



EUROPEAN CENTRAL BANK

EUROSYSTEM

Substream 4: Fee and Billing Processes, Reporting, Cut-Off Times

Status Update

CMH-TF 20 September 2017

Fees and Billing Processes : Key Topics Being Analysed

- Most market participants typically receive fee and billing information from (I)CSDs and TPA in respect of securities provided as collateral. **The fact finding started focusing on the information provided in the fee invoice, and the format in which this is provided, which varies considerably across (I)CSDs and TPAs.** Today there is no preeminent format in which information is provided, i.e. with postal mail, email, PDF, SWIFT, xml and CSD online systems all amongst the formats used currently.
- **As a next step, it should be determined what information needs to be provided in the fee invoice message exchanged between the (I)CSD/TPA and market participants** to ensure that no reconciliation issues occur and to obviate the need for manual exchange of fee information between (I)CSDs and market participants. If collateral is held in an omnibus account in an (I)CSD, it should be possible to obtain sufficient information from the invoice message to distribute the total fee amongst the participants holding the collateral in the account. The need to provide a separate invoice for collateral management related activities and other services could also be analysed. To allow the reception of fee information in an automated Application to Application (A2A) exchange, the group could analyse the merits of establishing a standardised format by which such information could be transmitted e.g. ISO 20022 message.

Fees and Billing Processes : Key Topics Being Analysed

> Examples of topics

- **Each (I)CSD currently defines the asset class of the securities subject to billing according to its own rules** e.g. the same security provided as collateral may be defined as a covered bond by one (I)CSD and an asset-backed security by another (I)CSD. As some CSDs provide billing information per asset class rather per ISIN, this may create difficulties when reconciling fee invoices particularly if the same asset is held with more than one (I)CSD. The merits of agreeing a common definition of asset classes to be adopted by all (I)CSDs could be considered.
- **The elements of asset valorisation relevant to the calculation of the fee could also be considered**, for example, whether pool factors are taken into account by all (I)CSDs in calculating custody fees, with a view to determining if harmonisation is needed.
- **The date on which billing information is provided is also heterogeneous**, as is the date on which payment should be made to the (I)CSD. In a multi-CSD context where counterparties may hold collateral with multiple CSDs, each with different billing dates, the timing and frequency of debiting fees from counterparties should also be considered to determine if a harmonised billing period could be introduced e.g. 1st to 31st of each calendar month.

Fees and Billing Processes : Progress to Date

- **Current areas of focus**

- **6 areas have been identified as requiring further analysis. A questionnaire focusing on these areas is currently being completed by members**

- Initial responses indicate a need to transmit fee and billing information in a standardised format as this would support automation of the fee and billing process
- A harmonised monthly billing cycle is considered beneficial, covering 1st of each month to and including month end.
- Further analysis is needed on the potential to have a common asset classification amongst CSDs e.g. are currently some ABS structures classified as corporate bonds at one ICSD and as ABS at another

- **Next steps**

- Compile responses to Fees and Billing questionnaire and identify and document additional issues with a view to presenting a comprehensive list of issues in the October CMH-TF meeting, www.ecb.europa.eu

Cut-off times

- **Available information**
 - **Report: Improvements to commercial bank money(CoBM) settlement arrangements for collateral operations (2014)**
 - Survey on market cut-off times, a comparison is made of the processes involved in sending instructions to an (I)CSD with the possible involvement of several types of intermediaries, creating settlement “chains” (e.g. intermediaries, CSD-links). In addition, the report describes processes involving the settlement of instructions originated by automated trading systems (ATs) and central counterparties (CCPs).
 - **T2S is now fully operational** (Final migration wave of T2S successfully completed).
- **Possible next steps**
 - to be determined if a new fact finding on cut-off times is needed, which would update the 2014 fact-finding.

Reporting

- **Available information**
 - **Reporting of SFT transactions**
 - Ongoing work in the industry to identify what is to be reported (e.g. ERCC, ISLA, ECSDA, SWIFT).
 - **CMH TF Substream 5**
 - Ongoing work on data elements
- **Possible next steps**
 - To be determined if and how the reporting should be addressed, i.e. (i) if there are *remaining issues* that should be looked at and (ii) if that should be *addressed by the CMH TF* (in view of possible synergies in messaging).