



# **UK Funds Market Practice Group**

## **Transfers Framework Overview**

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UK Funds Market Practice Group

Investment funds national constituent of the Securities Market Practice Group

[www.smpg.info](http://www.smpg.info)

Document History

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## 1 INTRODUCTION

### 1.1 Background

- (.1) The UK Funds Market Practice Group (UKFMPG) is a national constituent of the Investment Funds Working Group of the global Securities Market Practice Group (SMPG). The objective of the UKFMPG is to facilitate more efficient processing in the UK investment industry by publishing standards for electronic interactions between financial services organisations. UKFMPG standards are based on the ISO20022 message standard.
- (.2) The UKFMPG has published a set of market practice standards covering a wide range of portfolio and asset transfer processes.
- (.3) Earlier versions of a UKFMPG Transfers market practice were published as a single market practice document covering all account and asset types. However, the market practice has now been broken down into its component parts each addressing one aspect.

### 1.2 Purpose

- (.1) This document provides an overview of the UKFMPG Transfers market practice framework, introduces each of the separate market practices and gives some examples of how they can be used.
- (.2) This document is intended only as an aid to help navigate the market practice documents. It is not part of the market practice and should not be used to implement solutions.

### 1.3 Scope

- (.1) The transfers market practice framework will be of relevance to:
  - Platforms and wealth managers
  - Pension providers and administrators
  - Individual Savings Account plan managers
  - Fund managers and transfer agents
  - Banks and building societies
- (.2) The transfers market practice framework covers:
  - The transfer of a range of account types including:
    - Stocks and Shares ISAs
    - Cash ISAs
    - Pensions
    - General Investment Accounts
  - Portfolios of a wide range of asset types including:
    - Cash (Un-invested cash holdings within the portfolio)
    - Funds (publicly available funds, identified with an ISIN, that are registered with a transfer agent)
    - CREST Registered Securities (which may be equities, ETFs or any other asset supported by and registered on CREST other than funds as defined above)

- Other assets (described in unstructured free text and that will not be processed automatically)
  - The transfer of assets held with an intermediate unit holder
  - The transfer of funds held with a fund manager or transfer agent
- (.3) This market practice does not address:
- Instructions from the customer to an account servicer
  - Opening of investment accounts
  - Instructions to asset managers to liquidate assets
  - Instructions to banks to make cash payments
  - Share class conversions

## 1.4 Terminology

### 1.4.1 Roles

- (.1) The key roles in the transfer process are:
- **Acquiring Party** - The party that receives the portfolio, containing one or more assets, either as an account provider to another party or as the ultimate account holder.
  - **Ceding Party** - The party that delivers the portfolio, containing one or more assets, to the Acquiring Party.
  - **Asset Manager** - The party that is ultimately responsible for the maintenance of the asset register of unitholders and for the repurchase of units that are to be redeemed.
  - **Intermediate Unit Holder** - An entity that holds unitised investments on behalf of a third party acting as a nominee for the end customer.

