

FEE AND COMMISSION REVIEW PRACTICE AREA

Improve controls around fee and commission payments to help save money

With the complexity of fee schedules, regular modifications of fee rates and levels, and shorter deadlines for claiming rebates, managing clearing fees, exchange fees and brokerage claims presents a challenge to many Futures Commission Merchants (FCMs). This is especially true where the creation and maintenance of account data input is split among different departments, locations and offices.

For example, new accounts may be set up in Hong Kong, operations handled in Chicago, and IT run from London. If the proper internal policies and procedures don't exist, then an error in the account set-up may not be caught, or an update in a fee rate may not be reflected in an existing account. As a result, the firm may pay unnecessary fees – and it may not realize the error until it is too late to claim a rebate and recoup its losses.

The independent subject matter experts of Professional Services' fee and commission review practice area have decades of experience in helping FCMs and other firms evaluate their transaction cost processes and avoid unnecessary payments.

The team develops and implements strategic metrics and policies through a step-by-step assessment of key business processes. The analysis consists of three phases:

- Fact finding: gather reports, interview employees, and organize data
- Analysis: interpret and report the findings
- Resolution: update policies and procedures and train personnel

Specialists analyze the customer's bills and payments to identify overpayments and misapplications of clearing and exchange fees, brokerage (BPS) fees, give-up fees (GPS and foreign) and NFA fees. Specialized services such as commission reviews, commission payout reviews and carrying broker (US and foreign reviews) are also available.

The team then creates an internal control process to prevent any errors from being repeated. The process is tailored to each customer's individual requirements and situation but always incorporates three key goals:

- To ensure that all appropriate departments review account information
- To support proper communication between departments
- To create adequate controls over the transaction cost structure

The practice area can also provide monthly exchange and clearing fee reviews while the internal policies and procedures are being developed to help ensure that firms make the correct payments and are able to recover revenue within the window established by exchanges.

KEY BENEFITS OF THE FEE AND COMMISSION REVIEW PRACTICE AREA:

- Identifies incorrect payments and develops internal policies and procedures to prevent errors from being repeated
- Can save firms potentially hundreds of thousands of dollars in incorrect payments
- Leverages the team's decades of experience in the futures industry
- Provides a timely service and helps firms claim rebates within the available window
- Enables staff to focus on core business issues instead of managing fee schedules and billing

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