

*These notes are from an SME Forum sponsored Conference Call to review and dive deeper into the results of an ETF Commission Calculation Survey conducted by the Forum in February 2020. Participants were composed primarily of representatives of firms that responded to the survey.*

**Firm #1:** Our motivation for looking into this topic comes from leveraging the same sales team that was doing Mutual Funds, they keep doubling back to “why can’t you pay me on gross”, “why can’t you get more data”? We are the firm that is tracking over 95% of ETFs. The caveat here is that this figure is only for US intermediary. If you are trying to get a MF team to sell ETFs you unfortunately need to track these numbers, it’s exhausting work. Unfortunately, ETFs are not taking off at our firm but we can proudly say that tracking isn’t the reason it’s not taking off. What is the threshold people need, what types of documentation do you need to allocate ETF sales?

**Firm #2:** Sometimes it’s a conversation, email chain etc. We do a lot of self-reporting and trust people to be honest. We do ratchet down what we compensate on though. We do not compensate on 100% of ETF sales.

Moderator: Are sales personnel reporting activities or amount of sales?

**Firm #2:** They are reporting dollar sales, either shares or dollar amount.

**Firm #3:** When you say tracking 95%, can you put some more context around it? You said your sales people were asking why they can’t be paid on gross sales...?

**Firm #1:** We use [Broadridge](#) as our base. If we have a direct source of data better than Broadridge, then we swap that info out. For example, Morgan Stanley from their data pack so we swap it in and take out what Broadridge had on MS ETF sales. You do run into issues with this with some firms like Schwab. Their data comes in in a messy way so we have to do some manual corrections. To compensate in these situations, we track opportunities captured in our CRM. We make sales people take a screen shot of transactions if necessary. We pay on net.

**Firm #4:** What are people thinking about for Wells Fargo data on ETFs now that it has been turned off? Now you need to buy the data pack for the same data. Do people purchase the data pack or refer to the Broadridge data pack that has less transparency?

**Firm #5:** We use Broadridge for MF sales. Similarly to Firm #1 we use Broadridge as our base and supplement with better data sets. We have advisors take screen shots or emails justifying trades. Sometimes these do not match with what actually happened, so we default to what Broadridge says in these cases.

**Firm #6:** We also use Broadridge as a base and swap in MS and ML. We also pay out on net new assets.

**Firm #5:** There is another factor to our compensation calculations: the ending net assets each month are multiplied by weighted factor. This compensates for some market volatility.

**Firm #2:** We ratchet down any sales figures. We take out short-term redemptions. And we do not subscribe to the Broadridge data sets. Instead we use MS, ML, [InvestNet](#) and [Pershing](#).

**Firm #7:** We have a lot of fund-to-fund business, which we may not considered in our response to the question on being able to credit ETF business to salespeople directly. What systems are people using to take in the data and do swap outs for better data sources. Are these proprietary?

**Firm #1:** I know a few larger shops have started using [SalesPage](#) or DST [SalesConnect](#). However, unless their contract is different, you cannot run your Broadridge data through a third party data shop such as SalesPage or DST. We had been using MS Excel but swapped to [Composable](#) and [Alteryx](#) now. Basically, they are data transformation tools. We have just gotten to the scale where we need to do this. These middle ground tools allow us to build complex XLS processes that are easily repeatable. Helps when column headings change, etc.

**Firm #2:** We use Alteryx as well. Bit expensive but found it well worth it.

**Firm #5:** We are finding lately that a lot of international clients are buying US MFs. Are you experiencing that people on EU sales team are claiming MF sales in US and you have to transfer money on the books from US to international or the other way as well?

**Firm #8:** Yes, this is very common. We have cross listed some of our US ETFs in Mexico and found that these are difficult to isolate and compensate on.

**Firm #9:** I am surprised that you are paying commissions on these ETFs at all.

**Firm #8:** It was done in order to provide sales incentive and grow the business. It has been successful approach.

**Firm #9:** From everything we see, you can't really pay commissions on ETFs. One needs to figure out a different incentive structure.

**Firm #1:** Your firm is a massive player in the ETF space. We are trying to leverage traditional methods to change approach and perspective on ETFs so that we can grow.

**Firm #3:** Future looking we are leaning to a discretionary bonus type payout. What would you suggest for smaller players just getting into the space?

**Firm #9:** Recognize that commission based makes sense to start off with for smaller business. But yes, discretionary model is good. Educating advisors on ETFs and how they work is well worth incentivizing advisors. Compensating advisors on ETF just sounds painful!

**Firm #1:** One decision to pay commissions on ETF depends on if you are using an already existing team to sell ETFs or if you are building a new team to sell ETFs. Using an already existing MF team you have to adapt to what they are used to in pay structure and comp.

**Firm #9:** You can take the other direction and say, the world is changing, we are not paying commissions on anything...

A final firm concluded that they are offering a commission plus a kicker if sales people break a



# ETF Commission Calculations

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certain threshold of ETF sales. This way ETF sales are as attractive to MF sales teams.