SECURITIES MARKET PRACTICE GROUP

SMPG

UK Funds Market Practice Group

Account Opening

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Version History				
Version 00.01.00	Draft	Initial draft prepared for review on 11th October 2009		27th September 2009
Version 00.02.00	Draft	Completed following working group meeting of 13th October 2009		Not issued
Version 00.03.00	Draft	Added order confirmation details following consultation with the group		5th November 2009
Version 01.00.00	Released	Release Version		2nd March 2010

Contents

1 Introduction

This document contains the market practice guidelines for the interpretation and usage of ISO 20022 account opening messages by the UK investment funds industry.

This document was produced by a working group of the UK Funds National Market Practice Group.

It is intended for:

- Fund management companies, and their administrators
- Transfer agents
- Institutional investors
- Fund platforms and hubs
- Custodians
- Distributors of investment funds

The document was prepared in consultation with the following organisations.

Calastone	EMXco	IMA	Skandia
Cofunds	Idea Group	Invesco Perpetual	SWIFT

2 Scope

This document covers the process of opening investment accounts using an automated messaging process. The document defines market practice for the use of messages based on the ISO 20022 standard, this is a global open standard not based on any particular messaging network.

Four scenarios emerged as likely usages for these messages in the UK:

A)   Account replication between systems.

B)   Setting up a new designation on an existing nominee account, effectively setting up a new sub-account on an existing account.

C)   Setting up accounts by execution only Brokers.

D)   Account opening linked to initial orders and transfers

3 Definitions

Term	Definition
Custodian	The party that safekeeps and administers assets on behalf of the owner.
Distributor	A financial institution that places orders on behalf of the investor. The intermediary may act in the course of discretionary portfolio management or on the explicit instruction of the investor.
Execution Only Brokers	A broker who buys and sells shares on the instructions of clients but who offers no advice about what to buy and sell.
Fund administrator	The fund manager or their TPA , which performs fund-side unit dealing/settlement and maintains the unitholder register.
Fund hub	A full disclosure fund platform operating on a 'name give up' basis at point of trade. All buy and sell orders for each fund are handled on an individual basis on a given date.
Fund platform	A special form of distributor that enables investors to invest across the fund ranges of different managers and maintain consolidated portfolios of their holdings. In particular, the platform will aggregate the buy and sell orders for each fund on a given date.
Investor	The underlying beneficial owner of the units. The investor may or may not also be the unitholder (see below).
Nominee Account	An account in which the named holder holds the assets in it on behalf of another (the beneficiary). The most common use of nominee accounts is where execution-only brokers act as nominees for their clients. The shares are registered in the name of the broker, but the client has beneficial ownership of them.
Transfer Agent	Affects the subscription, redemption, switch orders and transfers on behalf of the fund.
Unitholder	The person or entity in whose name the holding is registeredThe unitholder may or may not be the underlying investor

Table 1 Definitions

4 Actors

	Instructing Party	Actioning Party
Investor		
Unit holder	✔	
Fund Administrator		✔
Distributor	✔	
Fund Platform	✔	
Fund Hub	✔	

5 List of supported messages

| Message	Version	Description
AccountOpeningInstructionV02	MX acmt.001.001.02	The AccountOpeningInstruction is used to open an account directly.
AccountManagementStatusReportV02	MX acmt.006.001.02	The AccountManagementStatusReport message is used to provide the processing status of a previously received AccountOpeningInstruction.
AccountDetailsConfirmationV02	MX acmt.002.001.02	The AccountDetailsConfirmation message is used to confirm the opening of an account. The message contains detailed information relevant to the opened account.

