



**Global Post Trade Working Group
Post-Trade Processing via FIX Recommended Practices - Common
Framework**

**11 March 2016
Revision 0.04
Proposal Status: Release Candidate 1**

DISCLAIMER

THE INFORMATION CONTAINED HEREIN AND THE FINANCIAL INFORMATION EXCHANGE PROTOCOL (COLLECTIVELY, THE "FIX PROTOCOL") ARE PROVIDED "AS IS" AND NO PERSON OR ENTITY ASSOCIATED WITH THE FIX PROTOCOL MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FIX PROTOCOL (OR THE RESULTS TO BE OBTAINED BY THE USE THEREOF) OR ANY OTHER MATTER AND EACH SUCH PERSON AND ENTITY SPECIFICALLY DISCLAIMS ANY WARRANTY OF ORIGINALITY, ACCURACY, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. SUCH PERSONS AND ENTITIES DO NOT WARRANT THAT THE FIX PROTOCOL WILL CONFORM TO ANY DESCRIPTION THEREOF OR BE FREE OF ERRORS. THE ENTIRE RISK OF ANY USE OF THE FIX PROTOCOL IS ASSUMED BY THE USER.

NO PERSON OR ENTITY ASSOCIATED WITH THE FIX PROTOCOL SHALL HAVE ANY LIABILITY FOR DAMAGES OF ANY KIND ARISING IN ANY MANNER OUT OF OR IN CONNECTION WITH ANY USER'S USE OF (OR ANY INABILITY TO USE) THE FIX PROTOCOL, WHETHER DIRECT, INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL (INCLUDING, WITHOUT LIMITATION, LOSS OF DATA, LOSS OF USE, CLAIMS OF THIRD PARTIES OR LOST PROFITS OR REVENUES OR OTHER ECONOMIC LOSS), WHETHER IN TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY), CONTRACT OR OTHERWISE, WHETHER OR NOT ANY SUCH PERSON OR ENTITY HAS BEEN ADVISED OF, OR OTHERWISE MIGHT HAVE ANTICIPATED THE POSSIBILITY OF, SUCH DAMAGES.

DRAFT OR NOT RATIFIED PROPOSALS (REFER TO PROPOSAL STATUS AND/OR SUBMISSION STATUS ON COVER PAGE) ARE PROVIDED "AS IS" TO INTERESTED PARTIES FOR DISCUSSION ONLY. PARTIES THAT CHOOSE TO IMPLEMENT THIS DRAFT PROPOSAL DO SO AT THEIR OWN RISK. IT IS A DRAFT DOCUMENT AND MAY BE UPDATED, REPLACED, OR MADE OBSOLETE BY OTHER DOCUMENTS AT ANY TIME. THE FIX TRADING COMMUNITY GLOBAL TECHNICAL COMMITTEE WILL NOT ALLOW EARLY IMPLEMENTATION TO CONSTRAIN ITS ABILITY TO MAKE CHANGES TO THIS SPECIFICATION PRIOR TO FINAL RELEASE. IT IS INAPPROPRIATE TO USE FIX TRADING COMMUNITY WORKING DRAFTS AS REFERENCE MATERIAL OR TO CITE THEM AS OTHER THAN "WORKS IN PROGRESS". THE FIX TRADING COMMUNITY GLOBAL TECHNICAL COMMITTEE WILL ISSUE, UPON COMPLETION OF REVIEW AND RATIFICATION, AN OFFICIAL STATUS ("APPROVED") FOR THE PROPOSAL AND A RELEASE NUMBER.

No proprietary or ownership interest of any kind is granted with respect to the FIX Protocol (or any rights therein).

Copyright 2003-2016 FIX Protocol Limited, all rights reserved.

Table of Contents

DISCLAIMER	2
1 PREFACE	5
2 SCOPE	5
3 INTRODUCTION	5
4 REFERENCES	5
5 GOALS AND OBJECTIVES	6
6 STAGES OF THE POST-TRADE PROCESS	6
7 KEY CONCEPTS AND STRATEGIES	9
7.1 FIX-ID-based Matching/Pairing	9
7.1.1 Trade-level vs. Settlement-level Computed-values	9
7.1.2 Exact Reconciliation (“buy-side-calc” vs. “sell-side-calc”)	9
7.2 Traceability	10
7.3 MLEG Allocation	10
7.4 Use of AllocationReport	10
7.5 Regulatory	11
7.5.1 Unique Trade Identifier (UTI) / Unique Swap Identifier (USI) Transaction-event Identifiers	11
8 POST-TRADE WORKFLOWS	11
8.1 Allocation Workflow Overview	11
8.2 Post-trade-allocation Workflow	11
8.2.1 Primary Post-trade Allocation	12
8.2.2 Transaction Reshaping	12
8.2.3 Secondary Post-trade Give-up/Take-up (step-out/step-in)	12
8.2.4 Post-trade-allocation Confirmation/Affirmation	13
8.2.5 Post-trade-allocation Diagrams	14
8.2.6 Pre-trade Allocation Workflow	17
8.3 Clearing Workflows	19
8.4 Settlement Workflows	19
8.5 Post-Post-trade Workflows (Ongoing)	19
9 POST-TRADE WORKFLOWS – FIX USAGE BY ASSET CLASS	20
10 VOICE TRADES	21
11 INTERMEDIARY WORKFLOWS	21
11.1 Trade: Multi-broker Execution Management System (EMS)	21
11.2 Post-trade	22
12 GLOSSARY	25

Document History

Revision	Date	Author/Editor	Revision Comments
V0.01	6/25/2014	D. Tolman	First draft
V0.02	8/14/2014	D. Tolman	Comments from working group review
V0.03	2/26/2015	D. Tolman	Updated give-up/take-up (step-out/step-in) workflow.
V0.04	10/23/2015	D. Tolman	General cleanup

1 Preface

The purpose of the FTC Post-Trade Processing via FIX Initiative is to define industry guidelines for common usage of the FIX Protocol for post-trade processing, for all asset classes, between buy-sides and sell-sides that can be used bi-laterally as well as through intermediary facilities.

This document is one of a series of Guidelines for Post-Trade Processing via FIX specifying guidelines for industry usage of the FIX standard to facilitate parallel implementation across buy-sides, sell-sides and intermediaries.

This document assumes an understanding of the FIX Protocol and post-trade processing in general.

2 Scope

This document describes the common framework for cross-asset buy-side to sell-side workflow for post-trade processing. Note that pre-trade allocation is within the scope of post-trade processing.

3 Introduction

The purpose of the Post-Trade Processing via FIX Initiative is to define industry guidelines for a common usage of the FIX Protocol for post-trade processing between buy-sides and sell-sides that can be used bi-laterally as well as through intermediary facilities.

This document provides the overall architecture/framework for post-trade processing.

This document includes the following sections:

1. A common implementation framework for post-trade processing across all asset classes
2. The two primary types of workflows
 - a. Post-trade-allocation
 - b. Pre-trade-allocation
3. The use/requirements by each asset class

The accompanying Common Implementation Guide gives more technical details on the component workflows.

