

UK Fund Trading and Settlement initiative

Progress update

FTS Programme team

8 December 2016

Agenda

00:00 – 00:05	Welcome and Introductions	<i>Ed Dymott</i>
00:05 – 00:15	Reminder of FTS initiative	<i>Ed Dymott</i>
00:15 – 00:30	Overview & conclusions from RFI process	<i>Ed Dymott</i>
00:30 – 00:35	Introducing next steps	<i>Ed Dymott</i>
00:35 – 01:20	2017 programme structure and up date	<i>Programme leads</i>
01:20 – 01:30	Wrap up	<i>Charles McCready</i>
01:30 – 02:00	Open Q&A session	<i>Charles McCready</i>

Objectives of this session

1 Remind you of why this initiative was set up

2 Update you on progress to date

3 Outline next steps

4 Get your support

5 Answer any questions or concerns

Project overview

Why did we start FTS?

Drive efficiency in the distribution of mutual funds within the UK

- ▶ High levels of complexity and still manual processing in fund distribution
- ▶ Lack of agreed common standards
- ▶ Adoption of solutions is slow and challenging
- ▶ Need to reduce cost, complexity and risk

FCA Asset Management Market Study



- The FCA initiative AMMS is focussing on competition and market efficiency
- There is a need for the industry to respond
 - Drive efficiency in lower fee world
 - Demonstrate it has the infrastructure and initiatives to take action
- The FTS initiative is helping to drive efficiency and industry collaboration around fund distribution

Provider firms

Over 20 leading providers supporting initiative



Supporting firms

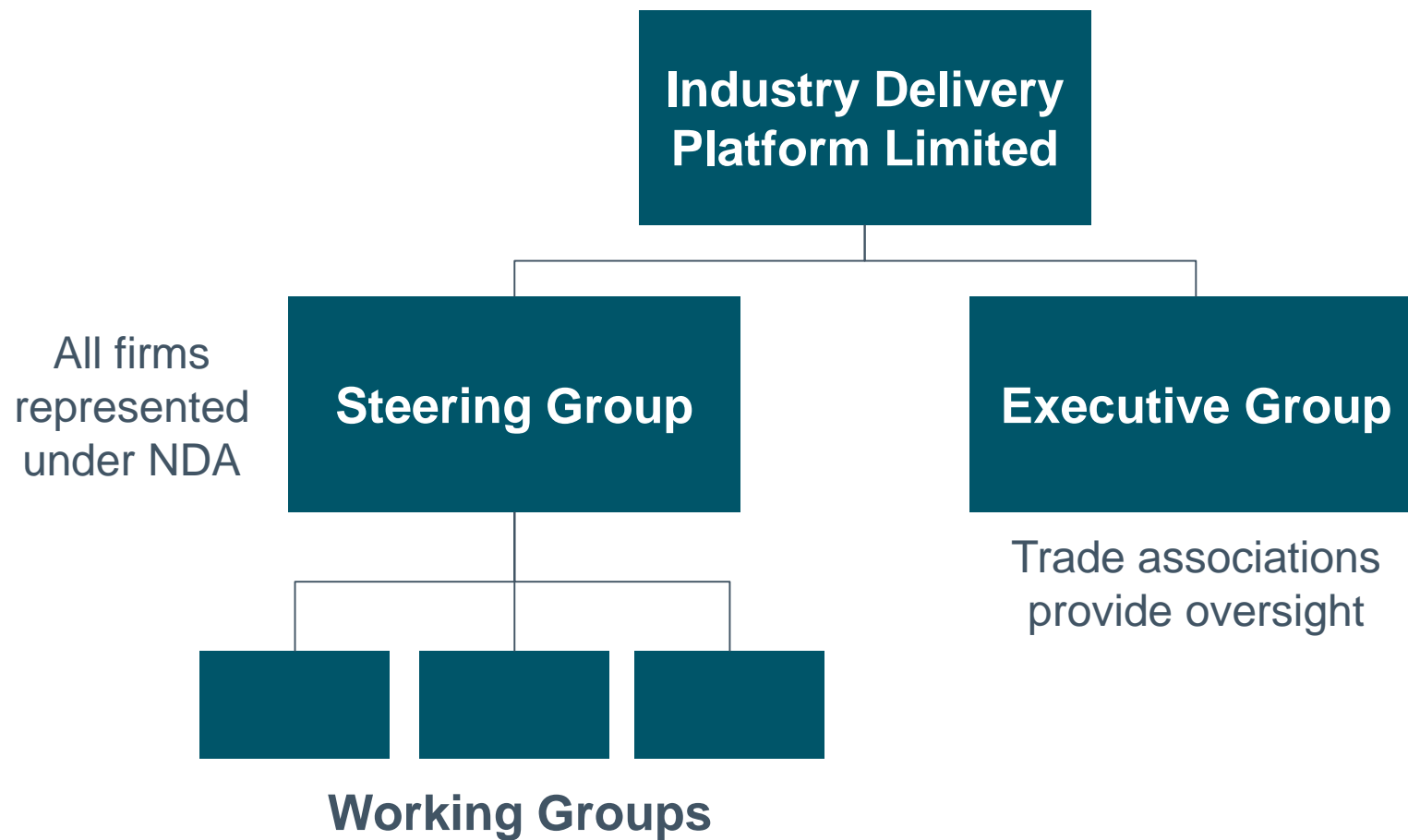
Coordinating with the 5 leading Trade Associations