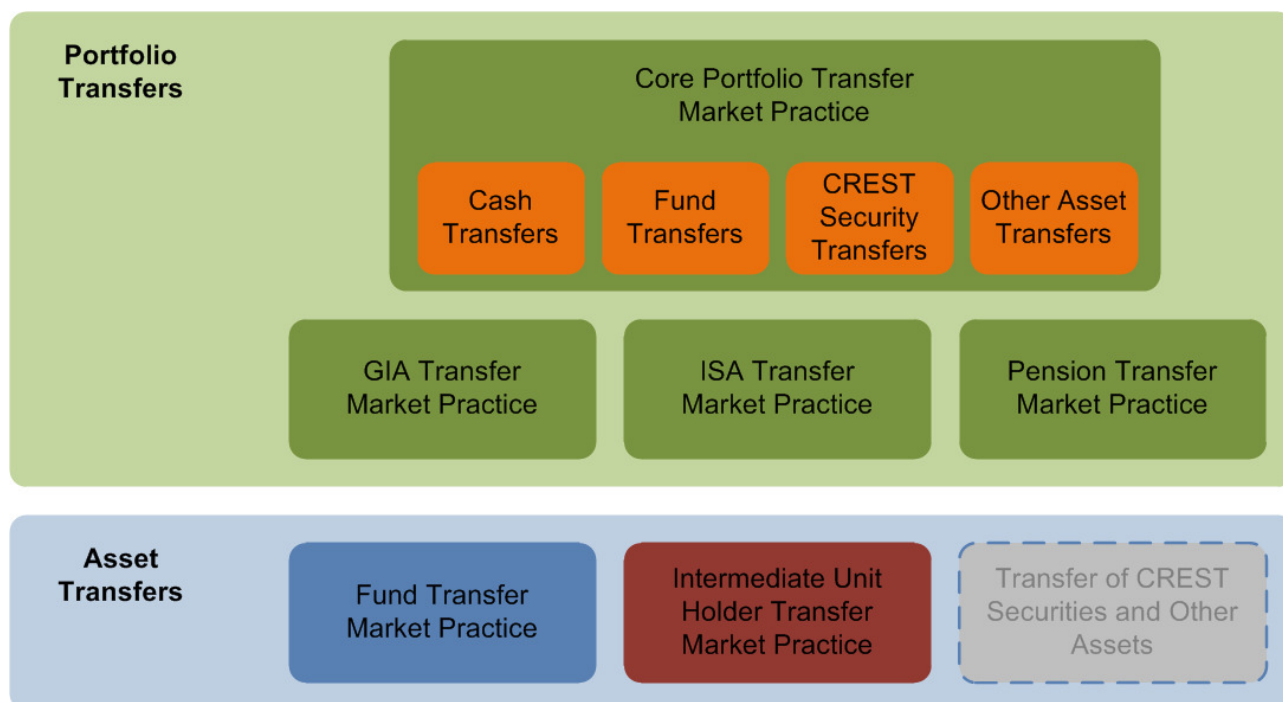
### 1.4.2 Glossary

Acquiring Party	As defined above.
Asset transfer	The transfer (or re-registration) of legal ownership of an asset, which may comprise the whole or part of a portfolio, between the Acquiring and Ceding parties.
Cash transfer	The transfer of cash from asset redemptions or un-invested or residual portfolio cash balances between the Acquiring and Ceding parties.
Ceding Party	As defined above.
Fund Manager	The entity responsible for the management and operation of an investment fund, including the activities of a third party provider of transfer agency services. May act as Acquiring Party, Ceding Party or Asset Manager.
Intermediate Unit Holder	As defined above.
Nominee	An entity that holds title to assets on behalf of underlying customers.

Payment advice	Notification from the remitter to the recipient of cash that is to be transferred between their respective bank accounts.
Portfolio transfer	The transition of the role of account provider from one party to another.
Redemption	The realisation of an investment fund holding by way of sale to its manager.
Re-registration	The alteration of the fund's unitholder register to reflect the transfer of legal ownership between the Ceding and Acquiring parties.
Transfer Agent	A third party provider of transfer agency services to a Fund Manager. May act as Acquiring or Ceding Party on behalf of a Fund Manager.

## 2 MARKET PRACTICE FRAMEWORK

### 2.1 Overview



*Figure 1 – Document Structure Overview*

- (.1) The UKFMPG transfers framework covers both:
- The transfer of investment portfolios between account servicers
  - The transfer (or re-registration) of assets within those portfolios

### 2.2 Portfolio Transfers

- (.1) The framework for asset transfers concerns the transfer of investment portfolios between account servicers including instructions to sell or transfer in-specie the assets within the portfolio.
- (.2) The framework for portfolio transfers is separated into:
- The core or common aspects of portfolio transfers that apply to all types of portfolio
  - The specifics of the transfer process that are peculiar to a given type of portfolio
- (.3) The supported portfolio types are:
- General Investment Accounts (GIA)
  - ISAs (including Cash ISAs and Stocks and Shares ISAs)
  - Pensions (a wide range of UK DC pensions)

- (.4) The core portfolio transfer market practice also includes details of how each of the supported asset types are handled at the portfolio transfer level.
- (.5) Supported asset types are:
- Cash (Un-invested cash holdings within the portfolio)
  - Funds (publicly available funds, identified with an ISIN, that are registered with a transfer agent)
  - CREST Registered Securities (which may be equities, ETFs or any other asset supported by and registered on CREST other than funds as defined above)
  - Other assets (described in unstructured free text and that will not be processed automatically)
- (.6) Each of the specific portfolio transfer market practices will define which of these asset types are supported for that type of portfolio.

