SMPG Global Meeting
Investment Funds Working Group
Singapore Exchange (SGX), Singapore,
7, 8 & 9 October 2015
Minutes
(v01 Final 24 November 2015)

Document History

2015-10-19	First draft
2015-11-20	Second draft
2015-11-24	Final

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1   Attendees

1	(Facilitator)	Janice Chapman	SWIFT
2	LU (Co-chair)	Charles Boniver	RBC
3	IT	Andrea Milanesio	Pine 3 Consulting
4	DK	Niels W. Hougaard	VP
5	CH	Rainer Vogelgesang	Six Securities Services
6	NO	Svein R. Borgersen	VPS
7	SE	Henrik Staffas	Scandia
8	CBL	Tomas Bremin	Clearstream
9	AU	Suresh Chinnappa	NAB
10	HK	Luke Attfield	Euroclear Bank
11	HK	Issac Wong	Euroclear Bank
12	SG	Tony Lewis	HSBC
13	SG	Sooraj Sreenivasan	HSBC
14	SG	Natalie Tan	HSBC
16	SG	Gary Chan	Standard Chartered
17	-	Marco Attlio	SWIFT
18	-	Alex Kech	SWIFT

Apologies

Ana Abidor (BR), Valerie Vaudel (FR), Robert Poulter (AU) Nadine Muhigiri (ECLR & co-chair), Rafael Higueruelo Islan (ES), Rudolf Siebel (DE & SMPG Steering Committee), Thorsten Hühne (DE)

2   SMPG investment Funds Organisation

- Co-Chairs
  - Nadine Muhigiri, Euroclear
  - Charles Boniver, RBC, (LU)
- Facilitator
  - Janice E. Chapman , S.W.I.F.T. Scrl
- Steering Committee Sponsor
  - Rudolf Siebel, Bundesverband Investment und Asset Management e.V. (DE)

3 Presentations and Documents

All presentations have now been uploaded to smpg.info in a zip file called [Funds Presentations and Documents Oct 2015](#)

SMPG IF working Group Presentations and documents

#	File Name	Content	Source
1	*Update on Singapore funds - Ver 1_ S.Sreenivasan.pptx*	Overview Funds, SG	Sooraj Sreenivasan, HSBC, SG
2	*20151007_Overview_HK_Euroclear_IsaacWong_ final.pptx'*	Overview Funds, HK	Issac Wong, ECLR, HK
3	*Glbal SMPG Funds WG Robert Poulter.pptx*	Overview Funds, AU	/ Suresh Chinnappa Robert Poulter, NAB, AU
4	*Funds Overview APAC AK.pptx*	SWIFT Overview Funds APAC	Alex Kech, SWIFT
5	*Funds Maintenance SR2016 Summary 2015-09-24.pptx'*	Overview 2015-2016 maintenance	Janice Chapman, SWIFT Standards
6	*Funds Maintenance 2017 and beyond Oct 2017.pptx*	Used to set the scene – **is now out of date**	Janice Chapman, SWIFT Standards
7	*ISO_CRs Funds List at 2015-09-03 Version 14 October.xlsx*	Spreadsheet of known CRs.	Janice Chapman, SWIFT Standards
8	*BusinessApplicationHeader 9 Oct 2015.pptx*	A description of BAH, initial proposals for MP.	Janice Chapman, SWIFT Standards
9	*semt.008 Diff between V02 and V08_v1.pptx.*	Used in the 2015 Spring meeting but circulated again for completeness	Janice Chapman, SWIFT Standards

APAC RMP Presentations

#	File Name	Content	Source
10	*MyStandards_SMPG_SingaporeAPAC_Oct 2015_v2.pptx*	MyStandards for NMPGs overview	Janice Chapman, SWIFT Standards
11	*Funds SMPG IF Overview for APAC JEC_CB_Oct 2015.pptx*	SMPG & NMPG overview for new NMPGs	Charles Boniver, SMPG IF WG co-chair + Janice Chapman, SWIFT Standards

4 Agenda Overview

- NMPG country updates
- Overview SG Funds Market
- Overview AU Funds Market
- Overview from HK
- Message maintenance 2015 – 2016 summary
- Impact of maintenance 2015-2016 on market practice
- Maintenance on orders (2017)
- Funds in APAC (Alex Kech)
- Statement of Holdings
- Business Application Header
- Statement of Investment Funds Transactions *(deferred)*

- MT 586 Portfolio Transfers
- RMG documentation clarity sub-group (Rainer Vogelgesang) *(deferred)*
- Verbal update on SWIFT initiative – 'Market Infrastructure ISO 20022 Harmonisation Framework'
- Action items review, priorities, future work plan

5 NMPG Country Updates

5.1 Denmark

Denmark is using both the Certificate model where units are issued, traded and registered in the same way as equities, and the TA model more in line with the European model. The latter, however, only accounts for approximately 1 % of the total market. We're using 20022 solely for the TA model.

We have adopted an ISO migration strategy for the complete CSD system, which, of course, also will include funds registered according to the certificate model. The migration will be fully completed by the end of 2018 in connection with the migration of DKK to the T2S-platform.

