SMPG

Global Meeting

Investment Funds Working Group

Minutes (V1 – 28 October 2013)

VP Securities, Copenhagen 22- 23 October 2013

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# 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 Muhigiri | NM |
|  | IT | Andrea Milanesio | AM |
|  | LU | Charles Boniver | CB |
|  | XS(C) | Tomas Bremin | TB |
|  | CH | Rainer Vogelgesang | RV |
|  | Steering Committee/DE | Rudolf Siebel | RS |
|  | Facilitator | Janice Chapman | JEC |

**Apologies**

Ana Abidor, Brazil.

# Agenda

* NMPG updates
* Orders
* Corporate Actions
* Price Report
* Business Justification ‘Transparency of Holdings’
* MyStandards update
* Dashboard

# 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

Have worked on the BJ, 1st time sponsoring a message.

Preparing support for cash due date for pre-paid funds, trying to convince TAs this need to be provided in setr.016 ‘expected cash settlement date’. (a change request needs to be raised to correct the definition of the element, we have correct definition for MP document on MyStandards).

‘One-off deals’ – have a special one-off reference, and a lower initial fee. Big demand to support this kind of thing. But breaks STP at the TA. Needs a MP for this. In 15022 using narrative.

## Denmark

VP (funds + swift) since platform launched, everything in 20022 except payments. Adding CA to their funds hubs. Have asked SWIFT for a CUG for this for issuance, S & R and CA MXs. November 19 is the date given by SWIFT. Henrik in process of updating MP for MyStandards.

Monitoring when ECB will propose funds that are to be settled in T2S.

## Germany

Monitoring T2S. MP orders dated 2005 – to be updated – then reference data, CA. How characteristic of orders are be changed Looking for an agreement in DE on when move to ISO 20022. Many MPs in DE - no willingness to harmonise MP!

Creating marketing brochures about benefits MP and ISO 20022. Trying to get more involvement in MP.

## Euroclear

Started to use MyStandards for documentation publication – should have ISO 2022 MXs in MyStandards

Fatca. No impact related for T2S. Impact on account opening.

## Italy

Project on-going (see minutes of previous global meetings). Coming to the end of the pilot phase (20 institutions are involved) and 8 are now live, the rest will follow at the end of the year. This is end of phase 1, which covers orders, account opening + statement of holdings

Phase 2 Q1 2014 – transfers.

Phase 1 MP now on MyStandards.

## Luxembourg

Main focus Review of MP on order flows, almost ready to publish in Mystandards as a draft. Switch and cancellation to follow.

Discussions on FATCA – getting input. US – LU agreement – has been signed. This will imply some changes in the way some things are reported in LU. EU Savings direction enforced in LU in 2015. The MX has elements to support this. Needs to see if this will work in FATCA context. FATCA really about US citizen. Impact of account management for the static date.

T2S – monitoring what it will mean for funds in general. But on hold. Waiting for ECB strategy.

CA – sent updated document in preparation for the meeting.

## Norway

Transforming old proprietary to 20022 continue, migration delayed a little. Aiming for end of this year but may have to postpone. VPS – looking at transfer out. May have new requirements for SR 2015. Still need to publish on MyStandards.

## Sweden

Working lot on orders, released SE MP officially in Sept on MyStandards. Nordea has implemented. Others are following. Next working on statements and transfers.

## United Kingdom

DB reported that all work in the UK since Frankfurt has been focused on the transfers market practice and preparation for SR2013 using MyStandards.  He noted that the key driver behind the work on transfers was the need to allow investors to transfer assets between fund platforms, hence it covered the end-to-end process:

* discovery (acquiring platform requesting information from the ceding platform about the client's portfolio
* portfolio transfer (acquiring platform requesting the ceding platform to transfer or sell the client's assets, as necessary)
* asset transfer (single-leg transfer instruction from the ceding party to the TA; transfer out/in confirmations to the ceding/acquiring platforms)
* cash movement (use of the status message by ceding party to advise acquiring party of portfolio cash/redemption proceeds being transferred)
* closure (final status message to confirm that transfer has been completed)

DB advised that there were two distinct versions of the market practice:

Version 1 -    the original and vanilla process for transferring portfolios of UK funds.  This is migrating to v1.1 for SR2013,with minimal substantive changes apart from the new x-paths.

Version 2 -    extended to deal with pension accounts and a wider range of assets, plus support for intermediate holders used by some pension providers.  This is migrating to v2.1 for SR2013, which makes use of the new message structures at asset-level (reducing the use of extensions) and introduces new message flows where intermediate holders are involved to instruct them to transfer/sell or receive assets as appropriate.

