

# Exchange & Clearing Fee Reconciliation

## Summary for EU Ops Committee

*Wednesday 22<sup>nd</sup> May.*



# Background

Exchange and clearing fees continue to be difficult for CMs to reconcile due to fee structures being opaque, many different volume rebates and fee data published in inconsistent formats.

There have also been regulatory investigations into CMs overcharging clients that have led to fines in the past.

The FIA EU Operations Committee set up a fees sub-committee in 2014 which was a global effort and produced an Industry Fee Template spreadsheet that breaks out fees into three parts, (1) Fees (2) Discounts and (3) Rebates and set out best practice requirements as well as comparing exchange practices.

The FIA issued a Guide to the Administration of Exchange and Clearing Fees that focuses on US exchanges in November 2015;

[file:///C:/Users/sbailey/Downloads/FIA-GuidetoAdminofExchange\\_0.pdf](file:///C:/Users/sbailey/Downloads/FIA-GuidetoAdminofExchange_0.pdf)

# Current Discussions

The issue of exchange and clearing fee reconciliation and inconsistencies was discussed at the US Divisions planning session in January and the following inconsistencies were highlighted:

- **Data formatting**
- **Data attributes**
- **Report availability**
- **Fee detail consolidation**
- **Exchange/CCP responsiveness**

The US Ops Division has been seeking participants for a fees focus group. The goals of the group is to shape a high-level roadmap for the industry, provide insight to other participants, and help close functional gaps experienced in this space.

The topic was briefly discussed at the EU Ops Committee where it was noted this had been worked previously and discussed if fee data could be added to trade data.

# US Ops Division Fees Focus Group

## Message from Larry Cruz:

*“In January FIA held a planning session for the US Operations Division. There was a follow up to engage with EMEA CMs and CCP’s and highlight areas of opportunity in this space. For exchange and clearing fees, there are inconsistencies across data formatting, data attributes, report availability and overall responsiveness.*

*A Fees Focus Group (non-brokerage) is being set up and participants are requested. The goals are to shape the high-level roadmap for the industry, provide insight to other participants, and help close functional gaps experienced in this space. Participants are expected to actively provide subject matter expertise, constructive feedback & explanations of the business reasons for fee specific issues.*

*If your firm is interested, please pass name(s) and contact information to ensure your firm is represented. We are looking to kick off these Focus Group meetings and would appreciate it if your firm would be able to send a representative. [larry.cruz@citi.com](mailto:larry.cruz@citi.com)”*



# FIA EU Regional Advisory Board

- Discussed at 15<sup>th</sup> May Advisory Board.
- It was noted a fees sub-committee was set up in 2014, which was a global effort and produced an Industry Fee Template spreadsheet and set out best practice requirements as well as comparing exchange practices.
- FIA issued a Guide to the Administration of Exchange and Clearing Fees that focuses on US exchanges in November 2015.
- ERAB members were asked for feedback and encouraged to contact Stuart Bailey if interested.
- **Several ERAB members noted they were involved expressed interest in this work and would like a global discussion, not only focused on the US.**

# EMEA Exchange and Clearing Fee Inconsistencies (Feb2019)

Exchange	Data Formatting	Data Attributes	Report Availability	Fee Detail Consolidation	Response Timeliness
Eurex	✓	✓			
ICE – EU		✓			
EuroNext	✓	✓		✓	✓
MEFF		✓	✓		
LME		✓			
EEX					
EDX		✓		✓	
IDEM		✓	✓		
Nasdaq_OMX	✓			✓	
LCH – OTC	✓		✓	✓	
EUREX - OTC	✓				

# EMEA Exchange and Clearing Fee Inconsistencies (Feb2019)

## Data Formatting

- Files not available in different versions (csv/excel/pdf)
- Files (exchange & clearing) have different formats requiring manual standardization/harmonization
- File (column) structure changes monthly

## Data Attributes

- Files do not contain corresponding account numbers
- Trade legs not linked properly
- Missing billing details

## Report Availability

- Files made readily available for only the previous 5 business days

## Fee Consolidation

- No consolidated fee report available. Must be manually created/enriched in order to reconcile.

## Response Timeliness

- Lack of exchange responsiveness impacting ability to complete reconciliations

# Fee reconciliation resources

1. FIA Operations Americas releases guide to fee administration published November 2015:

<https://fia.org/articles/fia-operations-americas-releases-guide-fee-administration>

2. Industry Fee Template Global spreadsheet.
3. EMEA Fee Rec Pain Points - 02.19.19.