The ISO migration strategy will have little impact on funds registered according to the TA model. However, as we have discovered, we're using the wrong messages and wrong versions and have initiated a little project which shall correct this. Presently, clients on this platform are communicating via proprietary MQ-connections.

As Denmark, along with the rest of the Nordic region, are end investor platforms, in order to succeed with our ISO strategy we need changes to the present investment funds ACMT messages. Therefore, Denmark and Norway have worked with SWIFT Standards on defining specific needs stemming from end investor markets.

The Danish government has proposed to no longer to allow banks to claim brokerage fees from clients for "recommending" specific funds associated to the clients investment plan scheme – as the bank also owns the investment funds and therefore actually are paid twice for the same service. Probably, the result will be that banks then claim a higher distribution fee from the investment funds.

5.2 Italy

5.2.1 ISO 20022 Migration Project

Migration from proprietary format to ISO 20022 is moving forward with good results, actually we have 30 LIVE counterparties exchanging ISO messages.

Message sets involved are :

- Orders
- Accounts
- Transfers
- Statement of Holding
- Prices

We also have further 7 counterparties which will complete the ISO implementation during the coming months.

Overall

Distributors Split

Asset Manager Split

HUB / Service Providers split
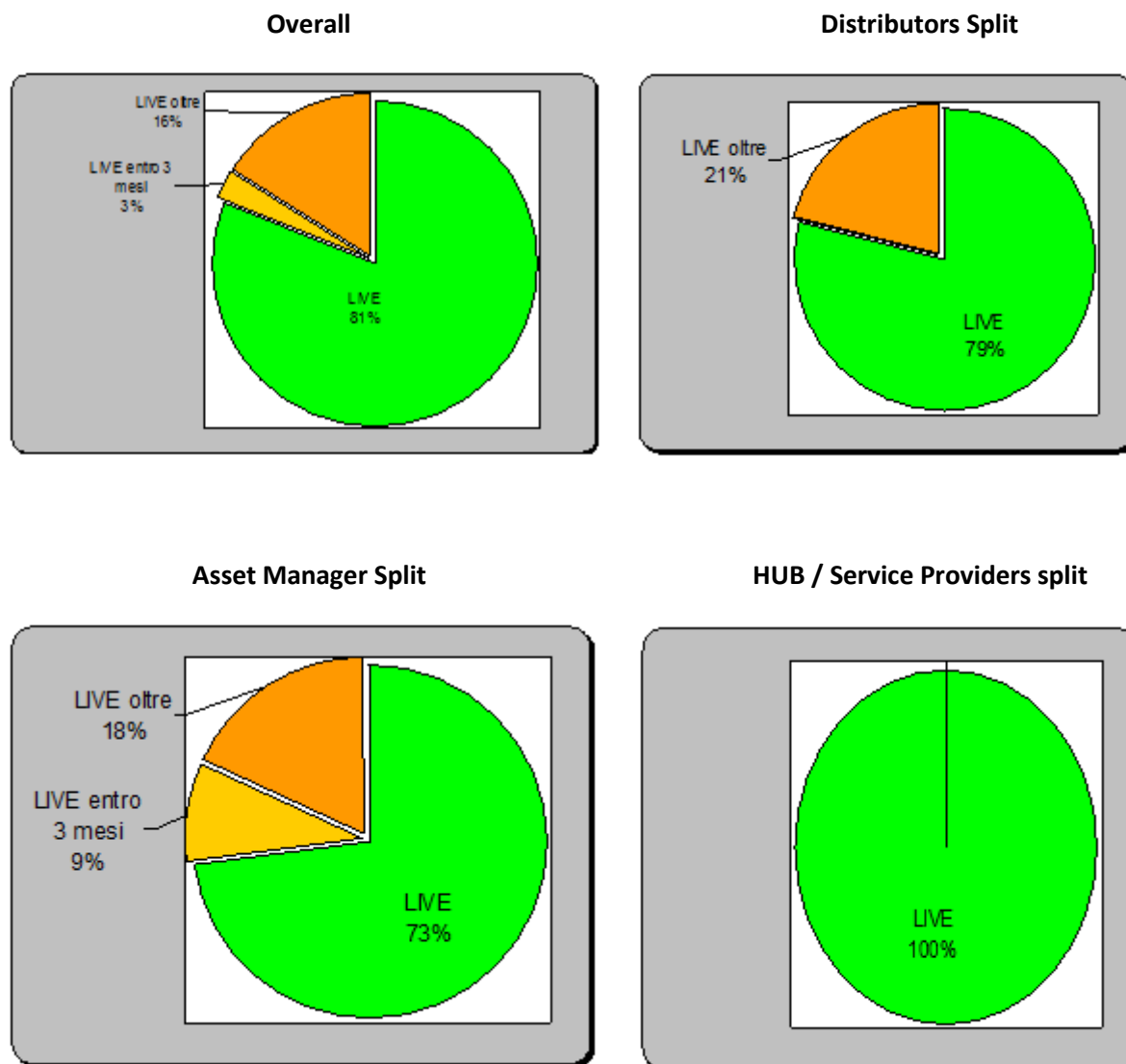
5.2.2 Figures

During summer 2014 we collected and processed few KPIs which show the status of ISO implementation, we also added on top of that the estimated figures related to recent new ISO counterparty and actually we estimate the following figures :

- 80.000- 100.000 ISO messages/day (average)

Current total ISO volume of orders are above 50-60% of total market volume and a survey to measure the current status of ISO implementation and medium term evolution is underway.

