

Is Your Interface Data AIMR Compliant?

Over the past several years, I've developed several interfaces into the Advent Axys system, and examined and tested many, many others. I've come to one conclusion: All interfaces are not created equal. When I make that statement, I am not referring to the file formats or the way the data gets into Axys... I'm referring to the actual data itself...specifically the transaction data. Interfaces vary in their treatment of transaction fees (fees assessed on the purchases or sales, for example).

You are undoubtedly familiar with the AIMR standards for presentation of performance numbers. AIMR guidelines specifically state that management fees are the only fees a firm is allowed to exclude from performance calculations. Transaction fees, SEC fees, commissions...these non-management fees must all be included in the performance calculation.

Axys itself is AIMR complaint, meaning that it properly includes or excludes management fees from performance calculations. Before you begin the AIMR certification process, however, make sure that the data going into Axys is AIMR compliant. Look carefully at the transactions...what entries do you see with the "epus" security type? Management fees are the only transactions that should be type "epus."

Let's talk for a moment about the "exus" security type. As far as performance calculations are concerned, any transaction with type "exus" is the same as any other cash withdrawal. If you change a "dp exus" transaction to an "lo caus" transaction, ...this change would have no impact whatsoever on performance. When you look at your interface data, what entries do you see with "exus" security type? There should not be many...perhaps an occasional charge from the custodian, such as an Account Administration Fee or a Custodial Fee. Transaction fees should not be classified as "exus."

Any sort of transaction fee or commission must be imbedded in the trade amount of the transaction. Suppose, for example, your client purchases 10 shares of XYZ stock at \$10 per share, and pays a 1% transaction fee. The trade amount of this transaction should be \$101 (10 shares @ \$10 per share = \$100, plus \$1 fee = \$101 total cost of this purchase). Similarly, suppose your client sells 10 shares of XYZ stock at \$10 per share, and pays a 1% transaction fee. The trade amount of this transaction should be \$99 (10 shares @ \$10 per share = \$100, minus \$1 fee = \$99 proceeds from sale). Transaction fees should not appear as separate line items in your transaction file.

The burden is on you, the user, to confirm that your interface data is AIMR compliant. Look at the transactions in your interface files, and carefully examine fees and expenses. Look for a specific example of a purchase with a fee, and look for a specific example of a sale with a fee. Make sure these fee amounts are reflected in the trade amount of the transaction.

About the author: Diane Herrera is president of Client Server Specialists, Inc, a software and consulting firm located in King of Prussia, PA. CSSI specializes in getting data into and out of the Axys system, and in developing custom applications that communicate with Axys. E-mail: dherrera@cssi.org. Phone: 610-992-9287.