STANDARDIZATION OF FUNDS PROCESSING IN EUROPE

ORDER AND SETTLEMENT
HOLDING AND TRANSACTION REPORTING
COMMISSION REPORTING

An updated report from EFAMA's
Fund Processing Standardization Group

September 2008

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1. PREFACE

In its resolution of 13 December 2007 on Asset Management II, which was prepared by MEP Wolf Klinz, the European Parliament welcomed the establishment by EFAMA of the Fund Processing Standardization Group (FPSG) and other initiatives to improve the efficiency of fund processing[1].

Indeed, the industry has made good progress since publication of the FPSG's initial recommendations in 2005 - market participants are investing in ISO 20022 as the key messaging standard for funds processing. In addition, SWIFT[2] plans a “light” interface tool to help small and medium-sized players (whether distributors or transfer agents) with limited fund distribution volumes of orders to switch to automated and standardized solutions. Support for the Fund Processing Passport has been strong with valuable lessons learned from pilot implementations to date. Direct national association involvement in the ongoing work of the FPSG is facilitating the endorsement of the recommendations at national level. And other associations such as the International Securities Services Association (ISSA) are working closely with EFAMA to ensure that efforts are coordinated.

Still the level of straight-through processing of orders processed by transfer agents remains low in Europe – around half of the market has gone through automation in one form or another.

For this reason, political pressure on the industry is growing, with the European Parliament asking the European Commission to take action itself if the industry had not made *substantial* progress towards greater use of electronic and standardized fund processing by the end of 2009. This confirms that EFAMA should continue its work in this area and, indeed, the Explanatory Statement to the Report highlights the need for the European funds industry as a whole to step up its efforts to implement the required change.

The inefficiencies of fund processing are most apparent in the cross-border distribution of funds. This is a very important segment of the European funds industry, which now is offering UCITS as a global brand far beyond Europe in particular to Asia and increasingly to Latin America and the wider EMEA region. The growing importance of open architecture is also exacerbating the ensuing operational costs for industry players and investors. Given this, the importance of a global approach to fund processing is higher than ever before.

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1 The EP resolution is available at: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2007-0627+0+DOC+XML+V0//EN&language=EN.
The paragraphs relevant for fund processing are paragraphs 30 to 33.

2 As well as performing the function of Registration Authority for ISO 20022 - maintaining the message catalogue and data dictionary and overseeing the technical compliance of items in the repository with the ISO 20022 standard, on behalf of ISO - SWIFT is separately a financial industry co-operative, which provides a network over which ISO 20022 messages can be transmitted.

EFAMA remains a catalyst for change

Bearing in mind the significant potential cost savings that could be achieved in the processing of fund orders, EFAMA established the FPSG in 2003 to identify obstacles to efficiency in back-office procedures and to outline possible actions for removing them.

The FPSG comprises expert practitioners from a broad range of European countries, as well as infrastructure and standards providers and representatives from a growing number of national associations and ISSA.

Having published the initial recommendations of the FPSG in 2005, covering the order and settlement process, EFAMA is now publishing this report in order to update those earlier recommendations to reflect the current landscape and thinking and extend their scope. In addition to updating the recommendations on order and settlement, this paper includes new recommendations concerning the reporting of holdings and transactions and the tracking of distributor commissions.

As noted above, much has been achieved already, but more can be done and the effort must continue. Only when the necessary changes are implemented by all industry players will the benefits truly be delivered to the market as a whole. The key motivations for the industry are:

- greater efficiency - improved scalability of operations and reduced costs, resulting in greater profitability for the players involved with lower costs to investors;
- reduced operational risk - through the elimination and replacement of manual re-keying of orders and other data by straight-through processing;
- enhanced service - through improved response times and standardized interfaces

There is a need to monitor implementation

EFAMA is determined to monitor a range of *Key Fund Processing Standardization Indicators* that will enable it to monitor the industry's progress towards greater harmonization and automation, from data gathered from the industry. Output from this initiative will enable to demonstrate the progress to the European Commission, the European Parliament and others and the success that can be achieved without regulatory intervention.

2. EXECUTIVE SUMMARY

This paper is the successor to a similarly titled document that was published by EFAMA in 2005 to present recommendations to increase efficiency in the processing of fund orders and achieve cost savings. In that paper, we indicated that the FPSG would proceed to look at other areas of fund processing; in this updated report we have added new sections covering reporting of positions and transactions and commission reporting. In addition, the previous recommendations have been reviewed and, in some case, updated to reflect the current landscape and thinking.