Table 2 Supported message types

6 Activity Diagram

The following diagram provides an overview of the order instruction process. This shows the main activities involved in the opening of an account via automated messaging.
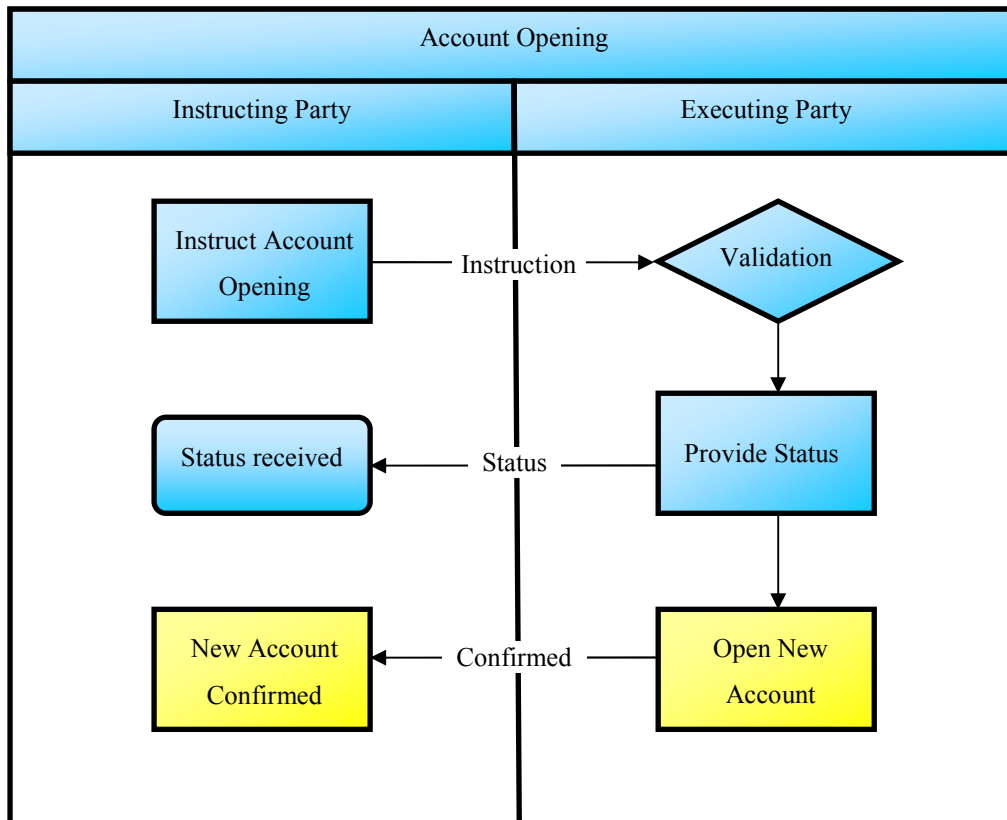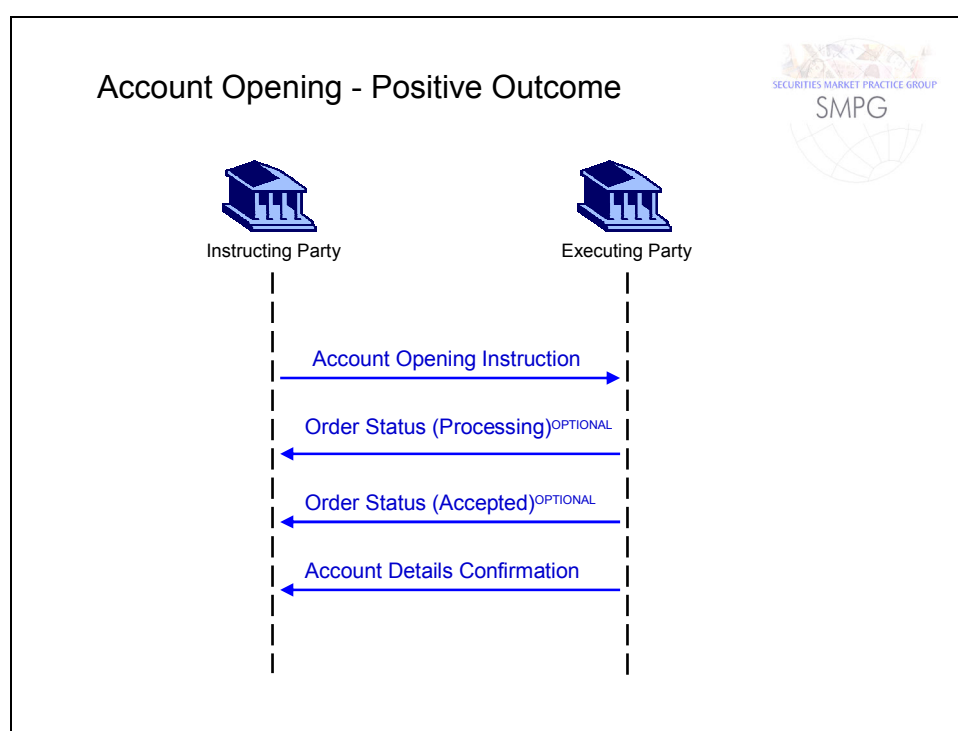
7 Sequence Diagrams

The following diagrams describe the communication flows for specific scenarios. It shows the typical exchanges of messages in the context of a transaction.

