



MiFID II: Commission Unbundling Recommended Practices

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Document History

Revision	Date	Author/Editor	Revision Comments
		Post Trade Working Group	Initial version
0.1	24 July 2017	Commission unbundling Working Group	Transposed into standard Recommended Practices Format
0.2	16 October 2017	GTC	Formatting. Corrected errors. Removed GA view.

1 Executive Summary

This document describes the recommended best practices for specifying the research component of a commission, as required by MiFID II.

The CommissionDataGrp and the AllocCommissionData group are used to specify the multiple commission component types (e.g. execution, research). The FIX standard was extended with an additional valid value of "7" (Research) for CommissionAmountType(2641) and AllocCommissionAmountType(2655) in order to identify the research component. In addition, new FIX tags, CommissionAmountSubType(2725) and AllocCommissionAmountSubType(2726), were added to their respective components to allow optional specification of the payment-type for the research component (i.e. RPA, CSA, or other).

These Recommended Best Practices will be also be included in FIX Post-trade Recommended Best Practices documents where relevant.

2 Objective

Provide an industry standard FIX representation for the research component of commission payments.

MiFID II has introduced the requirement to explicitly separate commissions into their component parts (e.g. execution, research) with focus on the specific identification of the research component of the commission. In addition, MiFID II has introduced the concept of a research-payment account (RPA). Previously commission payments were generally handled in the background by Commission Sharing Agreements (CSA). There may also be other commission payment types.

Previously in FIX, only the total commission amount was specified in the Commission(12) tag, without any commission type distinction (e.g. execution, clearing, research).

The specific requirements were the following:

- Specification of multiple commission values and their types.
- Identification of a new commission type – Research Payment
- Optional specification of research payment-type of the research payment. The types are the following:
 - Research payment account (RPA),
 - Commission sharing agreement (CSA), and
 - Other type of research payment
- Upward compatibility relative to current use of the Commission(12) tag.
- Facilitate FIX usage by investment managers who trade in areas with and without MiFID II requirements.

3 Scope

These Recommended Practices apply to pre-trade and post-trade representation of commission components for all asset classes.

4 Target Audience

These Recommended Practices are applicable to any implementers of FIX for pre-trade and post-trade processing.

5 Authors

MiFID II Commission Unbundling working group and the FIX Global Post Trade working group.

6 Recommended Practices

6.1 FIX Representation

Multiple commission types are represented by using the following components:

- CommissionDataGrp and
- AllocCommissionDataGrp

The research commission type is identified using the

- CommissionAmountType(2641) and AllocCommissionAmountType(2655) which have a new valid value of “Research Payment”
- CommissionAmountSubType(2725) and AllocCommissionAmountType(2726) have been added as new optional fields, with three valid values that allow differentiation among research payment types:
 - Research Payment Account (RPA)
 - Commission Sharing Agreement (CSA)
 - Other (not RPA or CSA)

Note: it is expected that the sell-side will generally know the payment-type associated with the account. If there is a conflict between the payment-type associated with the account and the payment-type specified in the FIX message this will need to be handled by exception or a previous client specific agreement.

The following table summarizes the fields and valid values used in the CommissionDataGrp:

FIX tag	FIX tag #	Valid values
->NoCommissions	2639	Total number of commissions
--->CommissionAmount	2640	Total commission amount
---> CommissionAmountType	2641	0 = Unspecified 1 = Acceptance 2 = Broker 3 = Clearing broker 4 = Retail 5 = Sales commission 6 = Local commission 7 = Research Payment
--->CommissionAmountSubType	2725	0 = Research Payment (RPA) 1 = Commission Sharing Agreement (CSA) 2 =Other (not RPA or CSA)

FIX tag	FIX tag #	Valid values
--->CommissionBasis	2642	1 = per unit 2 = percent 3 = absolute (recommended)

The following table summarizes the fields and valid values used in the AllocCommissionDataGrp:

FIX tag	FIX tag #	Valid values
->NoAllocCommissions	2653	Total number of commissions
--->AllocCommissionAmount	2654	Total commission amount
--->AllocCommissionAmountType	2655	0 = Unspecified 1 = Acceptance 2 = Broker 3 = Clearing broker 4 = Retail 5 = Sales commission 6 = Local commission 7 = Research Payment
--->AllocCommissionAmountSubType	2726	0 = Research Payment (RPA) 1 = Commission Sharing Agreement (CSA) 2 = Other (not RPA or CSA)
--->AllocCommissionBasis	2656	1 = per unit 2 = percent 3 = absolute (recommended)

6.2 Post-trade

6.2.1 Allocation

The research commission component is specified in the AllocationInstruction (35=J) message using the AllocCommissionDataGrp.as described in the previous section.

6.2.2 Confirmation

The research commission component is specified in the Confirmation (AK) message using the CommissionDataGrp as described in the previous section.

6.3 Pre-Trade

- Multiple commission types
 - Commission (12) may include either the total commission or just the execution commission (client specific agreement between the IM and broker).
Note: these agreements would apply uniformly across post-trade allocations.
 - CommissionDataGrp may be optionally included in NewOrderSingle(D) (AllocCommissionDataGrp in NewOrderMultileg(AB) messages), allowing optional specification of components of the commission
Note: CommissionDataGrp supersedes Commission (12) if both are present

6.4 Compatibility

6.4.1 Upward Compatibility and non-MiFID II Compatibility

Commission(12) is required in both Confirmation and AllocationInstruction messages if the CommissionDataGrp or the AllocCommissionDataGrp component, respectively, is used. This is done in order to maintain upward compatibility with prior use of the Commission(12) tag. Commission (12) contains the total commission. The sum of the CommissionDataGrp and AllocCommissionDataGrp must equal the Commission(12) tag value.

Notes:

- Precedence: the commission data group entries take precedence if tag 12 does not sum to the repeating group – this is defined this way to avoid workflow issues of rejection/not if they don't match. It is expected that NetMoney(118) will be computed based upon the tags in the repeating group.
- Upward compatibility: non-MiFID I(ii) sell-sides should be prepared to accept the new commission data groups even though they may only use the Commission (12) tag.
- Zero values for commission amounts are allowed.

6.4.2 Backward Compatibility

FIX has been introducing a number of new repeating groups in the context of MiFID II. Questions have been raised as to how they can be supported as part of FIX 4.2.

- The official policy for supported legacy versions (FIX 4.2, FIX 4.4, FIX 5.0 SP2) is to directly use tags, components or repeating groups from higher versions. Legacy versions are not extended on the application level and only changed in case of errors (aka Errata version).
- A Technical Addendum has been issued to change the timestamp datatype for supported legacy versions due to the regulatory requirement to support microsecond precision. Please see

<https://www.fixtrading.org/packages/time-precision-technical-addendum/> for details.

- Repeating groups were already part of FIX 4.2 (e.g. allocation group: tags 78=NoAllocs, 79=AllocAccount, 80=AllocShares) even though some users chose not to implement them. Please refer to FIX 4.2 Specification with Errata 20010501, page 9, section “Repeating Groups:”.
- FIX provides user-defined fields in the range 8000-8499 for “flat” versions of selected repeating groups and only in the context of regulatory requirements (e.g. 8013=TrdRegPublicationReasons (plural) with space delimited values to emulate 2670=TrdRegPublicationReason (singular) as part of a repeating group).
- “Flat” versions cannot be provided for complex repeating groups such as Parties, i.e. repeating groups with multiple fields or nested repeating groups.
- A huge amount of functionality added over the last 10 years is covered by FIX with the help of (nested) repeating groups. It is well worth the effort to invest into the capability of supporting repeating groups to take advantage of them natively.