SMPG

Global Meeting

Investment Funds Working Group

Minutes (V2 – 24 May)

Frankfurt 23- 25 April 2013

**Revision History:**

[1] 1st draft *(SMPG-IFWG-GM-MIN-Frankfurt-April-2013 v0 1.docx)* circulated to the attendees of the Frankfurt meeting 29 April 2013.

[2] 2nd version *(SMPG-IFWG-GM-MIN-Frankfurt-April-2013 v0 2.docx), country report for CH updated.*

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# List of attachments

[1] How to comment on a MP.docx

[2] How to use SMPG as the basis for your NMPG.docx

# Attendees

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

**Apologies**

Ana Abidor, Brazil.

# Agenda

* NMPG updates
* MyStandards
* FATCA
* Corporate Actions
* Orders Market Practice
* CH potential change requests
* Any other business + wrap up

# 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)

# NMPG Country Updates

## Clearstream

Continuation of migration of customers to MX – the disincentives on the cost of MTs on SWIFT are now in effect and this is leading to an increase in customers planning to migrating to ISO 20022. For Clearstream., the transfer agents need to be migrated in order for them to receive orders as MX. This is being done fund by fund.

Clearstream has implemented real estate funds for DE.

Clearstream is in negotiation with SWIFT consulting for the creation of an ISO 20022 message for ‘statement of transparent holdings”.

*(In February 2013, Tomas B, Clearstream, gave an overview of what Clearstream has been doing in this space ‘**Consolidated reporting on funds transaction for transparency’ - see (*[*www.clearstream.com*](http://www.clearstream.com) *– select Investment Funds Services / transparency of holdings.)*

## Denmark

### MyStandards (for VP)

The licence is too expensive and VP is concerned with the intellectual property rights. VP is defining market practice as a SWIFT user rather than as a national market practice group. (VP is the ‘NMPG” and is also a service so the distinction between DK NMPG and VP specifications is a grey area. (The MyStandards issue has been raised with VP’s SWIFT account manager and waiting feedback).

### Implementation of funds MXs

Acceptance testing for the VP fund hub is on-going with production planned for mid-June with the 1st client. The next target is transfers and some minor change requests will be submitted. At the end of the year, VP will look at corporate actions - dividends, splits, mergers and liquidation to all be implemented in ISO 20022.

*(During the VP fund hub project, it was discovered that the SWIFTNet Funds CUG does not have the required MXS in the SWIFTNet Funds CUG - sese.024 Securities Settlement Transaction Status Advice, sese.025 Securities Settlement Transaction Confirmation and sese.023 Securities Settlement Transaction Instruction. Apparently SWIFT will make these sese messages available for November 2013. DK will also need the CA MXs available on SWIFT for funds usage.)*

## Germany

Will continue to use the ISO 15022 message MT 502 order for funds but will use the codes BUYI and SELL in 22H BUSE when the codes SUBS and REDM are removed from the format.

## Spain

Domestic market is fully automated. There is no interest for investing in ISO 20022 for the domestic market. For cross border, there is interest in ISO 20022 and there is increasing use. 40% of total traffic is mostly with LU and is done using 20022. Three or four companies are active in the use of 20022.

## Euroclear

Statements are now implemented at Euroclear but as yet there has been no take up with European customers. For statements there is a tendency to stay with ISO 15022 . In Asia, there is interest in using ISO 20022 statement of holdings (custody).

## Italy

The migration of the Italian fund industry to ISO 20022 and definition of best practice project that started two years ago comprising 22 institutions and 10 vendors is still continuing.

The analysis phase of gaps between proprietary standards and ISO 20022 is completed. Specification of the use of ISO 20022 messages (account management (for several scenarios), orders, status and confirmations, statement of holdings and transfers are all done in MyStandards and posted in the ABL Lab IF IT group. These market practices will be made public in the NMPG IF IT group in June 2013. Work on corporate actions and FPP also to be done.

Implementation: 6 institutions, with another 6-8 to be implemented by the autumn, with the rest in Q1 2014. This covers 60 – 70 % of the market.

Transfers: local MP will be single leg in line with the LU model, which is currently single leg.

The migration to ISO 20022 is a regulatory project from the Italian Banking Association and the Stock Exchange. Version 2 of “Assogestioni Operations Guidelines” is to be on SMPG .info soon.

Next steps – have new clients on board. And look at other business areas.

## Luxembourg

Almus regularly has FATCA on its agenda. So far, the feedback is that there is no impact on the order flow. There is an impact on account management, but LU institutions don’t use the MXs and so the impact has been noted for information only. Almus will keep FATCA as an open item in order to monitor potential impacts. Firms are still doing their analysis. Corporate Actions – the EIG matrix has been reviewed and the events that are applicable to funds have been noted. These have been classified according to priority and usage verses low interest. Of the 30 events applicable to funds, 15 are classified as high priority. There is a strong belief in concentrating on a small set of events and to get agreement for these, then automate these, rather than look at all of the events.