Supported by 3 professional services firms



Current structure



Success principles

8 principles underpin the initiative

1

Increase operational efficiency

2

Reduce total industry costs

3

Reduce risk

4

Enable different business models

5

Drive common standards to improve accessibility

6

Create future proofing

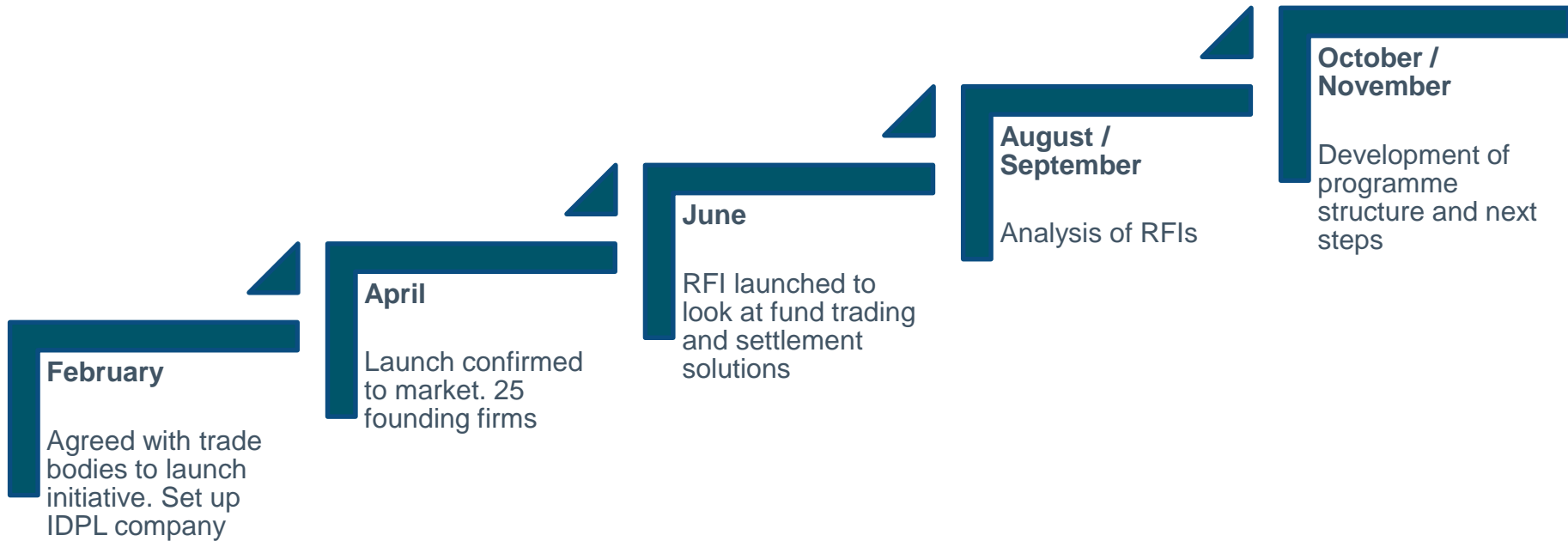
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Deliver quick, incremental benefits

