



The buy-side dealing commission matrix

The matrix attached to this note reflects existing practices amongst the buy-side firms which participated in a survey conducted through iPUG.

The Research/Execution Commission Matrix (RECM) is a snapshot as at March 2009 of practices across the buy-side. It is not guidance and does not suggest that any particular service can be paid for, let alone that it ought to be paid for, from dealing commission. Whether any service can be paid for out of client commission is a regulatory and commercial decision; regulatory in that whatever the service's categorisation in the RECM, it is the obligation of any individual firm to ensure compliance with (amongst others) COBS 11.6.3R; and commercial because firms may choose to pay from their P&L for services that could be paid for from dealing commission.

The colour-coding in the RECM is provided to assist firms in their decision-making. The fact that no or very few firms may pay for a service out of commission does not prevent a firm determining for itself that it can pay for it from dealing commission, but the RECM may help a firm ensure its analysis that leads to such a determination is robust. Of course, the regulatory test and the evidential burden to meet it does not change, but as in many other areas of business, firms have experience of re-considering or reviewing preliminary conclusions that appear to fly in the face of conventional wisdom; sometimes the firm may be right, sometimes it may be wrong. The RECM is provided to assist with this sort of procedure.

It is intended that the RECM be updated on a regular basis as more firms contribute and as practice changes.

Firms are invited to raise any comments or questions to iPUG or the IMA.

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IPUG Research / Execution Commission Matrix

IPUG and the IMA cannot accept responsibility for the accuracy or completeness of this document.

Research Service Categories

Business Area

Investment (Research)

	Real Time Terminal Products	Real Time Exchanges / Price Feeds	News Services / Feeds	Historical Analysis Terminal Products	Broker Research Terminal Products	Analytical Terminal (Risk) Products	Data for Research Purposes	Data for Accounting / Reporting Purposes	Performance Terminal Product	Data for Performance Purposes	External Independent Research	Deal Execution / TCA
1 Asset Allocation / Strategic	25 - 49%		0 - 24%	50 - 74%	50 - 74%	50 - 74%	50 - 74%				50 - 74%	0 - 24%
2 Equity Fund Management	50 - 74%		0 - 24%	50 - 74%	50 - 74%	25 - 49%	50 - 74%				75 - 100%	0 - 24%
3 *Equity Analysis	25 - 49%		0 - 24%	50 - 74%	25 - 49%	25 - 49%	50 - 74%				50 - 74%	0 - 24%
4 Private Client Fund Management	0 - 24%			0 - 24%	0 - 24%	0 - 24%	0 - 24%				0 - 24%	
5 *Quantitative Analysis	25 - 49%		0 - 24%	25 - 49%	0 - 24%	0 - 24%	25 - 49%				25 - 49%	0 - 24%
6 *FI Fund Management												
7 *FI Analysis												

Dealing (Execution)

8 Equity Dealing	25 - 49%	0 - 24%	0 - 24%	0 - 24%	0 - 24%	0 - 24%						0 - 24%
9 *FI Dealing												
10 *FX Dealing (Trasury)												
11 Unit Trusts Dealers												

Examples (names are only indicative and do not reflect all available products; inclusion does not indicate endorsement nor warrant that such products can be so categorised)

Bloomberg / Thomson - Reuters NYSE / TSX / LSE Datastream / Facet Thomson ONE Analytics Barra / Northfield / Style Research MSCI, FTSE, S & P (Research) Micropal / WM / Lipper MSCI, FTSE, S & P Broker Research & limited 3rd Party Research ITG

KEY

75 - 100%	Widespread acceptance by firms that these services can be paid for out of dealing commissior
50 - 74%	Acceptance by firms that these services can be paid for out of dealing commissior
25 - 49%	Grey Area Services. A significant minority of firms pay for these services out of dealing commissior.
0 - 24%	These firms hardly ever use dealing commissions to pay for these services except in exceptional circumstance:
	"Mixed Use" Service, defined as a service whose price cannot be unbundled. May be payable with Dealing Commissions, assuming sufficient evidence can be provided of a "mixed use" calculation methodolog
	No shading indicates that firms never use dealing commission to pay for these service:

* Notes

- 3 & 5 Analysts and Fund Managers may be one and the same thing in some companies and so this would imply that a Real Time products and New: Feeds could be paid for using Commissions or a mixed use calculation might be used
- 6,7,9,10 As Fixed Income do not generate any commissions their services cannot be paid for using Commissior

