be applied on Interact. **TB** has raised this with its SWIFT account manager Peter Wiatrowski. This will be followed up independently of SMPG. |
| CH | Net and gross amount. Don’t agree with definitions. Will be coming with several issues regarding definitions. There are mandatory fields that they can’t populate. More information to be provided Physical delivery indicator is also an issue - it is irrelevant for funds, yet is a mandatory field.  |
| Euro clear | Charge and commissions. Must agree at global level use of the codes. Findel and AFAC have rules. If all countries choose different rules, it will create inconsistency and inefficiency. We should have a global market practice wherever it is possible. |
| UK | Are undertaking a review of the orders again. Confirmation requirements post UCITS IV – there might need to be some fine-tuning. Very little implementation in UK. The UK both has a clear idea of the distinction between a commission and a charge, and understands the existing market practice of gross and net amount definitions.  |
| DE | None, but will be reviewing order market practice document (dates from 2005). |

As a result of this input, this session continued with discussions covered in the next items.

# Orders – Net and Gross Amount

Review of gross amount and net amount definitions led to the following revised definitions. We simplify the definitions and adapt the terminology to take into account different market realities, e.g. use of “invested amount” instead of “ordered amount” as for some market the “ordered amount” can be either gross and for others, net amount.

|  |  |  |
| --- | --- | --- |
| Subscription order & confirmation | Gross Amount | Amount of money to be paid by the investor when subscribing to fund units.Gross amount = (Quantity \* Price) + (Charges + Commissions +Taxes)  |
| Net Amount | Amount of money invested in the fund.Net Amount = Quantity \* Price |

|  |  |  |
| --- | --- | --- |
| Redemption order & confirmation | Net Amount | Amount of money paid to the investor when redeeming fund units.Net amount = (Quantity \* Price) - (Charges + Commissions +Taxes) |
| Gross Amount | Amount of money redeemed from the fund.Gross Amount = Quantity \* Price |

**ACTION:** All countries to re-review for discussion during May or June call.

# Orders – Charges & Commissions

**ACTION:** All countries to provide a list of the charge and commission codes and elements that are used or intend to use.

# Orders – Trade Date

There seem to be four interpretations:

|  |  |  |
| --- | --- | --- |
| 1 | Date the order received |  |
| 2 | Date and time at which a price is applied, according to the terms stated in the prospectus (ISO 20022) |  |
| 3 | NAV date |  |
| 4 | date and time the posting has been made in the register (entitlement date) |  |

Most agreed that trade date should be renamed "execution date" and that this will usually be the same as the date the price is applied, perhaps in some cases the NAV date may be earlier. In "forward priced" markets (where the order is priced using the next valuation point), the execution date may be later than the date on which the order was received. DB noted that the dealing cut-off and NAV points for most UK funds was noon, so an order received at 10:00 would be executed at noon the same day (even though it may be perhaps some hours afterwards before the calculated prices are actually released), while an order received at 14:00 would be executed at noon the following day.

It was suggested that a NAV date element may be required in the confirmation messages.

**ACTION:** Discussion to be resumed in next conference call.

# Character sets: follow-up

SB mentioned that for some messages such as the account management message, they would need to use the Scandinavian characters.

From a SMPG point of view, for cross-border communication, only Latin I characters are allowed.

**ACTION:** This rule must be stated explicitly in the IFWG documents.

For SWIFT network:

The General Information volume of the SWIFTStandards MX handbook clearly describes the possibilities for the use of characters in the messages. ***This document is attached, as is a FAQ document.***

*“The default rule for MX-supported characters and languages is that the user must always use English and Basic Latin, except if a closed user group is set up in which other principles are agreed.”*

# SMPG Generic Presentation

Armin Borries (Steering Committee) informed the group that the SMPG generic presentation is to be updated. It needs to have two slides on funds – the achievements & progress & future plans.

**ACTION:** Rudolf to action. Not more than 2 slides, within the next 3-4 weeks.

# Priorities

The most immediate priority is to finalise the change requests for the price report messages, which need to be submitted by the end of May for SR2013.

Attention should then be focused on order confirmations, given that UCITS IV is already in place

In addition work should proceed on corporate actions in conjunction with the CAWG

# MyStandards

The SMPG groups are to be created – one or more SMPG groups for funds will be created. Once the groups are in place, all the funds SMPG documents will be moved into its new group, the collection names will be renamed in order to follow the best practice. All collections will be designated as private. When each piece of market practice has been verified for accuracy against the original smpg.info version, the status will be updated to public.

Each collection name will include the funds business process to which the message market practice relates. We need to have agreement on the names of the business process we will use. We will encourage NMPG to also use the same names.

**ACTION:** JEC to follow up.

# Future Meetings

The next global physical meeting will take place Osaka, either before or after SIBOS (last week in October/ 1st week November), but there will be insufficient representation from the Funds group to participate. Instead, RS offered to host a funds-only meeting at BVI's offices in Frankfurt.

The dates chosen for the fall meeting should not conflict with the SIBOS/SMPG event in Osaka.

# Miscellaneous

1. The Transfer market practice that is posted on smpg.info is posted as a draft process document. It was posted three years – should the ‘draft’ be removed? Message elements work has not been not done yet.

It was agreed to leave the paper on the website for the time being, as SR2012 should not affect the business process it describes.

1. We need better communication with Asia. It is hoped that Omar Lago Rodriguez or Alex Kech (Or Kineth Yuan) may be able to participate in some of the Funds WG monthly calls. This will be investigated. This will mean a change in the time of the conference call.

 **ACTION:** To be followed up by DB, NM & JEC

1. CB provided an update for Australia (on behalf of Paul Talbot) – they have automated the order flows and piloted with ISO 20022. They are keen to progress the discussion on automation of distributions and tax statement.

**ACTION:** see Summary of Actions item 11

1. DB noted that the UK was using PACK in the Transfer Status Instruction message (sese.011.001.02) to acknowledge receipt rather than, necessarily to accept the instruction, as there is no ‘RECE’ status available. Arguably PACK is not relevant as there is no undertaking on the part of the TA that needs to be accepted - the UK is addressing this through market practice for the time being and will generate a change request in due course if it is still necessary in the light of the SR2012 message versions