8

Put in place appropriate governance

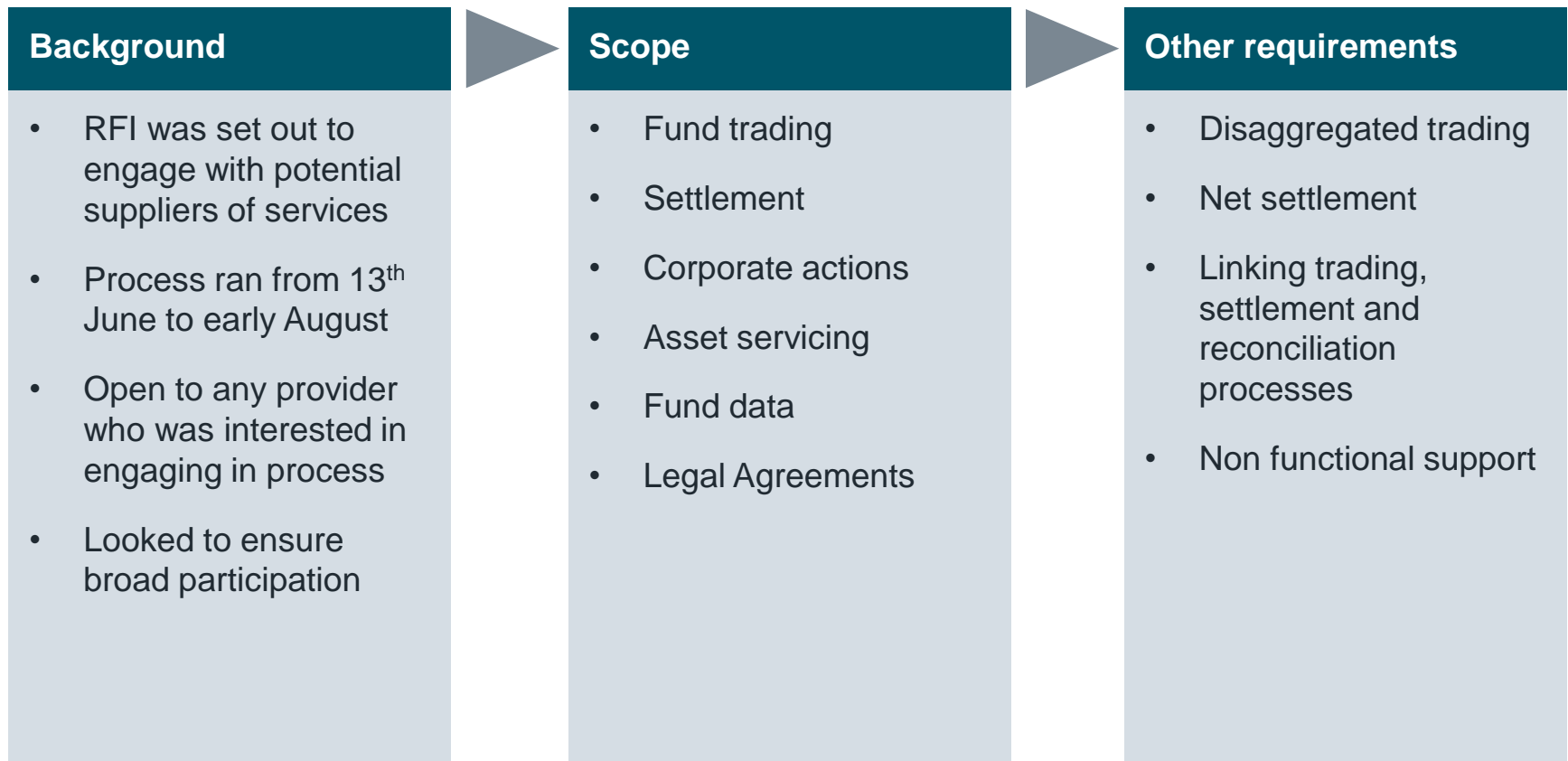
Timeline of progress to date



2016

RFI Overview

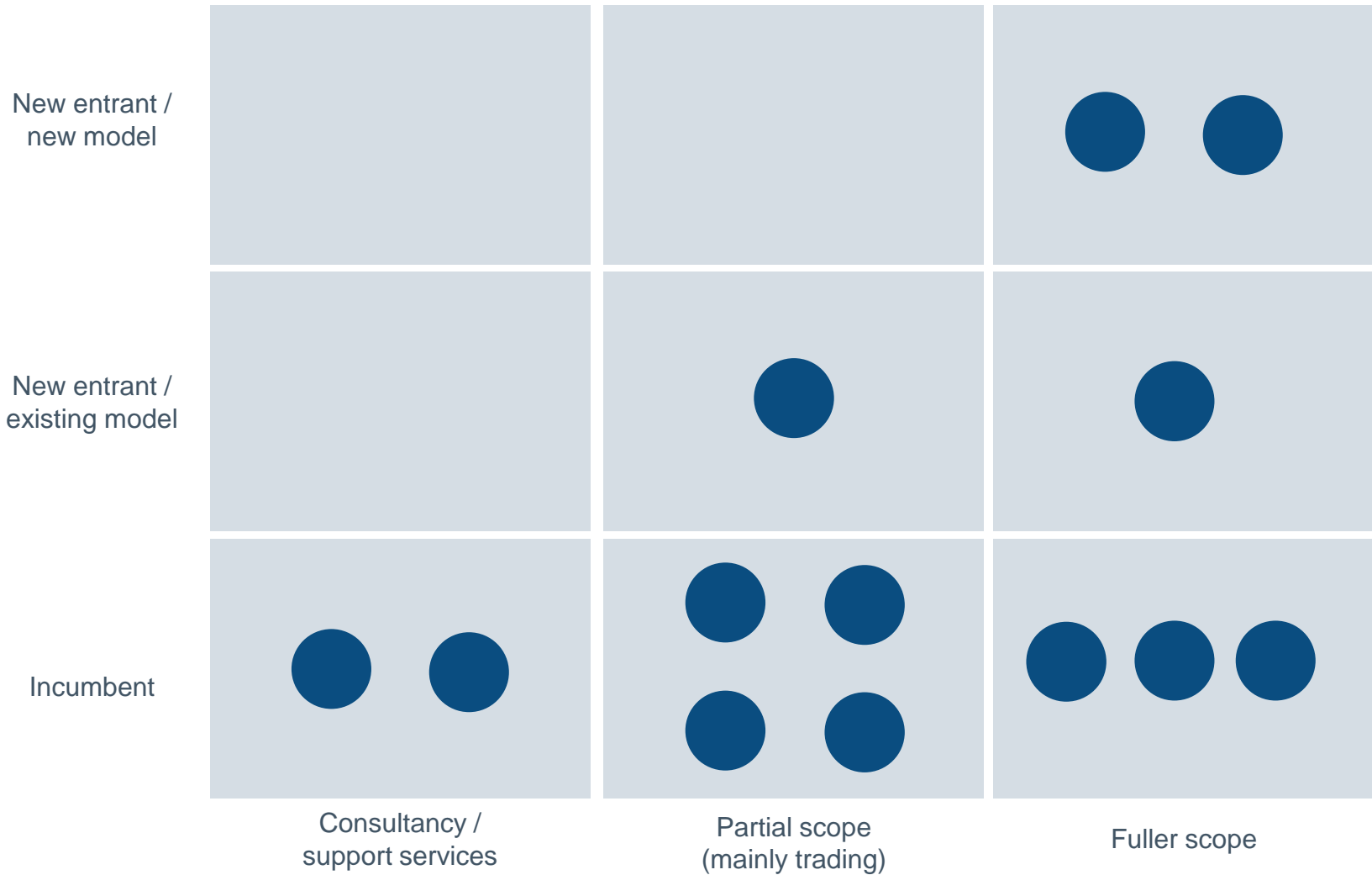
RFI background



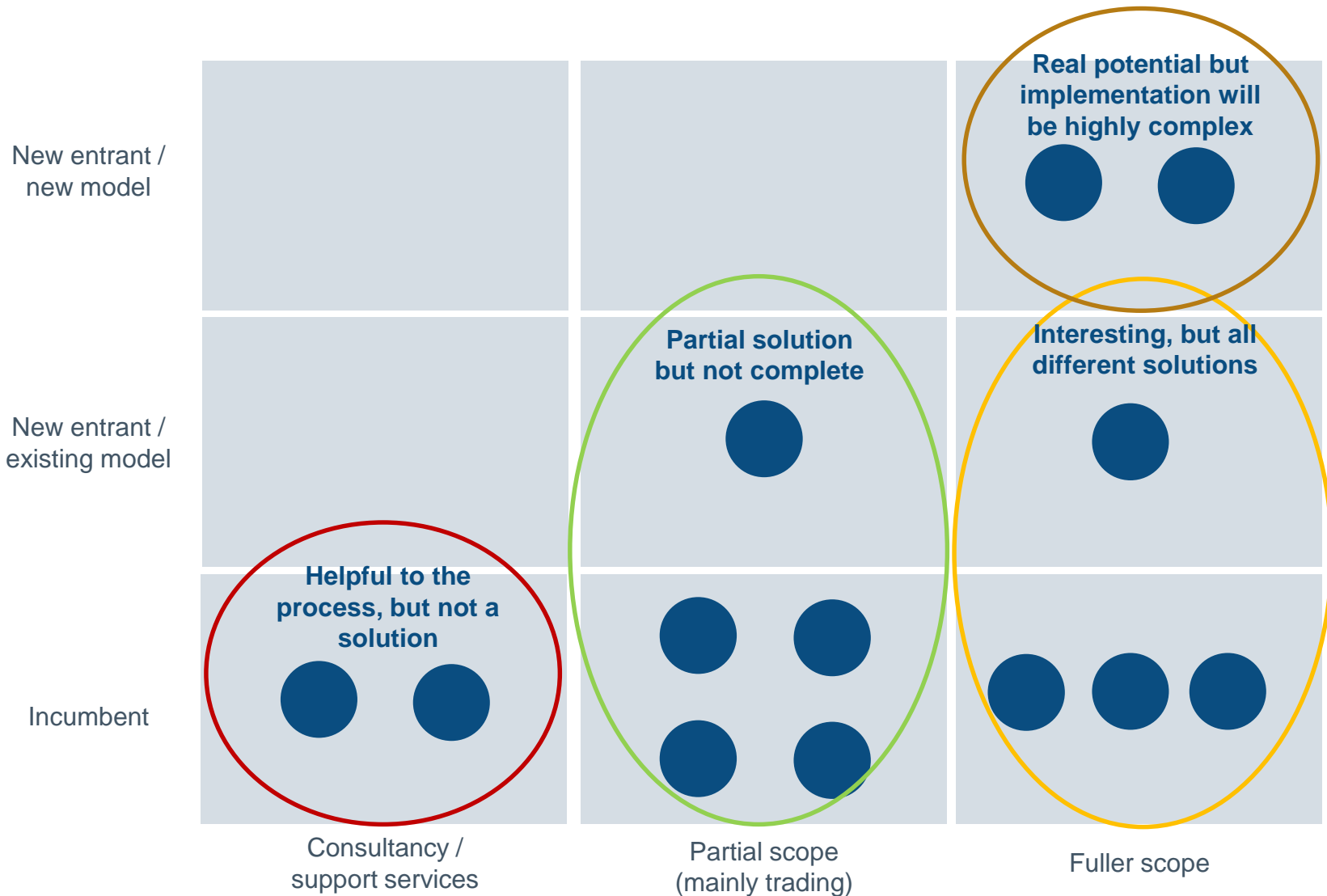
What we got back

- 15 providers expressed an interest, 13 responded formally
- Mixture of existing providers, providers from other markets, and completely new start ups
- Around 2000 pages of content (thanks!)
- Mixture of responses – some very full comprehensive solutions – some more discussion led

How the solutions varied



How the solutions varied



Key learnings

- ▶ Alignment around problem / opportunity
- ▶ No complete solution in the market today
- ▶ Mixed maturity in different offerings / scope
- ▶ Previous attempts to do this haven't worked
- ▶ Limited innovation and lots of debates around future technology solutions e.g. Blockchain

What RFI responders told us

- ▶ Desire for more common open standards
- ▶ Concerns over single utility model limiting innovation and competition
- ▶ Most of the solutions already exist – and should be leveraged to get quick benefits
- ▶ Adoption is critical issue to solve to create scale and efficiency
- ▶ Industry governance and decision making needs improvement

Conclusions from RFI process

- Hugely valuable exercise as it has enabled
 - Awareness of opportunity and engagement with the industry
 - Understanding of different business models
 - Understanding of key issues
 - Started to think about potential future state
- Scope of initiative was very broad (possibly too broad)
 - Allows next steps can be focussed on to specific high priority issues
- Some areas of scope no longer required
 - Disaggregation not required – but more flexibility definitely an area of interest

Introducing the next steps

The FTS initiative will continue to progress in 2017

1. More tightly focussed scope

2. Move to “implementation”

3. Seeking to develop quick wins in 2017

4. Broaden membership

Programme will be broken down into 6 key initiatives

1. Industry standards & governance

John Salmon
(Hogan Lovells)

2. Fund trading

Phil Hine
(Old Mutual)

3. Fund Settlement

Christopher James
(FNZ)

4. Fund data & pricing

Jon Thompson
(Zurich)

