



# Platform Re-registration Plenary Meeting



leading on tax incentivised savings

## Re-Registration Plenary Group Meeting

11<sup>th</sup> May 2011



## Agenda

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1. Opening Remarks	Malcolm Small
2. Business Processes	Trevor Brown
3. SLA	Matt Dickson
4. Legals	Stephen Mohan
5. PoC / Test / Pilot	Alistair Reid
6. Next Steps	Alistair Reid
7. AOB	

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# Business Processes

Trevor Brown, Bravura Solutions

11<sup>th</sup> May 2011



## Topics

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- UK Funds Market Practice Group (UKFMPG) & SMPG
- UKFMPG Transfers Working Party
- Scope
- What the Transfer Market Practice is / what it is not
- Change Management



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### UK Funds Market Practice Group (UKFMPG)

- UKFMPG
- Securities Market Practice Group (SMPG)
- Present in 36 markets

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### UKFMPG Transfers Working Party

- Standard based on ISO 20022 messages
- Covers seven business scenarios
- Draft October 2010
- Update May 2011
- Working party to reconvene shortly

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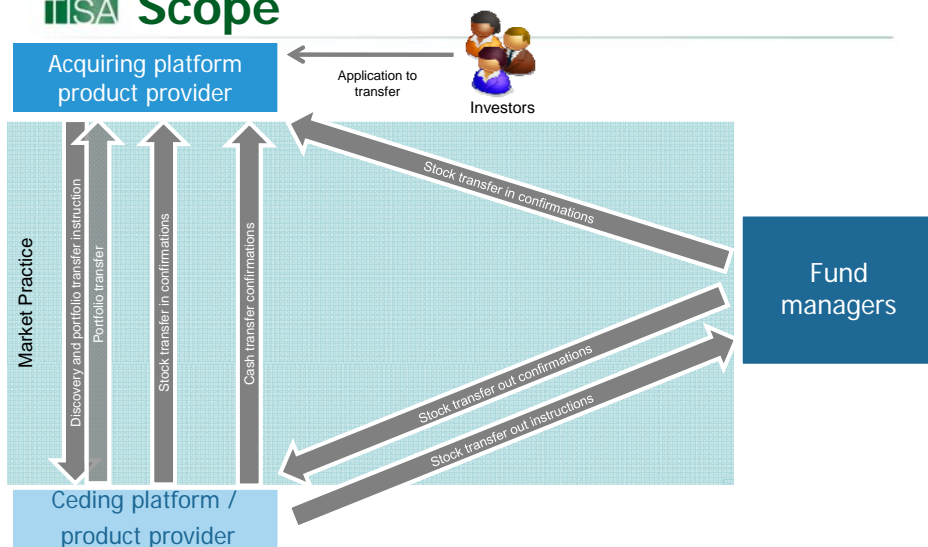
## Scope

- Transfer of ISA Wrappers;
- Transfer of assets in-specie (including SIPP holding);
- Instruction to repurchase assets where cash proceeds are requested;
- Advice to the new account provider of cash amounts being transferred;
- Associated status and confirmation reporting.

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## Scope



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### What the Transfer Market Practice Is and What It Is Not

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- Set of process flows and ISO2022 based message definitions
- Network neutral
- Interoperability is key
- XML by default
- Alternative mechanisms not excluded

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### Change Management

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- Issues log recently published
- Issues classified as:
  - A. Simple response
  - B. Q&A
  - C. Simple correction
  - D. Complex issue
- Proof Of Concept ("PoC") / Test

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### **Business Processes** Trevor Brown, Bravura Solutions

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### **Service Level Agreement** Matt Dickson, AXA Wealth

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## Overview of Approach

- Open invitation to participate.
- Participation was wide-spread, predominantly wrap platforms, but good overall participation from across the industry including:
 

<b>Nucleus</b>	<b>Transact</b>	<b>AXA Elevate</b>	<b>Bravura</b>
<b>Co-Funds</b>	<b>IFDS</b>	<b>Ascentric</b>	<b>Standard Life</b>
- Series of workshops in Q3/2010.
- SLA presented to Exec Steering Group on 9/11/2010 and comments incorporated into final version issued 25/1/11.
- Published on TISA website for further feedback.