In Section 3, we have consolidated the general recommendations to facilitate and improve the level of automation and straight through processing (STP) within the European funds industry. These include the adoption of the Fund Processing Passport (FPP) as a new industry standard, the use of ISO standard identifiers, such as BICs and ISINs, and the promotion of ISO 20022 as the single European message standard for fund messaging.

Section 4 considers the order and settlement process and includes recommendations concerning account identification and standing data as well as for automation of the order, acknowledgement and subsequent confirmation processes. The recommendations concerning settlement have been extended to settlement cycles, with a specific proposal to harmonize settlement date on T+3 or earlier, according to the nature of a fund's underlying assets.

Section 5 introduces new recommendations to increase the harmonization of basic reporting services provided by fund administrators to distributors and institutional holders. The recommendations focus on the frequency and timeliness of position and valuation reporting and transaction statements.

Section 6 is also new and seeks to address various issues that exist currently in the area of commission reporting. In particular, the actor that calculates and pays commission - referred to as the "commission calculation agent" (CCA) - needs to be provided with the information necessary to allocate the payment correctly. Given this information, the CCA should then be able to make the payment and advise the distributor accordingly in a timely fashion. The recommendations draw on initiatives that are underway already in some markets. As a next step, the FPSG will undertake further work to define a standard for the minimum information required for this purpose and how these might be annexed to distribution agreements.

Section 7 discusses how EFAMA is working with other organizations to promote the implementation of the FPSG's recommendations and identifies areas of work still to be conducted, namely transfers of units and the processing of income entitlements and other forms of corporate action.

3. GENERAL RECOMMENDATIONS

3.1 Facilitating straight through processing

3.1.1 Client-side institutions performing the order placement role should encourage the electronic input of orders and other instructions as early as possible in the instruction chain so as to minimize or, preferably, eliminate the re-keying of data.

3.1.2 Fund management companies should arrange for Fund Processing Passports to be made available for their funds, in order to facilitate their trading[3].

3.1.3 Where legal or regulatory barriers or constraints to the implementation of these recommendations exist, national associations should aim to work with the relevant government or regulator to remove or alleviate them.

3.2 ISO standard identifiers

3.2.1 Where possible, financial institutions, including fund administrators, distributors etc., should be identified using their BIC code (ISO 9362).

3.2.2 Fund providers should use ISIN (ISO 6166) codes for all their funds at the lowest (ie. share class) level and should promote its use as the sole identifier for that instrument.

3.2.3 Wherever possible all other items, eg. countries, currencies, etc., should be identified using the relevant ISO standards.

3.3 Messaging standards

3.3.1 Communications between client-side and fund-side institutions, including the giving of instructions and provision of reports, should as far as possible be electronic.

3.3.2 ISO 20022 is recognized as the single European standard for funds messaging going forward and should be the basis for electronic communications in this area.

3.3.3 Messages should be used for the purposes for which they were designed and in accordance with any market practice that may be published by the Securities Market Practice Group or its constituent National Market Practice Groups[4].

3.3.4 Proprietary message standards between client-side institutions and fund-side institutions should be avoided.

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[3] A brochure presenting version 1 of the FPP was published in June 2007. Drawing lessons from a wide consultation with industry participants, a new version of the FPP was published in April 2008. The brochure and Version 2 of the FPP can be downloaded from www.efama.org.

[4] For more information see www.smpg.info.

4. ORDER AND SETTLEMENT

4.1 The generic processing model

The FPSG considers that order processing messages and standards across Europe can be viewed in the context of a *generic* model of the roles and actors involved (see Figure 1 below). Note that funds which are traded on exchange and settled in the same way as equities (eg. in the Danish market, as well as exchange-traded funds that exist elsewhere) are not within the scope of this paper.

Definitions of some of the key terms used in this document may be found in the Glossary at Annex 1.