There is a lot of pilot implementation which has led to more refinement of the MP. Published as public draft.

## Switzerland

Developed MP last year for 18 MXs, published. Published as “MT-MX migration” market practice. Focuses on distributor to intermediary side.

Hedge funds peculiarities still need to be looked at, including pre-paid order (this is done in MT).

MP is captured in the GEFFEG tool – there is a web portal, free of charge, for access the specifications.

Have a MyStandards licence, plan to put into Mystandards. Not easy to ‘migrate’ or transpose into MyStandards. Working with GEFFIG & SWIFT will come up with a tool to migrate the documents.

Next, looking to how to manage releases for updating MP.

GEFFIG Portal – look to support implementation – different type of schemas are available. Also a ‘schematron’ file to validate cross element restrictions. Also provided validation schema for local testing.

Next, MP for distinguished name on MX side.

How to deal with reject, ignore and error codes.

Transfers – on the ‘to-do-list.

Conference Event last week (get details) facilities sponsored by SWIFT.

[www.sksf.ch](http://www.sksf.ch) – all CH material posted there. There is a section for ISO20022.

Notes for JEC:

Single verses Double. CSD (crest) is double leg. However outside of CSD, it’s all single leg (since 1963). Although not truly since leg until 2012 because of stamp duty issues.

VP single leg in proprietary system, For T2S wanted to abolish this for double, but are now being forced back into single leg.

# Order – items discussed

## Status / rejection

The way the status / rejection blocks are structured seems to be inconsistent, this need to be analysed. If necessary, change requests are to be drafted ( A good model to use is that in the SR 2014 acmt.006 account management status message.)

**Action item:** Janice E. Chapman

## Change requests

**Action item:** Janice E. Chapman

Create a complete list of change requests. This list will include the ones already submitted to ISO 20022. The minutes documents of Frankfurt, Oslo and Copenhagen, month meetings, the MyStandards on-line review comments review documents are to be reviewed for change request items. The list is then to be reviewed by SMPG.

## Orders (setr.010, 004, 013)– Order Date Time

Previously usage guideline had as mandatory. This is now optional. Definition refinement enhanced “Date and time the order is placed by the investor or its agent.”

## Orders – Net & Gross Amount

Both the subscription and redemption order may be expressed as net or gross amount or units. This is a **major** change in that previously, the subscription order could be expressed only as gross amount or units and the redemption order could only be expressed as net amount or units or 100%.

*(28 October 2013: implemented in setr.010, 004, 013 (redemption leg) and in the ‘process document.)*

*(28 October 2013: need for revised definitions added to central CR list)*

## Charge and Commission

The process document and the message usage guidelines are to include the following statement:

There is no agreement on the distinction between a charge and a commission. This is because there is no single legal definition of a charge and a commission. Therefore, terminology differs between countries and individual institutions in same market. NMPGs must provide additional guidance in line with global market practice.

FOR THE PURPOSES OF THIS GLOBAL MARKET PRACTICE

If the item is an overhead paid by the investor, this is reported as a charge.

If money is paid by the fund or fund company to a distributor/intermediary, this is reported as a commission.

*(28 October 2013: implemented in setr.010, 004, 013, 004, 006, 015 and in the ‘process’ document.)*

## Charge and Commission Change Request to merge into a single sequence

There is a change request to merge charge and commission, sequences into a single sequence but there is disagreement on whether this should be done!

## Charge Type Codes – revised definitions

A change request is to be created In the meantime, in the message usage guidelines annotations of the type ‘Definition Refinement’ are to be included with the revised definition

