



## CAPIS ARC - FAQ

### *Simplify Wrap/Custodial Platform Trade-Aways and Step-outs*

Since 1977, CAPIS has been committed to helping investment advisors with their best execution initiatives. Through CAPIS ARC (Allocation, Reconciliation, and Clearing), managers address their best execution obligations, eliminate sponsor rotation, and simplify their operations processing. Here are some Frequently Asked Questions concerning trading away from Wrap and Custodial Platforms using ARC:

- **Operationally, is there a difference when trading away from Wrap Sponsors (i.e., Raymond James, Baird, RBC, etc.) or Custodial Platforms (i.e., Schwab, Fidelity, etc.)?**  
The step-out process through ACT is identical for both. Each firm has a distinct Market Participant Identifier (MPID) and a specific process to notify them of step-out activity.
- **How do I know if we are allowed to trade-away from our Wrap Sponsors and Custodial platforms?**  
Typically, asset managers are allowed to trade-away from most Wrap Sponsor and Custodial Platforms. First, check the contract your firm has with the Wrap Sponsor and Custodial Platform. Almost all have a clause that permits trading away for “Best Execution”. Second, contact your relationship manager at the Wrap Sponsor and Custodial Platform to discuss their trade-away procedures.
- **What do I do when my sponsor or custodian tells us we are not allowed to trade-away, but our contracts clearly permit the process?** In this case, you will need to push back on the relationship manager and remind them that the contract allows for trade-aways to take place. Be sure to focus on your firm’s best execution obligations.
- **What should I do if my Custodial Platform allows us to trade-away for best-execution purposes but charges prohibitive trade-away fees on that activity (up to \$25per allocation)?**  
Some Custodial platforms allow investment managers to trade-away but charge high trade-away fees to discourage the practice. These penalties can sometimes make the practice cost-prohibitive. In such cases, an advisor needs to force the issue. It can either demand that the penalty be waived or lowered to a more reasonable number (\$1-\$2 per allocation) Either way, the money manager should continue to site its fiduciary obligation to seek best execution as the main reason for trading away. Many asset managers have been able to eliminate the trade-away fees/penalties altogether.
- **After gaining approval to trade-away from our Wrap and Custodial platforms, what are my next steps?**  
Check with each platform and confirm their trade-away process (i.e., how they require notification of trade away activity). Each platform may have a different process. Some may require email notifications and others may request that all notifications be submitted via their platform.
- **When using the CAPIS ARC platform, what information will we need to provide to affect step-outs?**  
CAPIS requires basic execution and allocation information about trade activity associated with step-outs. Once trades have been executed, we need the following information: Buy/Sell, Order Size, Execution Price, Commission paid to executing broker, and names of each executing broker. We also need the Sponsors’ name(s) (MPIDs) and allocation information.
- **For CAPIS to process step-out activity, is there a specific format required when transferring the execution and allocation information?**  
Regarding the end-of-day file, a standard spreadsheet should suffice. The information can either be sent via email or entered directly into CAPIS ARC.
- **How long does the set-up process take to be “live” on CAPIS ARC?**  
Once we have received the required information, clients are typically “live” within one week.
- **Should we decide to outsource our institutional and wrap platform trading, will the CAPIS ARC Platform handle these trade-aways?**The CAPIS Outsourced Trading Desk and CAPIS ARC are integrated to handle the execution and settlement of both DVP allocations and step-out allocations seamlessly. Institutional and Wrap/Custodial Platform orders can be combined (aggregated) and executed in a single block to meet best-execution obligations.

*Since 1977: Integrity • Execution • Transparency  
The CAPIS Difference*

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