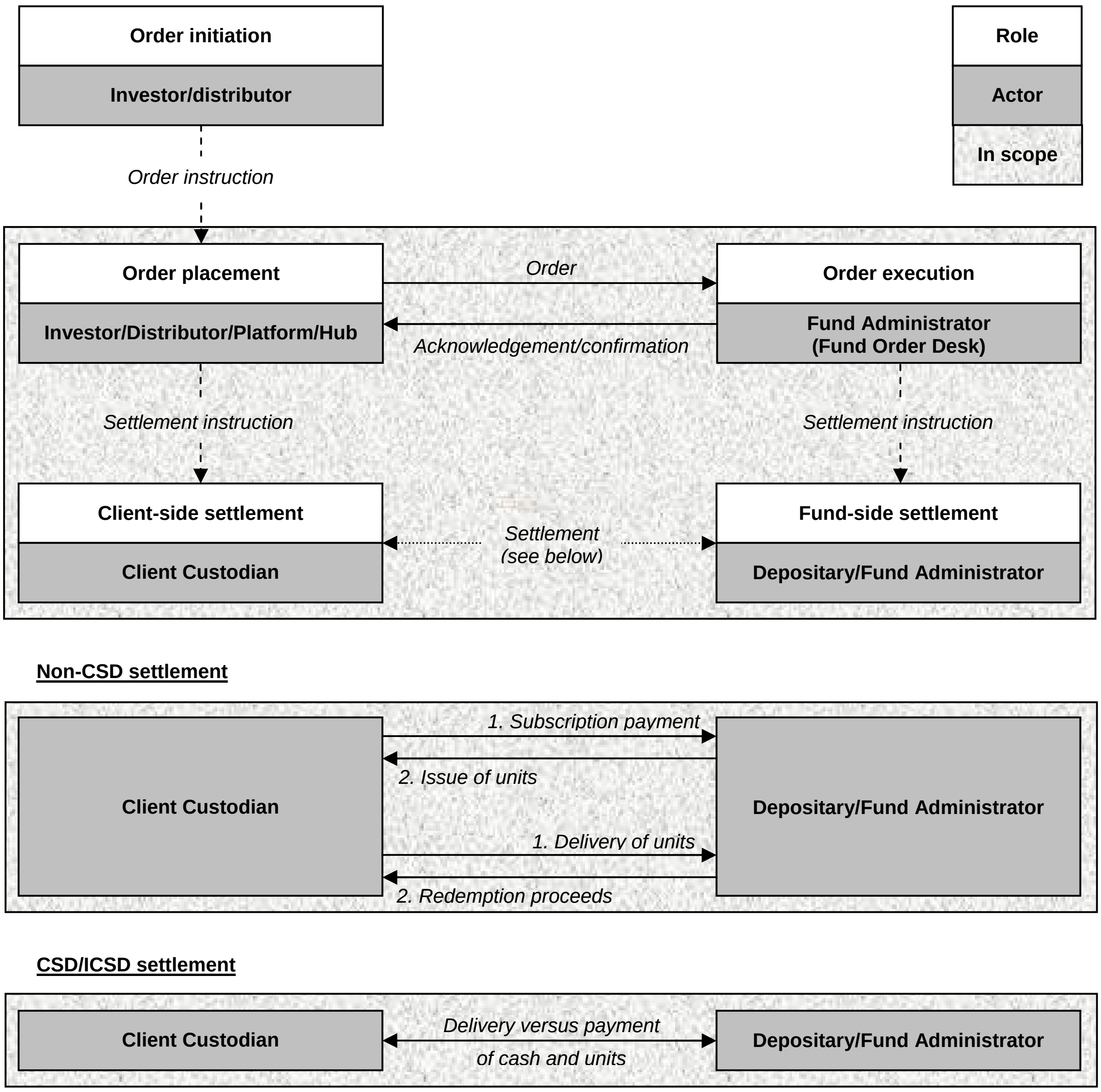

Figure 1

From the above, it can be seen that there are five discrete roles in the overall order and settlement process:

- *Order initiation* - initiation of the order by the end investor and communication through to the placement stage, directly or through one or more intermediaries.
- *Order placement* - communication of the order to the fund-side institution by the dealing function of the client-side institution and subsequent issue of the client-side settlement instructions.
- *Order execution* - receipt, acceptance and processing of the order by the fund-side institution as agent for the fund or (in the UK) as principal.
- *Client-side settlement* - arranging for payment to be made for units purchased or for title to be given up to units sold.
- *Fund-side settlement* - making or arranging the settlement of transactions on behalf of the fund or fund provider.

Note that a single actor may perform more than one role in the process.

The model has been reviewed against the operating practices in a broad range of European fund domiciles. Which actor executes orders on the fund side will vary - in many jurisdictions it will be the fund administrator, while in others it may be the depositary (eg. Germany) or a centralizing agent (France); in the UK the fund management company usually deals as principal on its own account and arranges for the issue and cancellation of units between itself and the fund. In most markets the final order placement will be undertaken by various types of institution (note that the focus of the FPSG is on communications between fund administrators and financial institutions - interactions that may take place with private investors are not considered in this paper).

In markets such as France and Germany, settlement occurs in the local CSD. Settlement can also take place in an ICSD. Otherwise, however, settlement occurs typically on the basis of payment or delivery by the client-side custodian, on receipt of which the fund-side institution will complete the process.

The order initiation and placement roles may be performed by the same actor or they may be separate entities that either communicate directly or through one or more intermediaries. Where multiple entities are involved they might, for various reasons over which the fund-side institution may or may not have any influence, choose to use proprietary interfaces. Given this, the FPSG's remit insofar as order processing is concerned is confined to the placement and settlement stages of the process (shaded). Nevertheless, all parties involved in the input and placement roles should be encouraged to ensure that orders are input electronically as soon as possible in the order chain, using the standards proposed.