## 2.3 Asset Transfers

- (.1) The framework for asset transfers concerns the re-registration of individual assets within a portfolio. This is typically between the respective nominee accounts for the Acquiring and Ceding Party where the assets are held on behalf of the end customer, the beneficial owner. However, assets may also be transferred to and from accounts held by the end customer directly with the asset manager.
- (.2) The framework for asset transfers comprises:
- The transfer of funds (as defined above)
  - The transfer of funds or CREST registered securities held with an Intermediate Unit Holder (rather than directly with the asset manager)
- (.3) The transfer of CREST registered securities may be automated using mechanisms defined by CREST and are out of scope for the UKFMPG.
- (.4) The transfer of other assets is unlikely to be automated and is also outside the scope of the UKFMPG.

## 2.4 Market Practice Documents

UKFMPG Market Practice	Version	Description
Core Portfolio Transfer	3.0	Common aspects of portfolio transfers including details of the assets held in the portfolio.
GIA Transfers	3.0	Additional processing specific to GIAs.
ISA Transfers	3.0	Additional processing specific to ISAs.
Pension Transfers	3.0	Additional processing specific to Pensions.
Fund Transfers	3.0	Transfer (or re-registration) of funds.
Intermediate Unit Holder Transfers	3.0	Transfer of funds or CREST registered securities held by an intermediate unit holder.

