



Treatment of subscription and redemption orders under UCITS IV

CSSF Regulation no. 10-4: Article 16 – Recording of subscription and redemption orders				
Information Required	Mandatory	Understanding of the item	Market practice pre- UCITS IV	Current/Proposed Best Market Practice
1. A management company should take all reasonable steps to ensure that subscription and redemption order received are centralized and recorded immediately after receipt of any such order	YES	Recording immediately any order received	YES audited activity	As per standard market practice of the processing of transactions, a transfer agent determines the appropriate time that is necessary time to record the orders considering volumes of orders, method of receipt (electronic or paper) and cut off time, as applicable for each Fund that they administer.  The Transfer Agent ensures that all orders to be processed are held securely and processed on time as per the fund' cut off time, as determined in the fund prospectus.  All orders are recorded within Transfer Agency applications i.e., the TA system.
2. That record shall include information on the following:				
a) the relevant UCITS;	YES	The name of the UCITS share class	YES Audited activity	Orders, when recorded in the TA system, are applied to the relevant fund and share class.
b) the person giving or transmitting the order;	YES	The investor and order giver name	YES Audited activity	The information that is recorded in the TA system corresponding to <i>the person giving or transmitting the order</i> is described as: <ul style="list-style-type: none"> <li>- is the investor name as it appears in the registered account</li> <li>- an duly authorised intermediary acting on behalf of the investor</li> </ul> Those records are held in the TA system and shareholders register and copies of the order kept, be it manual or electronic. All orders received are maintained as instructed.  As a consequence the name of the order giver is available through the TA system or investor file.



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c) the person receiving the order;	YES	The person receiving the order at the Transfer Agent	YES Audited activity	<p>For orders that are received in a paper form, it is standard market practice within the TA function that an audit trail is maintained in each step of the order being manipulated throughout the order process, from receipt, to processing to quality controls. Therefore, a received order is stamped by an administrator at each step, whether it is done via an imaging system or on paper, passed physically from one administrator to another.</p> <p>The TA system stores the User ID of the person recording the order and of any other person modifying the order recorded for the purpose of audit trail.</p>
d) the date and time of the order;	YES	The date and time of receipt of the order at the Transfer Agent	YES Audited activity	<p>The Transfer Agent already records this information as part of the transaction entry process in the TA system and other corresponding applications which feed into the TA system such as electronic transmission facilities, imaging and workflow, document management workflow systems.</p> <p>The following information is thus kept depending on how the order has been received:</p> <ul style="list-style-type: none"> <li>- date and time stamped on the order by the fax machine when received via fax (and information carried over electronically for instance in an imaging/workflow processing environment),</li> <li>- Date and time stamped at the time of receipt of paper orders received via post.</li> </ul>



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e) the terms and means of payment;	YES	The payment instructions of the investor and of the fund	YES Audited activity	<p>Payment instructions of the UCITS are available through the prospectus or UCITS application form. These instructions are stored in the TA system at the Fund level, in the Fund static data.</p> <p>Payment instructions and means of payment from the investors are recorded through the Fund application form duly completed and signed by the investor. This information is typically stored in the TA system's fund register, in the investor's register.</p>
f) the type of order;	YES	Subscription, redemption, switch, transfer, ...	YES Audited activity	Transfer Agent is recording this information when encoding the order in the TA system.
g) The date of execution of the order;	YES	The trade date	YES Audited activity	The trade date is recorded once the order has been entered in the TA system according to the date and time of receipt of the order versus the cut off time applicable to the Fund.
h) the number of units subscribed or redeemed;	YES	The number of units/shares subscribed or redeemed	YES Audited activity	The number of units or shares are recorded accordingly in the TA system if the order has been placed in units or shares by the investor otherwise the number of units/shares are calculated once the NAV has been received if the order has been placed in cash amount.
i) The subscription or redemption price for each unit;	YES	The price used for calculating number of shares/units subscribed or redeemed	YES Audited activity	This information is recorded in the TA system at the time of the execution of the order once the NAV per share has been received. The price used to calculate the shares subscribed or redeemed is not necessarily the NAV per share.