4 References

1. Post-Trade Processing via FIX
2. [Recommended Practices](#)
3. [Common Implementation Guide](#)

5 Goals and Objectives

1. Reduce risk
2. Increase availability, performance
3. Improve accuracy, traceability, ease of reconciliation
4. Reduce ongoing costs
5. Minimize implementation costs

6 Stages of the Post-Trade Process

Post trade processing has 6 logically independent stages.

1. **Trade** (buy-side <> execution broker):
 - a. Place trades
 - b. Receive execution reports
2. **Allocation**
 - a. Primary Instruction (buy-side <> allocation firms):
 - i. Agree upon (“match”) the allocation block
 - ii. Agree upon trade-level calculated values (e.g. gross trade amount, accrued-interest)
 - iii. Specify account-level allocations
 1. Account identifier, quantity, price
 2. Transaction-id
 3. Buy-side settlement instructions
 - iv. Specify client direction
 1. Give-up to other clearing brokers
 2. Broker of credit, introducing broker, ...
 - b. Secondary Give-up /Take-up (Step-out/Step-in)
 - i. Finalize “give-up” shapes
 - ii. Execution broker transfers (“gives-up”) all or part of the trade to the give-up broker(s) specified in the primary allocation instruction.
 - iii. Buy-side sends a “take-up/step-in” allocation instruction to clearing broker(s)
 - iv. Clearing broker “matches” the trades from the execution broker with the buy-side allocation instruction.
3. **Confirmation/Affirmation** (buy-side <> clearing firms):
 - a. Finalize settlement-level calculated values (e.g. fees, taxes)
 - b. Finalize net-money
 - i. Trade-level values
 - ii. Settlement-level fees and taxes
 - c. Specify detailed sell-side settlement instructions
 - d. Detailed buy-side settlement instructions
 - e. Explicit “affirmation” by the buy-side of the sell-side view of the transaction

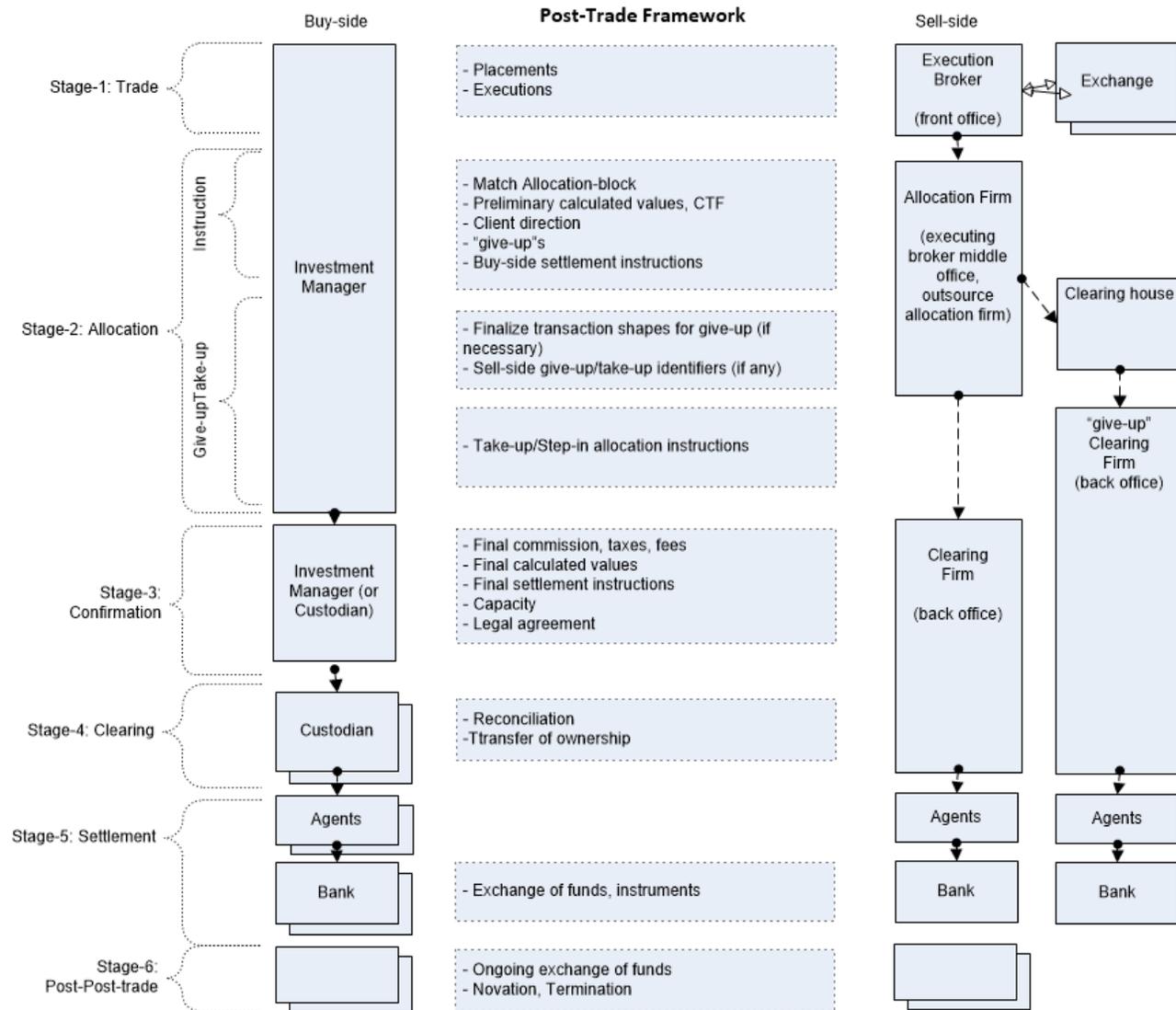
- f. Legal agreement record
 - i. Account, quantity, price
 - ii. Net-money
 - iii. Capacity (Principal/Agency/Mixed)
- 4. **Clearing** (buy-side client custodian <> clearing firm):
 - a. Reconcile transaction details from buy-side vs. transaction details from clearing firm.
- 5. **Settlement** (client custodian bank and clearing firm bank):
 - a. Exchange of funds and/or instruments
- 6. **Post-post-trade**
 - a. Ongoing exchange of funds (e.g. futures)
 - b. Novation, termination

The document primarily provides FIX Guidelines for the allocation, and confirmation layers. The Trade layer is covered in so far as there are requirements for the later phases. Clearing and settlement are currently outside the scope, with the exception of data passed from one layer to another.

Note: this implementation framework allows for different (and non-FIX) protocols to be used for different layers.

The following diagram shows the stages, the primary parties (roles) and the post-trade processing for each stage.

Figure 1 Overview of Post-Trade Processing



7 Key Concepts and Strategies

7.1 FIX-ID-based Matching/Pairing

The FIX Guidelines leverage the FIX-ID's from the FIX placements to facilitate matching throughout the post-trade workflow thereby alleviating the need to use the traditional (complex and frequently manual) "economic" matching process. Using the FIX-ID exact-matching process, the match is accomplished by employing a simple look-up of the FIX-ID followed by a validation of the other fields.

	ClOrdID(11), OrderID(37), ExecID(17)	AllocID(70)	"Transaction-id" (FIX-IndividualAllocID(467), SWIFT-clientReferenceID)
Block match	X		
Confirmation match		X	X
Reconciliation match			X

Minimizing Trade-breaks and Resolution Costs

It is a primary objective of the Guidelines to minimize the occurrence and resolution-cost of trade-breaks.