*Figure 2 – Document Description Table*

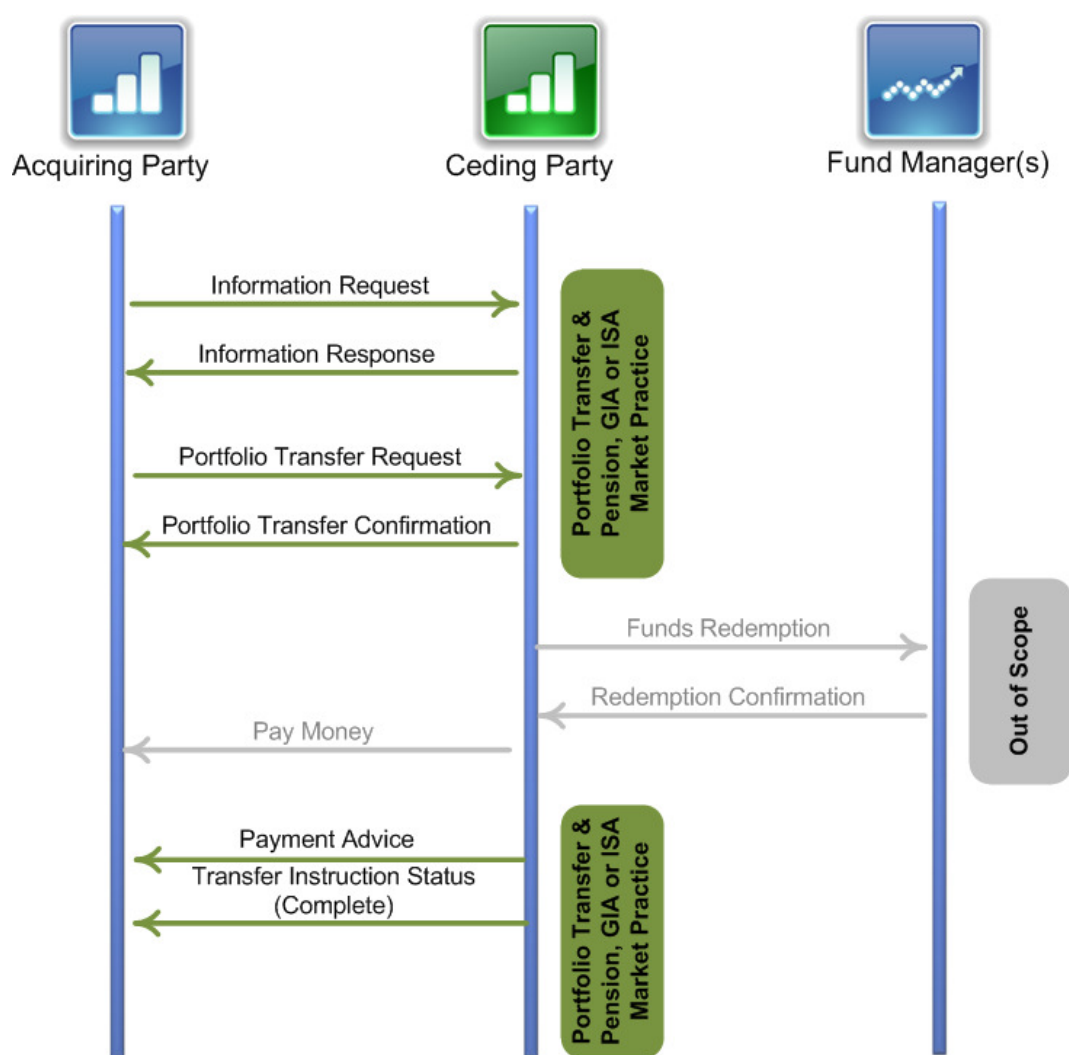


### 3 EXAMPLE TRANSFER SCENARIOS

#### 3.1 Purpose

- (1) The following sections briefly describe some transfer scenarios and the role each market practice plays. This is intended to illustrate how the market practices can be used in concert.
- (2) The list of examples is not exhaustive and the descriptions are for illustration only. The definitive scope and usage is given in the relevant market practice documents.

#### 3.2 Cash Transfer Example



*Figure 3 – Example Cash Transfer Diagram*

- (1) This scenario concerns the transfer of a portfolio (a pension, ISA or GIA) containing funds that are all to be sold and transferred as cash.

(.2) This transfer scenario would be supported by:

- The Core Portfolio Transfer Market Practice combined with one of Pension, ISA or GIA Transfer Market Practice to support the portfolio transfer
- Other mechanisms outside of the scope of the UKFMPG transfer framework for fund redemption

