

Price Examples (CSDs)

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Background

Findings at the last MOG Meeting:

- Only a limited number of infrastructures implemented (interactive) simulator. However, most CSDs provide “price examples”.
- Objective of the Code is price transparency and price examples are an effective tool to improve transparency given the complexity of the fee structure.

⇒ *The ECB therefore asked to further explore price examples*

Code provisions

- **Article 14 of the Code states:**

“Organisations shall publish **price examples that facilitate the comparison of offers** and allow customers to anticipate the price they will have to pay for the use of services.

These examples shall comprise the **total charges a customer will have to pay** to the Organisation in order to obtain a service (e.g., including the variable charges for conducting a typical transaction on the respective systems, including charges for services and activities necessarily related to this transaction, as well as total charges for becoming and remaining a customer).”

- **As a consequence, price examples should ideally:**

- ⇒ Be meaningful for different types of users
- ⇒ Include all relevant fees to be paid for a given service

Complementary tools to improve price transparency

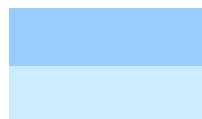
- **Conversion tables** are now widely implemented by CSDs. They are useful to compare price lists and better understand CSDs' tariff structures but they do not allow a given user to easily anticipate the fees to be paid for a given service/set of services.
- **Price examples** (required by the Code) and **price simulators** (“best practice”) are therefore complementary tools: they provide potential users with a useful framework for understanding the fees applicable to their specific profile.
- At the last MOG meeting in July, it was agreed that it may not be efficient for an infrastructure to invest in both price simulators and price examples.

Therefore, **when infrastructures choose to rely on price examples, they should ensure that these examples are comprehensive, understandable and comparable.**

Overview of the ECB fact-finding exercise

CSD		Examples	Simulator
AT	OeKB	Y*	Y
BE	Euroclear BE	N	Y
BE	Euroclear Bank	Y*	N
CY	CDCR (CSE)	Y	Y (partial)
CZ	SCP	Y	Y (partial)
CZ	UNIVYC	N	Y (partial)
DE	CBF	Y	Y
DK	VP	Y	N
EE	ECSD	Y	N
ES	Iberclear	Y	N
FI	Euroclear FI	Y	N
FR	Euroclear FR	N	Y
GR	Helix/CSD	Y	N

CSD		Examples	Simulator
HU	KELER	Y	Y
IT	Monte Titoli	Y	Y
LT	CSDL	Y	Pending
LU	CBL	Y	Y (partial)
LV	LCD	Y	N
MT	MSE	N	N
NL	Euroclear NL	N	Y
PL	KDPW	Y	N
PT	INTERBOLSA	Y	N
SE	Euroclear SE	Y	N
SI	KDD	Y	N
SK	CDCP SR	Y	N
UK, IE	Euroclear UK&IE	Y	N



Clear and comprehensive price examples
Readily available price examples,
but missing a clear overview of total charges



No price examples but a simulator exists (or the reverse)
No price examples and no simulator could be found on the
public website

Main findings

- **A few CSDs** provide very effective and user-friendly price simulators.
- **A majority of CSDs** provides comprehensive price examples on their websites, usually in the form of sample invoices (2/3-page PDF), sometimes included in the Price List document.
- **Different client profiles are often -but not always- used** (broker, custodian, issuer, etc.). However, the number of profiles, their characteristics and denomination vary across infrastructures. These variations do not facilitate comparisons.
- The **level of detail** and the number of **fee categories** also vary (but this is mostly due to different pricing and business models).

Different approaches to “price examples”

- **Design of a ‘typical’ user:** Most price examples are based on ‘dummy’ clients. Few price examples seem based on actual statistics of ‘average’ clients.
- **Inclusion in the price list:** Some CSDs integrate concrete examples into their price list or fee guide. Others present price examples separately (e.g. as sample invoices).
- **Scope of the examples:** Some CSDs provide examples for cash equities only, others for all types of financial instruments. Not all CSDs provide an overview of “total charges”.

Example of useful data in price examples

Client Data	Type of client: Issuer or Custodian or Broker-Dealer Size/Client category: e.g. small/large, domestic/foreign...			
Annual Fees or one-off fees	e.g. Membership fees			XXX EUR
Monthly Fees				
(1) Account administration fees	e.g. Account opening/maintenance, Entrance fees, etc.			XXX EUR
(2) Settlement fees	Type of transactions	Number of transactions	Rate/Unitary Price (in €)	Fee to be paid
	E.g. Domestic equities	XXX	XXX	XXX EUR
(3) Safekeeping & Custody fees	Type of assets	Number of transactions	Rate/Unitary Price (in €)	Fee to be paid XXX EUR
(4) Transaction Processing Fees	E.g Order entry/cancellation, etc.	Number of instructions	Rate/Unitary Price (in €)	Fee to be paid XXX EUR
(5) Reporting and Communication Fees	E.g. Corporate Actions Reporting, Other communication fees...	Number of messages	Rate/Unitary Price (in €)	Fee to be paid XXX EUR
(6) Summary of Total Fees				
Total membership/account administration fees:				XXX EUR
Total safekeeping fees:				XXX EUR
Total processing fees:				XXX EUR
Total communications fees:				XXX EUR
<i>Discount (if any, e.g. based on volume):</i>				<i>(- XX EUR)</i>
TOTAL FEES to be paid by the user:				XXX EUR

Price examples and comparability

- Trying to compare a “basic service” (e.g. cost for the settlement of a DVP instruction) makes little sense...

Assumptions: Custodian bank settling domestic equities with counterparties also members of that same CSD. 10,000 instructions/month, €100,000 average value per instruction.

	CSD A	CSD B	CSD C	CSD D	CSD E
Settlement fee (€ per transaction)	0.40	0.60	0.81	1.60	3.00

... if you simply rely on price examples (together with the price list).

- Prices are particularly sensitive to the assumptions you make.
- This is due to differences in **terminology, pricing** and **business models**:
The “settlement fee” can include a clearing fee, a related communication fee, separate fees for the cash leg and the securities leg...
There might be a volume discount, or an “all inclusive fee” for trading, clearing and settlement in the case of vertically integrated groups... etc.

⇒ **Comparisons require the use of the ECSDA Conversion Table**

Price examples and comparability (2)

- This shows that price examples mostly contribute to **transparency** (e.g. they illustrate how to calculate specific sections of the price list).
- **Main limitations of price examples in relation to comparability:**
 - ✓ You cannot compare the price of a given service in isolation with other related services;
 - ✓ You can input similar data in the different price simulators. This is not so easy with static examples.
- ⇒ More transparency does not necessarily result in comparability.
Comparability is rather a matter of harmonisation.

Conclusions

- **Overall, CSDs have made considerable efforts to develop price examples that help to improve price comparability.** The examples are easily accessible on their public websites.
- The different categories of fees and the different level of details in the price examples mostly reflect differences in business models (degree of complexity) and local characteristics. They are therefore hard to avoid.
- **Going forward, the priority should be for all CSDs to ensure that their price examples include an overview of total charges.**
- **Moreover, comparability could perhaps be enhanced through the use of more streamlined customer profiles,** i.e. distinguishing between a selected number of customer types: issuer, broker, custodian, domestic/foreign, etc.