The strategy is:

- Reach agreement on characteristics and calculated values as early as possible in the cycle.
- Both sides use the values calculated from one side or the other in down-stream messages.

7.1.1 Trade-level vs. Settlement-level Computed-values

As part of facilitating resolution of issues as early as possible in the process, the Guidelines differentiate between the set of values that can be known at the time of the trade and those that may not be known until time of settlement.

Trade-level values:

- Commission
- Accrued interest
- Gross trade amount

Settlement-level values:

- Taxes
- Fees

7.1.2 Exact Reconciliation ("buy-side-calc" vs. "sell-side-calc")

Reconciliation is the process where the client custodian compares the transaction details they receive from the investment manager (IM) against the transaction details they receive from the clearing firm.

The primary reason that transactions don't match exactly, when they should, is different results from buy-side vs. sell-side calculations.

The strategy within the Guidelines to assure exact reconciliation without issues is for both the buy-side and the sell-side to use the calculated values exclusively from one side or the other – validate within tolerance but use value calculated by the designated side.

Primary allocations instructions (i.e. AllocationInstruction(35=J)) are identified as follows:

1. **Buy-Side-Calculated:** Sell-side uses buy-side calculated values (i.e. updates their database)
2. **Sell-side-calculated:** Buy-side uses sell-side calculated values (i.e. updates their database)

Sell-side-calculated is used in the cases where the buy-side does not know (or has difficulty knowing) the values for some reason (as is currently the case with miscellaneous fees (reported within the MiscFeesGrp) outside of the US). **Buy-side-calculated** is therefore preferred solution.

Note that **Sell-side-calculated** refer to the acceptance of values like miscellaneous fees that affect money, not to sell-side transaction restructuring (e.g. futures best-fit execution pricing).

7.2 Traceability

The Guidelines include the necessary data within, and links among, messages such that the complete life-cycle (trade to settlement) can be traced through its messages:

- IOIID
- ClOrdID
- OrderID
- ExecID
- AllocID
- IndividualAllocID (transaction-id)
- ConfirmID
- SWIFT client-id (transaction-id)

7.3 MLEG Allocation

The individual legs of multi-leg placement are allocated separately and independently.

7.4 Use of AllocationReport

The Guidelines specify that the AllocationReport(35=AS) message be used only in the following cases where the sell-side needs to restructure the transactions:

1. Futures best-fit execution price for re-shaped transactions.
2. Re-allocation for pre-trade allocation partial-fills.

Some current industry FIX post-trade workflows include the AllocationReport(35=AS) and use it to communicate information that could be communicated in the Confirmation(35=AK) message (e.g. miscellaneous fees reported within the MiscFeesGrp). The Guidelines do not include this usage but rather just the Confirmation message(35=AK). This is in order to simplify and standardize the work flow

implementation across asset classes, and avoid any possible conflict between the AllocationReport(35=AS) and the Confirmation(35=AK) messages.

If a sell-side is going to support AllocationReport(35=AS) messages for compatibility they should be optional for the buy-side.

7.5 Regulatory

7.5.1 Unique Trade Identifier (UTI) / Unique Swap Identifier (USI) Transaction-event Identifiers

Block-trade event identifiers are included in ExecutionReport(35=8) and Confirmation(35=AK) messages.

Allocation and clearing event identifiers are communicated via Confirmation(35=AK) messages.

Note that Confirmation(35=AK) messages include the cumulative list of transaction-event identifiers (e.g. block-trade, allocation-identifier, clearing-identifier).

8 Post-Trade Workflows

8.1 Allocation Workflow Overview

There are two main types of allocation workflows:

1. **Post-trade-allocation**, where the trade is completed before the allocation instruction:
 - The most common and most flexible
 - Accounts and allocations need not be specified until after the trade is complete
 - There are two variations:
 - There are four building block components to this workflow that may be combined according to the needs of the asset-class:
 - i. Primary Allocation Instruction (IM to executing broker)
 - ii. Transaction reshaping (splits, changes in price/quantity), if required
 - iii. Secondary give-up Allocation Instruction – IM to clearing firm other than executing broker, if required
 - iv. Confirmation/Affirmation – Confirmation from clearing firm and affirmation back from the IM.
2. **Pre-trade-allocation**, where the allocation instructions are provided before the trade is executed:
 - Designed to meet “clearing certainty” requirements
 - Primary Allocation instructions are included in the placement message

8.2 Post-trade-allocation Workflow

Post-trade allocation is where the trade is completed before the allocation instruction is issued. This is the most flexible workflow, allowing the buy-side to control the allocations regardless of the form of executions (e.g. partial fills, multiple placements, multi-broker).

This workflow has a primary workflow providing the initial allocation instructions to the executing broker for the placement, and may also have secondary “give-up”/“take-up” workflows.

The allocation portion of the workflow is then followed by a confirmation/affirmation workflow.

8.2.1 Primary Post-trade Allocation

The primary post-trade workflow is between the order origination firm (IM) and the executing broker middle-office (or outsource allocation firm). The primary post-trade workflow uses the following FIX messages:

- AllocationInstruction(35=J) and AllocationInstructionAck(35=P) to specify block and the account-level allocations.
- Confirmation(35=AK) and ConfirmationAck(35=AU) for the confirmation/affirmation workflow

8.2.2 Transaction Reshaping

In some cases transaction shapes need to be restructured by the sell-side (e.g. futures exact price give-ups). In this case the sell-side utilizes the AllocationReport to communicate the adjusted shapes back to the buy-side.

8.2.3 Secondary Post-trade Give-up/Take-up (step-out/step-in)

The primary allocation instruction may specify that clearing for one or more of the account-level allocations is to be “given-up” to another broker for clearing. In this case there two parallel secondary workflows that are executed:

1. The executing broker “gives-up” some or all of the trade to the specified clearing broker
2. The buy-side sends a secondary “step-in” AllocationInstruction(35=J) to each “give-up” clearing firm notifying them that trades are being “given-up” to them, the executing broker that they will come from, and the instructions on how to allocate them

The difficulties in give-up processing are that:

- The shapes of the trades passed from the execution broker to the give-up clearing broker are a function of the asset-class and intermediaries involved and are not under the control of the buy-side.
- The shapes specified in the buy-side allocation instruction can be different from the shapes that the execution broker needs to pass to the clearing broker (e.g. futures execution-priced give-ups)
- There is no mechanism (currently) for any of the asset-classes to pass an identifier in both workflows that could be used by the give-up broker for an id-based match of what they receive from the execution broker against the “step-in” allocation instruction from the buy-side.

As a result the give-up broker is currently forced to:

- “Economically” match the “step-in” instruction against what they receive from the execution broker since there is no identifier for linkage and
- Deal with any difference in shapes between the “step-in” allocation instruction and the shapes given-up by the execution broker

It is a goal of this framework to provide a mechanism to enable the execution broker's give-up workflow be as transparent to the buy-side as possible.