Results based on data provided by Italian Banks , Asset Manager and Hub/Service will be published by Q4/2015.

The market coverage based of total AUM promoted by fund houses participating to ISO project is more than 85% (including domestic and cross border funds distributed in Italy).

The average % of errors due to incorrect ISO format or incorrect Italian Market Practice schema is below 0.5%

5.2.3 FATCA/CRS – data sets

During 2014 we have defined a standard set of data required by FATCA regulations (called FATCA 'data set') and exchanged by counterparties bank, asset manager and Hub to fulfil FATCA legal and operational requirements.

The FATCA dataset has been added to Account messages using extensions and now available in ISO 2015 release and incorporated in ABI Lab templates which will be live on November 2015 (same day of Swift standard release)

We will follow the same approach to define a CRS/DAC2 dataset and will implement ISO message accordingly.

Feedback from local industry regarding the definition and the usage of standard 'data set' which are neutral to messaging layer is very positive as it's beneficial to harmonise process and operational model. ISO 20022 messages covers all information required by 'data set' and will be maintained, constantly updated

5.2.4 Italian Market Practice release

The need of stability in ISO 20022 messages is still a strong requirement from local community, we believe this is absolutely needed to help market participants to complete the current migration to ISO in accordance to the original plan.

We definitely agreed to 'freeze' all new CRs unless required by law (for example, regulatory changes such as CRS/DAC2)

5.2.5 Next Priorities

The next priorities for the Italian Community are :

1. To extend the usage of ISO messages to small and medium size counterparties, actually most of the ISO volume is between big players (domestic or international)
2. The process to cover 'Single leg' Transfer (also at domestic level) is a top priority and there is a 'strong' demand by the Italian community (especially by SIP) to implement ISO transfer messages between Italy and LUX/IRELAND
3. We have appointed a dedicated sub-group within ABI Lab WG focussed on analysing and harmonising business content of the subscription form. Scope of this activity is to define a common template to be adopted by bank/AM to subscribe to foreign and domestic funds. This new template will be aligned with ISO messages business elements. Work is progressing very well and by end of December 2015 a standard subscription template will be available.
4. We still have to finalise and publish the domestic business process guideline issuing the V3 of Standardization Guidelines which will include all changes approved in 2014 (for example, new business processes such as FATCA data set, AML data set and transfer of holdings between HUBs.)

5.3 Luxembourg

5.3.1 ALMUS

- Reviewed the agenda for this physical SMPG meeting
- Discussed the CR for 2017 and the impact on SETR messages. Should we split the SETR changes over two releases in order to better manage the implementation risk?
- Luxembourg will add 4 new change requests impacting the SETR suite of messages
- Update on the GAIA initiative
- Update on the 2015/2016 CR cycle
- Transparency statement of holdings
- Update on the work from ALFI on T2S for the funds. A Q&A document has been published.

5.3.2 Findel

- Findel is now an informal association of asset managers: "The Findel Group is a meeting of senior operations professionals from some of the largest asset managers with funds domiciled in Europe. The Group will represent the views of asset managers across key operational and service related industry issues. Also, the group will endeavour to ensure the voice of asset managers is heard on subjects which are typically led and influenced by a range of suppliers to our industry".
- Focusing on 3 issues:
  - Transfers
  - KYC/AML
  - KYD

5.4 Norway

5.4.1 Status market practice ISO 20022

No new developments of ISO 20022 messages in 2015.

Focus has been on further use and adjustment of messages already live.

The use of ISO 20022 messages for fund reporting purposes has now also been implemented as part of automated reporting for Alternative Investment Funds (AIF) to their depository banks.

5.4.2 Status use of ISO 20022

Migration of all reporting from VPS fund TA to external parties is still not complete. Remaining organisations are doing parallel testing, and volumes of ISO 20022 messages for investment funds from VPS is at full production level.

Complete statistics for usage of ISO 20022 messages in Norway do not exist, but the main volumes are related to traffic to and from VPS. Only a small part of this is sent using SWIFTNet.

On average, the number of ISO 20022 messages received and sent by VPS has been 1.4 million per month in 2015.

5.4.3 Current ISO 20022 Work

Review and update of old market practice documents for fund orders has been done. The NMPG has discussed moving from semt.002.001.02 to semt.002.001.08 of the Holding / Balance statements, and has started working on a market practice for the latter.

5.4.4 MyStandards

Documents of Norwegian market practice for orders are has been reviewed and updated before publishing on MyStandards. Publishing is still not up to date.

5.5 Sweden

5.5.1 Swedish fund market

The Swedish Mutual Fund market has continued to grow during 2015, with positive net flows of 5,2 billion EUR. As of August 2015, the total fund market is 319 billion EUR.