***(****28 October 2013: implemented)*.

*(28 October 2013: added to central CR list)*

| **Code** | **Code Name** | **010 Y/N** | **004 Y/N** | **012****Y/N** | **006****Y/N** | **Current Definition** | **Revised Definition or comment** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| BEND | BackEnd Load | N | Y | N | Y | Sales charge paid by the investor when redeeming an investment such as an investment fund. | Charge paid by the investor to the fund or fund management company when redeeming. |
| BRKF | Brokerage Fee | ~~Y~~ N | ~~Y~~ N | ~~Y~~ N | ~~Y~~ N | Fee paid to a broker for services provided. | *USE CHAR INSTEAD* |
| CBCH | Correspondent Bank Charge | N | N | ~~Y~~ N | N | In investment funds, the charge of the correspondent bank for transferring money. | *Minutes: Brazil was the only market that indicated usage of this charge type. SMPG decided as only used in one market, global MP is ‘do not use’* |
| CDSC | ~~Contingency~~ Contingent Deferred Sales Charge | N | Y | N | Y | Deferred sales charge. | Deferred sales charge paid by the investor to the fund or fund management company when redeeming. |
| CHAR | Service Provision Fee | Y | Y | Y | Y | Fee paid for the provision of financial services. | Fee paid by the investor to a distributor/intermediary or other service provider for the provision of financial services. |
| DISC | Discount | Y | Y | Y | Y | Charge that has been reduced from the standard initial charge levied by a fund, eg, during a launch period or as negotiated by a funds supermarket / discount broker. | Usage Information (order)Example:Initial charge = 3%Discount = 2%Effective charge is 1%Type is DISC, rate is 2. |
|  |  |  |  |  |  |  | Usage Information (confirmation – ***needs to be confirmed***)Example:Initial charge = EUR 100Discount = EUR 30Effective charge is EUR 70Type is DISC, amount is EUR 30. |
| DLEV | DilutionLevy | N | N | Y | Y | In investment funds, a charge payable by the investor covering bid-offer spreads and dealing charges for the underlying investments. The dilution levy is paid to the fund for the benefit of other unit holders. |  |
| FEND | FrontEndLoad | Y | N | Y | N | Sales charge paid immediately by the investor when subscribing to an investment such as an investment fund. | Charge paid by the investor to the fund or fund management company when subscribing. |
| INIT | Initial | Y | N | Y | N | Charge paid at the time of the first subscription. |  |
| PENA | Penalty | N | N | N | N | Fee charged to the investor for early redemption of the fund. |  |
| POST | PostageCharge | N | N | N | N | Charge paid for the postage. |  |
| PREM | Premium | N | N | N | N | In investment funds, pre-arranged addition to the trade amount based on the published net asset value. |  |
| REGF | RegulatoryFee | N | N | N | N | Fee charged by a regulatory authority, eg, Securities and Exchange fees. |  |
| SHIP | ShippingCharge | N | N | N | N | Charge for shipping, including the insurance of securities. |  |
| SWIT | Switch | N | N | N | N | In investment funds, charge related to a switch transaction. |  |
| UCIC | UCITSCommission | N | N | N | N | Charges paid by the investor to the Fund Company for subscription and redemption orders |  |

*(28 October 2013 The above changes have been implemented in MyStandards message usage guidelines. )*

**Action:** Create change request for definition changes and code name change.

## Commission Type Codes – revised definitions

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Code | Code Name | 010 | 004 | 012 | 006 | Current Definition | Revised Definition |
| BEND | BackEnd Load | N | Y | N | Y | Commission for redeeming an investment, when an investor redeems an investment fund within a certain period of time. | Amount of cash due to an intermediary for selling a product, or services, to a third party paid by the fund or fund management company. |
| CDPL | Commission De Placement | N | N | N | N | Amount of cash due to an intermediary for selling a product, or services, to a third party. |  |
| FEND | FrontEnd Load | Y | N | Y | N | Commission for subscribing to an investment, paid at the time of the subscription. | Amount of cash due to an intermediary for selling a product, or services, to a third party paid by the fund or fund management company. |

*(28 October 2013 The above changes have been implemented in MyStandards message usage guidelines. )*

*(28 October 2013: added to central CR list)*

**Action:** Create change request for definition changes.

## SLA Charge/Commission Reference

[1] Italy have already submitted a change request for an optional element ‘'SLA Charge reference'’ (change request 092) – so that reference to an SLA is quoted rather than a charge amount or rate. The change request indicates the change is for both the orders and confirmations. When this optional element is implemented, this suggests that the mandatory Amount/Rate would have to become optional, with a rule saying that if 'SLA Charge reference' is not present, then Amount or Rate must be present.

change request 092 proposes the change in both orders and confirmations.

[2] Clearstream have a need of a reference that needs to be quoted on order that is reference to a ‘special’ agreement for a reduction of charges and it was thought in Copenhagen that the ‘Italian’ element could also be used for this Clearstream requirement.

The Clearstream requirement proposes the change only to the orders.

JEC: these two elements seems to have different semantic meanings. In the Italian context, it is reference to the SLA, whereas in the Clearstream context, this is reference to an agreement that overrides the normal charges on the fund transaction. For this reason, JEC proposes that elements are required for both requirements.

It is proposed that the element is called “NonStandardChargeReference” - JEC thinks it belongs in the charge details. However, if we merge the charge and commissions into a single sequence, then this question goes away.

