Criterion

MPS STANDARDS

BUSINESS AND TECHNICAL STANDARDS FOR MODEL PORTFOLIO (MPS) MANAGEMENT

Criterion is working with the investment platform and DFM communities to produce standards for key processes that support the management of model portfolios on platforms.

THE STANDARDS COVER TWO KEY MPS PROCESSES:

- MI reporting
- Edit model and rebalance instructions

Criterion is supporting the adoption of these standards across the platform and DFM communities and invite organisations to support the initiative to reduce friction, reduce costs and drive efficiencies.

RISK AND FRICTION IN MANAGING MODEL PORTFOLIOS

DFMs devise model investment portfolios, designed to meet the needs of investors with a range of risk appetites, ethical and religious requirements and investment horizons. They are available to the market through investment platforms; through which advisers and their clients can place investments conforming to those models.

Over time variations in performance mean that the investments made by clients can drift with respect to the model. DFMs periodically rebalance those investments to bring them back in line, but the interactions between DFMs and investment platforms can generate process friction in two areas:

- **DFMs need Management Information (MI)** about clients invested in their models, including investment performance from platforms to calculate the trades required to affect that rebalancing. There is no consistent presentation of data or process to obtain this MI across multiple advised platforms, generating a significant operational overhead for DFMs.

- **DFMs then need to instruct the trading** required by the platform to bring client investments back into line with the model. This is generally done 'on-platform(s)' by manually keying calculated trades across client accounts. That can generate risk, and the costs associated with 'four eyes' processes to mitigate them.

HOW STANDARDS-BASED DATA INTEGRATION CAN HELP

Standards-based data integration can help in each of these areas. Providing DFMs with a consistent MI data set will help to streamline the analysis that they need to perform in respect of each platform where their model portfolios are available; and delivering a consistent way of specifying trades that – critically – avoids any need for manual re-keying. This will not only streamline those processes, but also help to manage down the associated operational risks and mitigation costs.

Investment platforms also benefit. Onboarding DFMs who are familiar with an industry-standard approach to managing model portfolios will be easier and less risky for platforms that support them. Moreover, platforms who support industry-standard portfolio management will be more attractive to DFMs, extending the reach of the platform's proposition.

Both sides will benefit from a less risky operational model and one that is more scalable, inherently reliable and extensible across all trading partners.

Our unique approach to collaboration, refined and proven for over 30 years, delivers solutions that are specified, designed and approved by subject-matter experts from across the industry. This industry expertise is baked into our standards, giving organisations confidence that standards-based integration will be straightforward to deploy with trading partners and are fit for purpose.

HOW CRITERION STANDARDS ARE USED

Criterion Standards come in many forms:

- Standardised wording used across the industry, for example Common Transfer Declarations which are used to facilitate the transfer of pensions between providers.

- Data Standards, across a range of products and processes, which standardise the information shared between trading partners. Criterion supports over 80 different data standards across the life, pensions and investments industry.

- Technical Standards that enable the exchange of data standards using multiple technologies. From CSV files, XML Messaging to OpenAPI and JSON, Criterion Standards support the widest possible range of technologies in the market to ensure the benefits from the use of standards are available to as many organisations as possible.

FOR THE MPS STANDARDS, THE FOLLOWING STANDARDS ARE AVAILABLE:

MPS MI Reporting

- Data Standards for a number of business reports used by DFMs to manage their models on multiple platforms.
- Available as CSV templates and as OpenAPI/JSON message standards.

MPS Edit Model and Rebalance

- Data Standards for Pre and Post Model Rebalance (CSV and OpenAPI/JSON message standards).
- Data and Technical Standards for Edit Model and for Model Rebalance (OpenAPI/JSON message standards).
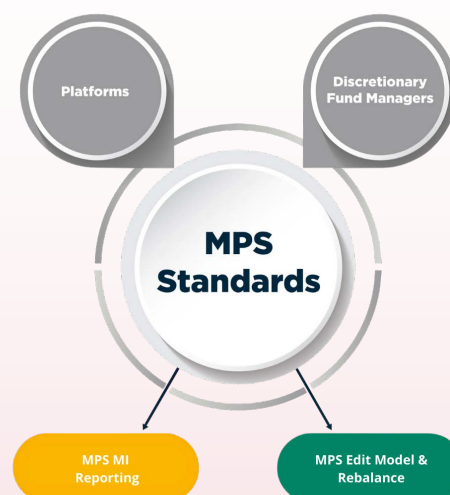
Legal Framework for MPS Standards:

- Standardised legal wording to manage the risks and liabilities of implementing data integration between multiple platforms, DFMs and third parties.

- Template legal agreement and service schedules.

We provide a range of standards artefacts, including business requirements, solutions design, example messages, standards templates, OpenAPIs, JSON message specifications etc. These are available to download from the our website for Standards licence holders.

Organisations can use these artefacts to develop their own integrations based on the Standards with multiple trading partners, who are also Standards licence holders.

We actively maintain the Standards, including the management of change requests and future enhancements coming from the standards community, through on-going governance activity.

HOW TO GET INVOLVED

Draft versions of the MPS Standards have been published and are available in the Standards Library. We will collate feedback and change requests from the industry working group that has been helping to develop these standards, before publishing the final versions.

To access the MPS Standards you need to register for our website and agree to Criterion's Standards Licencing Terms. This helps protect all parties involved in the use of the Standards, as well as allowing us to manage the intellectual property of the Standards. Once you have a Licence Agreement in place, you will be able to access the Standards via the website and participate in the governance of the Standards.

ABOUT CRITERION

Criterion operates as a not-for-profit body that delivers Standards for process and data integration, making it easier for companies in the UK Financial Services industry to work together to serve customers better.

Criterion manages a suite of more than 80 Standards for API design and implementation, covering data integration points between organisations in the protection, pensions, retirement, and investment sectors. Criterion Standards are relied on by more than 100 manufacturers of protection, pensions, retirement and investment products. Our API Standards support more than half a billion business-critical quotation and valuation transactions each year.

NEXT STEPS

We invite engagement from a broad cross-section of stakeholders involved in the management of model portfolios, from DFMs and platforms to third parties supporting the industry.

Get in touch

To find out more about taking part, contact enquiries@criterion.org.uk.