4.2 Account opening and maintenance

Issues

Where client accounts are maintained by the fund-side institution, identification of the correct holder and holding, whether existing or new, is vital to the correct processing of an order.

At present, no market standard exists for the determination and allocation of completely unique holder references - both the client-side institution and the fund-side institution will have their own code.

There will be situations where the client-side institution does not know the relevant account reference, or where no holding exists at that stage. In such circumstances the intended account will be identified by reference to its registration details. The lack of a standard information set and format for these details can result in the creation of duplicate and incorrectly registered accounts, which in turn can lead to confusion and dealing errors in the future.

Recommendations

4.2.1 Where the transaction relates to an existing holding, the account (where relevant) should be identified by way of the fund-side institution's reference. Otherwise a standard set of registration details should be provided (see 4.2.3 below).

4.2.2 Transfer agency systems and fund registers should be able to accept and store account numbers or distributor references (where applicable) provided by client-side institutions, in order to allow proper identification of the holding. Uniqueness may be ensured by reference to the BIC code of the distributor associated with the account. In the longer term, an IBAN-type approach (with codes being issued by the client-side institution) should be considered for the purposes of establishing a unique account holder reference.

4.2.3 The industry should adopt a standard minimum set of account standing data[5], to be provided in relation to a new or existing holding for which the client-side institution does not have the holder reference.

4.3 Order placement

Issues

Orders are currently placed with the fund order desk by a variety of means, including post, telephone, fax, e-mail and proprietary electronic messaging.

With most of these methods, manual intervention and re-keying is required. As well as being resource intensive, variation in the content of instructions increases the risk of error and has a negative impact on the service levels provided to market counterparties and, ultimately to end investors. Errors occur due to the misquoting or misinterpretation of client details, fund

[5] To be considered by the FPSG and recommendations published in due course.

names and other transaction details, which are entered or provided manually, perhaps from abbreviated source information. The problem is made worse by the need for investors and their agents to communicate with different fund providers using a variety of communication methods. Note that the use of electronic communication and common messaging standards are recommended in section 3.3 above.

The institutions concerned will each allocate their own transaction reference to an order. However, this will usually mean nothing to the other party and so confusion can arise as to which order is being processed, particularly when multiple orders have similar details. As a result, confirmations may be mismatched against the original order and settlements can be wrongly applied.

A further problem area is the variability in valuation points and the associated dealing cut-off times between different funds. This both makes asset reallocation between funds difficult to co-ordinate and causes confusion for client-side institutions, which will need to meet different dealing deadlines depending upon the fund concerned. However, it is suggested that standardizing valuation points and cut-off times would create as many problems as it might solve - they are often set in order to avoid a concentration of activity at one point in the day and in some cases are determined due to the trading hours of the markets in which funds invest. However, client-side institutions should have easy access to information regarding cut-off points, which it is recommended should be included within the Fund Processing Passport (see recommendation 3.1.2).

<u>Recommendation</u>

4.3.1 Order instructions should include the client-side institution’s unique order reference. The fund order desk will, in turn, provide its own deal reference as part of its acknowledgement. All future messages regarding that order should contain both references in order that it may be correctly recognized by both parties.

4.4 Acknowledgement and confirmation

<u>Issues</u>

The majority of funds deal on a “forward” basis - the price of units is calculated at the next valuation point after the fund-side institution accepts the order.

This means that confirmation of an order (including the unit price etc.) will not usually be possible until some time after it is placed. Some, but not all, fund-side institutions undertake to acknowledge orders prior to the relevant valuation point, thus providing an opportunity to confirm that they have been received and correctly understood before the prices are allocated. However, these acknowledgements are often in a form that is proprietary to one party or the other and may not easily facilitate automatic matching by the client-side institution with the original order. In addition, acknowledgement currently may or may not represent acceptance of the order for execution.

Most fund administration systems generate confirmations at the end of the day on which the prices are calculated and allocated, for dispatch the following day. This means that the client-side institution will not receive formal confirmation of the transaction until that following day, or later if it is sent by post. Delays in receiving the confirmation may well delay the settlement process, incurring cost to one or other party.

Recommendations

4.4.1 Orders should be validated and acknowledged (which would indicate acceptance for execution) or rejected by the fund order desk as soon as possible after they are received (ideally within minutes).

