



INVESTMENT FUNDS WORKING GROUP

WE NEED YOU!

ISITC North America is forming a new working group to evaluate the ISO 20022 suite of Investment Funds messages and to formulate Market Practice for the United States mutual funds market.

We are looking for experts in the Investment Funds business to participate in the working group and provide their expertise in all areas of a fund transaction. This includes members from transfer agencies, fund administrators, as well as investment fund managers and custodians. Come get involved to set market practice on behalf of the US!

The goal of the Investment Funds Working Group will be to increase efficiency in the process of distribution and settlement in the investment fund business. The main focus of this working group will be to define the process around Subscriptions and Redemptions. The working group is tasked with defining how the market works in the US; with outlining the business process and actors; and with defining the processes that take place in the Investment funds market. The initial focus will be on subscriptions and redemptions, confirmations and cancellations.

WHY NOW?

BECAUSE: Communication is still very paper-based and non-standard between the distributor and the transfer agent particularly in a cross-border environment. Centralized processing based on universal standards could provide them with the opportunity to take advantage of automation, without investment in infrastructure development.

BECAUSE: The global funds community comprised of distributors, transfer agents, and fund managers has joined together to come up with an open standard suite of messages that are ISO 20022 compliant. The messages cover entire transaction lifecycle, including orders (subscriptions and redemptions), transfers, and order confirmations, as well as pricing and valuation reports.

BECAUSE: Investments in and demand for mutual funds and unit trusts have risen dramatically in countries all over the world in recent years. Smaller fund complexes find themselves behind the curve in terms of the automation needed to keep up with the demand.

The global Investment Funds industry is not the first area that you think of when considering STP. However, while the equity and fixed income markets currently are enjoying the benefits of years of standardization, the lack of automation and universal standards within Investment Funds has resulted in an inefficient web of systems and networks across the various local markets that may work well on their own but have a limited degree of interoperability. ISITC will be joining a global initiative already underway to address the lack of standards in the communication of fund transactions between counterparties, whether they are for 'mutual funds', 'SICAV's' or 'Unit Trusts'.

The following industry trends are anticipated:

- The ISO20022 suite of messages will be adopted by Europe and Asia in order to keep up with increasing cross-border volumes and to remain competitive.
- Firms adopting the standard will leverage their existing SWIFT infrastructure to communicate the messages across the globe efficiently and with reduced costs. Those institutions not using the SWIFT network can still use the xml structured messages using other communications media.
- The investment funds industry will look more like the current equity trade environment, leading participants to find value-added services elsewhere, much as what happened to the global custody industry in the past decade.
- The investment funds industry will lead the way in adoption of open ISO20022 standards, with the securities markets to follow.

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Drivers for adoption of the ISO 20022 Investment Funds Messages:

Increasing volumes: The trend toward private investments in pensions across Europe and Asia, as well as the dramatic increase in wealth in those regions, has significantly increased transaction volumes. In order to remain competitive and provide superior client service, the industry needs to continue to move away from a fax-based environment, and automate remaining manual processes to achieve scale. Investors are becoming more sophisticated and want better reporting, quicker confirmations, and lower costs.



Harmonization: Increased cross border distribution in Europe, resulting from the UCITS (Undertakings for Collective Investments in Transferable Securities) directive of 1985, points to the need for a true pan-European market. In order to achieve a truly cross border market and take full advantage of the distribution opportunities that the directive anticipated, barriers in communication and inefficiencies need to be eliminated. The open standards could provide a common language for transmitting orders, confirmations, reporting and new account information quickly and efficiently.

Financial Risk: The adoption and piloting of the ISO standards has begun in Europe, Asia and Australia across the major financial institutions in the collective investment funds arena. Those that lag behind may find themselves behind the pack, and struggling to catch up.

Working Groups

Working Groups are a way for like-minded professionals to collaborate on a specific topic, such as Corporate Actions or Settlements.

All members can subscribe to any Working Group. By subscribing, you have the opportunity to publish and review the full set of documents appropriate to that Working Group.

In addition, you can choose in your Member Profile to select "Discussion Email Forwarding" for any groups that you are a member of. If you choose the email forwarding option, you will have all the online discussions for that Working Group forwarded to your email, with the ability to monitor all discussions and respond to them without having to come to the ISITC website.

Further, at each of our quarterly conferences, working group sessions are held, allowing members to actively participate in discussions in a face-to-face environment. Working groups are directly responsible for setting market practice and/or best practice to address specific industry issues.