The market is closely monitoring new regulations in connection to MiFID 2 and especially the consequence for retrocession fees.

The tax status of Swedish Mutual funds continues to be unclear. The Swedish Tax Agency's view is that they are not allowed any tax relief on foreign dividends, but this was recently overturned by a court decision. Further resolution is expected to continue in court.

5.5.2 Status market practice ISO 20022

Neither ISO 20022 nor ISO 15022 is widely used and fax continues to dominate the communication flow.

However, some of the larger institutions in Sweden have started to use ISO 20022, mainly for the order flow. A Swedish market practice for orders was adopted in October 2013.

5.5.3 Current ISO 20022 work

The Swedish group currently consists of 10 companies (including all the major Swedish banks).

The Swedish working group has started to work on a Swedish market practice for transfer. The work is based on guidelines from the Swedish Investment Fund Association and the work done at Findel is also closely monitored. The work is based on a single leg process with minimized data collection prior to the transfer in/out message starts.

5.6 Switzerland

NMPG: Swiss Commission for Financial Standardisation (SCFS)

Author: Rainer Vogelgesang (Head SCFS Technical Commission ISO 20022 Market Coordination)

5.6.1 MT-MX-migration of ISO 20022 IF order messages of SWIFTNet Funds on SWIFTNet

The Swiss Commission for Financial Standardisation (SCFS) conducts market coordination activities of the MT-MX-migration of ISO 20022 IF order processes, based on the mandate of the Swiss SWIFT NUG. The cornerstones of the coordination are agreed timeline, MT-MX-migration market practice and MP tooling environment (SCFS validation portal).

The Swiss MT-MX-migration Market Practice was developed during 2011-2012 and the first release finalised at the end of 2012. Contrary to other national funds market practices, the Swiss MT-MX-migration Market Practice does not apply to the order message flow towards the domestic TAs, but instead specifies the market practice in the national distribution chain for cross-border funds order flows going to other TA markets.

The MP release 1.1 was published at the end of April 2014.

Whilst a large number of funds players in the Swiss market expect to migrate by the NOV-2015 deadline to the ISO 20022 funds messages, there are some remaining players that intend to utilise the facilities provided by SWIFT for continued use of the MT message set beyond NOV-2015. The SCFS is also represented by its delegates at the SWIFT Funds Migration Advisory Group.

5.6.2 SCFS web-resources

- SCFS Validation Portal - SCFS Investment Funds Market Practice
  - Based on solution provided by GEFEG mbH
  - URL: http://portal.gefeg.com/scfs-funds-mp.htm
  - Usage: publication of MP guidelines, implementation support functions
- MyStandards MPG licence with own community (NMPG CH IF SCFS) fully configured
  - Based on solution provided by SWIFT
  - URL: www.swift.com/mystandards
  - Usage: review of non-SCFS MPs, analysis functions (compare, etc), publication of SCFS MPs (pending availability of an interoperable upload function)

5.6.3 Investigation on harmonising investment funds and alternative investment funds message sets

- In the first half of 2014, the SCFS conducted an investigation into the investment funds distribution related message sets of the two ISO 20022 business justifications entitled 'investment funds distribution (BJ 2)' and 'alternative funds (BJ 37)'.
- The aim of this investigation consisted in analysing whether there were sufficient potential for harmonising both message sets.
- Following the presentation of this topic at the spring 2014 meeting of the SMPG IFWG, the SCFS has in the meantime raised a CR with the ISO 20022 RA, indicating that the SMPG IFWG sponsors the proposal. The CR has in the meantime been accepted by the Funds Evaluation Team (ET).
- The SCFS SC FUND is intent on contributing to the pertinent ISO 20022 review effort of the Funds Evaluation Team (ET) by setting up a dedicated SCFS working group.

5.6.4 Transfers practice

- The SCFS sub-commission for settlement and reconciliation has elaborated a Swiss market practice for transfers for securities in general (including investment funds) based on MT 586 messages. This national MP is based on an existing draft SMPG MP. This MP was initially presented during the SMPG SnR WG session in La Hulpe (2015).
- The SCFS has identified a need for a transfer MP for those markets in which transfers are initiated in the distribution chain in an identical manner for all securities types based on ISO 15022 messages.

- Specifically for investment funds, such an MT-based transfer MP in the distribution chain should be coupled with the ISO 20022-based transfer MPs currently being developed by the TA markets (e.g. Findel).

5.6.5 Investment Funds topics at Events and Conferences organised by SCFS

The SCFS has conducted its annual SCFS Investment Funds Conference on 28 August 2015.

