

NSCC COM Business Event

Suggested Usage for Commission Basis Reason Codes

Commission events, as referred to in this document, are any of the items listed below that cause or confirm the movement of a single specified amount of money from the carrier to the firms.

1. Commissions Earned on Premiums Submitted - both New Contract Premiums and Subsequent Premiums (Premium Based Commissions)
2. Commissions Advanced on Approximate Premiums to be Submitted. (Advances)
3. Commissions Earned on Assets Held (Asset Based Trail Commissions)
4. Persistency Bonus Commissions (Asset Based Fixed Renewal Commissions)
5. Marketing Allowances (Direct Firm Compensation or Reimbursements)
6. Adjustments, Charge backs, or reversals associated with any of the above.

This suggested usage provides a standard means of communicating each of the items above via the COM business event. This document does not reiterate or address the looping structures for passing multiple firm events in one file. These can be found in the record layouts provided by the NSCC. Instead, this document focuses on standardizing the usage of commission basis reason codes for each of the commission events listed above.

I. Data Elements specific to a commission event

For each commission event the following information is required:

- IPS Stage Code (Item 2001)
- NSCC Control Number (Item 2012)
- Commission Basis Reason Code (Item 2060)
- Commission Basis Debit/Credit Indicator (Item 2065)
- Commission Basis Amount (Item 2061)
- Net/Prepaid Commission Amount Debit/Credit Indicator (Item 2067)
- Net/Prepaid Commission Amount (Item 2064)
- NSCC Settling Amount Debit/Credit Indicator (Item 2095)
- NSCC Settling Amount (Item 2096)

For each commission event the following optional information may be provided:

- Contract ID (Item 2007)
- CUSIP Number (Item 2005)
- Effective Date (Item 2008)
- Commission Option (Item 2009)
- Distributors Account ID (Item 2010)
- Distributors Transaction ID (Item 2013)
- Commission Rate (Item 2062)
- Calculated Commission Amount Debit/Credit Indicator (Item 2066)
- Calculated Commission Amount (Item 2063)
- Settlement Date (Item 2090)
- Process Date (Item 2014)
- Issue Date (Item 2015)
- Contract Owner Residence Jurisdiction (2091)
- Application Signed Jurisdiction (Item 2092)
- Owner Data (via Party Loop)
- Annuitant Data (via Party Loop)
- Agent Data (via Recipient Loop)

Since this suggested usage document only addresses the standardization of commission basis reason codes, it will only address the Contract Loop (2000) for the NSCC format, which equates to BLI Loop for the ANSI format.

Note however, that all optional data should be provided if it applies to the commission event.

In other words, for every commission event that pertains to a contract, pass all the optional data listed above. By doing so, one mapping should satisfy the requirements of all broker dealers. The only instance where the optional data may not apply is for marketing or reimbursement events, which will be discussed later in this document.

Math Conventions

In addition, when all of the applicable data is passed, there is a simple mathematical convention to adhere to. This convention can best be illustrated in table format:

Column No:	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
What's in this Column:	Commission Basis Reason Code (Item 2060)	Commission Rate (Item 2062)	Commission Basis Amount (Item 2061)	Commission Earned or Calculated (Item 2063)	Commission Previously Netted or Advanced (Item 2064)	Commission Due - NSCC Settling Amount (Item 2096)
Data Example 1:	PPP	0.0525	10000.00	525.00	0.00	525.00
Data Example 2:	PWR	0.0525	10000.00	525.00	500.00	25.00
Data Example 3:	CPC	0.0525	(10000.00)	(525.00)	0.00	(525.00)

Column 1 tells what is happening. Column 2 times Column 3 equals Column 4. Column 4 minus Column 5 equals Column 6.

NOTE: The debit / credit indicators have been left out but are denoted in the values shown in the table. It is important to understand that on Column 6 (NSCC Settling Amount) the debit / credit indicator gets “flipped” from what the carrier sends to what the broker dealer receives. Why? Because a credit to the carrier account as seen by the carrier would be a debit to the broker dealer account as seen by the broker dealer. The table shows what the receiving broker dealer would see in Column 6.

This tabular format for showing associated values and commission basis reason codes has been integrated with each example discussed herein. The record layouts for each example, in both NSCC and ANSI formats, are provided at the end of this document.

Commission Basis Reason Codes

The Commission Basis Reason Code is a required field in the COM business event. EVERY commission event must have a supporting reason for being generated. The listing of valid Commission Basis Reason Codes is provided in the table on the next page. This list will be maintained by the NSCC but user defined codes can be established between trading partners - see codes C01 through C10 and codes P01 through P10.

The general rule for commission basis reason codes is that all payment codes start with “P” and all charge back codes start with “C”.