### 3.3 In-specie & Cash Transfer Example

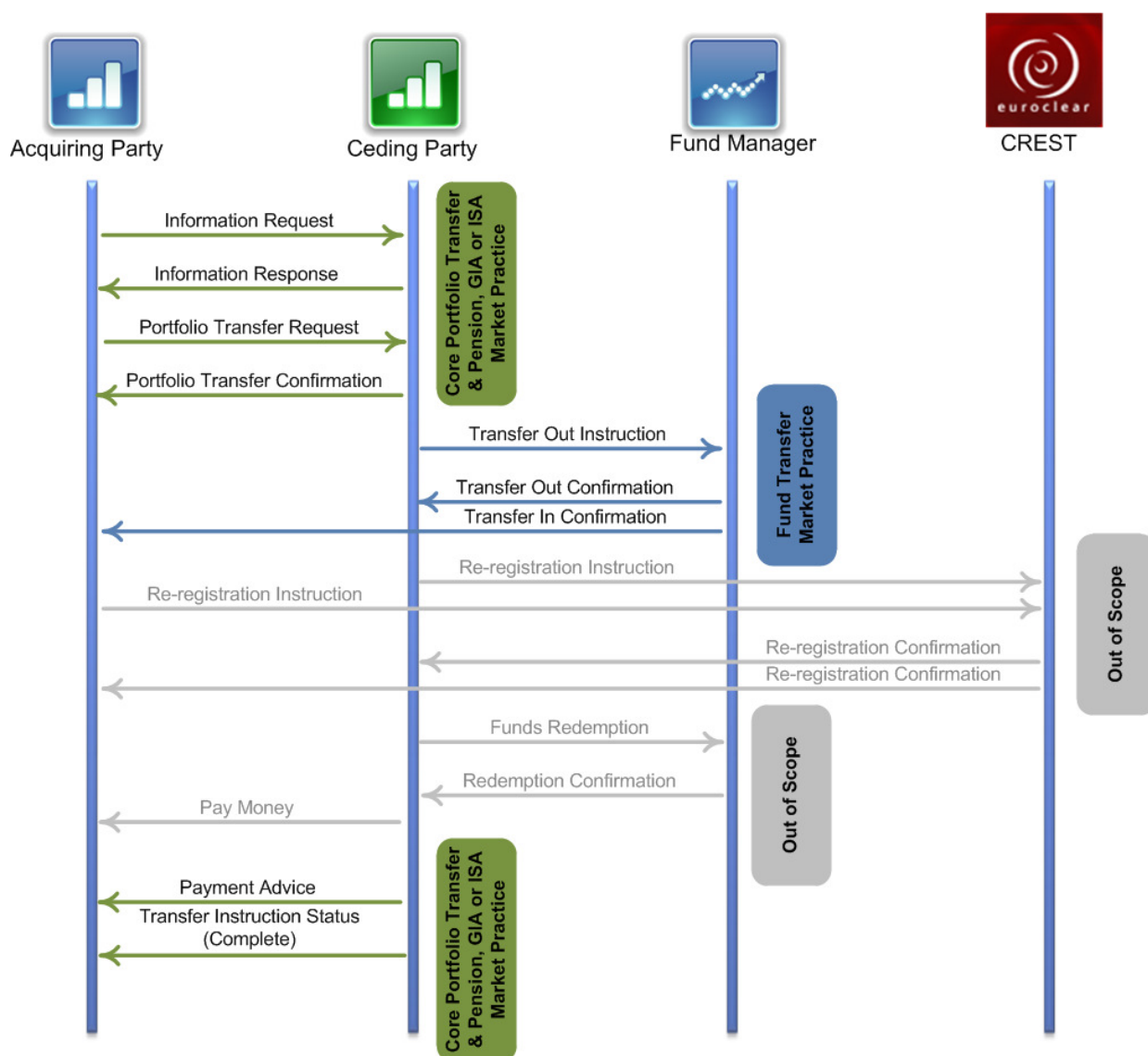


Figure 4 – Example Mixed Transfer Diagram

- (.1) This scenario concerns the transfer of a portfolio (a pension, ISA or GIA) containing funds and CREST registered securities of which some are to be transferred in-specie and some sold and transferred as cash.
- (.2) This transfer scenario would be supported by:
  - The Core Portfolio Transfer Market Practice combined with one of Pension, ISA or GIA Transfer Market Practice to support the portfolio transfer
  - The Fund Transfer Market Practice for the re-registration of funds
  - CREST mechanisms outside of the scope of the UKFMPG for the re-registration of CREST registered securities

- Other mechanisms outside of the scope of the UKFMPG transfer framework for asset redemption