There is still the on-going debate of who should ‘start the automation of the notifications of the event’. For the transfer agent it is a huge investment that does not bring additional revenue. It is a very difficult business case to take to senior management. This is to be raised in ALFI, with the help of SWIFT on the asset management side looking to see what kind of synergies can be made to start the process. Almus is not going to pursue CA actively, prefers to continue to focus on revision of their order templates – the subscription is finished. Almus is using Mystandards to specify and publish.

### MyStandards

There needs to be yet further guidelines on the use of annotations. And what does it ignore mean verses optional etc. The use of the editors trigger lots of questions. Also Almus finds that it is re-opening what was thought were closed discussions! Most contributors now have much more experience on the challenges of automation and therefore take a stricter approach and seek to eliminate ambiguity! But it’s good and relevant discussion.

### Findel

The focus has been on the transfers single leg process (SLT). However, the momentum has been lost a little because of the decision of some to wait until SR2013 before implementing

The transfer messages have been subjected to maintenance changes for the last two consecutive years – this has created a moving target for implementation. Italy plans to submit change requests for the transfer for the 2013/14 cycle. However, AM stated that if ‘holding back’ on more changes means a faster Findel process, then AM is prepared to agree to a ‘freeze’ on the implementation of change requests in the messages.

CB is to schedule a Findel transfers call for May to begin to assess impact. TB has developed example messages and indicates there will be difficultly for the transferor to get information about the transferee side (and this is needed for SLT process) and that this need distributors and custodian banks in the Findel group otherwise ‘it is all for nothing’.

## Norway

NMPG is small active group – 4 funds managers, 1 distributor , 2 infrastructures. The NO NMPG is using MyStandards in their meetings and are planning to use MyStandards as a remote collaboration tool. A draft of their orders market practice has been uploaded onto MyStandards for internal use. Market practice for price report, orders, status, statements is in progress. There is currently a lot of the work being done by VPS and large fund managers implementing ISO 20022. The price report is the most used. It is used on SWIFT by two users. They are aware that there is the need to implement the new version of price report messages for November 2013. Parallel work VPS + NMPG roadmap. VPS work goes faster.

NMPG is looking at account opening + transfers. Lots of tax information may have to ‘travel’ with the transfer, which is particularly challenging. VPS is implementing reporting in ISO 20022. All players communicating with VPS must change to ISO 20022 (orders already implemented).

200,000 VPS MXs message in each month but most on private networks.

VPS has a closed customer web-site but will published NMPG on MyStandards.

## Sweden

The progress made during the last half year is good. Almost finished with orders messages. Will publish national standard in May or June. Some banks are looking into implementing in the autumn. Can start replacing all the faxes in the SE market.

### MyStandards

Working with MyStandards – will be publishing all items with the status public in the near future. The MyStandards editors works well. Norway will be looking at the transfers next. Swedish funds will be subject to a new tax regime from this year. Will have to pay tax each year for possessing the units for end of year NAV. Will stop doing dividends.

## United Kingdom

### UKFMPG update

### Share class conversions

A new market practice was published in November 2012, using the switch order message set with extensions to address the needs of conversions as a completely different transaction type (indeed, they are not orders). The key challenges were to enable instructions to identify the split between Group 1 and Group units and for the confirmation to return the conversion factor instead of a price, as well as the relevant number of Group 1 and Group 2 units allocated.

### Transfers

Following the publication of the "Version 1" market practice in June 2012, covering transfer of unwrapped and ISA fund portfolios and re-registration of the underling funds, attention was turned to developing a "Version 2" with three specific enhancements:

* functionality required for the transfer of personal pension accounts;
* transfer of portfolios containing a wider range of assets (but not the underlying asset transfers, which fall beyond the UKFMPG's locus); and
* transfers involving intermediary entities in the custody chain (using the transfer in/out instruction messages.

Version 2, which is due for publication this week, is a voluntary development at this stage, primarily for platform providers with pension products. Users are asked to implement in co-existence with Version 1 in order not to disrupt the roll-out of Version 1 in the wider market, which has been adopted by a market initiative (TeX) to automate inter-platform portfolio transfers.

Both of these use the 2007 release messages currently, with work now advanced on updating these for SR2013 (having skipped SR2012). Given many firms yet to implement the current versions, however, a roadmap has been agreed towards convergence during 2014, as follows:

Nov-2013 Version 1 will migrate to Version 1.1, involving the minimum change possible (to accommodate revised X-paths etc.) and retaining the current use of extensions, even where the 2013 messages provide the necessary functionality within the base message.

Version 2 will migrate to Version 2.1 and utilise new functionality in the 2013 messages where possible.

TBA-2014 Version 1.1 will be withdrawn, with users migrating to Version 2.1

### ViaNova

"ViaNova" is a stand-alone market practice, which has been established for several years in the corporate pensions space, to accommodate communications between company pension scheme administrators and the managers of pooled funds (usually insurance fund structures) in which scheme members can invest. It covers subscription, redemption and switch orders; price reporting; and statements.

The group started meeting again this year, having not met since 2010, to consider the impact of SR2013 on its use of the price reporting messages and discuss further a potential development to provide" benchmark asset allocation" reporting, where funds are invested in a pre-determined portfolio of funds and the confirmation merely confirms the receipt of those funds, rather than the actual investment in the underlying funds.