5.7 Clearstream

5.7.1 ISO 20022 Transparency Of Holdings

The ISO registration of two new messages for Transparency of Holdings has progressed with the submission of amended documentation following the first quality review. Our initiative has continued to gain significant attention from market players during the year, notably by ALFI in a Q&A document for funds in T2S and in a T2S Info Session on 24 September that was organised by the ECB. The first version of the ALFI document is here: http://www.alfi.lu/node/3034

5.7.2 Alternative/Hedge Funds

The Global Alternative Investment Automation (GAIA), where Clearstream is a founding member, has made its existence public along with the details of guidelines for ISO 20022 usage of second orders in alternative funds. With Clearstream's acquisition of Citco Global Securities Services in October 2014, we are now developing our "one-stop-shop" with fully integrated services in all types of investment funds. The new order messages will be based on merged guidelines of the best practices from GAIA, SMPG, ALMUS and Vestima. For further info, see here: http://www.clearstream.com/clearstream-en/newsroom/clearstream-actively-participates-in-the-gaia-industry-group-to-boost-automation-of-alternative-investment-funds-messaging-/77900

6 Funds Market Overviews

6.1.1 Singapore

Presented by Sooraj Sreenivasan, HSBC. See power point *'Update on Singapore funds - Ver 1_S.Sreenivasan.pptx.'*

6.1.2 Hong Kong

Presented by Isaac Wong, Euroclear HK. See power point *'20151007_Overview_HK_Euroclear_IsaacWong_final.pptx'*

6.1.3 Australia

Presented by Suresh Chinnappa, NAB. See power point *'Glbal SMPG Funds WG Robert Poulter.pptx'*

7 Funds in APAC – an Overview

Alex Kech, Securities Market Infrastructures, gave an overview of the trends in funds in Asia-Pacific. The power-point is *'Funds Overview APAC AK.pptx'*

8 Message Maintenance 2015-2016 Cycle

The power point *'Funds Maintenance SR2016 Summary 2015-09-24.pptx'* was used to present a summary of the current maintenance project. Two comments:

[1] Financial Instrument / Short Name check the definition

[2] For the new Additional Information / Regulator element, an LEI format is NOT required.

9 Impact of Maintenance 2015-2016 on Existing Market Practice

The maintenance for the 2015-2016 cycle only concerns the investment funds account management (acmt) and investment funds transfer (sese) messages. There is no SMPG IF yet for transfers so there is no impact. However, SMPG has market practice for the account management messages so there will be an impact.

When the new version of the standard is available

[1] The usage guidelines will be migrated to the new version of the standard (SWIFT Standards will do this)

[2] A session will be held to discuss, for each of the new elements, whether they are to be included in the SMPG IF recommendation

[3] The 'process' document needs to be updated to reflect the new version of the standard

[4] Consideration should be given on whether additional guidelines are required in the 'process' , particularly for

  [a] the use of the new Instruction Details / Existing Account Identification elements

  [b] how the various combinations of party sequences are to be used. For example, if the account is a minor, a recommendation for how this is to be specified,.

[5] It would be good to include some examples of the use of the account management messages, that should include the elements used for a typical investment funds account opening and, likewise, an example of using the account opening messages for the opening of a securities account.

10 Maintenance on Orders (2017)

The power point document '*Funds Maintenance 2017 and beyond Oct 2017.pptx*' was used to set the scene. This power point is out of date as a result of the discussions.

10.1 General Scope

After much discussion it was agreed that a maintenance on the order messages should be considered for the ISO 2016-SR 2017 maintenance cycle[1], provided that the maintenance is restricted to the order messages only (the investment funds setr messages) and to messages

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[1] Messages maintained in the 2016-2017 ISO maintenance cycle, if agreed, will be available for live use in the SWIFTNet Funds solution in November 2017

for which legislative changes that would be required. It is expected that there would be legislative changes on the investment funds account management.

10.2 Content of the maintenance

[1] All the known business changes as currently posted on the ISO website (although some may be withdrawn or adjusted following a further analysis). This includes the approved Swiss changes request to add hedge/alternative funds functionality into the ISO 20022 orders messages (see below). The inclusion of the hedge funds functionality is seen as providing a real business case for the acceptability of the maintenance on the orders. If it were not included, then the majority of the SMPG IF convenors said there would not be a strong enough business case for the maintenance.

[2] Five new changes requests that Almus will submit. These are:

[a] All messages: merge charges and commissions,

[b] Switch messages: move charge/commission to level of the switch, add optional element to indicate to which leg the change/commission applies

[c] Switch messages: make the leg reference mandatory and add a rule that they must be different

[d] Non-switch messages: delete Related party details from message level (applied to bulk and multiple messages)

[e] Non-switch messages, add two optional fields [1] No market Claim and [2] Cum or Ex Coupon

[3] Change requests from the Italian market, probably in the region of 20 – 25

[5] Any changes for order messages submitted to ISO 20022 by 31 May 2015.

[6] ISO 20022 compliance changes ('technical):

Because the funds messages have not been maintained for eight years and the ISO 20022 methodology has evolved, there are a number of components in the messages that are no longer compliant with the current version of the ISO 20022 and would need to be fixed when new versions of the messages are submitted for ISO approval. There are:

[a] In the SWIFTNet Funds solution, Application Header replacement by Business Application Header (see below)

[b] Change from SWIFT URN to ISO URN in the schema namespace (SWIFT item)

[c] Change from generation in ISO XML 1.0 ('2004') to ISO XML 1.5 ('2013') (SWIFT Item)

[d] Replacement of obsolete elements or components

[i] XOR replacement by a choice component

[ii] BICOrBEI replacement and elimination of obsolete components

[iii] Extension replacement by Supplementary Data (9 November 2015: it has become apparent that not all participants to the meeting agreed with this for the 2016-2017 maintenance)

[e] Business Application Header

ISO recommends the use of the Business Application Header (BAH). The investment funds messages were not designed with the BAH in mind because the BAH did not exist at the time. There are elements in the payload of the funds messages that are now duplicates of message elements found in the BAH. The duplicate elements should be removed, and the BAH should be mandated for funds messages.