4.4.2 Except where complete fulfillment of an order is conditional, under the terms of the fund, upon other orders transacted within the same dealing period, cancellation or amendment of the order should be permitted only by prior agreement between the client-side and fund-side institutions. Only orders that have been executed incorrectly by the fund order desk should be cancelled or amended after the dealing cut-off point, with the fund being compensated as appropriate for any adverse impact that may occur as a result.

4.4.3 Confirmations should be sent by the fund order desk as soon as possible after the prices have been allocated to the orders, and at the latest overnight following the close of that day.

4.4.4 Where a foreign exchange transaction is executed in connection with the transaction, details should be included within the confirmation message.

4.4.5 Client-side institutions should have mechanisms in place to identify discrepancies in the acknowledgements they receive as well as any unmatched orders or confirmations, which should be referred to the relevant fund order desk on the business day of receipt.

4.5 Settlement

Issues

The key issues with settlement are that various settlement mechanisms are used (cheque, electronic funds transfer, CSD/ICSD accounting) and that settlement timeframes can vary.

Uncertainty as to the settlement date is frustrating for both institutional investors and distributors and can have a consequent effect on their ability to settle subsequent purchases on time. There is pressure, given the context of funds within the wider European securities markets, for settlement to be harmonized around T+3.

Recommendations

4.5.1 Settlement should occur on a date that is predetermined by reference to the date of the transaction.

4.5.2 Settlement should occur on T+3 (where "T" is the date on which an order is priced) or earlier[6], according to the settlement cycles of a fund's underlying assets. In

[6] Money market and cash funds, for example.

exceptional cases, the nature of a fund's assets and the associated settlement timeframes may require a longer period.

4.5.3 Settlement for both subscriptions and redemptions should be made electronically between client-side and fund-side institutions or effected via a CSD/ICSD.

4.5.4 Payments should be accompanied by the relevant order reference(s) in order to facilitate reconciliation by the recipient.

5. HOLDING AND TRANSACTION REPORTING

During its initial investigations into the inefficiencies of dealing with investment funds, the FPSG identified three specific issues concerning the reporting of holdings (including valuations) and transactions to distributors and institutional holders:

(a) variable willingness from fund providers/administrators to meet custodians' requirements in terms of the frequency and timeliness of the reporting;

(b) inconsistency with regard to the format and content of the reporting, and in relation to the status of orders (dealt, settled etc.) that are included;

(c) lack of electronic reporting and inconsistency of message format.

There is a need, therefore, to increase the harmonization of basic reporting services provided by fund administrators to distributors and institutional holders. Figure 2 below illustrates the information flows that are within the scope of these recommendations:

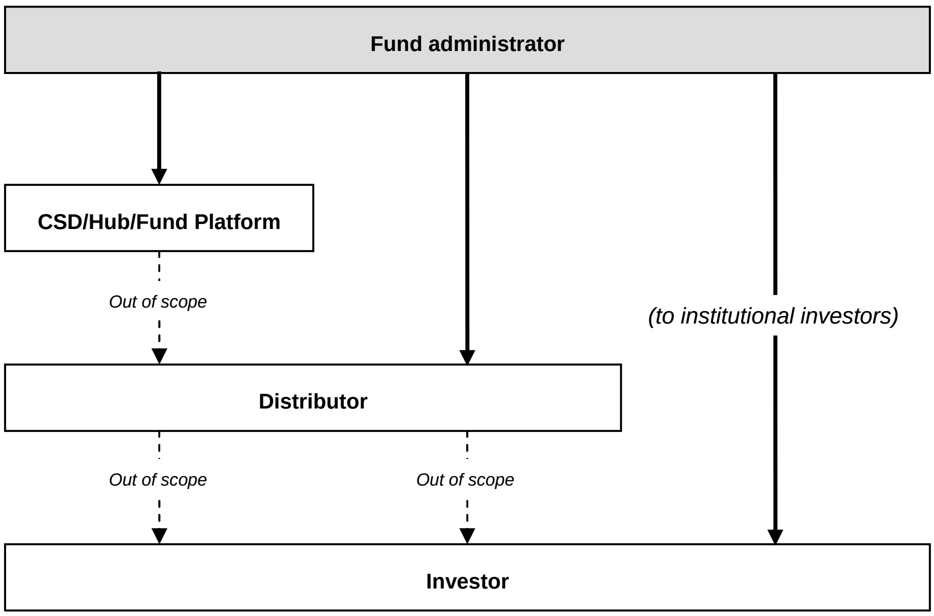

Figure 2

Note that communications between distributors and their service providers (eg. CSDs) or clients are not covered.

Recommendations

5.1 Fund administrators should offer reporting to distributors and investing institutions on at least a monthly basis. They may provide more frequent or ad hoc reporting by arrangement with the institution concerned.