### MyStandards

Formal adoption of MyStandards will be considered at the UKFMPG plenary meeting planned for May.

In the meantime, the conversions MP has been captured using the editor, as has transfers V2 and V2.1.

V2.1 will be released publicly this week as a consultation draft, in order to get it out more widely in the absence of a more controlled mechanism in MyStandards currently, given a potential UK funds group of 180 people.

Previously, we have managed the collection of MP in spreadsheets derived from MyStandards but then reorganised and simplified to meet our needs better. It is too inefficient, however, to maintain in MyStandards and then adapt the spreadsheets each time, while the basic output is not really good enough currently. We are therefore planning to circulate the spreadsheet and PDF output to the group supplemented by the public tools in MyStandards.

We are also now working on capturing and presenting V1.1 in the same way.

Ahead of the plenary meeting, the three people with "editor" access to MyStandards plan to sit down and devise a strategy for using MyStandards.

## Switzerland

ISO 20022 funds road map for CH – still an issue to go forward. It is expected that all major distributors will be able to implement MX but not earlier than first half 2014 – they will have to do the investment even though there is still no real business case for MX! but the Swiss Commission for Finanial Standardisation recommends to all impacted Swiss market participants to regard the implementation of MX as a SWIFT standards maintenance project because of the disabling of the MT Fund Templates in the FIN service as part of the SWIFT Standards release by November 2015. In the last year SCFS has defined the Swiss market practice for 16 MXs, it’s a distributor orientated MP, it supports the MT migration. MT usage specificities such as how pre-payment, side pocket and gated redemption are supported have been discussed. If narrative is used in the MT, then will continue to take a similar approach with MX otherwise it is impossible to find a common solutions. Very intense work with good participation (up to 18 in each meeting), there have been eight workshop days over the last year. The work has resulted in changes required in setr messages. CH have not used MyStandards – at the time it wasn’t available and so have been using the GEFFEG tool and intend to continue using GEFFEG for the CH market practice – it has better support and better functionality than MyStandards. But will publish on MyStandards as soon as possible but want to be able to upload/export from the GEFFEG environment into MyStandards. Discussions on this are on-going with SWIFT.

Want to agree on investor restriction categories in the CH market in the funds area. Everyone is doing this individually. In discussion at SCFS with the CH data provider.

CH ISSUES – mixed funds, securities accounts – process funds and securities in same application .. creates problems when there is a funds specific implementation and another for the securities …Food for thought … particularly for transfers. A typical client is serviced for equity and bond not just funds.

# FATCA

(Foreign account tax compliance act – this is concerned with the US wanting to know if US people are declaring foreign earnings)

Is recent legislation or recent inter-governmental agreements going to have any impact on the standard?

No known impact on the message standards as yet.

Anything FATCA related must be kept on our radar.

# Corporate Actions

There is the need to identify events relevant to funds. There has been input from 4 markets Italy UK, Clearstream, LU. DB has collated into a single spreadsheet. DB to circulate – we need to look at the impact of the four countries and try to have a common approach. Then we will circulate to the wider group for more input. It is though that 15 events out of 31 should be worked on. Terminology also needs aligning.

Once funds SMPG has finished this work on the matrix, this is to be handed over to the CA working group

# CH - Potential Change Requests Noted for the Orders

CH has submitted a list of items in the MX orders, confirmations and status for which changes are proposed. During market practice work on the orders in Frankfurt, a number of these were discussed.

## Indicator fields

CH has noted that the Physical Delivery Indicator is mandatory. It is suggested that this should be optional. In ISO 20022 indicator fields (Boolean – true/false) fields are mandatory, thus the ‘fix’ would be two change the Physical Delivery Indicator to an optional code word field with two values equivalent to true and false. However the group suggested that the Physical Delivery Indicator should be deleted! If this is the case then the sequence Physical Delivery Details would also have to be deleted

CH also proposes the Cum Dividend Indicator in the confirmations should be optional.

**Indicators in the order and order confirmations:**

|  |  |
| --- | --- |
| Orders | Confirmations |
| PhysicalDeliveryIndicator | PhysicalDeliveryIndicator |
|  | CumDividendIndicator |
|  | PartiallyExecutedIndicator |

The issue of mandatory Indicator fields has already been raised in other funds messages and indeed, in the transfer messages, a number of mandatory indicator fields were changed into optional elements typed by a code list for the 2011/2012 maintenance cycle.