Considerations for users of the investment funds messages in the SWIFTNet Funds solution

Currently, in the SWIFTNet Funds solution, the funds messages must be use with the Application Header (AH) (a precursor to the BAH). At some stage, the AH must be withdrawn from the solution and the BAH inserted. Customers using the SWIFTNet Funds solution do not want to support both the AH and BAH at the same time. Thus a change to the header in the SWIFTNet Funds solution impacts all of the messages and it has been stated that when a maintenance is done on the orders, then other messages should not also be changed. The replacement of the AH with the BAH is still to be agreed.

The following was a suggestion on how to manage the change to BAH:

- The BAH would be inserted into the solution, the AH withdraw. It would be applicable to all funds messages in the solution, even those not in scope of the maintenance[2]. This would mean that SWIFTNet funds users would have to test all the messages they use, even those seemingly 'out of scope' for the 2016-2017 maintenance. The 'duplicate' elements in the order messages would NOT be removed at this stage, but in a subsequent maintenance. (In the interim, market practice would be written on how to handle the duplicate elements in the payload.) (The current SWIFT hedge funds (non-ISO) messages will continue to use the 'old' application header.)

(9 November 2015: it has become apparent that not all participants to the meeting agreed with introducing the BAH in the 2016-2017 maintenance.)

See spreadsheet '*ISO_CRs Funds List at 2015-09-03 Version 14 October.xlsx'* which is a list of open change requests impacting funds on the ISO website (it is based on snapshot of the CRs on the ISO website on 3 September 2015). It also includes 'anticipated known change requests' that have not actually been submitted to ISO 20022 yet. Filters have been applied to only show changes related to orders. An additional column has been added to indicate the part of the message impacted.

10.3 Decision Date for Agreement on 'Orders Maintenance 2017'

A paper is to be created describing the rational and the content for a 'maintenance of orders 2017' which is to be circulated to all Funds NMPGs for input. This will then be sent to the ISO Securities Standards Evaluation Group (SEG) and the Funds Migration Advisory Group (the representatives of the SWIFT users of the funds messages) for acceptance.

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[2] A compelling reason for making the BAH applicable to all the messages in the SWIFTNet funds solution at the same time is so that institutions do not have to implement two different header search mechanisms

The go/no go decision needs to be made before the end of 2015 so that enough time is allowed for the community to submits its change requests before the 31 May 2016 deadline. If not decision is available by the end of 2015, then the maintenance project is deferred for a later release.

11 Hedge / Alternative Funds Messages – GAIA update

Tomas Bremin updated the group on the GAIA market practice.

Background

Specific purpose-built alternative/hedge funds messages were created in 2007 and are being used in the SWIFTNet Funds solution. It was planned that these messages would be submitted for ISO 20022 approval in 2015 following demand from the market. Switzerland submitted a CR to ISO (CR number: CR0454) to add hedge fund functionality to the existing mutual funds messages. The CR was approved in June 2015.

Recently, the GAIA group finalised its first release of market practice for the use of the existing ISO 20022 mutual funds order messages. This describes how orders for alternative/hedge funds can be specified using the same message standard as those used for mutual funds orders, became public. In order to implement the Swiss CR, the GAIA market practice will be used as initial input.

Hedge Funds / Alternative Funds was also discussed in the context of 'maintenance 2017' (see above).

11.1.1 SWIFT comment

(The specific purpose-built alternative/hedge funds messages used in the SWIFTNet Funds solution will remain in place, until there is no market demand. These alternative/hedge funds messages will now not be submitted to ISO 20022 for approval because there is a strong message from the community that the better approach is to add in alternative/hedge funds functionality to the ISO 20022 mutual funds message.)

11.1.2 Next Steps

Following the analysis of the GAIA market practice, an addendum document for the Swiss CR (CR 454) will be created contained initial requirements, for review and feedback by the funds evaluation team, to which the Swiss community will be invited to participate

12 Business Application Header Market Practice

A power point, '*BusinessApplicationHeader 9 Oct 2015.pptx*' was used to explain the message structure and element definitions.

- Some of the message definitions are not clear and for the elements SMPG IF will use the 're-definition' annotation (to be provided by Tomas Bremin, Clearstream.
- The power point also includes some of the T2S market practice (for the simplest connectivity scenario).
- The power point also made some tentative proposals for market practice, many of which were initially agreed by the group

Action Item Singapore Meeting

Create a collection with the BAH 'head.001.001.01' recording the market practice agreed so far and post on MyStandards in preparation for continued review and discussion.

The business application header was also discussed in the context of 'Maintenance on Orders 2017' (see above).

