

Wraps and Platforms – operating principles and practical issues


Nominee Re-Registration Programme Update report

Wrap and Platforms Conference 22-April-2010

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Nominee Re-Registration Programme

Background



- As much as 70% of current platform assets derive from reregistration of existing client assets
- Major Fund Supermarket investment in asset consolidation / reregistration campaigns
- In specie transfer on platform facilitated by fund managers and TPAs
- Transfers off platform largely available only in cash rather in specie
- Following consultation by the UK Platform Group and TISA Platform Council in 2009, agreement to institute a programme of work to establish industry-wide STP reregistration

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Nominee Re-Registration Programme

Regulatory Imperative

“To improve customers’ ability to transfer assets from one platform to another (re-registration)”

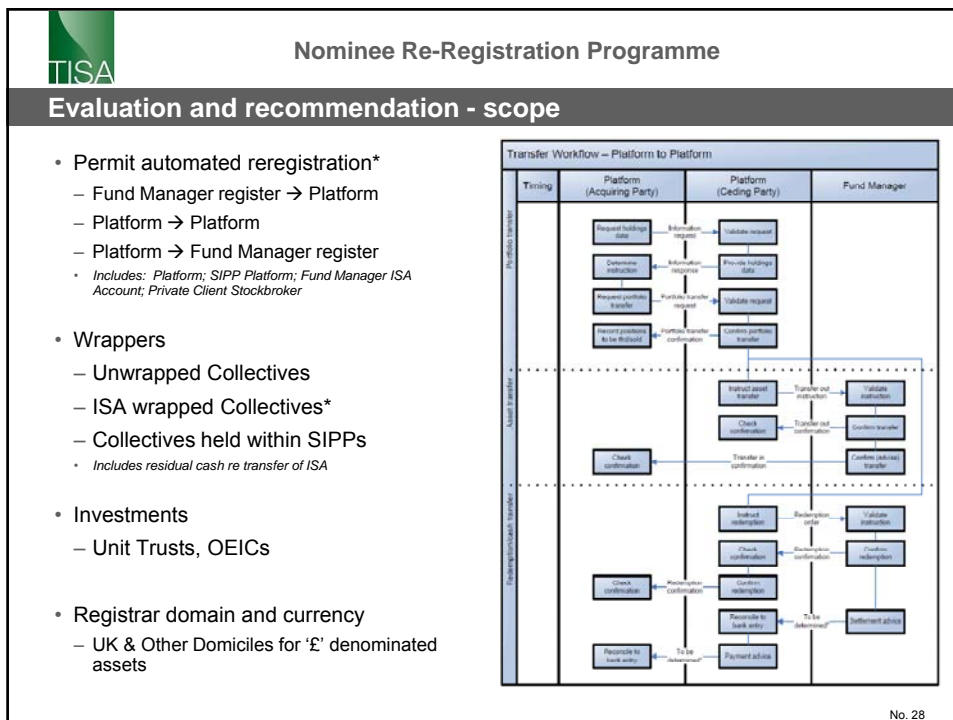
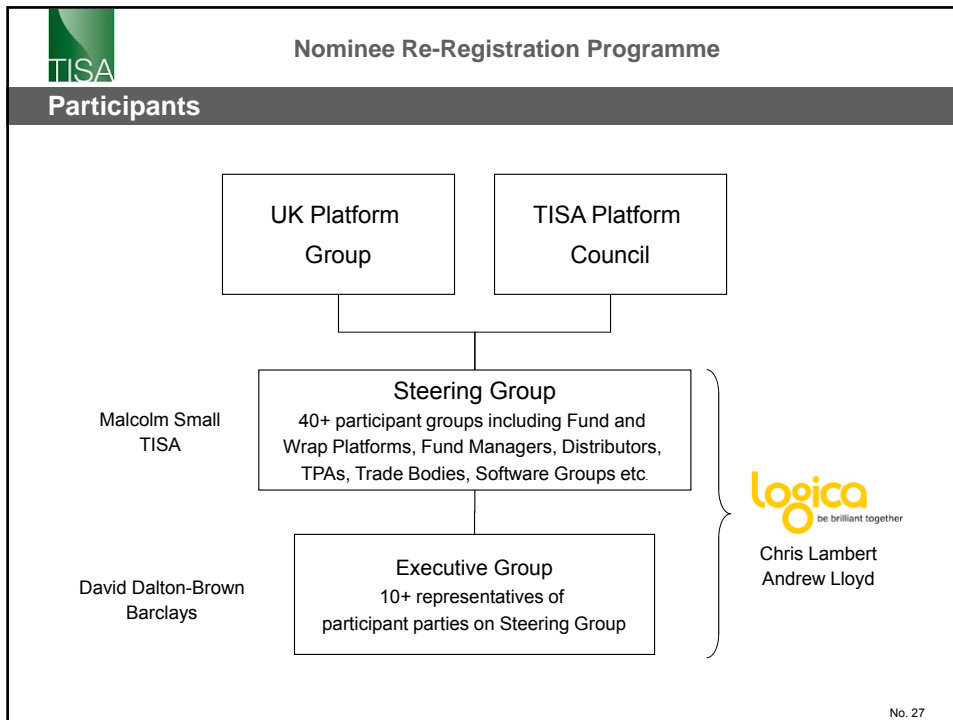
- “We are minded to make it compulsory for platforms to allow assets to be re-registered off their platform no later than ... December 2012.”
- “We are encouraged by industry-led moves to help create an automated solution for re-registration.”
- “This could be beneficial for customers and the industry as a whole by reducing costs and making the registration process quicker and more reliable.”
- “We will expect re-registration to be available whether an automated solution is in place or not”