## Equalisation

In the redemption confirmations, there is an Equalisation element. Either the definition of the element is wrong because it refers to subscription and thus the definition needs changing or Equalisation is not relevant to a redemption and thus needs to be deleted from the redemption confirmation messages.

|  |  |  |
| --- | --- | --- |
| Subscription Order | Equalisation | Part of an investor's subscription amount that is held by the fund in order to pay incentive / performance fees at the end of the fiscal year. |
| Redemption Order | Equalisation | Part of an investor's subscription amount that is held by the fund in order to pay incentive / performance fees at the end of the fiscal year. |

When the decision is made, that is whether the definition is updated in the redemptions or the element is removed, this change will be applicable to the following messages:

|  |  |  |
| --- | --- | --- |
| Setr.001 | REDM Bulk Order |  |
| Setr.002 | REDM Bulk Order CANC |  |
| Setr.004 | REDM Order |  |
| Setr.005 | REDM Order CANC |  |
| Sete.013 | Switch Order |  |
| Setr.003 | REDM Bulk Confirm |  |
| Setr.006 | REDM Confirm |  |
| Setr.015 | Switch Confirm |  |
| Setr.051 | REDM Confirm CANC |  |
| Setr.052 | REDM Confirm AMEND |  |
| Setr.053 | REDM Bulk Confirm CANC |  |
| Setr.054 | REDM Bulk Confirm AMEN |  |

## Order Date Time in order messages – element name + definition mismatch

There is also inconsistency of language in the definition between the orders and the confirmations and a revised definition has been included in MyStandards annotation ‘Definition Refinement’, and this is to be incorporated into the maintenance proposals. The following is a table the element Order Date Time across the orders message set so that all the definitions can be compared easily:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | Component | Element | Current Definition | Proposal for revised definition |
| Setr.001 | REDM Bulk Order | Redemption Bulk Order 4 | OrderDateTime | Date and time at which the order was placed by the investor. | Date and time the order is placed by the investor. |
| Setr.002 | REDM Bulk Order CANC | RedemptionBulkOrder3 | OrderDateTime | Date and time at which the order was placed by the investor. | Date and time the order is placed by the investor. |
| Setr.004 | REDM Order | RedemptionMultipleOrder4 | OrderDateTime | Date and time at which the order was placed by the investor. | Date and time the order is placed by the investor. |
| Setr.005 | REDM Order CANC | RedemptionMultipleOrder3 | OrderDateTime | Date and time at which the order was placed by the investor. | Date and time the order is placed by the investor. |
| Setrr.007 | SUBS Bulk Order | SubscriptionBulkOrder4 | OrderDateTime | Date and time at which the order was placed by the investor. | Date and time the order is placed by the investor. |
| Sete.008 | SUBS Bulk Order CANC | SubscriptionBulkOrder3 | OrderDateTime | Date and time at which the order was placed by the investor. | Date and time the order is placed by the investor. |
| Setr.010 | SUBS Order | SubscriptionMultipleOrder4 | OrderDateTime | Date the investor places the order. | Date and time the order is placed by the investor. |
| Setr.011 | SUBS order CANC | SubscriptionMultipleOrder3 | OrderDateTime | Date the investor places the order. | Date and time the order is placed by the investor. |
| Setr.013 | Switch Order | SwitchOrder4 | OrderDateTime | Date and time at which the order was placed by the investor. | Date and time the order is placed by the investor. |
| Setr.014 | Switch Order CANC | SwitchOrder3 | OrderDateTime | Date and time at which the order was placed by the investor. | Date and time the order is placed by the investor. |
|  |  |  |  |  |  |
| Setr.003 | REDM Bulk Confirm | RedemptionBulkExecution3 | OrderDateTime | Date and time at which the order was placed by the investor. | (same as original) |
| Setr.006 | REDM Confirm | RedemptionMultipleExecution3 | OrderDateTime | Date and time at which the order was placed by the investor. | (same as original) |
| Setr.009 | SUBS Bulk Confirm | SubscriptionBulkExecution3 | OrderDateTime | Date and time at which the order was placed by the investor. | (same as original) |
| Setr.012 | SUBS Confirm | SubscriptionMultipleExecution3 | OrderDateTime | Date and time at which the order was placed by the investor. | (same as original) |
| Setr.015 | Switch Confirm | SwitchExecution4 | OrderDateTime | Date and time at which the order was placed by the investor. | (same as original) |
|  |  |  |  |  |  |
| Setr.047 | SUBS Confirm CANC | SubscriptionMultipleExecution3 | OrderDateTime | Date and time at which the order was placed by the investor. | (same as original) |
| Setr.048 | SUBS Confirm AMEN | SubscriptionMultipleExecution3 | OrderDateTime | Date and time at which the order was placed by the investor. | (same as original) |
| Setr.049 | SUBS Bulk Confirm CANC | SubscriptionBulkExecution3 | OrderDateTime | Date and time at which the order was placed by the investor. | (same as original) |
| Setr.050 | SUBS Bulk Confirm CANC | SubscriptionBulkExecution3 | OrderDateTime | Date and time at which the order was placed by the investor. | (same as original) |
| Setr.051 | REDM Confirm CANC | RedemptionMultipleExecution3 | OrderDateTime | Date and time at which the order was placed by the investor. | (same as original) |
| Setr.052 | REDM Confirm AMEND | RedemptionMultipleExecution3 | OrderDateTime | Date and time at which the order was placed by the investor. | (same as original) |
| Setr.053 | REDM Bulk Confirm CANC | RedemptionBulkExecution3 | OrderDateTime | Date and time at which the order was placed by the investor. | (same as original) |
| Setr.054 | REDM Bulk Confirm AMEN | RedemptionBulkExecution3 | OrderDateTime | Date and time at which the order was placed by the investor. | (same as original) |
| Setr.055 | Switch Confirm CANC | SwitchExecution4 | OrderDateTime | Date and time at which the order was placed by the investor. | (same as original) |
| Setr.056 | Switch Confirm CANC | SwitchExecution4 | OrderDateTime | Date and time at which the order was placed by the investor. | (same as original) |