5. Service level agreements

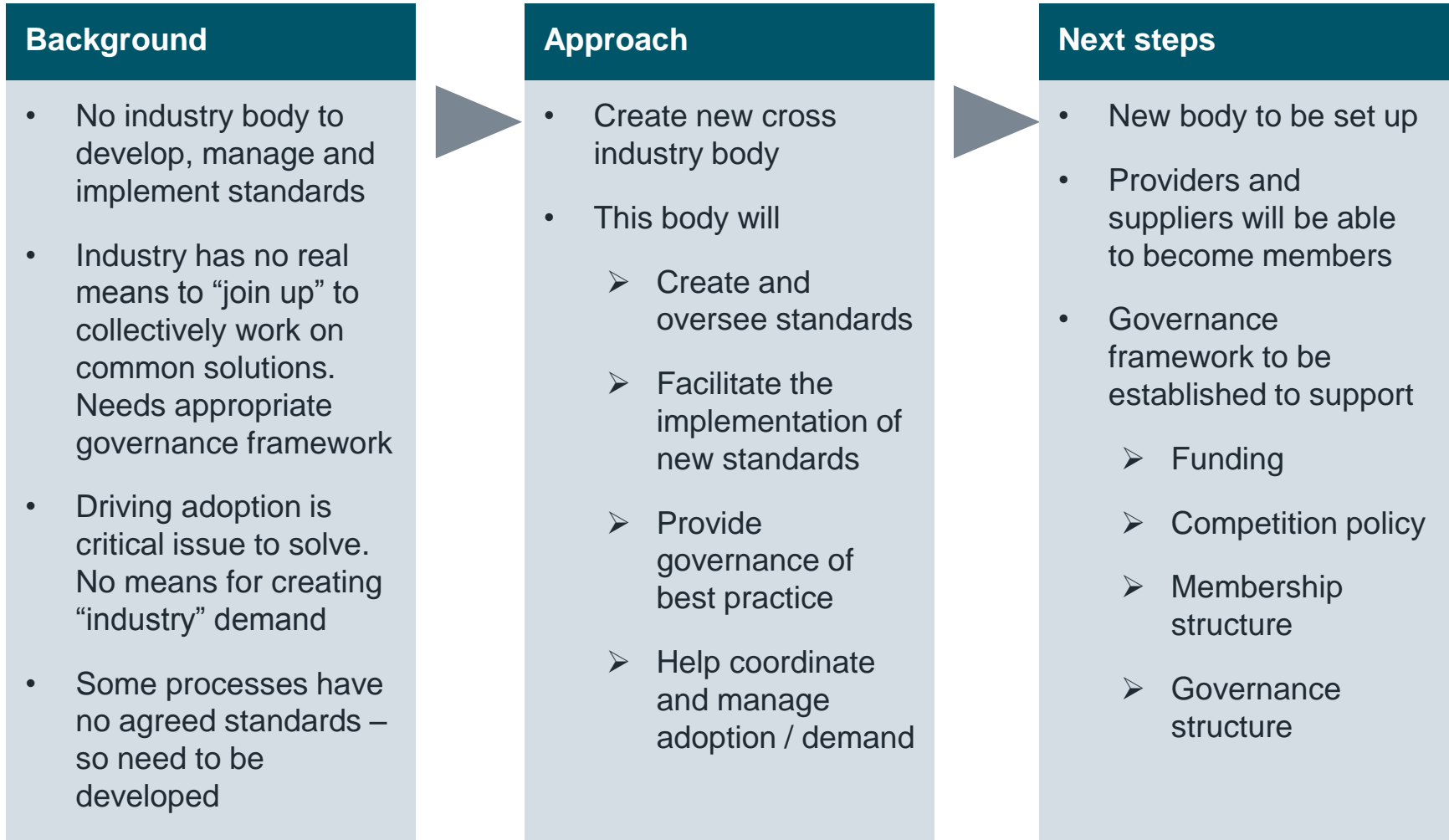
Danny Wynn
(Fidelity)

6. Future technology application

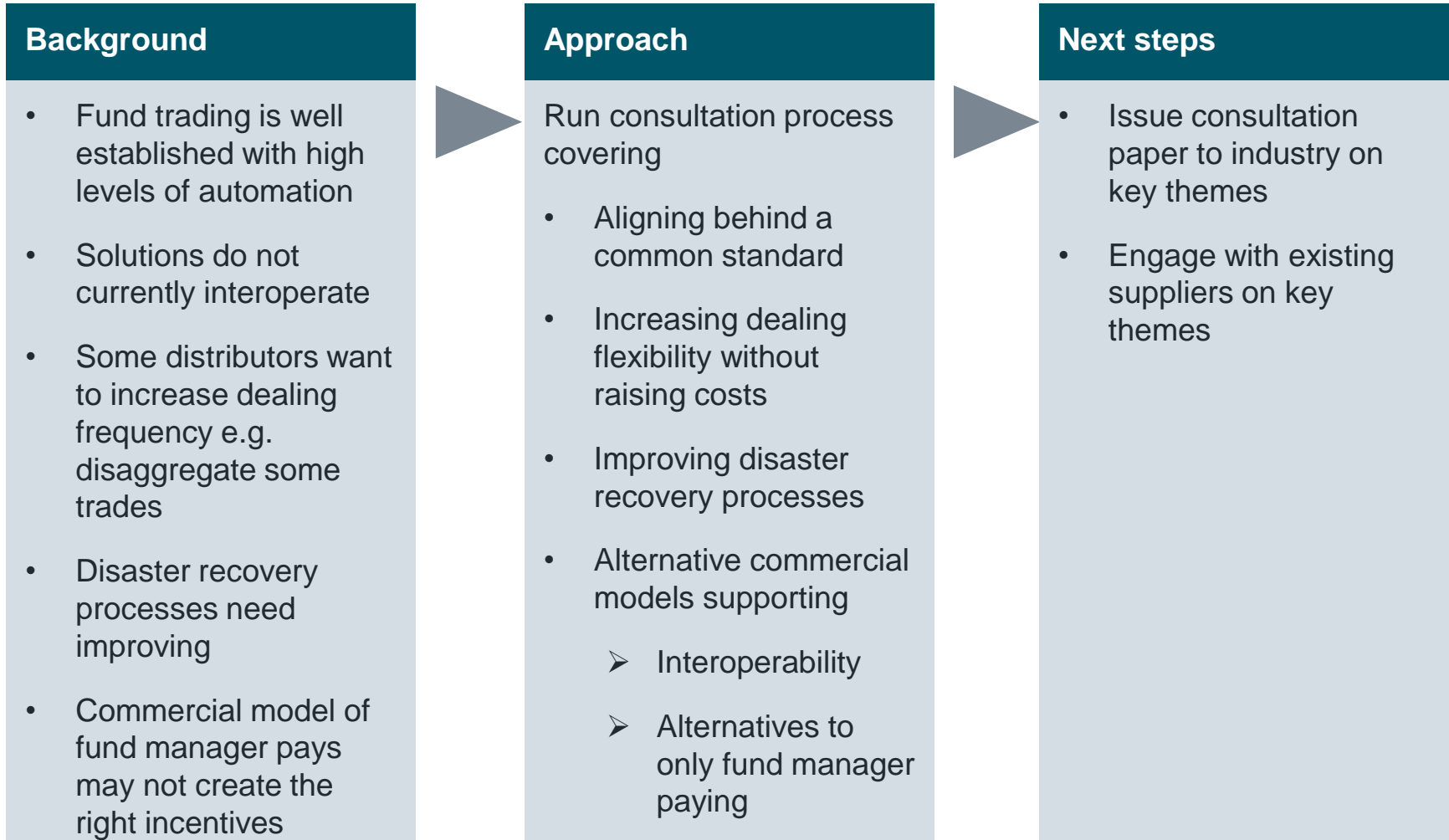
Charles McCready
(FTS)

