

Response of Centrálny depozitár cenných papierov SR, a.s. (Slovak CSD and NNA) to Derivatives Service Bureau, Fee Model - Consultation Paper 2, issued on 2 May 2017

Q1: Do you agree that 4 years is an appropriate time frame to amortize the start-up costs? Please provide any relevant evidence to support your answer.

A: We do not want to challenge your carefully calculated financial plan, but we would like to suggest an additional category of DSB user to be created for those users or intermediaries with extremely small activity. Our understanding is that although the vast majority of OTC derivatives are created in major markets, still there could be some local users that may issue only few OTC derivatives – less than 100 (or even less than 10) per year. For those users the suggested fees will be prohibitive. Therefore we ask for creation of additional category of “mini” users that will be able to create new ISINs for OTC derivatives. Fees for creation of ISINs for OTC derivatives in this category could be set per issued ISIN code.

Otherwise our answer to Q1 would be that no, 4 years is short time frame for amortization of start-up costs. We would prefer much longer period (e.g. 15-20 years) in order to decrease the annual costs to be recovered via fees.

Q2: Do you agree with the proposal to create a contingency fund of €750K to cover unplanned costs during the initial few years of operation? If not, please suggest alternative approaches to financial risk management in a cost-recovery construct.

A: Provided that additional user category for extremely small users is created, we agree with suggested contingency fund. If not, than we disagree with its creation or its value.

Q3: Do you agree with the proposal to simplify the fee model by eliminating the differentiation between users requiring access to a single asset class vs multiple asset classes? Please provide details and any relevant evidence to support your answer.

A: Yes, we agree.

Q4: Do you agree with the proposal to provide the full database archive to Registered Users (at no charge), in addition to the paid user categories? Please provide details and any relevant evidence to support your answer.

A: Yes, we agree.

Q5: Do you agree with using 3 as the ratio of fees between Power Users and Standard Users? If not, please provide details and any relevant evidence to support your suggested ratio.

A: -

Q6: Are there any specific challenges you will face meeting the contract execution and payment deadlines stipulated above? Please provide details.

A: We find the deadlines challenging, but we understand that they were set with respect to the overall deadline for implementation of MiFID II. Nevertheless, we would prefer to delay the 1 September deadline to 1 October (and all subsequent deadlines in proportion to that).

Q7: Do you agree with the principle of using excess revenue to reduce the subsequent year's fees? If not, please explain your reasoning and provide industry examples to support your view.

A: Yes, we agree.