## Other changes proposed by CH

Other change requests were also submitted changes for the suite of order by CH but these were not discussed during the Frankfurt meeting. These are listed below.

|  |  |  |  |
| --- | --- | --- | --- |
| 24 | setr.016.001.03 | Document/OrdrInstrStsRptV03/IndvOrdrDtlsRpt/StsInitr | SWIFT should create an administrative CR to amend the text of the definition to read "... of the order." |
| 25 | setr.016.001.03 | Document/OrdrInstrStsRptV03/IndvOrdrDtlsRpt/NewDtls | It is recommended that SWIFT review the degree of precision of this element definition. ExpectedOrderExecutionDetails is a suggested element name from the Swiss MP working group. The amendment is to be achieved through a CR. |
| 26 | setr.016.001.03 | Document/OrdrInstrStsRptV03/SwtchOrdrDtlsRpt/NewDtls | It is recommended that SWIFT review the degree of precision of this element definition. ExpectedOrderExecutionDetails is a suggested element name from the Swiss MP working group. The amendment is to be achieved through a CR. |
| 27 | setr.016.001.03 | Document/OrdrInstrStsRptV03/SwtchOrdrDtlsRpt/Rjctd/XtndedRsn | If this element specifies the value OTHR, then the reason narrative must be provided in the element AdditionalInformation. A very common rejection scenario is when the switch order of the investment fund pair specified in the RedemptionLegDetails and SubscriptionLegDetails is not permitted as per the fund. In this case, the element AdditionalInformation should specify the value UNSC (UnacceptedSwitch Combination).The additional code UNSC should be requested through a CR. |
| 28 |  | Document/OrdrInstrStsRptV03/SwtchOrdrDtlsRpt/Rjctd/AddtlInf |  |
| 29 | setr.016.001.03 | Document/OrdrInstrStsRptV03/SwtchOrdrDtlsRpt/LegInf/LegRjctnRsn | This element provides for a narrative reason. According to best ISO 20022 design practice, this element should be brought in line with the element 'Rejected' in the IndividualOrderDetailsReport block. In particular, this element should be amended with a code list, an ExtendedReason element and an AdditionalInformation element. This amendment should be achieved through a CR in the name of SCFS or, alternatively, forwarded to the SMPG. In the meantime, it may be considered whether to conceive a list of recommended codes to be employed for the Swiss MP. |
| 30 | setr.017.001.03 | Document/OrdrCxlStsRptV03/IndvCxlStsRpt/Rjctd/XtndedRsn | For the next MP workshop, the participants of the MP working group are to collect the typical use cases for which additional reason codes could be required. |
| 31 | semt.001.001.02 | Document/SctiesMsgRjctnV02 | (1) SWIFT to clarify how to respond to a message which is not compliant with the bilaterally agreed schema, e.g. the market practice schema.(2) SWIFT to clarify the reasoning behind a separation of rejection scenarios into an SecuritiesMessageRejection and status messages for orders, cancellations and confirmations. If there were not any material reasons for the separation, a CR should be envisaged to merge the two. |
| 32 | semt.001.001.02 | Document/SctiesMsgRjctnV02/Rsn/Rsn | Through an ISO 20022 change request, (1) the definition of reason code NALO (i.e. Instructing party is not allowed to ask for a status for that specific order.) should be amended in order that reason code NALO apply independently of the business scenario, i.e. whether or not the business scenario is in relation to an order,(2) pre-defined reason codes should be created for the following scenarios- Unsupported message type: The type, the variant or the version of the message in RelatedReference are not supported.- Unauthorised message type: The type of the message specified in RelatedReference is not compatible with the role of its sender (distributor, transfer agent, ...),(3) the message received was not compatible with the set of business elements agreed to be exchanged between the sender and receiver. This set of business elements to be exchanged is commonly defined through a schema which reflects a sub-set of the message components of the underlying ISO 20022 standard schema and(4) an additional element ExtendedReason (type Max350Text) in which further reasons beyond the typical scenarios, for which pre-defined reason codes exist, may be specified. |
| 33 | setr.047.001.01 | Document/SbcptOrdrConfCxlInstrV01/CxlByRef/OrdrRefs/DealRef | SWIFT is to create a CR to correct the definition of this element. Cf. setr.012: Unique and unambiguous identifier for an order execution, as assigned by a confirming party. |
| 34 | setr.051.001.01 | Document/RedOrdrConfCxlInstrV01/CxlByRef/OrdrRefs/DealRef | SWIFT is to create a CR to correct the definition of this element. Cf. setr.012: Unique and unambiguous identifier for an order execution, as assigned by a confirming party. |
| 35 | setr.055.001.01 | Document/SwtchOrdrConfCxlInstrV01/CxlByRef/OrdrRefs/DealRef | SWIFT is to create a CR to correct the definition of this element. Cf. setr.012: Unique and unambiguous identifier for an order execution, as assigned by a confirming party. |
| 36 | setr.051.001.01 | Document/RedOrdrConfCxlInstrV01/CxlByRef/OrdrRefs | An ISO 20022 change request should clarify whether the textual definition (order, client and deal reference are mutually exclusive) or the schema design (all three element can occur in sequence) are correct as per the intended business concept. |
| 37 | setr.048.001.01 | Document/SbcptOrdrConfAmdmntV01/MltplExctnDtls/IndvExctnDtls/DealRef | SWIFT is to confirm whether the deal reference in the confirmation amendment message has to be populated with the deal reference of the previous confirmation message. |
| 38 | setr.052.001.01 | Document/RedOrdrConfAmdmntV01/MltplExctnDtls/IndvExctnDtls/DealRef | SWIFT is to confirm whether the deal reference in the confirmation amendment message has to be populated with the deal reference of the previous confirmation message. |
| 39 | setr.056.001.01 | Document/SwtchOrdrConfAmdmntV01/SwtchExctnDtls/DealRef | SWIFT is to confirm whether the deal reference in the confirmation amendment message has to be populated with the deal reference of the previous confirmation message. |