For the interim, the SMPG usage guidelines will be added to show this functionality is to be specified for “NonStandardChargeReference”.

*(28 October 2013 implemented in MyStandards message usage guidelines. )*

*(28 October 2013: the two new optional elements added to central CR list)*



## Tax

Previously in setr.006, some market practice on the Tax sequence was specified. It was agreed that SMPG should not have any specification on the Tax sequence and should be marked as Do not Use, but instead the following statement “Each market will have to define its own use for tax and therefore SMPG does not make any recommendations.”

*(28 October 2013 implemented in MyStandards message usage guidelines. )*

## Switches

The consensus is that SMPG market practice is for one-to-one switch (1 redemption leg and one 1 subscription Leg). The switch is a redemption drive, with the quantity expressed as units, amount or 100% redemption rate. The subscription quantity is specified as 100%.

*(28 October 2013 implemented in MyStandards message usage guidelines. )*

## Order Collection

The switch message usage guidelines are to be merged into the orders collection. The confirmation amendment messages are to be specified.)

(Usage guidelines in MyStandards address the Intermediary 🡪 TA space!)

**Action:** JEC TO PUT SWITCHES INTO SAME COLLECTION *(28 October 2013 – implemented)*

**Action**: SHARP MP – NEEDS TO BE REMOVED AND PUT INTO ITS OWN LOCATION.

# Addition of contextual information in a SMPG UG

The SMPG group sometimes have difficulty to remember why a specific market practice was agreed. Wherever possible, market practice should specify the context.

# Cross Element Rules in MyStandards

When we have declared a cross element Rule, it’s not easy to be aware that the rule exists! Often gets missed. Action: put on the elements referenced in the rule a comment saying ‘See rule XXX’ – XXX = the name of the rule.

*(28 October 2013 implemented in MyStandards message usage guidelines. )*

The following table shows the different cross element rules (entered with IF … THEN construction) in the messages:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **MX** | **Cross element rule name** | **Location** | **Elements** | **X-reference on element implemented Y/N?** |
| Setr.010 | UnitsAndRequestedSettlementCurrencyRule | Individual Order Details | UnitsNumber Requested Settlement Currency | YESYES |
| Setr.004 | UnitsAndRequestedSettlementCurrencyRule | Individual Order Details | UnitsNumber Requested Settlement Currency | YESYES |
| Setr.013 | *none* |  |  |  |
| Setr.012 | DVPSettlementDateRule | Individual Execution Details | Settlement MethodCash Settlement DateSettlement Date | YESYESYES |
| Setr.006 | DVPSettlementDateRule | Individual Execution Details | Settlement MethodCash Settlement DateSettlement Date | YESYESYES |
| Setr.015 | *none* |  |  |  |

# Business Justification Transparency of Holdings

This was discussed briefly. General approval.

# Corporate Actions

No time for a real work session.

Actions:

[1] DB to verify if matrix spread sheet based on current CA matrix.

[2] CA is the topic of December call.

# Price Report

No time for real work. Low hanging fruit. January call is the final review. Request SMPG to review by January call.

# Dashboard

Dashboard reviewed an updated (see xxx)

# FX sequence

Arranged extraordinary meeting to discuss FX sequence 5 November.

Circulate MT definitions and MX definition

# Orders MP Actions

Need a final review of the Usage Guidelines and Process document.

David & Janice delivery final (excluding FX) by 1st November

Final review ‘sanity check’. Comments via e-mail.

Plan is to go ‘public’ by end of November!

# Change requests –

To be on the agenda for Spring meeting – so we can do some of the review work.

# November call.

This is re-scheduled to 5 November 2013 at 10 am CET (instread of November 19)

Agenda item: FX (see above)

# December call.

Agenda: Corporate Actions

# Agenda SMPG Spring meeting

## Maintenance 2014-2015 cycle (SR 2015)

Change requests will be submitted for account management (from Italy for FATCA) and transfers (from GB). It is expected that SMPG will review these.

## Maintenance of Change requests order messages

In order to be ready for the maintenance on the orders when the change freeze is lifted, a table comprising all the Change requests already submitted to Iso 20022 and the CHANGE REQUESTS that need to be submitted to ISO 2000 will be created. The aim is to start reviewing the change requests for the order messages in the spring meeting.

# SMPG Autumn 2014 meeting.

This will coincide with the Sibos Boston event. Current expectation is that this will be the Boston Wednesday, Thursday and Friday before SIBOS.