

Optional earmarking of settlement instructions on funds using BIC11

Versioning	Version	1.0
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I. DESCRIPTION OF THE EXISTING PRACTICE & OF THE IMPACTS

Description of the existing practice	<p>The rise in open architecture has given rise to an acute need for standardization of the identification of distributors.</p> <p>Standardization on order flows involve:</p> <ul style="list-style-type: none"> ▪ a responsibility for transfer agents in the identification and application, when relevant, in order flows, of conditions on purchase/redemption fees as described in the fund distribution agreements; ▪ the need to process as much as possible the references of distributors, in order to ensure earmarking of orders. <p>This standardization can also apply to settlement instructions, for any investor wishing to process this optional data.</p> <p><i>Definitions relevant to the earmarking of orders</i></p> <p><i>The distributor reference</i> (BIC; or BIC One becoming BIC11 in T2S) is a market identifier, required by the distributor (who can outsource the management of the request to its custodian) to SWIFT. It can be used:</p> <ul style="list-style-type: none"> ▪ To signal the existence of an agreement between the management company and the distributor, giving access to derogatory conditions on purchase/redemption and/or trailer fees; ▪ To identify the distributor, for information, for commercial reasons. <p>It should be noted that the use of an earmarking through a BIC11 must be favored in order to allow for a single identifier by distributor, whatever the management company.</p> <p>Commitment from the transfer agent on distribution agreements</p> <p>In its role of centralizer of the orders, whereby he manages instructions from distributors identified by the management company, the transfer agent must:</p> <p><u><i>Apply derogatory conditions solely to orders which the management company has authorized.</i></u></p>
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**T2S Market Practice Adaptation Workgroup
Market Practice Sheet**



Practice reference: OP-SETTL-MARQUAGE-01

	<p>The transfer agent, upon receipt of an order mentioning a distributor reference, controls the data and applies the relevant distribution conditions, and will inform the management company.</p> <p>For durability purposes, the management of the distributor referential was entrusted to ESES CSDs, who handles the modifications, creations and deletions of BIC11.</p> <p>In the context of T2S, where orders can be processed without any earmarking reference provided by the investor, it would be convenient to have the opportunity to earmark settlement instructions. This earmarking would remain optional.</p>
<p>Description of the T2S impact</p>	<p>Within the framework of T2S, in the case the orders will be processed without earmarking by the investors, it could be interesting to have the opportunity to retrieve this earmarking in the settlement instructions.</p> <p>This element of earmarking remains optional.</p> <p>This market practice should be implemented on settlement instructions, for all investors wishing to process such optional earmarking data (BIC11). The objective is to have the same earmarking at the settlement level and at the ordering level, or to use the settlement processing to provide the information if it was not provided at the ordering level. This data will allow for the application of derogatory conditions or to adjust positions communicated to the management company.</p>
<p>Description of the major issue</p>	<p>The absence of a market practice at the settlement level only leaves the opportunity to provide the information at the ordering level.</p> <p>Objective: allow for a second level of earmarking of flows, thus facilitating the settlement of orders for which the information would not have been processed at the ordering level, possibly entailing mismatches.</p>
<p>Description of the roles and responsibilities of the actors involved (OPTIONAL)</p>	
<p>Workflows (OPTIONAL)</p>	
<p>Links with other market practices</p>	<p>MS-MATCH-CRITE-02</p>

II. RECOMMENDED MARKET PRACTICE

Recommended practice	<p>The recommendation is to process the identification of the distributor (BIC11) in the field 'client of the participant of the CSD' (see also the market practice 'Use of the optional matching field: Client of the CSD participant' or MS-MATCH-CRITE-02).</p> <p>It is important to extend this practice to cross-CSD operations, either as an intermediary in the transmission of orders on foreign funds, or as a Correspondent Transfer Agent or Local Transfer Agent for orders coming from foreign investors.</p> <p>The implementation of this practice at the international level should allow for a single market practice on the earmarking of orders in a CSD model.</p>
Reasons for the choice	<p>Optional market practice allowing for a second level of earmarking of flows, thus facilitating the settlement of orders for which the information would not have been processed at the ordering level, possibly entailing mismatches.</p>

Description of the roles and responsibilities of the actors involved (OPTIONAL)	
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Workflows (OPTIONAL)	
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III. IMPLEMENTATION

Implementation timeline	Before the migration to T2S	Upon go live on T2S	After the migration to T2S
	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Date: _____	Date: 12/09/2016	Date: _____