Example of COM Basis Code List (for complete list, see COM Record Layouts)

COMMISSION BASIS REASON CODES			
Code	CODE LIST FOR COMMISSION CHARGES	Code	CODE LIST FOR COMMISSION PAYMENTS
	Premium Commissions - Gross or Netted		
		PPP	Commission payment for new (initial) premium. This is associated with a new contract. PAPER
		PEP	Commission payment for new (initial) premium. This is associated with a new contract. ELECTRONIC
		PPA	Commission payment add-on (sub pay) premium. PAPER
		PEA	Commission payment add-on (sub pay) premium. ELECTRONIC
CWR	CB for policy netted at incorrect rate	PWR	Commission payment for incorrect netting
	Approximate Premium Commissions – Advances		
CAN	CB for net adjustment for an advance	PAN	Commission payment for an advance or transfer
CA5	CB for adjustment for a 1035 advance or transfer. This is generated following the receipt of actual premium.	PA5	Commission payment adjustment for a 1035 exchange advance or transfer. This is generated following the receipt of actual premium.
CAP	CB for full advanced amount	PX5	Commission payment for 1035 or qualified transfer that was NOT advanced on. This is generated following the receipt of actual premium.
	Asset Based Commissions - Trails and Fixed Renewals		
		PTA	Commission payment for trail (asset based). This is generated due to the selection of a trail commission option or related persistency bonus on a variable product.
CBA	CB for renewal that was in error.	PBA	Commission payment for fixed asset based persistency bonus (asset based). This is generated due to the renewal of a fixed product.

II. Examples of Commission Events

1. Commissions Earned on Premiums Submitted.

Scenario 1a: Commission on Initial Premium Submitted (Gross Premium)

The broker dealer submits \$10,000.00 gross premium on a new contract and does not net any commissions. The carrier pays commission at 5.25% and pays the broker dealer \$525.00.

Scenario 1b: Commission on Initial Premium Submitted (Net Premium – BD Netted Correctly)

The broker dealer submits \$10,000.00 premium and nets commissions of \$525.00. The carrier sends a \$0.00 settlement record back to the broker dealer indicating the commissions were netted correctly.

Scenario 1c: Commission on Initial Premium Submitted (Net Premium – BD Netted TOO MUCH)

The broker dealer submits \$10,000.00 premium and incorrectly nets commissions of \$600.00 (nets at 6%). The carrier pays commission at 5.25% and sends a settlement record back to the broker dealer indicating the commissions were netted incorrectly and charges back \$75.00

Scenario 1d: Commission on Initial Premium Submitted (Net Premium – BD Netted TOO LITTLE)

The broker dealer submits \$10,000.00 premium and incorrectly nets commissions of \$500.00 (nets at 5%). The carrier pays commission at 5.25% and sends a settlement record back to the broker dealer indicating the commissions were netted incorrectly and pays an additional \$25.00

Scenario 1e: Commission on Subsequent Premium Submitted (Gross Premium)

The broker dealer submits \$2,000.00 gross premium on an existing contract and does not net any commissions. The carrier pays commission at 5.25% and pays the broker dealer \$105.00.

Column No:	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
What's in this Column:	Commission Basis Reason Code (Item 2060)	Commission Rate (Item 2062)	Commission Basis Amount (Item 2061)	Commission Earned or Calculated (Item 2063)	Commission Previously Netted or Advanced (Item 2064)	Commission Due - NSCC Settling Amount (Item 2096)
Scenario 1a:	PPP	0.0525	10000.00	525.00	0.00	525.00
Scenario 1b:	PPP	0.0525	10000.00	525.00	525.00	0.00
Scenario 1c:	CWR	0.0525	10000.00	525.00	600.00	(75.00)
Scenario 1d:	PWR	0.0525	10000.00	525.00	500.00	25.00
Scenario 1e:	PPA	0.0525	2000.00	105.00	0.00	105.00

2. Commissions Advanced on Approximate Premiums to be submitted.

Scenario 2a: Commission Advanced on Approximate Premium

The broker dealer submits an exchange and approximates the premium to be received as \$24,500.00. The carrier advances commission at 6% and sends a settlement record to pay \$1,470.00

Scenario 2b: Commission Advance recouped (Actual Premium greater than Approximate Premium)

From 2a above, the actual premium received by the carrier is \$25,250.00. The carrier pays 6% (\$1515.00) and sends a settlement record to indicate the actual premium, commissions earned, the advance to be recouped, and the payment of an additional \$45.00.

Scenario 2c: Commission Advance recouped (Actual Premium less than Approximate Premium)

From 2a above, the actual premium received by the carrier is \$23,956.50. The carrier pays 6% (\$1,437.39) and sends a settlement record to indicate the actual premium, commissions earned, the advance to be recouped, and the charge back of \$32.61.

