

Separately Managed Accounts for Institutional Investors: Account Opening Guide

Separately managed accounts (SMAs) can be very effective vehicles for institutional investors wishing to benefit from a tailored investment portfolio that reflects their individual risk, return and liquidity preferences. This guide provides Western Asset's institutional clients with a basic primer on establishing a new SMA.

Once an investor has made the decision to open a new SMA and has determined the account investment strategy with an Investment Policy Statement (IPS) through discussion with Western Asset's Portfolio Management Team, the process of opening the account requires timely and effective coordination with Western Asset's team of professionals.

A Dedicated Support Team

The uniqueness of an SMA means it is likely advantageous for institutional investors to have access to experienced and knowledgeable professionals to help establish their new accounts. Western Asset provides a dedicated team including:

- Global Account Transition professionals taking the lead on coordinating the new account set-up
- Client Service Executives supporting the client's overall Western Asset relationship
- Client Service Associates supporting clients' day-to-day cash flows, reporting and account inquiries
- Investment professionals providing expert advice on market and portfolio positioning
- Legal and compliance professionals supporting the overall contractual and monitoring framework for the account

Key Requirements

Once the investment guidelines have been determined within the IPS, there are a number of key components of the SMA set-up that require completion. These include:

Investment Management Agreement (IMA)

This document establishes the contractual framework for the investor's account, and will typically be negotiated by the investor—or their legal representatives—and Western Asset's Global Account Transitions Team. The IPS, which determines the guidelines by which the Portfolio Management Team will operate the account, will typically form an addendum to the IMA. There will also generally be an additional addendum setting out the agreed-upon investment advisory fees. Western Asset will typically provide its own standard IMA but is also pleased to review and accept an investor's IMA depending on the investor's preference.

Custodian Bank

For any SMA, a custodial bank, or custodian, needs to be appointed as the official recordkeeper for the portfolio securities; this relationship is selected solely by the investor. Any fees for custodial services will be negotiated between the investor and the custodian without involvement from Western Asset.

Through the process of setting up a new SMA, Western Asset's Global Account Transition Team will work directly with the custodian to establish operational connectivity.

Although Western Asset is not able to act as a custodian, there is extensive coordination and interaction between Western Asset and the custodian, particularly with regard to cash flow, portfolio valuation and reconciliation processes. These require protocols agreed upon at the outset to ensure that there is clarity and agreement around each organization's requirements.

As a market-leading global asset manager, Western Asset has extensive relationships and operational connectivity with the majority of custodial banks, from large global organizations to smaller regional service providers in the US and international markets. These relationships mean that we are well positioned to help with introductions where appropriate given a client's specific criteria.

Other Important Information

There are a number of essential documents needed to set up a new SMA. Before the majority of these can be established, the appropriate legal entity that will be the account beneficiary should be identified. Addressing this decision as an early priority can help mitigate delays in the account set-up. Although this may be a relatively straightforward decision for many investors, some institutional entities with complex international operations may find the selection to be less obvious. However, consultations with an investor's own legal and tax experts may help to determine the suitable entity.

Once the appropriate investing entity is established, the documentation requirements may include:

- **A completed Western Asset New Account Form:** This is used to gather high-level information such as the name and the Legal Entity Identifier (LEI) of the investing entity, applicable contact information and organizational structure.
- **Tax Identification Document:** A recent version—generally less than 12 months old—of a tax identification form for the investing entity is essential. Depending on the country of domicile this may be an IRS Form W-9 or W-8. For either a non-US account or a US account allowing derivatives, a Common Reporting Standard form (Form CRS) may also be required.
- **Client formation documents:** These are copies of documents that detail the correct formation of the investing entity and are typically the Corporate Articles of Incorporation, the Trust Document or some other type of official formation document.
- **List of authorized persons or incumbency certificate:** These documents determine which investing entities' officers have the authority to provide overall instruction to Western Asset on the account, including cash flow notifications and general account queries.

The Day-to-Day Management of Your Account

During the account opening process, investors will have the opportunity to establish their account reporting preferences. Western Asset typically provides monthly and quarterly portfolio reporting, although dedicated Client Service Associates are also available to support daily account inquiries if required. Additionally, Western Asset's proprietary risk system, WISER, is available to provide a range of key portfolio risk analytics including volatility, duration, spreads and liquidity measures updated on a daily basis and available online.

Investors may also sometimes work with third-party reporting providers who are responsible for consolidated reporting and oversight across a number of managers. Western Asset has existing relationships with several market leaders in this area and will typically be ready and able to support those requirements.

Your Western Asset SMA Team

Western Asset brings together a highly experienced cross-functional team to support the full range of an investor's SMA requirements. As a leading global asset manager with more than 50 years of investing experience, Western Asset is well suited to support investors' specific SMA needs, not only in the initial set-up phase, but also on an ongoing basis that is dynamic in nature and adaptable when those needs evolve.

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