Overview of initiatives and approach

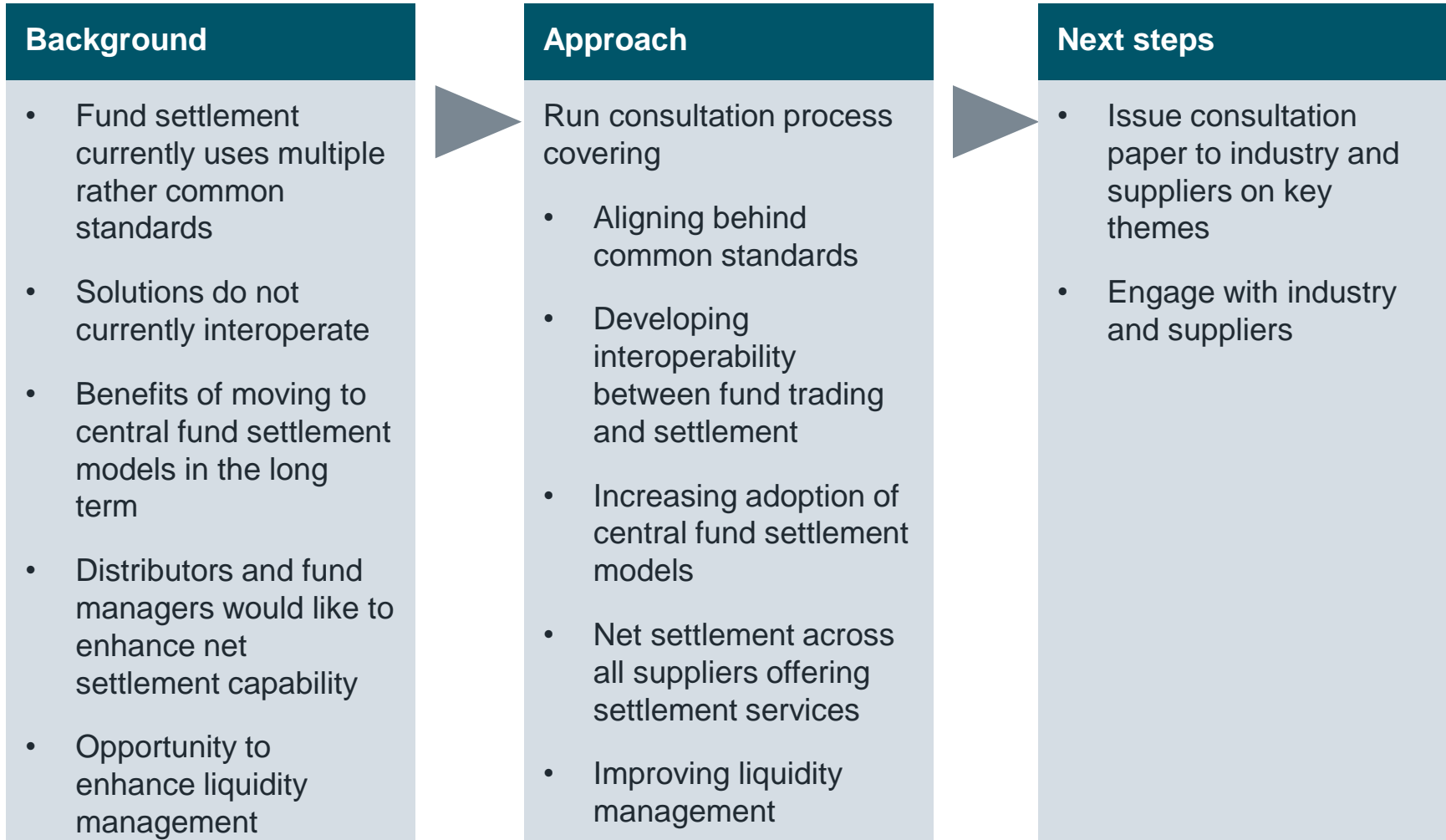
1. Industry standards and governance



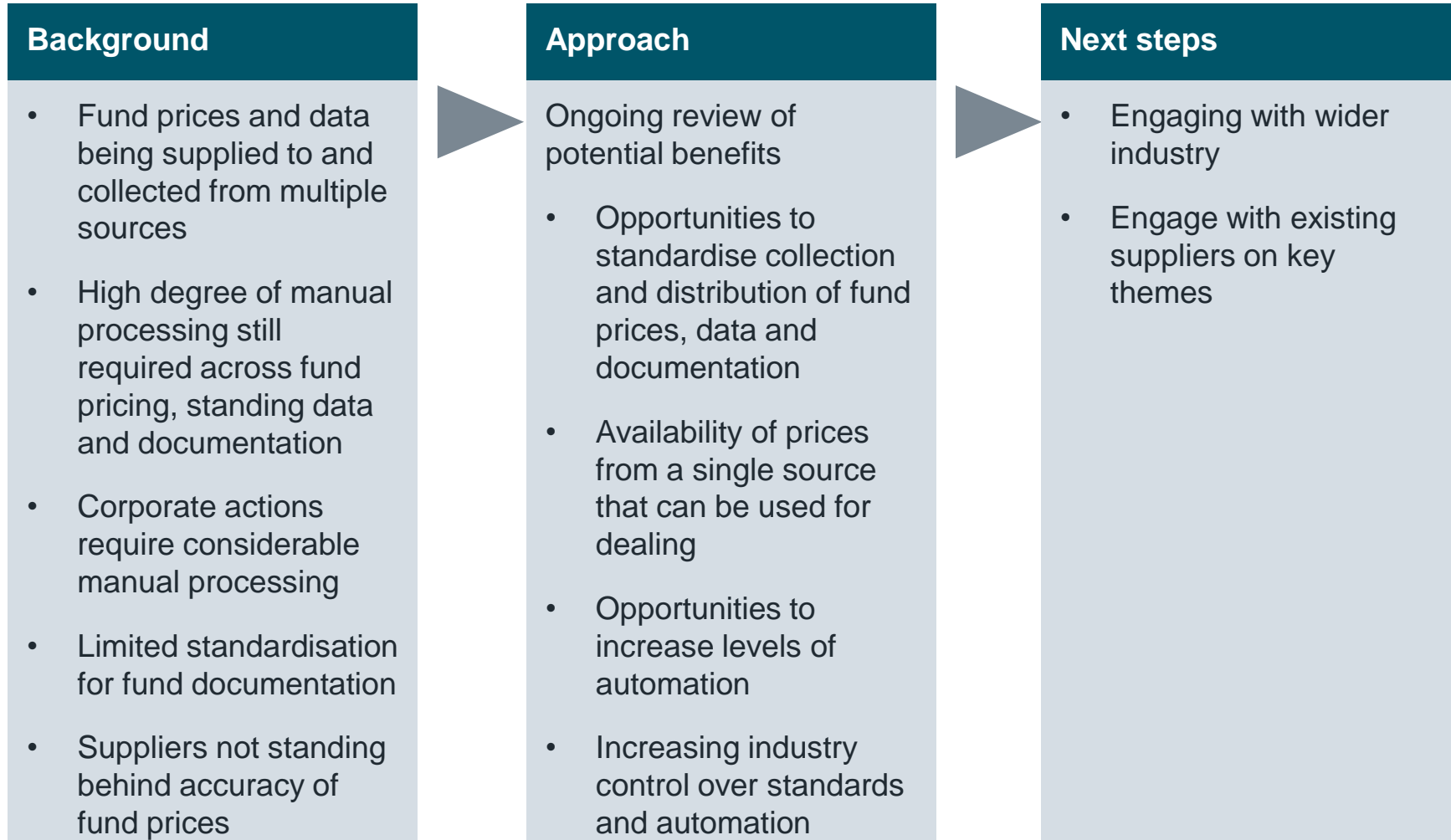
2. Fund Trading



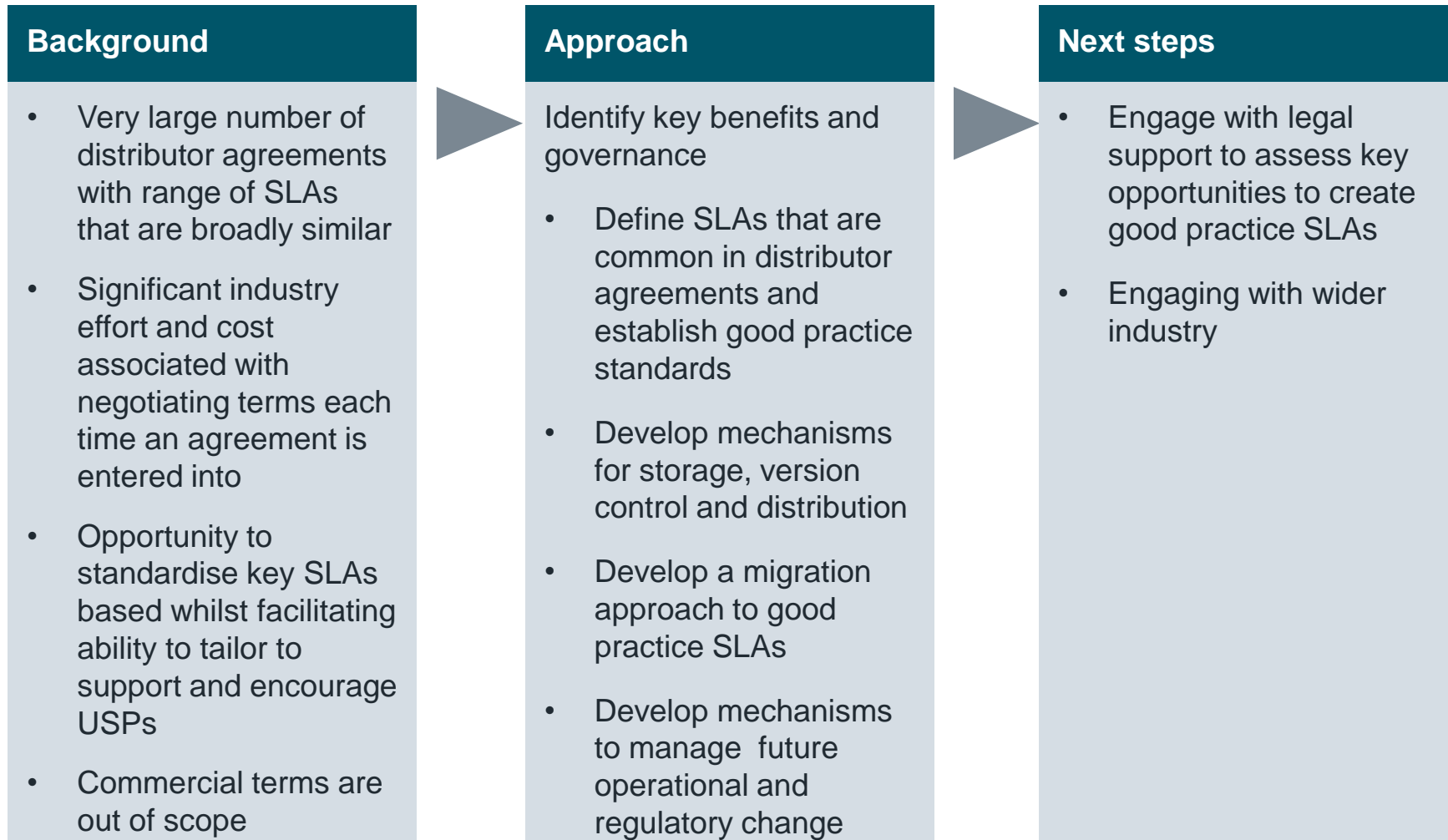
3. Fund Settlement



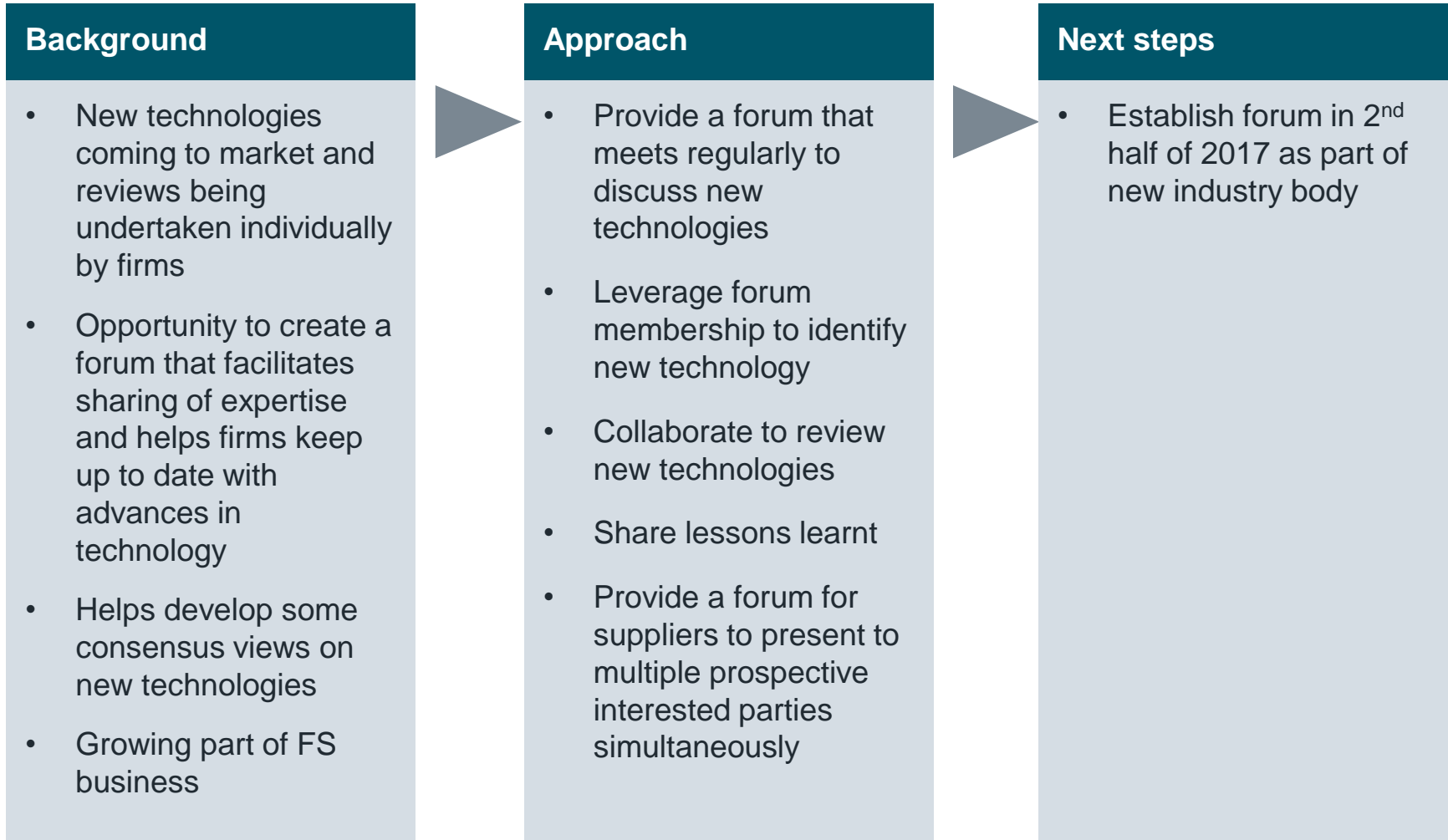
4. Fund pricing and data



5. Service Level Agreements



5. Future Technology Application



Next steps

- ▶ Programme will progress 5 workstreams in parallel. Future technology group is being deferred for time being
- ▶ IDPL will provide support to the project whilst the future role of the new industry body is defined - will also be looking across other initiatives that involve industry standards
- ▶ Consultation on fund trading to start in January 2017
- ▶ Consultation on fund settlement to start in January / February

Next steps

- ▶ Initial fund pricing, data and documentation review completing in early 2017 followed by wider engagement with industry and suppliers
- ▶ Review of opportunities to standardise SLAs to be undertaken in early 2017, followed by wider industry engagement and proposals for implementation
- ▶ Ongoing engagement with FCA and Treasury

FTS membership

Opportunity to join the FTS Steering Group



Extending FTS membership in 2017



Contact Ed Dymott, Phil Hine or Charles McCready

Questions ?