7.1 Order Processing – Positive Outcome

This diagram describes a positive flow of messages between an Instructing party and the Executing Party.


Scenario 1. Account Opening - Positive Outcome

- The account opening instruction is sent by the instructing party to the executing party
- If the account cannot be created immediately the executing party can send one or more status messages to the instructing party to keep them updated on progress so far.
- The details of the successfully opened account are sent by the executing party to the instructing party

7.2 Account Opening - Rejection

This diagram describes a flow of messages where a new account is requested but the request is rejected
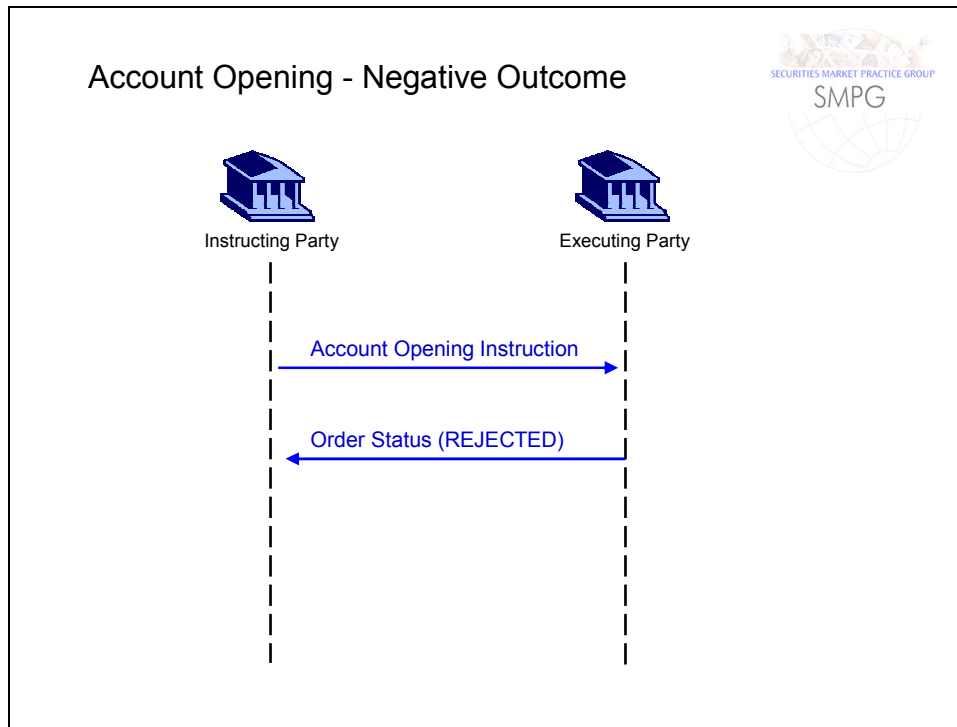
Scenario 2 Order Processing – Rejection

8 Market Practice

Party Identification

Home and Work telephone numbers

The UK group would like to include both the home and work telephone numbers for an individual. To achieve this it is proposed to use the 'Primary Communication Address' for contact details of the individual at home and the 'Secondary Communication details' for when the individual is at home.

Consent to rely

It is important to indicate in the account opening instruction whether the anti-money laundering checks and anti-terrorist checks have been completed and can be relied on. The MoneyLaunderingCheck flag can be used for this purpose. The code 'PASS' indicates that distributor has verified client ID and consents to reliance on that by TA/FM

Reinvestment Policy

It is possible to indicate in the account opening instruction the default reinvestment policy for the account. The InvestmentAccount/IncomePreference flag is available for this purpose.

Advice Given

It is possible to indicate that the investor has received (or has not received) advice from an independent financial advisor. An extension element has been included in the market practice to facilitate this. If the advice given flag is used the details of the IFA must also be in the message.

Support for CREST

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Bank Account Details

The UK group recognises the importance of supporting the BIC and IBAN codes for identification of financial institutions and bank accounts, however we also recognise that many systems in the UK also require account numbers and bank sort codes. Therefore we support the use of both

Cash Account Details/Identification/Identification/IBAN
and
Cash Account Details/Identification/Identification/IBAN/DomesticAccount/Identification
We have also specified an extension element to hold the bank sort code:

Extension	O	
PlaceAndName	M	CashSettlement/CashAccountDetails/Identification/Identification/DomesticAccount/SortCode
Text	M	Sort Code Value

Account Details Confirmation

It has been agreed that the best practice for account details confirmation is to confirm back not only the new account number but also a copy of the account details as they have been entered on the actioning party's system.   This allows the instructing party to check that the account has been created correctly when compared to their original account opening request.