Ideally the execution broker "give-up" shapes will be derivable from the AllocationInstruction(35=J) messages. If they are not, because of workflow constraints, it may be possible to communicate information back from the executing broker to the buy-side that will facilitate give-up matching and ultimate Confirmation/affirmation. The "Guidelines" specify the AllocationReport(35=AS) as the mechanism for communicating such information back to the buy-side. The AllocationReport(35=AS) can be used to communicate back actual give-up shares (e.g. futures execution-priced) and possibly (in the future) used to communicate an execution-broker generated identifier that could be passed to the clearing broker in the "step-in" allocation instruction to allow id-based matching.

8.2.4 Post-trade-allocation Confirmation/Affirmation

In the Confirmation/Affirmation workflow the sell-side provides a Confirmation(35=AK) message and the buy-side "affirms" or "rejects" the Confirmation(35=AK) message.

Note that the Confirmation/Affirmation workflow supports multiple requirements. Its usage is dependent upon asset class:

1. Agreement on final computed values:
 - If **Sell-side-calculated**, then the buy-side will use the values provided by the sell-side as long as they are within expected tolerance
 - If **Buy-side calculated**, then the buy-side will verify that the sell-side is using the expected values sent in the AllocationInstruction(35=J).
2. Explicit affirmation prior to clearing by the buy-side
3. Communication of sell-side settlement instructions to the buy-side
4. Communication of regulatory transaction-ids back to the buy-side

The FIX messages used for bi-lateral confirmation/affirmation are the following:

- Confirmation (AK)
- ConfirmationAck(AU)

Note that the FIX post-trade Guidelines allow for this the workflow component to be implemented in forms other than bi-lateral FIX:

- Via an intermediary utilizing the FIX Post-trade Guidelines (see section below on intermediaries via FIX).
- Via another protocol with/without an intermediary (e.g. TradeSuite with proprietary protocol, SWIFT®).