5.2 Fund administrators should offer event-driven reporting (positions eligible for dividend and other corporate actions purposes) where required by the investing or distributor institution.

5.3 Holdings and valuations should be reported using both "traded" (orders that have been executed and priced but not yet settled) and "settled" (completed orders) positions, as required.

5.4 Valuations should be based on the last published price of the fund calculated prior to the statement cut-off.

5.5 Reports should be provided or available within 3 business days of the relevant statement cut-off date or ad hoc request.

5.6 Reports should be sent by the fund administrator or made available by them in a way that facilitates automated download by the recipient, using ISO message standards.

6. COMMISSION REPORTING

Issues

Distribution agreements between fund sponsors and distributors vary in content and format. However, they always provide at least for the remuneration of the distributor by way of fees or commissions, usually based on:

(a) a full or partial retention of fund entry charges (within limits set in the prospectus);

(b) one-off payment ("initial" commission) depending on the values of subscriptions, eg. to execution-only brokers; and

(c) ongoing payment of "trail" commission based upon the values of funds held.

These agreements also provide for the processing of orders according to specific contractual conditions.

Recommendations for the automated processing of commissions need to reflect market practices and fulfill the following needs:

- allowing the "commission calculation agent" (CCA), which may be the fund sponsor itself or someone else appointed by it, such as the fund administrator, to apply the right commission terms and fund charges to orders received from a distributor and communicate back the net amount to be paid on those orders;

- allowing the CCA to know at any time its obligations regarding the remuneration to be paid in relation to orders and holdings.

While the content and format of distribution agreements can be standardized to simplify remuneration processing, the calculation formulae to be used cannot be harmonized, as these are a matter for market competition. The automated processing of remuneration for fund distribution should not inhibit the commercial terms between the contracting parties, which will reflect their economic diversity. Note also that it is possible for a single distributor to agree different terms concerning the same fund.

As a prerequisite, funds that do not operate investor registers (eg. in certain CSD environments), need to be able to identify the individual distributors to whom trail commission is payable and to what they are entitled, given that investor custodians will in some instances commingle investments relating to multiple distributors in a single holding.

In addition issues surround the reporting by CCAs to distributors, to enable them to reconcile payments received to their own positions, as follows:

(a) variable willingness to meet distributors' requirements in terms of the frequency and timeliness of the reporting;

(b) inconsistency with regard to the format and content of the reporting, and in relation to the status of orders (dealt, settled etc.) that are included;

(c) lack of electronic reporting and inconsistency of message format.

<u>Recommendations</u>

6.1 Distribution agreements should be in place between the fund sponsor and anyone to whom front-end, trail or other commission is to be paid. These agreements should adopt a common framework and contain certain core information. The conditions applicable to the orders on which remuneration will be paid should be described in technical annexes to the agreement in order to simplify interpretation and implementation by the CCA and enable investor custodians or other distributors' delegates to understand their interests.

6.2 The fund administrator (and CCA, if different) should be advised of all such agreements and notified of any changes prior to the start of the commission calculation period.

6.3 Distribution agreements should describe a clear process to ensure that the correct and complete commission entitlement information with respect to holdings, transactions, and transfers is available to the CCA. This could for instance be achieved by:

(a) investor custodians maintaining segregated accounts with the fund administrator or on the fund register for the clients of each distributor, who may receive their remuneration from the CCA directly;

(b) investor custodians providing the CCA with breakdowns of their commingled holdings and transactions by underlying distributor in order for remuneration to be calculated; or

(c) the "deal marking" method, which requires distributors to mark each order to identify the relevant terms of distribution that should be associated with it - see 6.4 below.

6.4 Investor custodians should be able to identify distributor positions, either at the fund administrator or in their own records.

6.5 Distribution agreements should ensure that investor custodians only claim commissions on orders or holdings for which they are the distributor or executing agent.

6.6 Distributors should be identified by way of a BIC, plus an extension where required, to provide the necessary granularity. Where deal marking is used, in simple situations, when the distributor has only one basis of remuneration, the 'marking' can be composed only of the BIC. However, the BIC alone might not be enough in some circumstances and the distributor should be identified by an additional reference agreed by the contracting parties.

6.7 Orders should carry the relevant distributor's reference (as above) in order to facilitate the correct allocation and payment of remuneration. This reference should be carried throughout the process chain, by all intermediaries involved.

6.8 Transfers of units between distributors should be reported to the fund administrator/CCA irrespective of whether or not there is a change of custodian or how the holding is registered. The new distributor should be responsible ultimately for ensuring that the notification is made.

6.9 Initial and trail commissions should be reported separately due to the differing nature of the required detail.

6.10 Reports should be provided in association with periodic payment of commission. Ad hoc and periodic reports may also be provided in relation to payments accrued but not yet due.