Linking the original instruction, confirmation and account status messages

Ideally there should be a business reference associated with the account opening process which appears in all the messages associated with the account opening process, unfortunately we do not have such a reference available in the existing version of the messages. There is an 'OrderReference' element which is appears in the account opening instruction and the account details confirmation but this is only an optional data item and it does not appear in the AccountManagementStatusReportV02 message.

The UK proposes , therefore, to use the message identification of the initial AccountOpeningInstructionV02 message as the linking reference. The message identification of the account opening instruction should be used as a 'related reference' in any related AccountManagementStatusReportV02 messages and in the AccountDetailsConfirmationV02 message.

9 Data items for the account opening process

The table below contains the agreed set of data items required for opening a fund investment account in the UK. The UK group has mapped these data items to both the account opening instruction and the account details confirmation message. The schema maps showing where these data items fit into the supported messages (AccountOpeningInstructionV02, AccountManagementStatusReportV02 and AccountDetailsConfirmationV02) can be found in the file: **Account_Opening_Schema_Map_01.xls**

Data Items For Account Opening	
Instructing Party Identification	
Instructing Party Reference	
Actioning Party Identification	
Existing account identifier or reference at the actioning party - to help when creating new sub-accounts.	
New Account Identifier (in the Account Details Confirmation)	
Either	
First holder (Mandatory)	
Name (incl. salutation)	
Title (Mr, Mrs, Miss, Ms, Other)	
Surname	
Other Names	
Suffix	
Prefix	
Address (incl. postcode)	*Postcode is optional - IRL have no postcodes.*
Marketing preferences	*Probably an extension item*
Date of birth	
Country of residence	*Required for non-resident unless benficial owner is relevant payeee [EUSD]*
Tax Identification Number	*Required for non-resident unless benficial owner is relevant payeee [EUSD]*
Country of birth	*Required for non-resident unless benficial owner is relevant payeee [EUSD]*
Or	
Joint Holders (Mandatory - Repeating)	
Name (incl. salutation)	
Title (Mr, Mrs, Miss, Ms, Other)	
Surname	
Other Names	
Suffix	
Prefix	
Address (incl. postcode)	*Postcode is optional - IRL have no postcodes. If postcodes are available they should be used.*
Marketing preferences	
Date of birth	
Country of residence	*Required for non-resident unless benficial owner is relevant payeee [EUSD]*
Tax Identification Number	*Required for non-resident unless benficial owner is relevant payeee [EUSD]*
Country of birth	*Required for non-resident unless benficial owner is relevant payeee [EUSD]*
Designation (Optional)	
Client Type (Optional)	
Correspondence/contact (Optional)	
Name (incl. salutation)	
Address (incl. postcode)	
Telephone Number (work and home)	
Email Address	
Marketing preferences	
Beneficial owners/controllers (Optional Repeating)	*Mandatory for any* that are not holder(s) unless: (a) simplified due*

Data Items For Account Opening	
	diligence applies [MLD3]; and (b) holder is paying agent [EUSD]
Name (incl. salutation)	*subject to MLD3 thresholds
Address (incl. postcode)	
Date of birth	
Capacity	Role
Country of residence	*Required for non-resident where beneficial owner is relevant payee [EUSD]*
Tax Identification Number	*Required for non-resident where beneficial owner is relevant payee [EUSD]*
Country of birth	*Required for non-resident where beneficial owner is relevant payee [EUSD]*
Servicing distributor (IFA) (Optional)	*Mandatory if account opened by intermediary*
Name	*Optional*
TA/FM agency number	
Advice given flag	*Other details about the financial adviser are standing data held by the actioning party. May be at the order level and not required at account opening.*
Crest participant ID	*Insert as an optional intermediary*
Crest member account number	*Insert as an optional intermediary*
Reinvestment flag (Optional)	
Income payments (Optional)	*Optional (needs to be considered at fund level together with reinvestment requirements)*
BIC	
Account identification	
AML reliance flag (0..1)	*Mandatory if account opened by intermediary [MLD3]*
Marketing Preferences	