Scenario 2d: Commission Paid on Exchange / Transfer Premium that was NOT advanced on

The broker dealer submits an exchange but is not set up for advancing with the carrier. The carrier receives a premium of \$25,250.00, pays commission at 6% and sends a settlement record to pay \$1,515.00.

Column No:	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
What's in this Column:	Commission Basis Reason Code (Item 2060)	Commission Rate (Item 2062)	Commission Basis Amount (Item 2061)	Commission Earned or Calculated (Item 2063)	Commission Previously Netted or Advanced (Item 2064)	Commission Due - NSCC Settling Amount (Item 2096)
Scenario 2a:	PAN	0.0600	24500.00	1470.00	0.00	1470.00
Scenario 2b:	PA5	0.0600	25250.00	1515.00	1470.00	45.00
Scenario 2c:	CA5	0.0600	23956.50	1437.39	1470.00	(32.61)
Scenario 2d:	PX5	0.0600	25250.00	1515.00	0.00	1515.00

3. Commissions Earned on Assets Held (Trail Commission Option Selected)

Scenario 3a: Commissions Earned on Assets Held (Trail Commission Option Selected)

The carrier sends a settlement record paying trail commissions on a contract with assets of \$525,000.00

Column No:	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
What's in this Column:	Commission Basis Reason Code (Item 2060)	Commission Rate (Item 2062)	Commission Basis Amount (Item 2061)	Commission Earned or Calculated (Item 2063)	Commission Previously Netted or Advanced (Item 2064)	Commission Due - NSCC Settling Amount (Item 2096)
Scenario 3a:	PTA	0.000425	525000.00	223.13	0.00	223.13

4. Persistency Bonus Commissions (Asset Based Fixed Renewal Commissions)

Scenario 4a: Persistency Bonus Commissions (Asset Based Fixed Renewal Commissions)

The carrier sends a settlement record paying commissions on a fixed renewal contract with assets of \$125,000.00

Scenario 4b: Charge back of Persistency Bonus Commission

The carrier sends a settlement record to charge back commissions on a fixed renewal contract with assets of \$125,000.00

Column No:	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
What's in this Column:	Commission Basis Reason Code (Item 2060)	Commission Rate (Item 2062)	Commission Basis Amount (Item 2061)	Commission Earned or Calculated (Item 2063)	Commission Previously Netted or Advanced (Item 2064)	Commission Due - NSCC Settling Amount (Item 2096)
Scenario 4a:	PBA	0.0350	125000.00	4375.00	0.00	4375.00
Scenario 4b:	CBA	0.0350	(125000.00)	(4375.00)	0.00	(4375.00)

5. Marketing Allowances (Direct Compensation or Reimbursement)

Scenario 5a: Marketing Allowance (Direct Firm Compensation or Reimbursement)

The carrier passes a marketing allowance of \$8000.00 to the firm. Note: For this situation, there is no contract number, no CUSIP number, no rate, and no commission basis amount. Pass 0.00 for any mandatory amounts.

Scenario 5b: Charge back of Marketing Allowance

The carrier charges back a marketing allowance of \$8000.00 to the firm. Note: For this situation, there is no contract number, no CUSIP number, no rate, and no commission basis amount. Pass 0.00 for any mandatory amounts.

Column No:	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
What's in this Column:	Commission Basis Reason Code (Item 2060)	Commission Rate (Item 2062)	Commission Basis Amount (Item 2061)	Commission Earned or Calculated (Item 2063)	Commission Previously Netted or Advanced (Item 2064)	Commission Due - NSCC Settling Amount (Item 2096)
Scenario 5a:	PM0	0.00	0.00	8000.00	0.00	8000.00
Scenario 5b:	CM0	0.00	0.00	(8000.00)	0.00	(8000.00)

6. Adjustments, Charge backs, or reversals

Scenario 6a: Charge back due to Cancelled Policy

The carrier charges back commissions due to a policy cancellation. There may or may not be a rate that applies. If not, pass 0.00 for the rate.

Scenario 6b: Charge back (generic)

The carrier uses the generic charge back code of COP to recover an overpayment.

Scenario 6c: Reversal

The carrier uses the generic payment code to reverse a charge back.

Column No:	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
What's in this Column:	Commission Basis Reason Code (Item 2060)	Commission Rate (Item 2062)	Commission Basis Amount (Item 2061)	Commission Earned or Calculated (Item 2063)	Commission Previously Netted or Advanced (Item 2064)	Commission Due - NSCC Settling Amount (Item 2096)
Scenario 6a:	CPC	0.0000	(125000.00)	(4375.00)	0.00	(4375.00)
Scenario 6b:	COP	0.0350	(125000.00)	(4375.00)	0.00	(4375.00)
Scenario 6c:	PAA	0.0350	125000.00	4375.00	0.00	4375.00