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j) <b>The total subscription or redemption value of the units;</b>	YES	The cash amount/value subscribed or redeemed corresponding to the number of shares/units subscribed or redeemed	YES Audited activity	The value of units or shares are recorded accordingly in the TA system if the order has been placed in cash amounts by the investor otherwise the cash amounts are calculated once the NAV has been received if the order has been placed in shares/units.
k) <b>The gross value of the order including charges for subscription or net amount after charges for redemption;</b>	YES	The net amount, commissions and gross value of the order	YES Audited activity	This information is recorded in the TA system at the time of the execution of the order once the NAV per share has been received.



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CSSF Regulation no. 10-4: Article 27 - Reporting obligations in respect of execution of subscription and redemption order					
Information required	Mandatory	Media	Understanding of the information	Market practice pre UCITS IV	Current/Proposed best market practice
<p>1. Where management companies have carried out a subscription or redemption order from a unitholder, they must notify the unitholder, by means of a durable medium, confirming execution of the order as soon as possible, and no later than the first business day following execution or, where the confirmation is received by the management company from a third party, no later than the first business day following receipt of the confirmation from eh third party.</p> <p>However, the first sub-paragraph shall not apply where the notice would contain the same information as a confirmation that is to be promptly dispatched to the unitholder by another person.</p>	YES	All	Transaction confirmation – Medium and delivery of the Contract Note to the investor	YES Audited activity	<p>One of the main duties of the TA in sending of information to investors is the reporting of the execution of transaction orders. The standard market practice of the fund industry as a whole of reporting transaction orders to investors is the delivery of a “Contract Note” or Confirmation.</p> <p>For the purpose of this paper, we will refer to the Contract Note that is the process and means by which we confirm that a fund order has been executed. This is a standard market practice today.</p> <p>The Contract Note<sup>1</sup> thus serves as a confirmation of the agreement between the investor of the Fund in respect of the execution of fund transactions, as requested by the investor. The Contract Note confirms the execution of a said order to the underlying investor with information that is standard market practice today. These information requirements are mostly listed in Article 27, however, some additional information is now required under the UCITS IV regime.</p> <p>In any case, it should be considered here that this caption is in line with the general Luxembourg market practice of a Luxembourg-domiciled UCITS whereas the fund prospectus typically refers to confirmation of an order within 24 hours of the order being placed.</p>
2. The notice referred to in paragraph (1) shall, where applicable, include the following information:					

<sup>1</sup> Appendix 3: Sample Contract Note



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<b>3. The notice referred to in paragraph (1) shall, where applicable, include the following information:</b>					
<b>a) the management company identification;</b>	Yes, where applicable	Fax, email, courier	Full legal name of the Management Company	<b>NO</b>	<p>The Management Company identification can be recorded and made available in the TA system in the fund static data, as and when required by the Management Company to exercise this function.</p> <p>In general, the Management Company name, as such, does not appear on contract note. Usually, only the name of the Fund or Sub Fund/Share class.</p> <p>The Management company name should be incorporated on Contract Note where the Management Company carries out an order. It should be the legal full name of the Management Company</p> <p>If an entity other than the Management Company or the delegate carries out the order, the contract note does not have to include the Management Company name, unless the Management Company instructs the service provider to do so.</p>
<b>b) the name or other designation of the unitholder;</b>	YES	All	The name of the unitholder as designated in the fund's register	YES Audited activity	The account name, account number and/or designation are displayed on the Contract Note.