# Financial transaction Tax ‘TRAX’

In securities, in the ISO 15022 messages, there is a need for this new type of tax ‘financial transaction tax. The field in which this is to be specified is 19A TRAX. For funds this is not relevant, the tax is on the fund and not the subscriber or redeemer.

# General / Other

Concerns about the speed with which SMPG IF is working. There has been the need to re-discuss things, but this has been very valuable. We seem to be perfectionists! But this means we are always refining things and we never seems to finish! We should be less perfectionist and publish a ‘good draft’.

Our mission to provide a bench mark. MyStandards makes it very easy for us to continually change our mind. We also should capture the rationale for why we made a decision for the usage of a field, we spend too much time trying to remember the reason for a piece of specification.

Whilst specifying MP in Mystandards we probably should document the decision in a separate spreadsheet at the same time.

It would be good if, in the MyStandards Editor, we could have a way of marking a remark – but that these remarks are only viewed on MyStandards by ‘certain’ people ….for example, affiliates of the group. These remarks would state when and why a decisions had been made to include or exclude an element in the MP specification,

It was generally agreed that the monthly conference calls don’t really achieve much despite our best intentions! Should we have more physical meetings ? Should the existing meeting be, for example, say 3.5 days rather than 2.5 days?

# Dashboard

This was reviewed and it will be updated and circulated accordingly.

# Orders Market Practice Version 3 – status

During the Frankfurt work sessions, the work on the subscription order (setr.010), subscription order confirmation (setr.012), redemption order (setr.004) and redemption order confirmation (setr.006) has been completed directly in the MyStandards editor tool. The work is finished, aside from a ‘sanity check’ and some fine-tuning for consistency. The ‘collection’ has already been posted on MyStandards and an e-mail circulated on 26 April “SMPG IF Order MP post Frankfurt” explaining this. It has been agreed that the MyStandards on-line commenting functionality is to be used by each NMPG to capture review comments. Spreadsheet representations of the messages have also been circulated as there are some countries for which this will facilitate review, however, comments must be consolidated and entered in MyStandards.

It is anticipated that the ‘sanity check’ review should be complete by end of May and in the June monthly meeting a review of any comments posted will be carried out, with view to publishing the orders MP as public by the end of June. It is planned that the switch orders work will be done by end of Q4.

In addition, the ‘business process’ document needs to updated (at least one place where complementary information is to be included has been identified – FX Details in the confirmation, with the inclusion of the following information

How the exchange rate is expressed determines which currency is the Unit Currency and Quoted Currency.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Element | Definition | Linked element | Example 1 | Example 2 |
| To Amount | Cash amount resulting from a foreign exchange trade. | **Quoted CCY** | **USD 1300** | **EUR 1000** |
| From Amount | Cash amount for which a foreign exchange is required. | **Unit CCY** | **EUR 1000** | **USD 1300** |
| Unit Currency | Currency in which the rate of exchange is expressed in a currency exchange. In the example 1GBP = xxxCUR, the unit currency is GBP. |  | **EUR** | **USD** |
| Quoted Currency | Currency into which the base currency is converted, in a currency exchange. |  | **USD** | **EUR** |
| Exchange Rate | The value of one currency expressed in relation to another currency. ExchangeRate expresses the ratio between UnitCurrency and QuotedCurrency (ExchangeRate = UnitCurrency/QuotedCurrency). |  | **1.3** | **0.769** |

# MyStandards

A small group met on the Wednesday evening to discuss MyStandards and its use across SMPG. The funds representatives were Andrea Milanesio, David Broadway, Charles Boniver and Janice Chapman. The aim was discuss practical issues across the three groups.

