



Overview

Since 2010, DTCC has seen an increase in carrier submitting files on products that are defined as fee-based annuities. The information is being passed through Positions and Valuations (POV), Financial Activity Reporting (FAR) and Commissions (COM). DTCC allows the carrier to identify specific Product CUSIPs to determine if it is a fee-based or commission-based product. Today, DTCC has 238 unique Product CUSIPs identified as fee-based by 42 different insurance carrier participant numbers. In addition, DTCC is seeing less than 3% of the new business is represented as fee-based activity.

There is a need to define the standard usage for processing and reporting of the fee-based products within the DTCC services. Three areas were review and defined:

1. Fee Request Process
2. Transaction Processing & Reporting
3. Money Settlement

Fee Request Process

The fee request is completed by a myriad of ways and is based on the carrier and the product rules, the advisory platform and the BD/RIA involved in the process where the fee-based insurance product is being supported. This may include a one-time request or an ongoing program which instructs the carrier to liquidate the advisory fee on pre-determined frequency.

- Letter of Instructions/Carrier Form (signed by the client and advisor) – this may be point of sale or post issue – the delivery of the form may leverage DTCC’s Attachments or direct with the carrier (fax, postal mail or overnight)
- If leveraging DTCC’s Attachments, the standard/best practice for sending via Attachments (and electronic signatures) will be as follows:
 - Originating Transaction Type = 185 (Update Financial Activity)
 - Attachment Type = 548 (Advisory Fee Adjustment)

Transaction Processing & Reporting

Once the carrier processes the advisory fee liquidation, it should be reported on DTCC’s Financial Activity Reporting (FAR) file, the recommendation looping structure is presented below for the carrier to use and report the “advisory” fee liquidation from the fee-based annuity contract, the Transaction Identifier (item 5057) of **(606) Advisory Fee Liquidation**. This is regardless is this is a flat or asset based one time or ongoing recurring program request. Additionally, by sending the Contract Payee/Payor (43/08) and Payment Details (43/09) records, it will determine how the money settlement is occurring back to the BD/RIA.

Business Category: Advisory Fee Liquidation

Does Include Money Movement (in/out) and will impact the Units/Values within the policy/contract

Transaction Identifiers Included under this business category	
606	Advisory Fee Liquidation

FAR Recommended Looping Structure
40 - Submitting Header - Mandatory
42 - Contract Header - Mandatory
43/01 - Contract Record - Mandatory
43/02 - Contract Entity Record - Required
43/03 - Contract Entity Address Record - Optional
43/04 - Contract Agent Record - Optional
43/05 - Contract Transaction Record - Mandatory
43/06 - Contract Underlying Assets Record - Required
43/07 - Contract Payee/Payor Record - Required
43/08 - Contract Payee/Payor Payment Details Record - Required
43/09 - Contract Payee/Payor Address Record - Optional

FAR Contract Record 43/01				
Contract Number	5021	M	Policy1234	
IRS Qualification Code	5023	M	2010	NON-QUALIFIED
CUSIP Number	5025	M	CUSIP1009	
Contract Status	5026	M	VA	ACTIVE
Contract Date - 1	5027	M	20200419	Repeats up to 5 dates
Contract Date Qualifier - 1	5028	M	092	ISSUE EFFECTIVE
Product Type	5139	M	FIX	FIXED ANNUITY
FAR Contract Record 43/02				
Contract Number	5021	M	Policy1234	
Contract Entity Type Code	5029	M	1	PERSON
Contract Entity Code	5030	M	OK	OWNER/ANNUITANT
Contract Entity N/NN Name Indicator	5031	M	N	NATURAL
Contract Entity NNN Name	5032	OC		
Contract Entity Last Name	5035	OC	SMITH	
Contract Entity First Name	5033	OC	JAMES	
Contract Entity Address Record 43/03				
Contract Agent Record 43/04				
Contract Transaction Record 43/05				
Contract Number	5021	M	Policy1234	
Distributor Transaction Identifier	5054	O		
Transaction Amount	5055	M	00000000000050000	\$500.00
Transaction Amount D/C Indicator	5055	M	D	DEBIT
Transaction Source Indicator	5127	O		
Transaction Identifier	5057	M	606	Advisory Fee Liquidation Fee
Transaction Charges/Benefits - 1	5058	O		Repeats up to 6 times
Transaction Charges/Benefits D/C Indicator - 1	5058	OC		Repeats up to 6 times
Transaction Charges/Benefits Qualifier - 1	5059	OC		Repeats up to 6 times
Application Control Number	5062	O		
Payment Type	5140	O		