## Objective and Scope

- Objective:
  - To specify participant response and turnaround standards, for a common set of electronic portfolio transfer and re-registration scenarios prepared by the UK Funds Market Practice Group (UKFMPG)
- Scope:
 

<p><b>In Scope</b></p> <ul style="list-style-type: none"> <li>□ Investment <u>fund</u> holdings</li> <li>□ ISA or un-wrapped</li> <li>□ Achieve FSA "reasonable time"</li> <li>□ Deliver a fair consumer outcome</li> </ul>	<p><b>Out of Scope</b></p> <ul style="list-style-type: none"> <li>□ Cash deposit ISA transfers</li> <li>□ Advisor/investor Initiation</li> <li>□ Legal Agreements (separate Work-stream)</li> <li>□ Exception Processing (but see later)</li> </ul>
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### Manual or Electronic?

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- Inclusive SLA accommodates manual or electronic processing.
  
- Electronic processing will reduce timescales – as we are seeing already.



### Some Assumptions

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- **Fully enabled environment, including:**
  - Messaging standards and components - ISO20022
  - Standing data requirements in place
  - Due diligence and legal agreements between participants
  - Rejection/error messages returned
  - Allow for out of scope processing, e.g. non-electronic participants, or dependent processes e.g. pricing cycles
  - Requirement to maintain G1/G2 positions to remain
  - Plus others....

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### Discovery to Completion

- Discovery not mandated but recommended:
  - Determines assets to be transferred prior to initiating the transfer request
  - May have been used to initiate transfer
  - Reduction in errors and exceptions
  
- Completion:
  - Issued when final asset or cash component completed



### Exception Handling

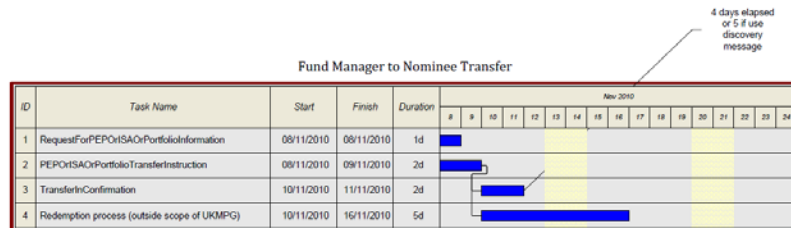
- Steering Group challenge - to include or exclude?

*"The principles to be followed are that discussions should be held between the parties and agreement reached, the UKMPG messages should be used to implement what was agreed, and this SLA will then apply unless the parties agree to the contrary."*
  
- Examples include:
  - In-flight transactions
  - Residual income
  - Bulk transfers

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## Service Level – 4 Days



- Service levels set against key process points.
- The end 2 end process will assume some regulatory/pre-existing timescales, e.g. settlement (T+4).
- Most processes have 1 day turn-around.



## The Future?

- Increased transfer activity driving straight through processing.
- Improved performance.
- 24 hour re-reg?
- Development of services:
  - Front end process re-engineering.
  - Pipeline tracking, traffic lighting.
- And the consumer?
  - Faster more transparent processing.
  - Expectations levels set.



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### **Service Level Agreement**

Matt Dickson, AXA Wealth

11<sup>th</sup> May 2011

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### **Legal Update**

Stephen Mohan, CoFunds

11<sup>th</sup> May 2011

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 **Legal Update**

- Introduce the Work Stream
- Explain the problems to be overcome
- Propose the way of resolving the issues
- Explain how we are going forward

 **The Legal & Compliance Work Stream**

- **Membership:**

- |                               |   |                                  |
|-------------------------------|---|----------------------------------|
| <input type="checkbox"/> IFDS | <input type="checkbox"/> Fidelity       | <input type="checkbox"/> ORIGO   |
| <input type="checkbox"/> IMA  | <input type="checkbox"/> Pinsent Masons | <input type="checkbox"/> Cofunds |

