Optimization of the settlement of orders in amount on funds

Versioning	Version	1.0
	Publication date	April 6th, 2016

I. DESCRIPTION OF THE EXISTING PRACTICE & OF THE IMPACTS

Description of the existing practice	The French market has proposed this practice in order to allow for orders in amount when the prospectus authorizes it. The objective is to avoid fractions in a purchase/redemption in amount, and avoid mismatches, by getting as close as possible to the subscribed amount using the equation below.
	For the determination of the quantity subscribed, the transfer agent recommends the application of the following formula, for subscriptions in amount, as well as for redemptions in amount:

$$[\text{Subscribed quantity}]^{\text{ rounding decimals quantity}} = \frac{\text{Order amount}}{[\text{NAV} * (1 +/- \text{Fee rate retained by the fund} +/- \text{Fee rate retained by the manager})]^{\text{rounding 8 decimals}}}$$

The following table allows for the determination of the appropriate couple NAV / decimalization:

NAV lower then EUR 1,999	Decimalisation on 3 positions
NAV between EUR 2,000 and EUR 19,999	Decimalisation on 4 positions
NAV between EUR 20,000 and EUR 199,999	Decimalisation on 5 positions
NAV above EUR 200,000	Split corporate action to create

Description of the T2S impact	Practice to be implemented upstream of the CSD: no CSD impact, but considering the anticipated higher number of settlements in T2S in a CSD model, it is important to extend this practice to cross-CSD, 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. The extension of this practice at an international level would allow a limitation of disagreements on the net amount to be applied to the client.

Description of the major issue	Not implementing this practice would force professional in managing fractions outside of market systems, and would increase mismatches due to orders in amount.
	An optimal settlement rate in T2S can be reached through an harmonization of market practices upstream of T2S, notably the harmonization in the number of decimals function of the size of of orders in amount: this is a common subscription practice across Europe.
	Objective: reduce the number of additional cash movements.

Description of the roles and responsibilities of the actors involved (OPTIONAL)	

Workflows (OPTIONAL)	

Links with other market practices	

II. RECOMMENDED MARKET PRACTICE

Recommended practice	The French market has proposed this practice in order to allow for orders in amount when the prospectus authorizes it. The objective is to avoid fractions in a purchase/redemption in amount, and avoid mismatches, by getting as close as possible to the subscribed amount using the equation below.
	For the determination of the quantity subscribed, the transfer agent recommends the application of the following formula, for subscriptions in amount, as well as for redemptions in amount:

$$[\text{Subscribed quantity}]^{\text{rounding decimals quantity}} = \frac{\text{Order amount}}{[\text{NAV} * (1 +/- \text{Fee rate retained by the fund} +/- \text{Fee rate retained by the manager})]^{\text{rounding 8 decimals}}}$$

	The following table allows for the determination of the appropriate couple NAV / decimalization:

NAV lower then EUR 1,999	Decimalisation on 3 positions
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NAV above EUR 200,000	Split corporate action to create

Reasons for the choice	Practice to be implemented with consideration to the anticipated higher number of settlements in T2S in a CSD model:

	it is important to extend this practice to cross-CSD, 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. The extension of this practice at an international level would allow a limitation of disagreements on the net amount to be applied to the client.

Description of the roles and responsibilities of the actors involved (OPTIONAL)	

Workflows (OPTIONAL)	

III.   IMPLEMENTATION

Implementation timeline	Before the migration to T2S	Upon go live on T2S	After the migration to T2S
	☐ Date: _____	☑ Date: 12/09/2016	☐ Date: _____