



EUROPEAN CENTRAL BANK

EUROSYSTEM

Status update Substream 4: Fee/billing Processes and Cut-Off Times

CMH-TF 25 October 2017

Fee and Billing Processes: Progress to Date

- **Substream 4 is analysing the merits of harmonised business processes (workflows and procedures)** for both central banks and market participants based on the ISO 20022 standard.
- **A survey was launched to analyse 6 business processes (workflows and messages)**, identifying potential barriers and need for harmonisation in the message flows and message content. In addition, the interrelation between T2S and CSDs invoice processes was considered.
- **Feedback to the survey need to be confirmed, but indicates that harmonisation could help to simplify the processing** from the perspective of market participants with a single set of procedures. Summary is supported in substream 4, but could be verified in wider constituency (e.g. ECSDA, etc). A pre-assessment of priority was done (subject work CMH-TF).

Fee and Billing Processes: Progress to Date

Business processes (workflow and messages):

1. Provision of Minimum Set of Data in Fees Invoice;
2. Identification of Fees Related to Collateral Management Activities;
3. Identification of Relevant Data Elements for the Fee Calculation (pool factor);
4. Identification of the Asset Class used for Billing Purposes;
5. Messaging Format for the Transmission of Fees Information;
6. Billing Period and Billing Frequency.

Fee and Billing Processes: draft survey findings and priority

No.	Process	Process Description	Summary	Priority
1	Provision of Minimum Set of Data in Fees Invoice	Identifies the minimum set of information which needs to be provided in the fees invoice, for example as a minimum it could be considered that the fees invoice message should include a total fee per securities account held with the CSD	<p>The set of data provided in the fees invoice is heterogeneous. It is however considered that there is a <u>need to provide in all fees invoices the following set of information</u> :</p> <ul style="list-style-type: none"> > Account No. at CSD > Gross Fee > Net Fee > Total V.A.T 	1
2	Identification of Fees Related to Collateral Management Activities	Identifies if there is a need to provide a separate invoice for collateral management and other services.	<p>The billing invoice differs across markets and therefore identification of collateral management related activities is not provided in a harmonised manner. The <u>possibility to define a separate account for collateral management activities</u> could be considered however as this would allow the provision of a detailed statement per a/c.</p>	2

Fee and Billing Processes: draft survey findings and priority (cont.)

No.	Process	Process Description	Summary	Priority
3	Identification of Relevant Data Elements for the Fee Calculation	Seeks to identify those elements of asset valorisation relevant to the calculation of the fee, 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	It appears that the <u>pool factor is taken into account</u> in the calculation of custody fees in all CSDs.	[no need to cover subject confirm.]
4	Identification of the Asset Class used for Billing Purposes	Identifies whether information on the asset class is needed in the fees invoice and thus whether a common definition of asset classes for the purpose of fee billing could be adopted by all (I)CSDs	It is considered beneficial to have a <u>common asset classification</u> in use across all CSDs in order to facilitate the reconciliation and payment of fees.	2

Fee and Billing Processes: draft survey findings and priority (cont..)

No.	Process	Process Description	Summary	Priority
5	Messaging Format for the Transmission of Fees Information	Identifies whether there is a need to define a standardised format by which fees information should be transmitted e.g. ISO 20022 message	There is a <u>need to define a standardised format e.g. ISO 20022 message</u> by which fees information should be transmitted in order to support the automation of the fee and billing process by market participants.	1
6	Billing Period and Billing Frequency	Analyses the timing and frequency with which billing information is provided to market participants and assesses whether a harmonised billing period could be introduced	A <u>standardised billing period should be defined</u> e.g. monthly covering the 1st of each month to the end of each month.	1

Cut-off times

- **Status update:**
 - **Survey is being conducted by ICMA/ERCC on cut-off times for same-day securities settlement instructions. Feedback expected by next CMH-TF** (Update of survey from “Improvements to commercial bank money (CoBM) settlement arrangements for collateral operations” -2014).
 - **Survey is being finalised by ECSDA on CSD cut-offs. Feedback expected by next CMH-TF.** (Update of overview table).

Actions Required: Fee - billing

- **CMH-TF are invited to:**
 - **Confirm the summary findings and agree to send the summary findings for input to ECSDA.**
 - **Confirm classification of priority.**
 - **Agree to analyse the possible update of current ISO 20022 billing message** (i.e. analyse list of additional information needed in ISO 20022, consider the schedule when to request the change, discuss request with ISO to update message standard.)