## Organisation of market practice

Both S & R and CA are doing market practice for ISO 15022 as well as ISO 20022. The ISO 15022 messages are multi-functional and to have market practice that is clear and ambiguous, this means that there will be many usage guidelines for a single message. The organisation of the message usage guidelines into logical collections is not easy to do and there is a worry this may be different within the three different working groups. The name of the collection and the name of the message usage guideline itself will need careful thought in order that consumers can easily fund what they are looking for in MyStandards

Funds, with its granular messages, probably won’t have the same issues, although we have seen this in the case of the market practices for orders in the UK. In the UK, in the NMPG GB IF’ group, we see examples of the same message set being used in two different areas, that is, normal funds orders and funds order messages as used for corporate pensions and we see a differentiation in the collection names. We can also imagine that the use of the Order \Instruction Status Report may need more than one flavour, for example [1] usage for the positive status of subscription/redemption order [2] usage for the positive status of a switch order [3] usage for the negative status of a subscription /redemption and so on. SMPG should work out how best to do this and name the usage guidelines. NMPGs should then take the same approach. This is to ensure, when a comparison is done, it gives a meaningful result.

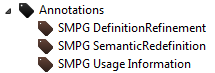
## The use of ‘do not use’, ‘ignore’ and ‘recommended (summary of funds usage)

In funds SMPG, we have been using:

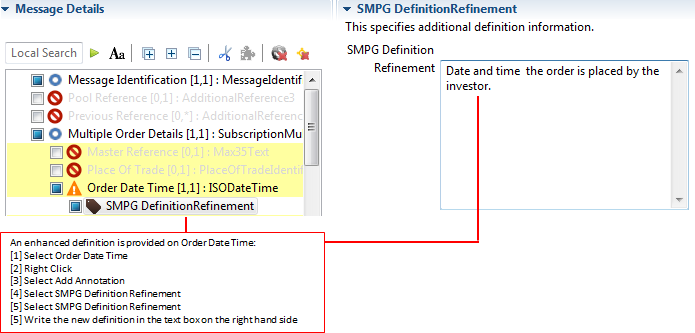
|  |  |  |
| --- | --- | --- |
| ‘Do not use’ | Indicates an element is outside of the scope of SMPG. |  |
| Ignore | This has not been used in funds SMPG. This kind of functionality should only be used for an institution’s usage guidelines or because all the institutions in a market area work in the same way. |  |
| Recommended | A ‘recommended element’ on, for example, a choice is generally expressed by making the non-recommended elements of the choice as ‘do not use’ |  |
| Recommended that optional element is used | Element is designated as mandatory: |  |
|  |  |  |

## Annotations:

Three have been set up in the SMPG MP file:



### How to add an annotation:



**Examples:**

|  |  |  |
| --- | --- | --- |
| SMPG DefinitionRefinement | This is used where there is a need to improve a definition. The annotation artefact is added the element concerned and then the new definition is written out.  For example, it has been noticed that the definition is not quite right for the Order Date Time element. The text of the annotation is “Date and time the order is placed by the investor”  These kinds of annotations may result in a change request to improve the ISO 20022 definition. | |
| SMPG Semantic Redefinition | This is used when a field (temporarily) is being used for a purpose other than the ISO 20022 definition. The inclusion of such a specification should rare. It suggests there is missing functionality in the message a change request is required. In the funds MP to date, this annotation type has been rarely used. It has been used on the Net Amount and Gross Amount elements, for example in the subscription order Net Amount is defined as | |
| ISO Definition | Definition in annotation |
| Amount of money invested in a specific financial instrument by an investor, before deduction of charges, commissions, and taxes.  [(Quantity \* Price) + (Charges + Commissions +Taxes)] | Amount of money to be paid by the investor when subscribing to fund units.  Gross amount = (Quantity \* Price) + (Overhead)  Overheads may include charges, taxes and, in some markets commissions. |
| SMPG Usage Information | Used to give helpful subject matter information to the consumer and to add clarity to the user of the message. For example, in the Subscription Order, the Gross Amount field has this SMPG Usage Information annotation:  “The currency used in this field must be the NAV currency.” | |

So far, it seems that the S & have had confusion over how to indicate that a field or format is ‘recommended’. Also some S & R users of MyStandards get confused between a message usage for an institution verses a message usage for an NMPG. We informed the S & R and Corporate actions that, in line with the Best Practice document, we are not using comments, but that we have analysed the different kinds of ‘comment’s and classified them into 3 different kinds of annotations. Because we use these different kinds of annotations, it means that we will be able to easily find MP specifications that may lead to change requests.

The S & R MyStandards users have said that they will take a closer look at the Best Practice document and investigate whether it makes sense for them to follow its recommendations.

## Using the SMPG Market Practice as the basis for an NMPG.

More and more NMPGs are using or planning to capture their MP in the MyStandards Editor for publication on MyStandards. In the e-mail of 26 April ‘“SMPG IF Order MP post Frankfurt” there was an attachment explaining how the SMPG collection could be downloaded and opened locally in the editor so that it can then be used as the basis for an NMPG MP. It is strongly recommended that these simple instructions are followed. This short ‘how to’ document (*How to use SMPG as the basis for your NMPG.docx*) is also circulated with the minutes.