Standard Usage & Best Practice – Advisory Fee Payment Processing & Settlement

Contract Entity Relation Pointer	5148	OC		
Transaction Date (Effective)	5060	M	20210419	
Transaction Date (Process)	5061	M	20210419	
Tax Year	5063	O		
Contract Underlying Assets Record 43/06				
Contract Number	5021	M	Policy1234	
Fund Identifier	5064	O	CUSIP1009GWITH1	9+5+5
Fund Amount	5066	M	00000000000050000	\$500.00
Fund Amount D/C Indicator	5066	M	D	DEBIT
MVA Amount	5067	O		
MVA Amount D/C Indicator	5067	M		
Employer Amount	5068	O		Repeats up to 6 times
Employer Amount D/C Indicator	5068	OC		Repeats up to 6 times
Employee Amount	5069	OC		Repeats up to 6 times
Employee Amount D/C Indicator	5069	O		
Fund Surrender Charges	5070	O		
Fund Surrender D/C Indicator	5070	OC		
Fund Administrative Charges	5071	M	00000000000000000	\$0.00
Fund Administrative Charges D/C Indicator	5071	M	D	DEBIT
Fund Unit Price	5072	O		
Fund Units	5073	O		
Fund Units D/C Indicator	5073	OC		
Mutual Fund CUSIP Number	5126	O		
Deposit Period Start Date	5075	O		
Deposit Period End Date	5076	OC		
Deposit Period Maturity Date	5077	OC		
Deposit Period Rate	5078	O		
Deposit Period Rate Type	5079	OC		
Deposit Period Duration	5081	O		
Deposit Period Duration Qualifier	5080	OC		
Employer Amount Identifier Qualifier	5112	OC		
Employee Amount Identifier Qualifier	5113	OC		
Fund Account Number	5145	O		
Contract Payee & Payor Record 43/07				
Contract Number	5021	M	Policy1234	
Payee/Payor Entity Type Code	5082	M	1	PERSON
Payee/Payor Entity Role	5083	M	PE	PAYEE
Payee/Payor NNN Entity Name Indicator	5084	M	N	NATURAL
Payee/Payor Non-Natural Entity Name	5085	OC		
Payee/Payor Non-Natural Last Name	5088	OC	JONES	
Payee/Payor Non-Natural First Name	5086	O	CARTER	
Contract Payee & Payor Payment Details Record 43/08				
Contract Number	5021	M	Policy1234	
Payee/Payor Payment Method Net Amount	5094	M	00000000000050000	\$500.00
Payee/Payor Payment Method Net Amount D/C	5114	M	D	DEBIT
Payment Source Amount Qualifier	5115	M	H8	Owner
Payee/Payor Payment Method	5093	O	CLH	Clearinghouse (DTCC Settlement)
Contract Payee & Payor Address Record 43/09				

Money Settlement

Currently, there are Commission Basis Reason Codes (CBRC) that are available to ‘pay’ or reverse compensation/advisory fees via the Commissions (COM) file, for individual annuity contracts and/or life insurance policies. The suggested CBRC is **Advisory Fee Payment – Asset Based (PFB/CFB)**. This is regardless if this is a flat or asset based one time or ongoing recurring program request; as well as if who is doing the advisory fee calculation.

Business Category: Advisory Fee Payment
Money Movement (in/out) through DTCC COM File

Commission Basis Reason Codes Used to Report the settlement of the advisory fee back to the RIA/Broker Dealer
 PFB - Advisory Fee Payment - Fee Based / CFB - Advisory Fee Payment Chargeback

COM Recommended Looping Structure
20 - Submitting Header - Mandatory
21 - Contra Header - Mandatory
22/01 - Contract Record #1- Mandatory
22/02 - Contract Record #2 - Optional
22/03 - Contract Fund Record - Optional
22/04 - Contract Party Record - Optional
22/05 - Contract Recipient Record - Optional/Conditional

COM Contract Record #1 22/01				
End Receiving Company ID	2004	O	987654321	
End Receiving Company ID Qualifier	2016	OC	FI	Federal Taxpayer's ID Number
CUSIP Number	2005	OC	DUMMY2006	
Contract ID	2007	O	Policy1234	Repeats up to 5 dates
Transaction Effective Date	2008	O	20220327	
Settlement Date	2090	O	20220328	
Process Date	2014	O	20220327	
Policy Effective Date	2015	O	20190415	
NSCC Settling Amount D/C Indicator	2095	M	C	Credit
NSCC Settling Amount	2096	M	00000000000050000	\$500.00
Net/Prepaid Commission Amount D/C Indicator	2067	M	D	DEBIT
Net/Prepaid Commission Amount	2064	M	00000000000000000	\$0.00
Commission Basis Amount D/C Indicator	2065	M	C	Credit
Commission Basis Amount	2061	M	00000000000050000	\$500.00
Commission Basis Reason Code	2060	M	PFB	Advisory Fee Payment - Asset Based
Product Type Code	2076	OC	VAR	Variable Annuity
COM Contract Record #2 22/02				
COM Fund Record 22/03				
COM Contract Party Record 22/04				

Party Last Name	2320	OC	Smith	
Party First Name	2321	O	John	
Party Middle Name	2322	O	Arthur	
Party Role	2340	M	HA	Owner
Party Natural/Non-Natural Entity Name Indicator	2343	M	N	Natural
COM Contract Recipient Record 22/05				
Recipient Role	2410	M	IA	Investment Advisor Representative
Recipient Last Name	2405	C	Jones	
Recipient First Name	2408	O	Carter	
Recipient Natural/Non-Natural Name Indicator	2417	M	N	Natural
National Producer Number	2419	C	00000000000050000	\$500.00
Recipient Commission Amount	2412	O	C	Credit
Recipient Commission Amount D/C Indicator	2413	OC		
CRD Number	2424	C	123456	