8.2.5 Post-trade-allocation Diagrams

Figure 2 Basic Post-Trade Allocation Workflow

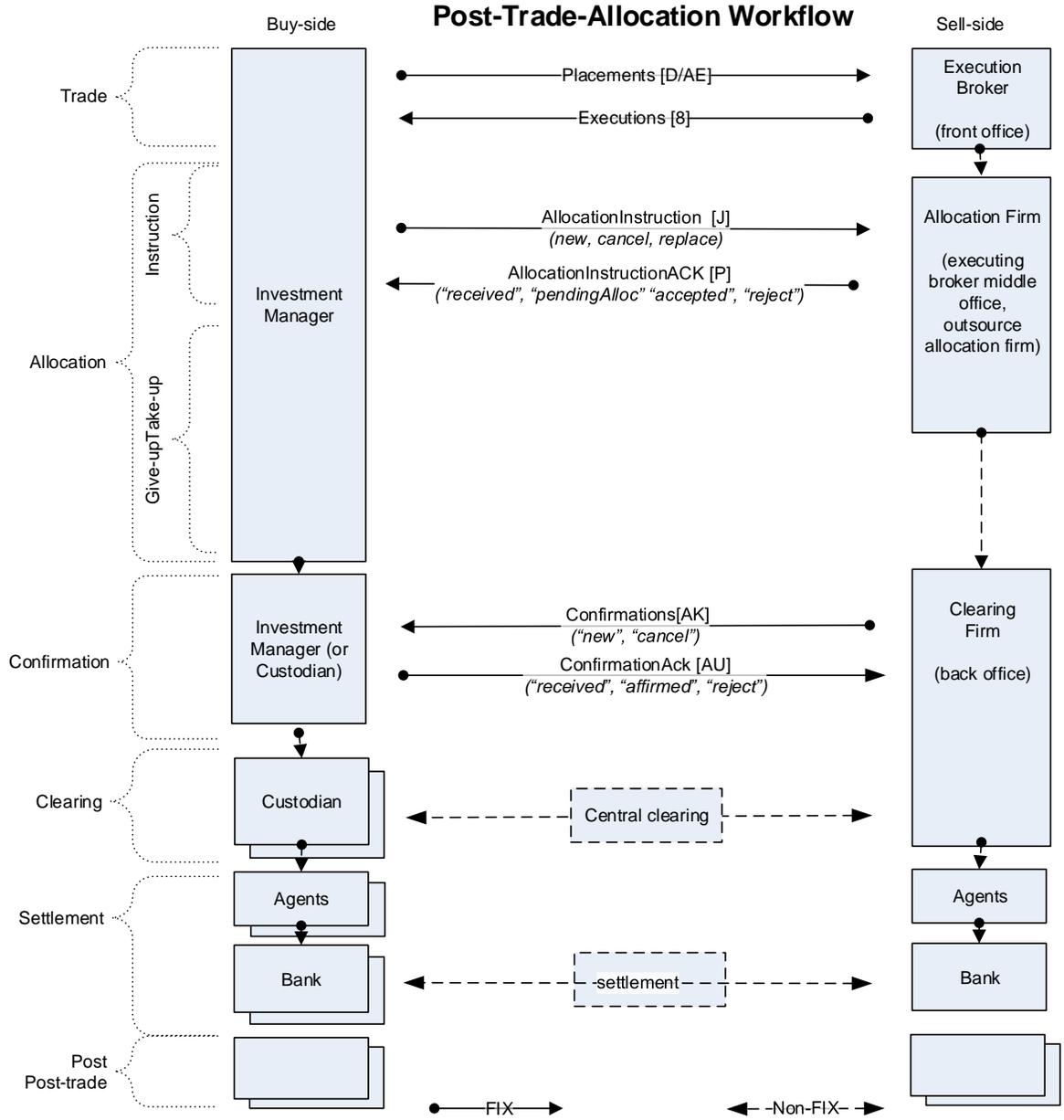


Figure 3 Post-Trade Allocation Workflow with Give-Up

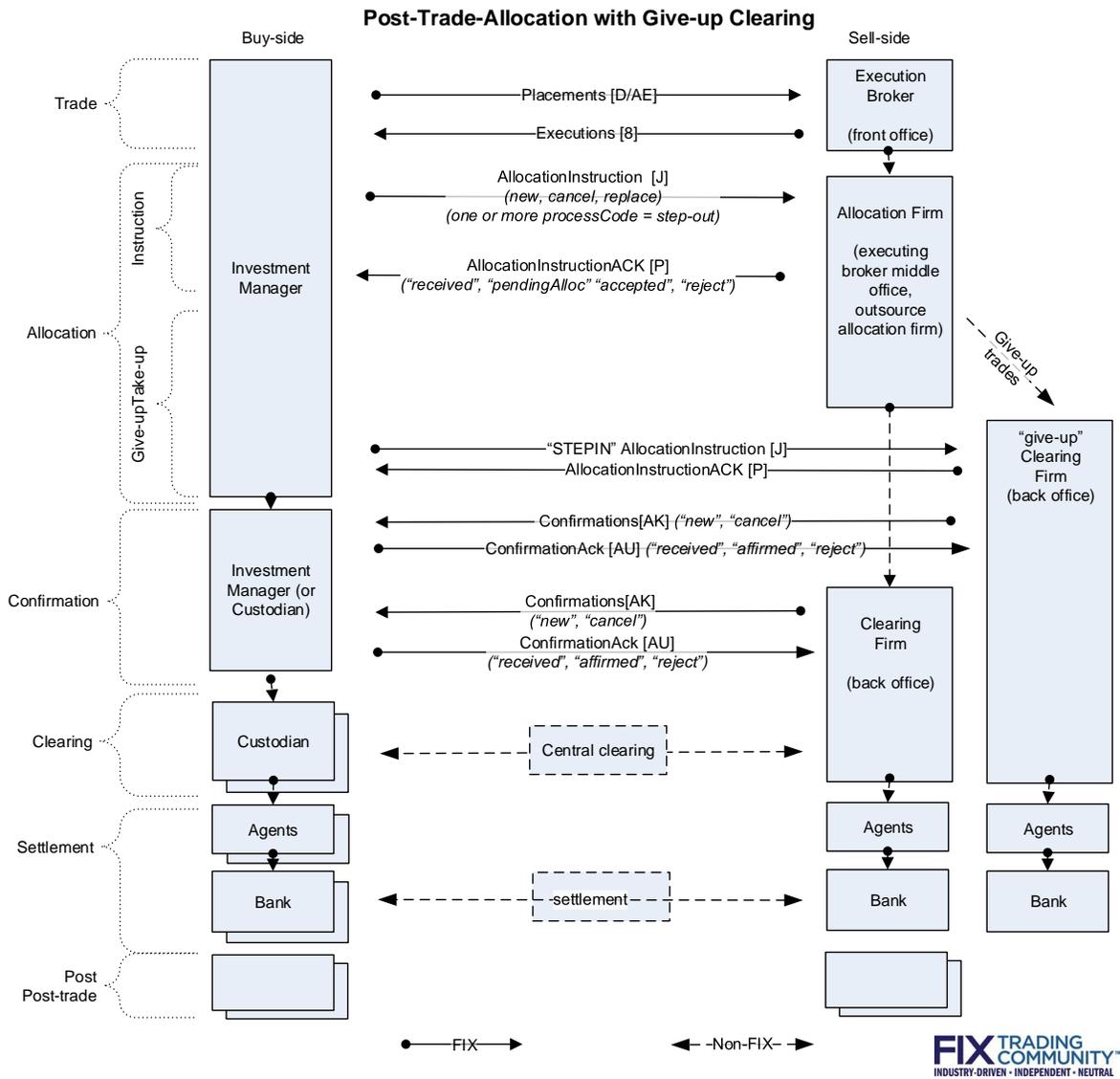
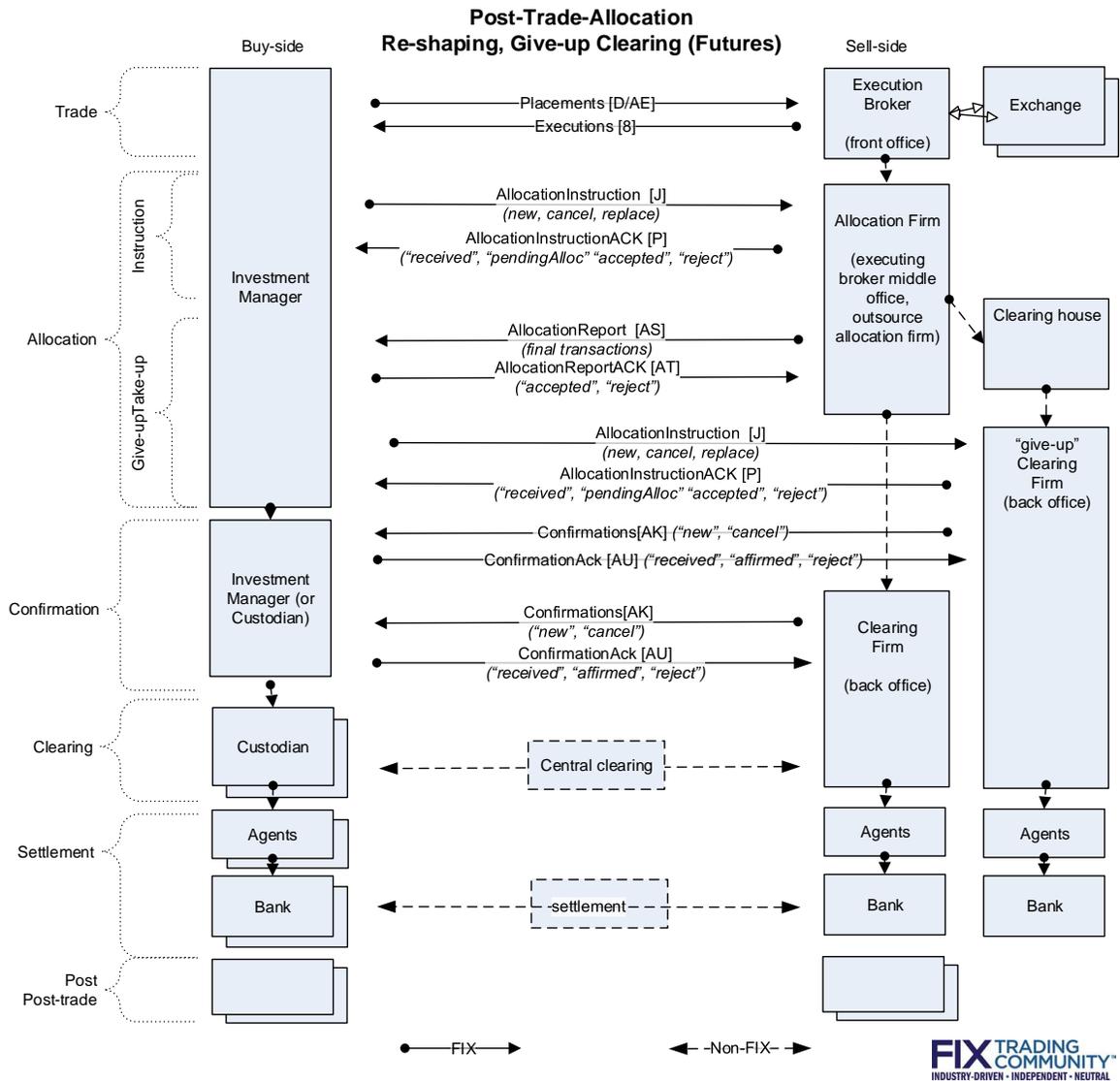


Figure 4 Post-Trade Allocation Workflow with Transaction Re-shaping and Give-Up



8.2.6 Pre-trade Allocation Workflow

"Pre-trade allocation" is where the allocation instructions are provided along with the trade to be executed. This workflow is designed for situations that require "clearing certainty" (i.e. credit is checked before trade and the trade will be cleared immediately after execution) and the placement to the market is always fully filled. This workflow may also be used in markets where placements are always fully filled but post-trade allocation is recommended whenever possible.