13 Statement of Holdings

13.1 Version of semt.002 (and semt.003)

Background

Investment Funds 'uses' semt.002.001.02. This was originally created in 2005 as part of a <u>partial</u> reverse engineering exercise in which the fields relevant to investment funds became semt.002.001.02 (and semt.003.001.02).

Since then, the Settlement and Reconciliation group has completed this reverse engineering exercise so that the entire functionality of the MT 535 is covered by semt.002.001.03 (and semt.003.001.03). Over the past years semt.002 and semt.003 have been maintained by S & R and the current (2015) version is V08.

Investment Funds Current Version (since 2007)		Securities (generic) Latest Version (SR 2015)	
CustodyStatementOfHoldings	Semt.002.001.02	SecuritiesBalanceCustodyReport	Semt.002.001.08
AccountingStatementOfHoldings	Semt.003.001.02	SecuritiesBalanceAccountingReport	Semt.003.001.08

Note that in the Funds Solution, the most recent versions of semt.002 and semt.003 are supported alongside semt.002.001.02 and semt.003.001.02. (The Brazilian community will use the later versions of the messages. Semt.002.001.02 and semt.003.001.02 are still supported in the funds solution in 2015/16.

A analysis (manual) of the main differences between semt.002.001.02 and semt.002.001.08 was presented in the La Hulpe in April. See *'semt.008 Diff between V02 and V08_v1.pptx'.*

It had been that suggested that perhaps now is the time for the investment funds group to agree that version 2 is to be dropped.

There was also the thought that semt.003 could be dropped, although SWIFT statistics shows it is being used.

13.2 Market Practice on semt.002.002.02

In the past, investment funds has done the market practice on semt.002.001.02. An action item from the Spring 2015 meeting was to take the market practice of **Findel** and transcribe it into semt.002.001.08. This was uploaded to MyStandards (collection [SMPG-Global-IF-Statements-Draft (2015-04-08)](#).

Aside from the fact that there are structural differences between version 2 and version 8 of the messages, these are the main observations:

[1] The semt.002.001.08 message is designed to be used with the Business Application Header (BAH) rather than the Application Header as currently used in the SWIFT Funds Solution. For example, the elements Message Identification and Previous Reference are not part of the business message, they are in the BAH.

[2] There is no Fungible Indicator in the Account Details sequence. **(Comment: Fungible is not relevant in this context, so version 8 is an improvement.)**

[3] FinancialInstrumentIdentification in semt.002.001.08 is a generic structure. Can carry same data as FinancialInstrumentDetails / Identification in semt.002.001.02. There are other technical differences.

[4] In semt.002.001.08, Price Details, Value Type is mandatory. In semt.002.001.02 the equivalent concept is optional.

[5] The semt.004.001.02 (cancellation) message used by investment funds is 'cancel by reference' or 'cancel by details'. The equivalent S & R message semt.020.001.04 is only 'cancel by reference' but with a mandatory safekeeping account.

The general Conclusion is that SMPG IF is to support market practice for both version 2 and version 8

Action Item Singapore Meeting

Enlarge the statements collection '**SMPG-Global-IF-Statements-Draft (2015-04-08)'** to include version 8 of the messages. Update the 'process' document' to include information about why there are two versions of messages in the market practice, etc.

Action Item La Hulpe Meeting: A change request is to be submitted to ISO to request that semt.002.001.02 is dropped from the funds message set. This item has not been actioned yet.

We will also check with ISO which is the best solution between publishing semt.002.001.08 (or the later version if the standard is updated by S & R) in the fund message set + the S&R message set or in the S&R message set only. This item has not been actioned yet

14   MT 586 Portfolio Transfers

The MT 586, Statement of Settlement Allegements is a multi-functional messages, and one of its uses is :

*"Sent with subfunction :23G::NEWM/PORT, it is used for the exchange of settlement details information during a retail or institutional client portfolio transfer. By **exchange of settlement details**, it is understood the providing, by the delivering account servicer to the receiving account servicer, of the settlement details (trade date, settlement date, delivering parties, and*

place of settlement) of the individual transfers that will take place during a full or partial portfolio transfer."

The Settlement and Reconciliation Working Group (S & R WG) of SMPG has defined market practice for the transfer of a portfolio, in which it was mentioned that it could be used for investment funds. As the SMPG IF has not worked on this market practice, it was agreed that the S & R WG would remove this reference to investment funds.

This led into a discussion on the SMPG IF's strategy for addressing market practice for transfers.

15   Transfers

It was agreed that SMPG should review the Findel Single Leg Transfers (SLT) 'simple' market practice as published publically on MyStandards at the Helsinki meeting. It was suggested that SMPG IF should review the MT 586 market practice from the point of view of 'SLT – simple'. And should SMPG IF expand its discussion to include ISO 15022.

16   RMG Documentation Clarity Sub-Group

There was nothing that could be shared with the group at this stage

17   Statement Of Investment Funds Transactions

Deferred to a later date.