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Evaluation and recommendation - requirements

- Business requirements
 - Must support ReReg participants, processes, data requirements & UK Market Practice
- Technical standards
 - Must support ISO20022 message types “Portfolio Transfer” & “Transfer Out/In” etc.
- Network requirements
 - Must provide connectivity, routing, audit trail, service level, security etc
 - May provide validation, translation, reference data etc (“added value” options)
- Interfaces
 - Must support CPU-to-CPU interface , EAI etc
 - May provide central database, end-user workstations (“added value” options)
- Timescale
 - Must be available for pilot, rollout & completion by 2011/12

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Evaluation and recommendation - architecture options

- “Point to point”
 - Every participant connects independently to every other
- Hub
 - Participant connects via a central hub
 - Different Hub models are possible:
 - “Messaging” hub #1
 - “Transfers” hub #2
 - “Registrations” hub #3

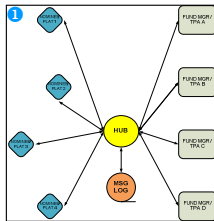


Diagram 1 shows a central yellow circle labeled 'HUB' connected to four blue diamond nodes labeled 'PARTICIPANT'. Below the hub is an orange circle labeled 'MISC LOG'. To the right are four grey boxes labeled 'FINANCIAL TRAC'.

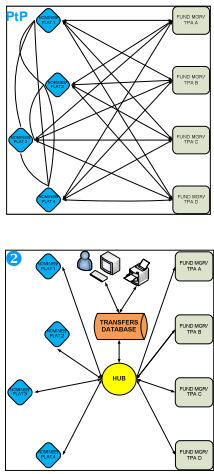


Diagram 2 shows a central yellow circle labeled 'HUB' connected to four blue diamond nodes labeled 'PARTICIPANT'. Above the hub is an orange box labeled 'TRANSFERS DATABASE'. To the right are four grey boxes labeled 'FINANCIAL TRAC A', 'FINANCIAL TRAC B', 'FINANCIAL TRAC C', and 'FINANCIAL TRAC D'. A label 'PIP' is at the top left.

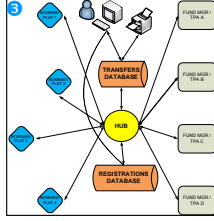




Diagram 3 shows a central yellow circle labeled 'HUB' connected to four blue diamond nodes labeled 'PARTICIPANT'. Above the hub is an orange box labeled 'TRANSFERS DATABASE' and below it is another orange box labeled 'REGISTRATIONS DATABASE'. To the right are four grey boxes labeled 'FINANCIAL TRAC A', 'FINANCIAL TRAC B', 'FINANCIAL TRAC C', and 'FINANCIAL TRAC D'.