6.11 Reports should be provided or available within 3 business days of the relevant statement cut-off date or ad hoc request.

6.12 Commission reporting should be sent or made available in a way that facilitates automated download by the recipient[7].

The FPSG will work towards a defined standard for the minimum information necessary to identify the individual distributors to whom trail commission is payable and to what they are entitled.

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[7] Reports should be available electronically in ISO 20022-compliant formats when they become available.

7. IMPLEMENTATION

EFAMA has taken a leading role in bringing together market participants to discuss and develop the recommendations contained in this paper and will continue to lead the European funds industry's efforts to identify further measures, as appropriate. Areas still to be considered include transfers of fund units between holders, income processing and other forms of corporate actions arising from fund mergers and restructuring.

Implementation, however, requires practitioner support from both fund providers/administrators and buy-side institutions. To that end, EFAMA continues to work actively with other international market associations and initiatives, most notably the International Securities Services Association (ISSA) and Eurofi, while national funds associations and corporate members of EFAMA are encouraged to endorse and adopt the recommendations form within the funds industry. EFAMA would also welcome greater buy-side participation and invites distributors to become involved in the continuing work of the FPSG.

In parallel with its adoption of ISO 20022 as the single messaging standard, EFAMA acknowledges the key role of the Securities Market Practice Group (SMPG) in developing harmonized market practice concerning the use of the various messages.

Figure 3 below highlights the relationships and mechanisms through which EFAMA seeks to develop its recommendations and promote their adoption.

Ultimately, all market participants are urged to examine their own policies and processes and move towards alignment with the recommendations contained within this document and to make appropriate investment in the automation of fund processing and adoption of the associated ISO 20022 standard messages.

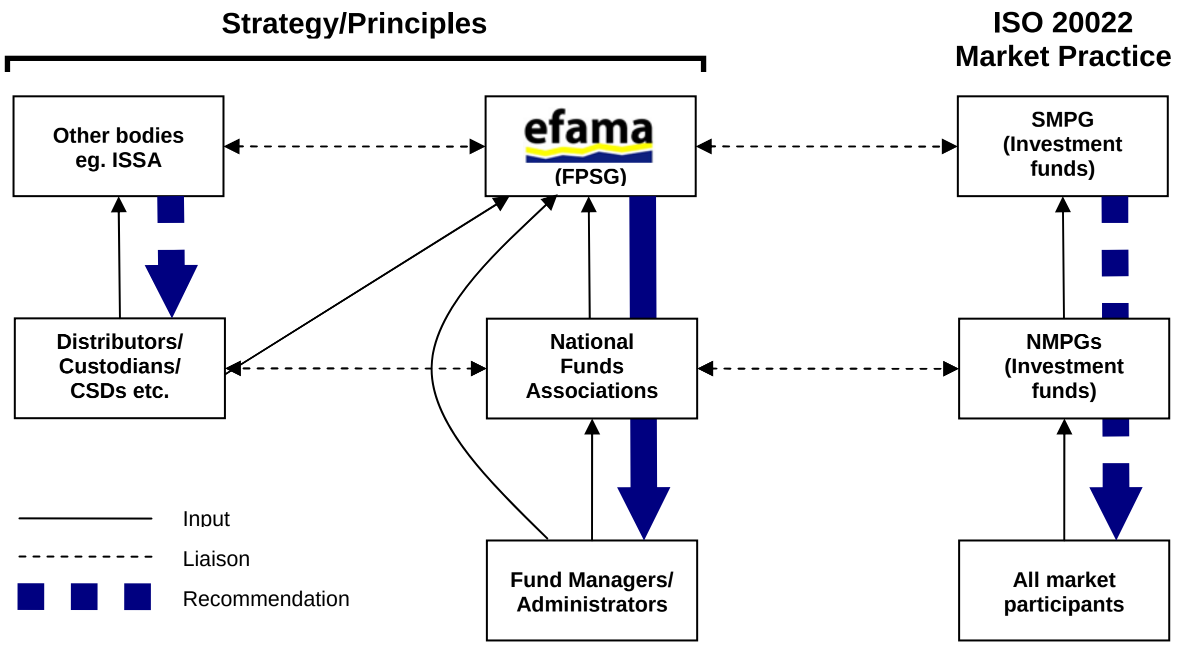

Figure 3

GLOSSARY

This glossary should be read in conjunction with the ISO 20022 Data Dictionary, which is available at www.iso20022.org and will be updated in due course to include items identified by the FPSG.