18   SWIFT Market Infrastructure ISO 20022 Harmonisation Framework

A verbal update was given and these are some notes:

It's been known for some time that ISO 20022 is emerging as the preferred choice of message standard, there are some 200+ financial market infrastructure initiatives to implement ISO 20022 in some form or another, whether over SWIFT or not. However this means this a lot of variability in the ways in which ISO 20022 is deployed in terms of which versions are actually being used as well as differing market practices. There seems to be no common release cycle for when a new version is to be implemented.

So there is a need to 'sort this out' and SWIFT has agreed to play a coordinating role.

In the main, this does not seem to impact the users of the funds ISO 20022 messages because the main users user them in the SWIFT Funds Solution and:

[a]   a version policy was agreed with the members of the SWIFT Funds solution very early one, in that only one version of the standard is supported in the live environment at any one time (although there have been exceptions to this policy when requested by the market especially for the investment funds transfer messages). But on the whole, when a new version of a message goes live, the old version is withdrawn from live availability at the same time.

[b]   it was agreed (in 2007) that any maintenance cycle would follow a FIN-like time-line. The SWIFT Funds Solution already follows a FIN-like cycle.

However for other users of ISO 20022 this doesn't seem so clear cut.

Niels Hougaard (Denmark) commented that within the 'Market Infrastructure ISO 20022 Harmonisation Framework' the issue of whether, following a maintenance, the schema should have a new version number is being debated. Currently, every time a message is maintained, the version of the message schema identifier is incremented, for example, acmt.005.001.01 became acmt.005.001.06 for the 2016 release.

A charter for the 'Market Infrastructure ISO 20022 Harmonisation Framework' has been proposed by SWIFT and a number of market infrastructures have signed-up to the charter. More information can be obtained from SWIFT Standards.

19   Future Market Practice Work Plan

- Transfers
- Account Management process – securities account management
- Inclusion of hedge funds in the SMPG Investment Funds mandate

20   Spring 2016 Meeting

This meeting is to take place in Helsinki from Wednesday 20 April until Friday 22 April. Should investment funds want to allow more time for its meeting, this will have to be done on the Tuesday preceding the SMPG global meeting rather than at the end of the meeting.

20.1   Business Topics For Helsinki Agenda

- Transfers
- Maintenance 2017 (if applicable) CRs.
- Business Application Header (BAH)
- Market practice on SecuritiesBalanceTransparencyReport, semt.041.00.01 for simple usage.

21   Ad-hoc – Upper Case & Lower Case

Recommendation about upper and lower case and character set is in a minutes document – these need to be found and put into the process document. Needs to go in all the process documents.

22   Action Items

This list of action items will be produced as a separate document and any pending action items from the 2015 Spring (La Hulpe) meeting will be added in.

22.1   New Action Items

#	Topic	Action		Responsible	Timing	Status
1	Maintenance 2015-2016	[1]	Financial Instrument / Short Name check the definition	JEC	End October 2015	
		[2]	For the new Additional Information / Regulator			

#	Topic	Action	Responsible	Timing	Status
		element, an LEI format is NOT required			
2	'Maintenance 2017'	Write a paper defining the scope of the maintenance proposal for submission to the Funds Migration Advisory Group (FMAG) for input and agreement. Will also be circulated to all NMPG countries and main users of the bulk messages for feedback.	JEC / CB / NM	End October 2015	
3	'Maintenance 2017'	Decision on whether order maintenance for SR 2017 is to go ahead.	JEC / CB / NM	Mid December 2015	
4	'Maintenance 2017'	If the decision is 'yes' for order maintenance for SR 2017, then prepare a communication to SWIFT users of the order MXs.	JEC	Early January 2015 (or sooner)	
5	Hedge / Alternative Funds	Analyse the GAIA market practice to determine work-arounds that should be eliminated with specific fields. To be used as input to change request 454 submitted by Switzerland.	JEC / TB	End December 2015	
6	BAH – Helsinki Meeting	Request that the preliminary BAH MP is presented at the general session of the Helsinki meeting.	CB / NM / JEC	October 2015	WIP
7	Helsinki Meeting	Assess feasibility of funds starting the meeting the day before; request room.	JEC	November 2015	WIP
8	BAH	Create a collection that defines the MP as agreed in the Singapore meeting. Post on MyStandards. Add to monthly meeting agenda for review by the group	JEC	End January 2016	
9	Statements of Holdings	Create a consolidated collection that contains usage guidelines for version 2 and version 8 of the messages, update the process document and post on MyStandards.	JEC	Helsinki	
10	Transparency Report semt.041	Create a typical statement of holdings using semt.041 as a starting point for understanding the functionality of the transparency message.	JEC	For the Helsinki Meeting	
11	Transfers	Become familiar with the Findel SLT 'simple' market practice.	ALL	Helsinki	
12	Orders MP	Add the recommendation about upper and lower case and character set to the orders process document.	JEC	End January 2016	
13	Account Management MP	Migrate UG to new version of messages, upload to MyStandards and update of 'process' document with additional guidelines.	JEC	End January 2016	
14	Account Management MP	Initial review of the new version of UGs and 'process document. Then circulate to the wider group.	AM / SB, NH	Early February 2016	
15	Account Management MP	Review and sign off new version.	ALL	Monthly meeting March 2016	