

ISITC to Bring Transparency to Client Commissions

NEW YORK — At the 14th annual industry forum and vendor show of the **International Securities Association for Institutional Trade Communication (ISITC)**, the industry group's Commission Management Working Group will begin an effort to get association participants to adopt new messaging codes and standards that will ease the processing of client commission arrangements (CCAs). The newly proposed CCA standards are intended to quickly communicate the type of commission arrangement involved in trades — such as standard use of soft dollars for independent research, commission sharing arrangements, introducing broker business or direct commission recapture.

CCA standards will quickly communicate the type of commission arrangement involved in trades, using Bank Identification Codes (BIC) used in SWIFT messaging.

“The key piece of information is who is supposed to get credit for the commission,” says Jan Snitzer, ISITC's Executive Sponsor to the Working Group, and Vice President at **Loomis, Sayles & Company**. “The key is also how the investment manager conveys that information to the broker. Sometimes the investment manager doesn't convey the information. Sometimes they do it in a way that's not clear. Sometimes they do it after the fact.”

The CCA standards will use the Bank Identification Code (BIC) frequently used in **SWIFT** messaging, explains Snitzer. “Using the BIC will be a standard way to communicate the identifier for the party who will receive credit for the commission,” she says. “Any changes in [Omgeo] OASYS, [Omgeo] CTM or FIX messaging would need to have fields available within the application to put that BIC and say that the BIC represents what party is to receive credit.”

The newly proposed standards will add to what is currently available in the Omgeo OASYS trade allocation service, which is simply indications of hard or soft dollars, and who the broker of credit is on a transaction,

SECURITIES MESSAGING STANDARDS

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according to Ben Lupo, Co-Chair of the Commission Management Working Group. “Many know how to use the hard- or soft-dollar indicator, but with the advent of commission sharing arrangements [CSA], there is no specific spot on the allocation field to indicate those,” he says. “We’re asking them to use the broker-of-credit field which Omgeo does have. If they can simply put a CSA into the broker-of-credit field, that information translates down to our systems, and we’ll know that it tickets those trades correctly.” Similarly, the new standard will allow users to indicate the introducing broker in the broker-of-credit field, using the SWIFT BIC, according to Lupo.

In addition, new standards for CCA codes will improve transparency in trading, Lupo explains. “The main thing is to convey that information somewhere in the trade process so the broker-dealer gets the information and books that trade properly,” he says. The trade could get booked properly but [without the code], we might lose the information as to what party gets credited.”

The ISITC working group believes implementing the new standards within industry firms will not be overly demanding in changes to operations technology, that it would be a low to moderate-level implementation. “It’s not a huge impact for systems and technology,” says Snitzer. “It’s three or four additional fields to convey information, not a huge system revamp. It’s components that can be implemented that would provide significant value and wouldn’t take significant investment.” □