- **Objective:**

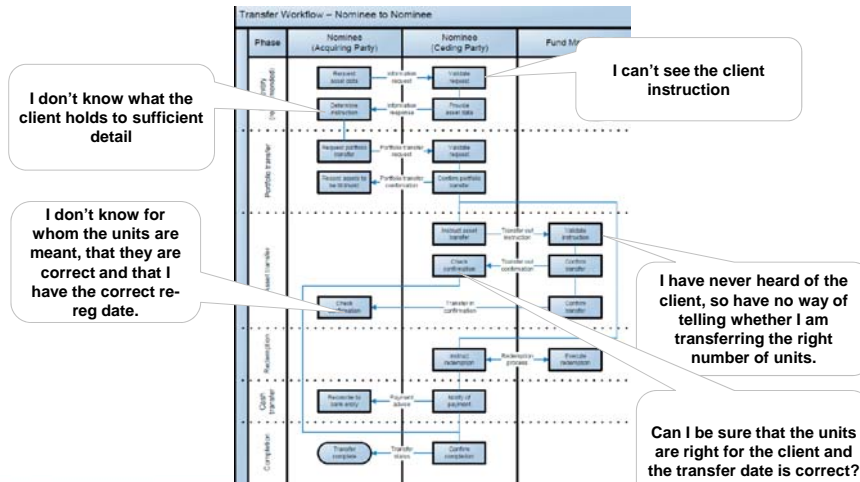
To establish a legal framework which is adopted by the industry and supports compliant delivery over Platform to Platform Re-Registration.

- **Parameters:**

We are looking for a common agreement for all participants, which reduces the legal overhead across the industry, refers to the SLA and allows for (but does not require) separate commercial agreements where parties believe them to be required.

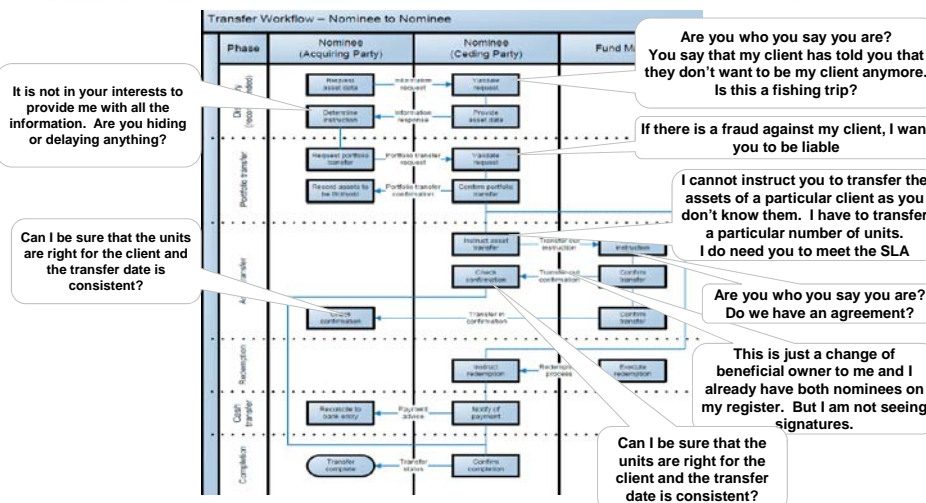
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## What is Different for Re-Registration? The Challenge for Counterparties:



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## What is Different for Re-Registration? What the Legals Need to Cover:



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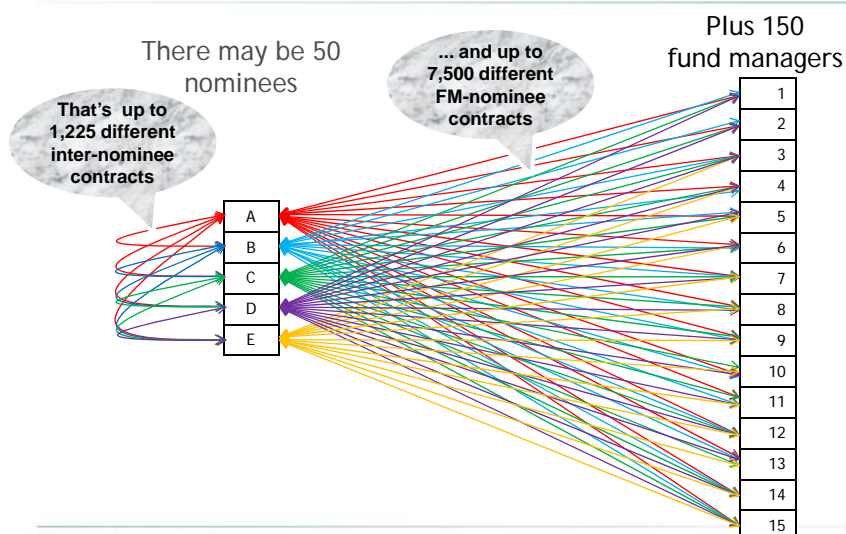
## What do the Parties Need to Act?

