



Global Post-Trade Working Group

MiFID II Equity Post Trade Commission

Unbundling

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Document History

Revision	Date	Author	Revision Comments
0.1	May 23, 2017	David Tolman	Initial document
0.2	June 26, 2017	GTC PMO clean up	
0.3	June 29, 2017	GTC PMO	Corrected typos prior to Public Comment posting
	June 30, 2017	GTC Tech	Generated ASBUILT and assigned IDs.

1 Introduction

The FIX Trading Community Global Post-trade Working Group (GPTWG) has worked with a group of major buy-sides, sell-sides and vendors to provide a set of guidelines and recommended practices to facilitate industry-wide implementation of post-trade processing via FIX between buy-side and sell-side firms.

The GPTWG has been working with the Commission Unbundling Subgroup of the MiFID II Committee to analysis and agree to the necessary extensions to the guidelines and recommended practices that will enable FIX to be used by buy-side and sell-side firms.

1.1 Background

Part of the MiFID II regulations specifically target the investment manager's procurement of research, the use of commission to pay for services supplied by the brokers, and inducement to trade by the broker. The EU and the regulators seek to ensure a separation of process and governance by the buy-side of research procurement from the requirement to seek best execution. At the same time the broker must charge for any services they provide to the buy-side that have a value in order that the broker is not seen to be inducing the buy-side to trade with them.

After considerable industry consultation and analysis of the regulations the GPTWG recognise that the current post-trade guidelines and message specification need to be enhanced to allow the post-trade process to handle multiple commissions on the allocation instruction and confirmation messages. The agreed proposals will extend the existing commission types to allow the buy-side to specify the type of commission being paid; Commission sharing agreement (CSA), Research-research payment account (RPA), or Other.

1.2 Summary of Changes

Additional values will be added to CommissionAmountType(2641) and AllocCommissionAmountType(2655) to the CommissionDataGrp and the AllocCommissionDataGrp components, and will be used in the AllocationInstruction(35=J) and Confirmation(35=AK) messages.

2 Business Requirements

2.1 CommissionAmountType

In the course of identifying and specifying the necessary extension to the Post-trade Equity Guidelines to cater for the MiFID II regulatory changes, the GPTWG has determined that it will be necessary for a fund manager to identify if possible the type of research commission explicitly added on the AllocationInstruction (35=J) message.

A number of buy-sides firms have testified that they will look to unbundled research commission budgets and payments across the global operation, and that the research commission added to

allocations that do not fall under the jurisdiction of MiFID II regulations should be positively identified to be handled through an existing CSA agreement with that broker. The buy-side firms preferred to indicate positively on the message rather than assume the broker will be able to determine the correct course of action for any given research payment.

Some buy-side firms have indicated that they will not be able to state on the allocation message which type of research commission is being paid, and expect the broker to apply some logic to their internal process to handle the research payment appropriately.

Discussion with the FIX Global Technical Committee led to the suggestion of a new enumeration of "Research" for the CommissionAmountType(2641) and AllocCommissionAmountType(2655) fields. New field, CommissionAmountSubType([2725tbd](#)) and AllocCommissionAmountSubType([2726tbd](#)) will be introduced to specify the type of research payment, with proposed values of RPA, CSA, and Other.

3 Issues and Discussion Points

None.

4 Proposed Message Flow

No changes or additions.

5 FIX Message Tables

No changes or additions.

6 FIX Component Blocks

6.1 Component CommissionDataGrp

To be completed at the time of the proposal – all information provided will be included in the repository	
Component Name	CommissionDataGrp
Component Abbreviated Name (for FIXML)	CommData
Component Type	<input checked="" type="checkbox"/> Block Repeating <input type="checkbox"/> Block
Category	Common
Action	<input checked="" type="checkbox"/> New <input checked="" type="checkbox"/> Change
Component Synopsis	The CommissionDataGrp component block is used to carry commission information such as the type of commission and the rate <u>at the allocation level</u> . It provides an <u>alternative to the CommissionData component if multiple commissions or enhanced attributes are needed</u> . <u>means to express commission applicable for the specified allocation account</u> .
Component Elaboration	The existing field CommissionAmountType has a series of existing valid values defined that allow the sender to state the commission type. The proposal is to extend the list of valid values to cover those commission types anticipated to be required under MiFID II.
To be finalized by FIX Technical Office	
Repository Component ID	1070

Component FIXML Abbreviation: <CommData>						
Tag	Field Name	Req'd	ICR	Action	Mappings and Usage Comments	FIX Spec Comments
2639	NoCommissions	N				
→	2640 <i>CommissionAmount</i>	N				
→	2641 <i>CommissionAmountType</i>	N				
→	2725 <i>CommissionAmountSubType</i> TBD	N		NEW		
→	2642 <i>CommissionBasis</i>	N				
(...truncated...)						
</CommData >						

6.2 Component AllocCommissionDataGrp

To be completed at the time of the proposal – all information provided will be included in the repository	
Component Name	AllocCommissionDataGrp
Component Abbreviated Name (for FIXML)	CommData
Component Type	<input checked="" type="checkbox"/> _X_ Block Repeating <input type="checkbox"/> _ Block
Category	Common
Action	<input checked="" type="checkbox"/> _X_ New <input checked="" type="checkbox"/> _X_ Change
Component Synopsis	The AllocCommissionDataGrp component block is used to carry commission information such as the type of commission and the rate at the allocation level. It provides a means to express commission applicable for the specified allocation account.
Component Elaboration	
To be finalized by FIX Technical Office	
Repository Component ID	1071

Component FIXML Abbreviation: <CommData>						
Tag	Field Name	Req'd	ICR	Action	Mappings and Usage Comments	FIX Spec Comments
2653	NoAllocCommissions	N		NEW		
→	2654 AllocCommissionAmount	N				
→	2655 AllocCommissionAmountType	N				
→	2726 2726 AllocCommissionAmountSubTypes	N		NEW		
→	2656 AllocCommissionBasis	N				
(...truncated...)						
</Component block name>						

7 Category Changes

No changes or additions.

Appendix A - Data Dictionary

Tag	FieldName	Action	Datatype	Description	FIXML Abbreviation	Add to / Deprecate from Message type or Component block
2641	CommissionAmountType	CHANGE	int	Add new Enumeration for 7 tbd = Research payment		
2655	AllocationCommissionAmountType	CHANGE	int	Add new Enumeration for tbd = Research payment <i>(uses enums from CommissionAmountType(2641))</i>		
2725 tbd	CommissionAmountSubType	New	int	Further sub classification of the CommissionAmountType(2641). Enumeration Group: Research payment Valid values: 0 = Research payment account (RPA) 1 = Commission sharing agreement (CSA) 2 = Other type of research payment [Elaboration: Any other type of research payment other than RPA or CSA.]	@SubTyp	CommissionDataGrp
2726 tbd	AllocCommissionAmountSubType	New	int	Further sub classification of the AllocCommissionAmountType(2655).	@SubTyp	AllocationCommissionDataGrp

				(Uses enums from CommissionAmountSubType(2725 tb e))		
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Appendix B - Glossary Entries

Term	Definition	Field where used

Appendix C - Abbreviations

Term	Proposed Abbreviation	Proposed Messages, Components, Fields where used

Appendix D - Usage Examples

[Examples may be entered below this line]