Source:  No. 30


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Evaluation and recommendation - criteria

- Briefing and requirements paper issued to six potential solutions providers based on recommendations from Steering and Executive Committees
- Following reciprocal NDAs, each presented written and verbal proposals
- Each then evaluated on:
 - Pricing
 - initial & ongoing
 - Market penetration
 - platforms, TPAs etc
 - Messaging architecture
 - hub, point-to-point etc
 - Solution status & timescale / roadmap
 - Due diligence
 - financials, staffing, customer base

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Evaluation and recommendation - conclusions

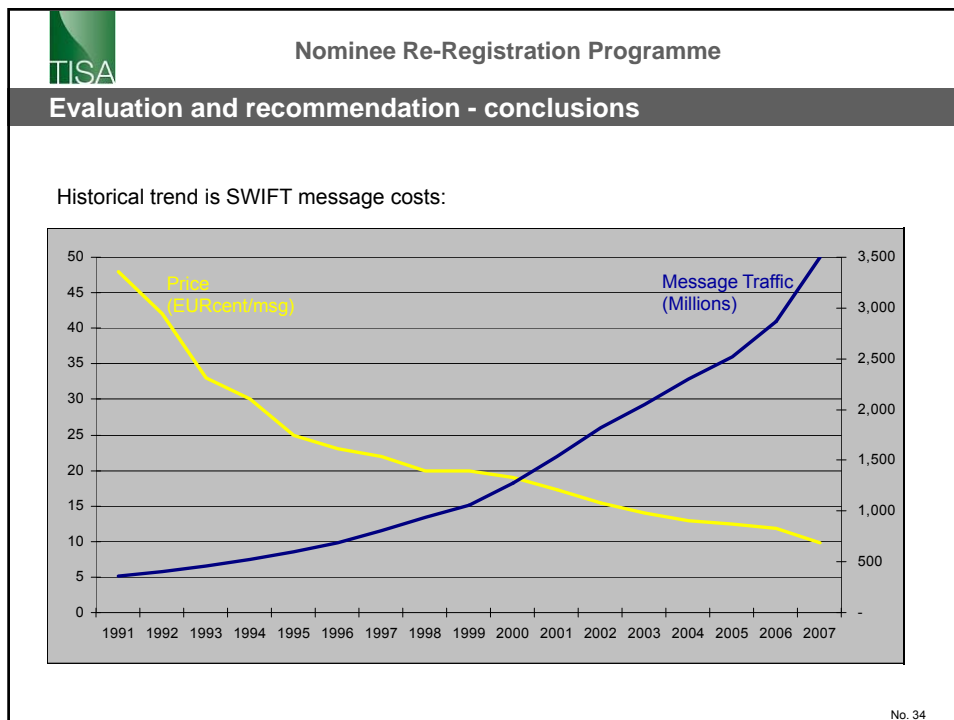
- Developing a new “Transfers” or “Registration” hub:
 - Would add significant cost and time to achieving industry wide solution
 - Endorsing any one Transfer or Registration hub would stifle innovation and development
 - Could only be justified as part of a wider order processing solution
 - Won't happen without majority industry support
- Recommended architecture:
 - SWIFTNet network “InterAct” service – available now
 - Supports ISO20022 & UK Funds Market Practice
 - Is member-owned & governed
 - Many Platforms, TPAs and Fund Managers already SWIFT enabled
 - Supports low-cost, low volume connection options
 - Can readily be adapted as part of other added value propositions

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Nominee Re-Registration Programme			
Evaluation and recommendation - conclusions			
Illustrative cost for the transfer of a client with five fund holdings over SWIFTNet:			
Participant	Message Type	Number of Messages sent	Cost @ 0.056 Euro
New plan manager	Request for Portfolio information	1	0.056
New plan manager	Portfolio Transfer Instruction	1	0.056
Old plan manager	Portfolio Information	1	0.056
Old plan Manager	Transfer out for each Asset	5	0.28
Old plan Manager	Portfolio Transfer Confirmation	1	0.056
FMgr / Registrar * 5	Transfer Out Confirmation	1 each (5 managers)	0.28
FMgr / Registrar * 5	Transfer In Confirmation	1 each (5 managers)	0.28
Total cost	6 Types of message	19 messages	1.064 Euro

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