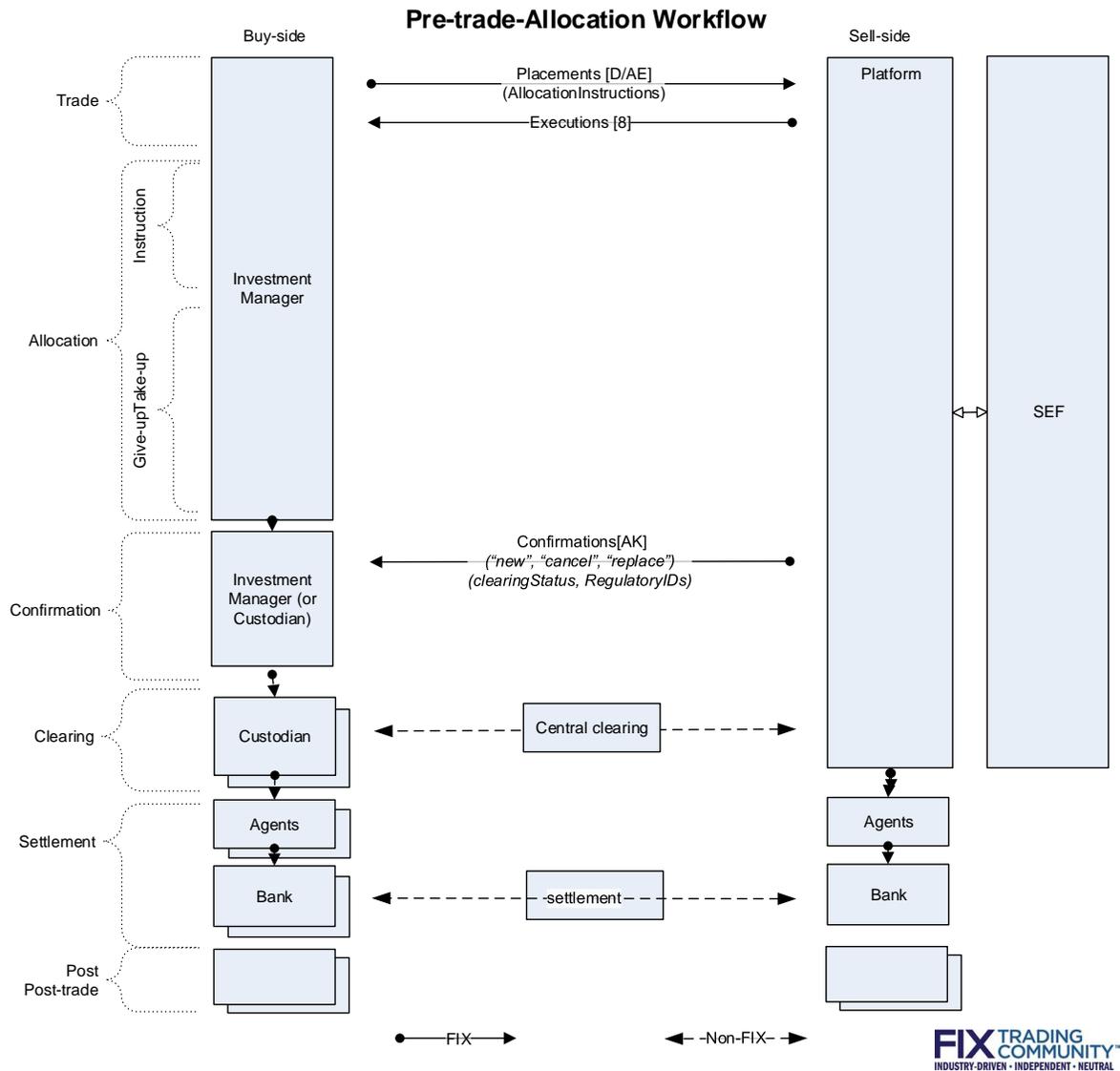
The pre-trade allocation workflow is typically very restrictive in order to maintain buy-side control over the allocation.

Currently, if a pre-allocated placement is not fully filled (e.g. one or more partial fills with "Done For Day" status or one or more unsolicited cancels are received) it is assumed to be some sort of exception condition (e.g. an error was made pricing one or more of the accounts) and that the missing execution must be manually corrected and allocated. The ExecutionReport(35=8) includes the sell-side allocation information to assist in this exception handling process.

Note that there is no post-allocation confirmation/affirmation workflow component required in the pre-trade-allocation workflow because the transaction shapes are fully defined at placement time. However Confirmation(35=AK) messages may be used to transmit clearing status and regulatory information to the buy-side.

At some time in the future if "real" part-fills are required with a pre-trade-allocation workflow then the current workflow must be extended to support re-allocation issues. It is expected that this would utilize the AllocationReport(35=AS) from the sell-side and AllocationInstruction(35=J) "replace" from the buy-side.

Figure 5 Pre-Trade Allocation Workflow



8.3 Clearing Workflows

The clearing workflow is generally outside the scope of this initiative with the exception of:

1. Buy-side specification of clearing house and clearing house parameters (e.g. netting identifiers) in placement (new order) messages.
2. Communication of clearing status via the FIX Confirmation(35=AK) message if required (e.g. SEF)
3. Communication to the buy-side of regulatory event-codes (i.e. USI, UTI)

8.4 Settlement Workflows

Settlement workflows are generally outside the scope of the initiative with the exception of:

1. Identification of settlement parties and facilities.
2. IM can provide their detailed settlement-instructions on the AllocationInstruction(35=J)

8.5 Post-Post-trade Workflows (Ongoing)

Many asset-classes have ongoing workflows after the post-trade workflow completes (e.g. futures mark-to-market). These may be referenced but are out-of-scope of these Guidelines.

9 Post-Trade Workflows – FIX Usage by Asset Class

The following table shows the currently supported buy-side usage of FIX by asset class:

	equities	equity options	FI	FI/FX (SEF, central clearing)	FX (bi-lateral clearing)	futures	Options on futures	Equity Swaps as instrmt	Equity Swaps hedge-leg
Post-trade-allocation Workflow									
Placement	x	x	x		x	x	x	x	x
Primary Allocation Instruction	x	x	x		x	x	x	x	x
Give-up/Take up	x	x				x	x		x
- Give-up transaction shapes						x	x		
Confirmation/Affirmation	x	x	x		x	x	x	X	x
Clearing			(clearing house)						
Settlement									
Post-post-trade									
Pre-trade-allocation Workflow									
Placement with Allocation Instruction				x	x				
Part-fill reallocation Allocation Rpt					Part-fill				
Confirmation/Affirmation					x				
Clearing				(status, USI)					
Post-execution void				x					
Settlement									
Post-post-trade									

10 Voice Trades

The post-trade workflow does also support voice trades with notice-of-execution utilizing the following messages:

- Unsolicited ExecutionReport(35=8) from an executing broker.
- DontKnowTrade(35=Q) from an IM for rejections.

There is no individual positive acknowledgement, only the use in an AllocationInstruction(35=J) message.

There is also provision for representing voice trades without any electronic notice-of-execution using “[MANUAL]” in the FIX-id tags in the AllocationInstruction(35=J).

11 Intermediary Workflows

11.1 Trade: Multi-broker Execution Management System (EMS)

If a multi-broker EMS intermediary is involved in the placement workflow the EMS must support either post-trade pass-through or a separate bi-lateral post-trade session:

1. Pass-through: FIX ID’s in the AllocationInstruction(35=J) and Confirmation(35=AK) messages must be mapped including ClOrdId(11), OrderID(37), AllocId(70) and ConfirmID(664).
2. Separate post-trade session:
 - The EMS provides the executing broker with the ClOrdId(11) and the OrderID(37) known by the buy-side in the NewOrderSingle(35=D)/NewOrderMultileg(35=AB) messages using the SecondaryClOrdId(526) and SecondaryOrderID(198) fields so that the sell-side will be able to map identifiers and interpret the bi-lateral buy-side AllocationInstruction(35=J) appropriately.
 - The buy-side AllocationInstruction(35=J) to the broker includes the ClOrdId(11) and OrderID(37) as normal. If the staged placement was split between executing brokers the buy-sides sends a separate AllocationInstruction(35=J) to each executing broker. These AllocationInstruction(35=J) messages will have the same values for ClOrdID(11) and OrderID(37) but will have different OrderBookingQty(800) values.