acknowledgement	a message returned by the fund-side institution to the client-side institution, which indicates that an order has been received and accepted for execution.
aggregator	a client-side institution that maintains a single holding in a fund on behalf of multiple clients, from whom it receives orders to deal and passes them to the fund-side institution as a single consolidated order (eg. fund supermarkets).
BIC	Bank Identifier Code - international standard (ISO 9362) reference code used to identify individual banks and other financial institutions.
Central Securities Depository	an entity which holds securities and other assets in order that domestic transactions may be effected for beneficial owners and settled by way of entries within its own books.
client-side institution	a financial institution that represents or provides services to the underlying investor in the order and settlement process - includes fund supermarkets and other distributors, as well as client custodians.
CCA	see "Commission Calculation Agent"
commission	remuneration paid to a distributor by the fund sponsor in connection with subscription orders and the continued holding of the units concerned (see also "initial commission" and "trail commission") .
commission calculation agent	person responsible for the calculation and payment of commission to distributors - usually the fund sponsor or someone (eg. the fund administrator) appoint by them for that purpose.
confirmation	a message returned by the fund-side institution to the client-side institution, which confirms the full details of an order that has been executed.
cross-border	activities connected to the distribution of funds in counties other than their home domiciles.
CSD	see "Central Securities Depository"
deal marking	a mechanism for identifying with each order the distributor

	to whom the order relates, for the purposes of future commission calculations (known in France as "marquage des orders")
distributor	a client-side institution that promotes to its customers the sale of units issued by funds of one or more fund provider and acts as the client's agent in the order input/placement process.
execution	the processing of an order by the fund-side institution through the fund's or its own books.
FPP	see "Fund Processing Passport"
fund administrator	an entity that carries out the administration functions for a fund or fund management company - includes the fund management company itself and transfer agent, as appropriate.
fund order desk	the function within the fund administrator that is responsible for the receipt and processing of fund orders.
Fund Processing Passport	a standard set of operational data in relation to a fund, which includes all of the information required by a client-side institution to place and settle an order.
fund provider	the fund management company or fund sponsor.
fund-side institution	a financial institution that represents or provides services to the fund in the order and settlement process - includes the transfer agent or fund provider, depositary and fund custodian.
hub	(a) a neutral infrastructure provider that receives orders from multiple client-side institutions and transmits them to the relevant fund-side institution; or (b) a client-side institution that collates orders from multiple clients and places them individually with the relevant fund-side institution.
IBAN	International Bank Account Number - an international standard (ISO 13616) reference code used to identify individual bank accounts.
ICSD	International Central Securities Depository - an entity which holds securities and other assets in order that cross-border transactions may be effected for beneficial owners and settled by way of entries within its own books (see also Central Securities Depository).

initial commission	commission paid once to a distributor in relation to a subscription order according to the value of that order.
investor custodian	a financial institution appointed by the investor or distributor in whose name (or nominee name) fund shares the investor's shares will be held (known in France as the Teneurs de Compte)
ISIN	International Security Identification Number - international standard (ISO 6166) reference code used to identify individual securities.
ISO	International Organization for Standardization (see www.iso.org).
national association	a representative organization, the membership of which consists (wholly or partly) of fund-side institutions.
order	a transaction to invest in or sell units in an investment fund (see also "subscription" and "redemption")
platform	a client-side institution that aggregates orders from multiple clients and places them with the relevant fund-side institution (see also "aggregator")
redemption	a transaction whereby units in a fund are sold back to the fund or fund management company.
register	the official record of holders of a fund.
settlement	the process of transferring the cash value of a transaction to or from the fund or fund management company in exchange for the registration or de-registration (as appropriate) of title to the units concerned - may be effected by actual movements between the client-side and fund administrator or via a CSD/ICSD
subscription	a transaction whereby units in a fund are purchased from the fund or fund management company.
TA	See "transfer agent"
trail commission	commission paid to a distributor on a periodic basis, calculated on the value of shares held by its client investors.
transfer Agent	a fund-side institution in many jurisdictions that executes the issue and redemption of units on the fund's behalf and usually maintains the register of title. In France the

equivalent entity is the "centralisateur", which does not maintain the register.

UCITS	an investment fund governed by national legislation established under European Council Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS), as amended.

ANNEX 1 MEMBERSHIP OF THE FPSG

Organization

Rudolf Siebel (BVI)	Chair of the FPSG
David Broadway (IMA)	Chair of the Transaction Best Practice Working Group
Michèle De Boe (SWIFT)	Co-Chair of the ISO 20022 Working Group
Bernard Delbecque (EFAMA)	Chair of the FPP Working Group and Secretariat of the FPSG
Caroline Prospéri (CACEIS)	Co-Chair of the ISO 20022 Working Group

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