- **Fund Managers:**
  - Already have a contract of some variety with each nominee
  - Need indemnities for electronic re-registration (plus appropriate safeguards and dispute resolutions)
  - Need to be sure that everyone will deal with them in a consistent manner
- **Platforms:**
  - Have contracts with FMs, but not with each other
  - Need indemnities for electronic re-registration (plus appropriate safeguards and dispute resolutions)
  - Need to be sure that everyone will deal with them in a consistent manner
  - Need protection against fraud
  - Need protection against inappropriate use of the mechanism, e.g. fishing trips

**In theory, these are fairly simple needs**



## Overcoming the Contractual Paper Mountain

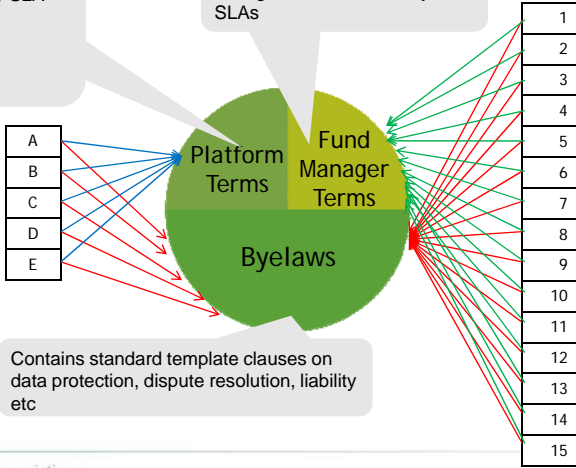


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**TISA We Propose the Use of a "Contract Club"**  
 To Maintain a Register of Members and Update Contracts

- Clauses around indemnity,
- Agreement to abide by SLA
- Acquiring Platform's responsibilities
- Ceding Platform's responsibilities

Predominantly indemnities plus the agreement to abide by the SLAs



The diagram features a central green circle divided into three segments: 'Platform Terms' (top-left), 'Fund Manager Terms' (top-right), and 'Byelaws' (bottom). To the left, a vertical list of boxes labeled A, B, C, D, and E has blue arrows pointing to the 'Platform Terms' segment and red arrows pointing to the 'Byelaws' segment. To the right, a vertical list of boxes numbered 1 through 15 has green arrows pointing to the 'Fund Manager Terms' segment and red arrows pointing to the 'Byelaws' segment. A callout box at the bottom left states: 'Contains standard template clauses on data protection, dispute resolution, liability etc'.

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**TISA How We Plan To Get There**

- Pinsent Masons has drafted the Working Principles.
- To date consultation has been with the TISA Executive.
- Today marks the beginning of wider consultation.
- We are inviting COOs and legal counsels from most Platforms and many fund managers to a workshop on the Working Principles.
- From this, we aim to complete the contract terms, through consultation.

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### How We Plan To Get There

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- We are consulting with TISA on whether or not it wishes to establish a Contract Club.
- The Contract Club would need to decide whether to self-administer or to engage an operator.
- We will be looking to have all Platforms and Fund Managers join the Contract Club (or adopt our common contracts).



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## Legal Update

### Stephen Mohan, CoFunds

11<sup>th</sup> May 2011

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# PoC / Test / Pilot and Next Steps

Alistair Reid

11<sup>th</sup> May 2011

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## PoC / Tests / Pilots

- Driven by systems providers:
  - They determine scope, size, timescale, etc.
  
- TISA's interests:
  - Multiple tests to incorporate maximum redundancy
  - Full coverage
  - Interoperability
  - Communication:
    - Technical issues
    - Scope
    - Volumes
    - Any other information from the systems providers

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### Next Steps

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- Success Criteria:
  - Complete testing on full scope of business processes and message formats.
  - Live pilot.
  - First past the post.
  
- Change the Project Governance:
  - Proposal for a Contract Club going to the project Executive Committee then to the TISA Board for consideration.
  - Establish the company, appoint directors(s), perhaps a Client Advisory Council?
  - Budget to be self financing – members fees but significant cost savings elsewhere.
  - Transfer project oversight from Exec Comm to Contract Club.



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