11.2 Post-trade

Post trade processing occurs, logically, between the buy-side and one or more allocation firms and clearing firms. The Guidelines are designed starting with the objective of supporting bi-lateral post-trade directly between the buy-side and sell-side. However there are several points at which one or both of the counter-parties may choose to involve intermediaries to provide some sort of value added service.

The key Guideline principal is to maximize protocol-transparency of such decisions.

There are structurally two types of value-add intermediary services:

1. Bi-lateral FIX Pass-through:
 - Protocol-transparent to both parties
 - Examples
 - Hub
 - Central recording
 - Third-party drop copy
2. One-party transparent: (Central-match or non-FIX mapping)
 - Protocol-transparent to the other party (e.g. the counter-party to the party that decides to out-source their local match) - the other counter-party can continue to use the same bi-lateral FIX protocol. The Guidelines may specify the non-bilateral portion of the protocol if there is sufficiently wide usage but there will always be proprietary protocols in these cases.
 - Examples
 - Outsourced matching (e.g. allocations by sell-side, confirmations by buy-side)
 - Non-FIX protocol mapping

Figure 6 Trade/Post-Trade Processing Workflows Involving Intermediaries

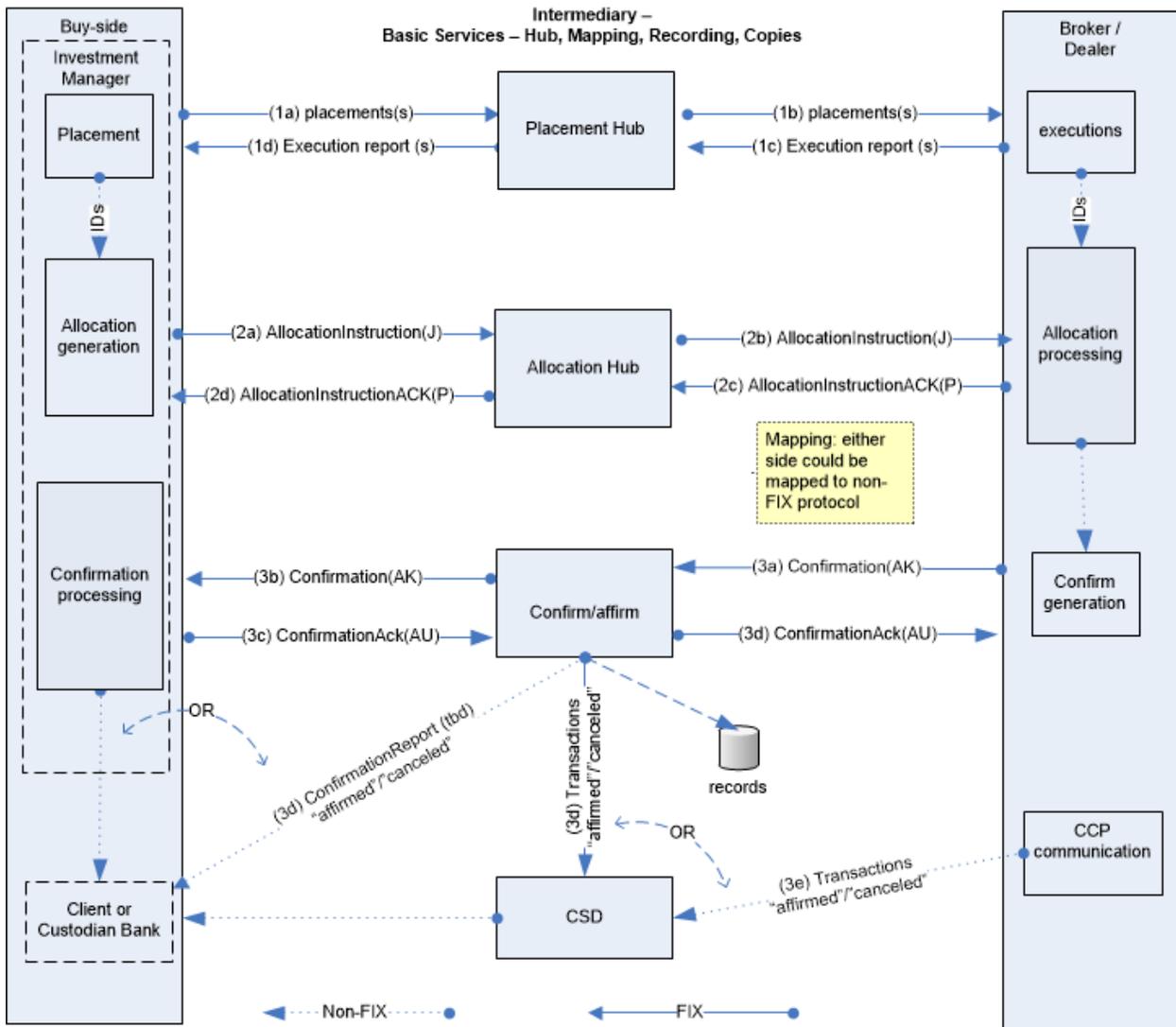
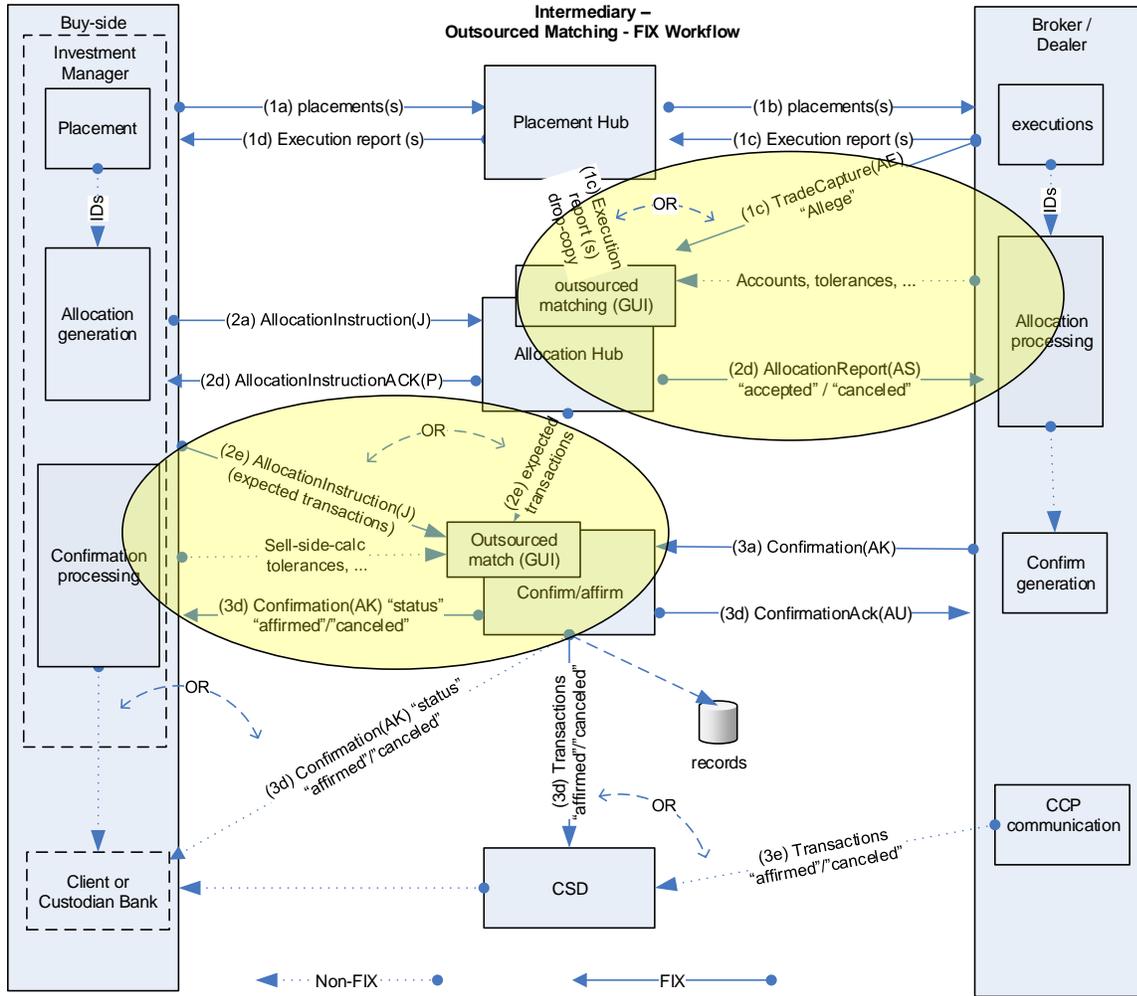