## Commenting on a Market Practice

It has been agreed that for the review of the orders market practice mention above, the MyStandards commenting functionality is to be used. In the e-mail of 26 April ‘“SMPG IF Order MP post Frankfurt” there was an attachment explaining how the commenting functionality works on MyStandards. This short ‘how to’ document (*How to comment on a MP.docx*) is also circulated with the minutes.

## General

Eleven groups for NMPGs have been set up on MyStandards. To date, only France has published a ‘public’ market practice. GB has published the most collections.

# Housekeeping

A core Investment Funds Mailing list has been set up comprising the following names:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| # | Name | Country | E-mail | Comment |
| 1 | Paul Talbot | AU | [paul.talbot@rbcdexia-is.com](mailto:paul.talbot@rbcdexia-is.com) |  |
| 2 | Ana Abidor | BR | [ana.abidor@anbima.com.br](mailto:ana.abidor@anbima.com.br) |  |
| 3 | Tomas Bremin | CEDE | [tomas.bremin@clearstream.com](mailto:tomas.bremin@clearstream.com) |  |
| 4 | Thomas Ruhr | CH | [thomas.rohr@ubs.com](mailto:thomas.rohr@ubs.com) | Could probably be removed if Rainer has taken over. |
| 5 | Rainer Vogelgesang | CH | [rainer.vogelgesang@six-group.com](mailto:rainer.vogelgesang@six-group.com) |  |
| 6 | Philippe Mueller | DE | [philippe.mueller@clearstream.com](mailto:philippe.mueller@clearstream.com) |  |
| 7 | Rudolf Siebel | DE | [rudolf.siebel@bvi.de](mailto:rudolf.siebel@bvi.de) |  |
| 8 | Henrik Kjærbye | DK | [hk@vp.dk](mailto:hk@vp.dk) |  |
| 9 | Niels W. Hougaard | DK | nwh@vp.dk |  |
| 10 | Nadine Muhigiri | ECLR | [Nadine.Muhigiri@Euroclear.com](mailto:Nadine.Muhigiri@Euroclear.com) |  |
| 11 | Juan Carlos Gallego | ES | [jucgallego@allfundsbank.com](mailto:jucgallego@allfundsbank.com) |  |
| 12 | Valerie Vaudel | FR | [valerie.vaudel@bnpparibas.com](mailto:valerie.vaudel@bnpparibas.com) |  |
| 13 | Andrea Milanesio | IT | [amilanesio@pine3consulting.com](mailto:amilanesio@pine3consulting.com) |  |
| 14 | Charles Boniver | LU | [Charlesraymond.Boniver@rbcdexia.com](mailto:Charlesraymond.Boniver@rbcdexia.com) |  |
| 15 | Pal Bergquist | NO | [Pal.Bergquist@vps.no](mailto:Pal.Bergquist@vps.no) |  |
| 16 | Svein R. Borgersen | NO | [srb@vps.no](mailto:srb@vps.no) |  |
| 17 | Henrik Staffas | SE | [henrik.staffas@skandia.se](mailto:henrik.staffas@skandia.se) |  |
| 18 | David Aspinall | UK | David.aspinall@Skandia.co.uk |  |
| 19 | David Broadway | UK | Dbroadway@Investmentuk.Org |  |
| 20 | Janice Chapman | SWIFT | janice.chapman@swift.com |  |

# Next Steps & Actions

|  |  |  |  |
| --- | --- | --- | --- |
| # | Item | Who | Due Date |
| 1 | Upload the Orders collection on MyStandards subsequent to the Frankfurt input and inform SMPG | JEC | 26 April 2013. DONE |
| 2 | Generate spreadsheet representations of the 4 message MPs and circulate | JEC | 26 April 2013. DONE |
| 3 | Guidelines on ‘How to Make a comment on a MP’ to be written and circulated. | JEC | 26 April 2013. DONE |
| 4 | Carry out a ‘sanity’ check on SMPG subscription order, redemption order, subscription order confirmation, redemption order confirmation market practice | All | End of day 29 May *2013 – please send an e-mail to Janice to confirm sanity check is complete so that work on review the comments can be started.* |
| 5 | Become familiar with the Business Process document, insert FX section | JEC | 29 May 2013. |
| 6 | Update dash board as a result of Frankfurt discussion and circulate | DB | 29 May 2013 |
| 7 | CA EIG Matrix |  |  |
| 8 | Review the Order Status – SUBS and REDM status MP on MyStandards | All |  |
| 9 | Version 3 Orders MP – switch and switch confirmation – get into similar state as the other messages and upload to MyStandards | JEC | 29 May 2013 |
| 10 | Version 3 Orders MP – switch and switch confirmation – review. |  |  |
| 11 | Statements MP |  |  |
| 12 | Monthly meeting calendar posting to be set up for May 🡪 December. |  | DONE |
| 13 | Production of a simplified set of best practices for funds users | JEC | Mid July (or sooner if possible). |