### 3.4 Intermediate Unit Holder Example

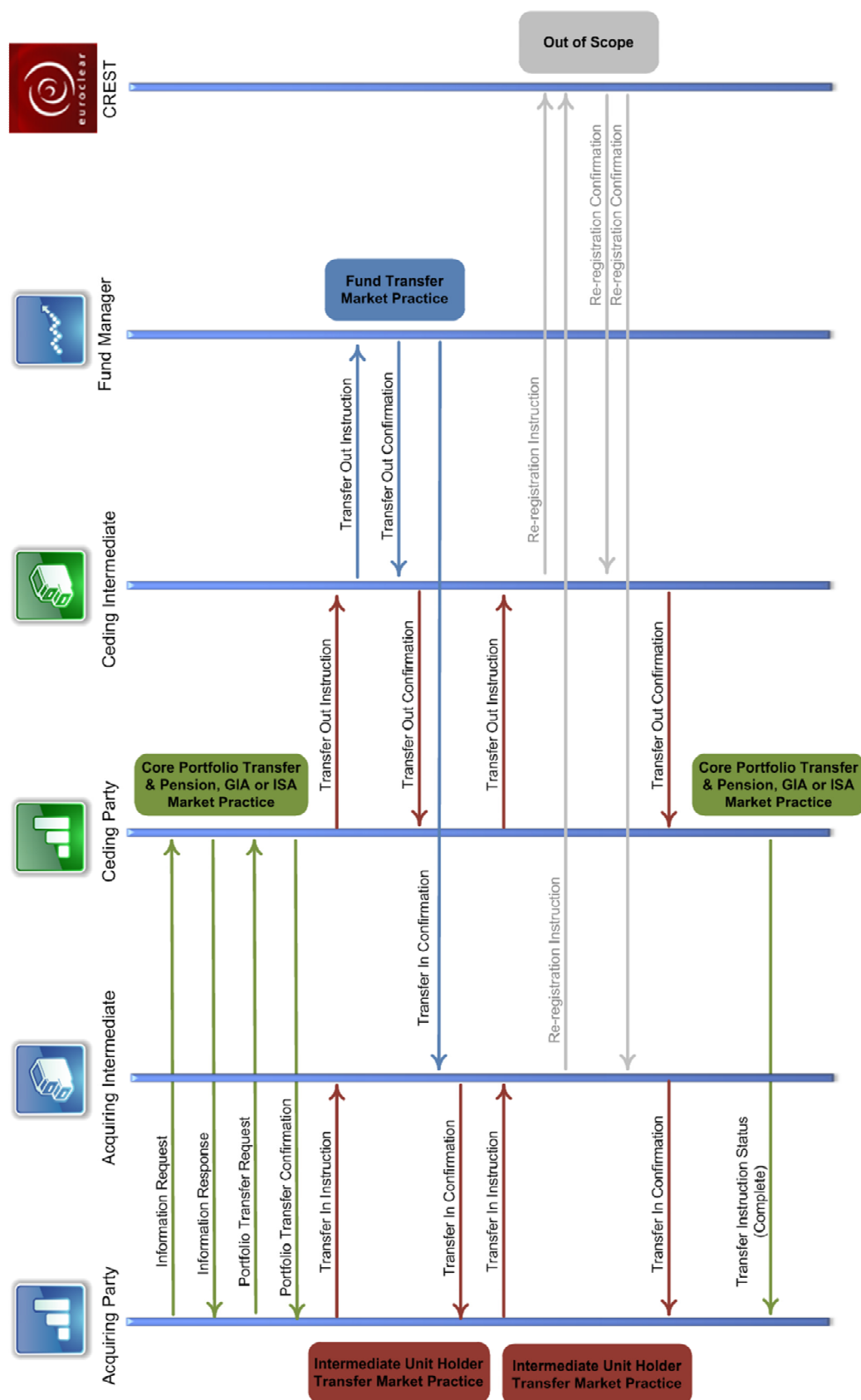


Figure 5 – Example Intermediate Unit Holder Transfer Diagram

- (.1) This scenario concerns the transfer of a portfolio (a pension, ISA or GIA) containing funds and CREST registered securities all of which are to be transferred in specie. Both Acquiring Party and Ceding Party hold all assets via an intermediate unit holder.
- (.2) This transfer scenario would be supported by:
- The Core Portfolio Transfer Market Practice combined with one of Pension, ISA or GIA Transfer Market Practice to support the portfolio transfer
  - The Intermediate Unit Holder Transfer Market Practice for the Acquiring and Ceding Parties to instruct their respective intermediate unit holders to transfer the assets
  - The Fund Transfer Market Practice for the re-registration of funds
  - CREST mechanisms outside of the scope of the UKFMPG for the re-registration of CREST registered securities

## 4 UKFMPG TRANSFER SCENARIOS

- (.1) The table below lists the six transfer scenarios that were the focus of earlier versions of the market practice along with which market practice document now covers that scenario.

Scenario Name	Description	Covered by
Nominee to Nominee	Between two account providers, neither of which is linked directly to the fund manager	Core Portfolio Transfer GIA Transfers ISA Transfers Pension Transfers
Fund Manager to Fund Manager	Between two fund managers who will also be the two account providers	ISA Transfers
Fund Manager to Nominee	From the fund manager, when also acting as an account provider, to a third party account provider	GIA Transfers ISA Transfers
Customer to Nominee	From the ultimate account holder in their own name to a third party account provider	GIA Transfers
Nominee to Fund Manager	From a third party account provider to the fund manager, as an account provider	GIA Transfers ISA Transfers
Nominee to Customer	From a third party account provider to the own name of the ultimate account holder	GIA Transfers

*Figure 6 – Table of UKFMPG Transfer Scenarios*

## 5 MARKET PRACTICE MAINTENANCE

- (.1) The market practices are published in:
  - The market practice documents listed in section 2.4
  - The associated NMPG-GB-IF-Transfers usage guidelines on [www.swift.com/mystandards](http://www.swift.com/mystandards)
- (.2) All market practice documentation is governed by the UKFMPG Transfers group.
- (.3) Each market practice is assigned to one person in the group to maintain it.
- (.4) Updates of the market practice may affect just a subset (e.g. a change to ISA wrapper transfers) or all transfers (e.g. a change to the Core Portfolio Transfer market practice).
- (.5) Whilst the details of any change may be determined by a small sub-group, no changes will be released without the approval of the full group.
- (.6) All released market practice documents will be published on:
  - [www.smpg.info](http://www.smpg.info)
  - [www.swift.com/mystandards](http://www.swift.com/mystandards)
- (.7) Changes will typically be published 12 months before the intended live date.

### End of Document