

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 |
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The above document history section, including date, author, and comments, is required to track editing changes to the document.List revisions in **ascending order**.Please insert additional rows in the table as needed.

Template version information:

r2: 2010-11-13 Revised to support abbreviations, inlined component references

r3: 2011-12-02 Revised to add additional usage clarification

r3.1: 2013-01-04 Revised Copyright year, changed template to Office 2013 .docx version, updated font to Calibri for cleaner look. Added additional template usage clarification.

# 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.

## 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.

## Summary of Changes

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

# Business Requirements

## 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(tbd) and AllocCommissionAmountSubType(tbd) will be introduced to specify the type of research payment, with proposed values of RPA,CSA, and Other.

# Issues and Discussion Points

None.

# Proposed Message Flow

No changes or additions.

# FIX Message Tables

No changes or additions.

# FIX Component Blocks

## 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 | | \_X\_\_ Block Repeating \_\_\_ Block |
| Category | | Common |
| Action | | X\_\_New \_\_Change |
| Component Synopsis  Required, short, one or two paragraph description of the component. | The CommissionDataGrp 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  Optional longer description of the component usage. | 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 | |  |

| Component FIXML Abbreviation: <CommData> | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
| *Tag* | *Field Name* | | *Req'd* | *ICR* | *Action* | *Mappings and Usage Comments* | *FIX Spec Comments* |
| 2639 | NoCommissions | | **N** |  |  |  |  |
| **🡪** | ***2640*** | ***CommissionAmount*** | N |  |  |  |  |
| **🡪** | ***2641*** | ***Commission AmountType*** | N |  |  |  |  |
| **🡪** | ***TBD*** | ***CommissionAmountSubType*** | N |  | NEW |  |  |
| **🡪** | ***2642*** | ***CommissionBasis*** | N |  |  |  |  |
| *(…truncated…)* | | | | | | | |
| *</CommData >* | | | | | | | |

## 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 | | \_X\_\_ Block Repeating \_\_\_ Block |
| Category | | Common |
| Action | | X\_\_New \_\_Change |
| Component Synopsis  Required, short, one or two paragraph description of the component. | 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  Optional longer description of the component usage. |  | |
| To be finalized by FIX Technical Office | | |
| Repository Component ID | |  |

| 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*** | ***AllocCommission AmountType*** | N |  | |  | |  | |  | |
| **🡪** | **TBD** | ***AllocCommission AmountSubType*** | N |  | | NEW | |  | |  | |
| **🡪** | ***2656*** | ***AllocCommissionBasis*** | N |  | |  | |  | |  | |
| *(…truncated…)* | | | | | | | | | | | |
| </*Component block name*> | | | | | | | | | | | |

# 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*  tbd = Research payment |  |  |
| 2655 | AllocationCommissionAmountType | CHANGE | int | *Add new Enumeration for*  tbd = Research payment  *(uses enums from CommissionAmountType(2641)* |  |  |
| 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 |
| tbd | AllocCommissionAmountSubType | New | int | Further sub classification of the AllocCommissionAmountType(2655)  *(Uses enums from CommissionAmountSubType(tbd))* | @SubTyp | AllocationCommissionDataGrp |

# Appendix B - Glossary Entries

|  |  |  |
| --- | --- | --- |
| **Term** | **Definition** | **Field where used** |
|  |  |  |
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# Appendix C - Abbreviations

|  |  |  |
| --- | --- | --- |
| **Term** | **Proposed Abbreviation** | **Proposed Messages, Components, Fields where used** |
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# Appendix D - Usage Examples

[Examples may be entered below this line]