Figure 7 Post Trade Implementation Framework



12 Glossary

Term	Description
Allocation instruction components	<ul style="list-style-type: none"> • Allocation block characteristics • Placements to be allocated • Allocations (or transactions)
Allocation-block	<p>A set of trades allocated by a given AllocationInstruction from one or more placements. The allocation-block is the traditional unit of communication between buy-sides and sell-sides; Initial blocks are formed by aggregating executions from a given FIX placement. Typically the initial single-placement block is also the allocation-block, but in some cases placement-blocks are combined into larger allocation-blocks or split into smaller allocation-blocks. In these cases one side requests the other, for some block, to “know” the block as the combined or split quantity so that the allocation instruction will match. The allocation instruction references the aggregated block size.</p> <p>Note: Placements combined by the buy-side into a single allocation-block/ticket are assumed to comply with the same set of conformance constraints.</p>
Allocation-block characteristics	Instrument, side, quantity, average price, Trade-date, settlement-date
Central Securities Depository (CSD)	Also referred to as Central Clearing Party (CCP).
Client Direction	<ul style="list-style-type: none"> • Commission sharing: client, via the IM directs the broker to share some of the commission with another broker. • Commission recapture: client has a relationship with a broker where the broker rebates some portion of the commission to the client. When the broker, with the commission recapture relationship with the client, is different from the clearing firm the clearing firm has a “correspondent” relationship with the other firm/broker. <p>Note: No client direction is needed when the clearing firm has the commission recapture relationship with the client.</p>
Commission, taxes, fees, net-money	The final net-money for a given transaction is computed from commission, taxes, and fees for the transaction

Term	Description
Confirmation vs. Affirmation	After placements are allocated into transactions, the sell-side reiterates the final details that they know (called Confirmation) and the buy-side reviews and agrees (called Affirmation).
Economic match	Matching by characteristics - instrument, side, quantity, trade-date, total and average price. The probability is low, but with automated economic matching algorithms the buy-side and sell-side are not guaranteed to associate the same trades with the allocation. Generally, in economic matching, when the allocation-block is different from a placement-block some out-of-band communication is required to assure both sides are talking about the same set of trades.
Exact match	Matching by some identifier (i.e. ClOrdId(11)/OrderId(37)). ID-based exact matching can be automated, and then the buy-side and sell-side are assured that they are both referring to the same trades.
Introducing broker	The client, via the IM, may identify another broker as the introducing broker
Matching	<p>The sell-side process of identifying the placements for a given AllocationInstruction message. The matching process can be performed by an intermediary (“central-match”) or bi-laterally (“local-match”) with no intermediary involved.</p> <p>Note: Since equity allocations are average priced there is no direct linkage from an allocation instruction to specific FIX execution reports, only to the aggregated executions of placements. The process can be mathematically based upon the quantity and average-price of the placement and the quantity allocated from the placement.</p>
Order	The quantity of some security that a portfolio manager wishes to buy/sell, independent of a broker/dealer.

Term	Description
Parties	<ul style="list-style-type: none"> • Order origination firm: firm placing the orders <ul style="list-style-type: none"> o Sometimes referred to as investment manager (IM) or buy-side • Executing broker: broker executing the trades <ul style="list-style-type: none"> o Sometimes referred to as sell-side • Clearing firm: firm responsible for the clearing and settlement process • Broker of credit (“commission sharing”): broker of credit is paid a portion of the commission by the executing broker but the transaction is still cleared and settled by the executing broker. • Introducing broker: broker who has the relationship with client, and receives part of the commission, but does not execute the trade • Correspondent clearing firm (“commission recapture”): the firm that has the commission recapture relationship with the client firm but is not the clearing firm for the transaction. • Step-out/step-in broker: refers to the complete transfer of a transaction from the executing broker (step-out) to another broker (step-in) for clearing and settlement.
Placement	<p>The quantity of some “order” placed with a given broker/dealer (note that “placement” is defined just to avoid any confusion with the concept of “order” above)</p> <p>A given placement has an associated set of buy-side compliance constraints (e.g. agency/principal, no cross).</p> <p>A FIX placement uses the FIX New Order message and is identified by the buy-side ClOrdId(11) chain and sell-side OrderId(37)</p>
Placement Block	The set of executions from one placement.
Post-trade Outsourcing	<p>Some execution brokers outsource all their post-trade processing to another (clearing) broker. In this case the buy-side sends the allocation instructions directly to the outsource broker.</p> <p>Note: It is also possible that a broker-dealer will outsource their post-trade processing transparently to the buy-side in which case the buy-side still sends the AllocationInstruction(35=J) to the execution broker.</p>
Settlement Instructions	Each transaction has 2 sets of settlement instructions: 1 for the buy-side and 1 for the sell-side.
Step-out/give-up clearing	Buy-sides may specify that one or more transactions in a given allocation instruction be cleared by a different broker. That other broker receives the commission.
Ticket	Common term used to identify allocation-blocks (e.g. start a new “ticket” for this placement).

Term	Description
Transaction: the account-level allocation	<ul style="list-style-type: none">• Account• Instrument, side,• Quantity, average price• Trade-date, settlement-date
Transaction-id	A buy-side generated identifier associated with each account-level allocation/transaction (account, quantity, average price, ...)