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c) the date and time of receipt of the order and method of payment;	YES	Fax, email, courier	1. The date and time of receipt of the order	<b>NO</b> Audited activity	<p><b>1. The date and time of receipt of the order</b> Orders are processed in accordance with the Fund Prospectus outlining the applicable cut off time for receipt of orders in a Fund.</p> <p>As typically described in a Fund prospectus whereas a transaction placed must be confirmed within 24 hours, the issuance of a contract note constitutes as a confirmation that the order was deemed to have been received before the dealing cut off applicable to the date of execution displayed on the contract note.</p> <p>Should an investor wish to query the date and time of receipt of a said order, the Fund and /or third party TA is able to confirm this information upon request.</p> <p>The contact details should be made available on the contract note.</p> <p>As per standard market practice, the date and time of receipt is recorded by the transfer agent upon receipt and also displayed in the transfer agency system, thus, this is in accordance with the UCITS IV notice.</p>



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c) The date and time of receipt of the order and method of payment;	YES	Fax, email, courier	2. The payment instructions of the Fund	NO	<p><b>2. Method of payment</b></p> <p><b>Subscription - Payment to the Fund:</b> Orders are processed in accordance with the Fund prospectus outlining the applicable method of payment and payment instructions i.e. Correspondent Bank details for each currency available for the payment of shares in a said Fund, as described in the Fund as well as the Fund Application Form. Investors typically provide payment via cheque, telegraphic transfer to/from their individual bank accounts or via a secured banking instruction medium such as SWIFT, Euroclear or Clearstream.</p> <p><b>Redemption - Payment to the Investor:</b> The method of payment to the investor, in case of redemption, is instructed by the investor in the initial Fund Application Form. It is construed as “static data” and held in the Fund’s register and typically maintained in the Transfer Agency system. Changes to an investor’ payment instructions can only be instructed by the original investor and must be duly signed/authorised for these changes to be made redemption orders and corresponding payment to the investor are processed in accordance with the initial subscription banking details instructed by the shareholder or any latest changes to these instructions as described previously.</p> <p><b>For both payment categories described above,</b> be it a payment of a subscription order or a redemption order, a disclaimer should be annotated on the Contract note in the event that an investor wish to query the method of payment of a given order, the Fund and /or third party TA is able to confirm this information upon request. The contact details of the Fund and/or the fund’ third party administrator should be made available on the contract note.</p>



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d) the date of execution;	YES	All	The trade date	YES Audited activity	The date of execution is incorporated and displayed on the contract note and is equivalent to the trade date.
e) the UCITS identification;	YES	All	The Fund name and/or the ISIN code	YES Audited activity	The Fund name and/or ISIN code is incorporated in the Contract Note
f) the nature of the order (subscription or redemption);	YES	All	All fund transaction types: subscription, redemption, switch, exchanges, ...	YES Audited activity	The transaction type i.e., nature of the order, is displayed on the Contract Note
g) the number of Units involved;	YES	All	The number of units/shares sold or bought	YES Audited activity	The number of units involved is displayed on the Contract Note
h) the unit value at which the units were subscribed or redeemed;	YES	All	The net asset value per share/unit	YES Audited activity	The price per unit/share known as well as the net asset value per share/unit is displayed on the contract note
i) the reference value date;	YES	All	The settlement date	YES Audited activity	The reference value date, i.e. the date at which the transaction has to settle, known as well as the settlement date, is displayed on the Contract Note.
j) the gross value of the order including charges for subscription or net amount after deduction of charges for redemptions;	YES	All	The gross amount subscribed or redeemed including commissions/charges and the net amount after deduction of commissions/charges	<b>NO</b>	<p>Although an itemised breakdown of commissions and expenses charged information can be recorded and made available in the TA system, this practice is not always applied. For instance, maintaining the gross and net amount if there are no entry/exit fee applicable.</p> <p>To abide by the UCITS IV reporting obligation, the gross amount including commissions/charges (front end load or back end load) should be displayed on Contract Note together with the net amount after deduction of all commissions and charges.</p>



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k) The total sum of the commissions and expenses charged and, where the investor so requests, an itemised breakdown.	YES	All	Any front end or back end fee taken on transaction. Retrocession of management fee or trailer fees are excluded	NO	Inducements (distribution fees and commissions), which are typically received or granted in the context of distribution are not comprised thereof.