



Guide to the Administration of Exchange and Clearing Transaction Fees

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Introduction

Exchange and clearing transaction fees have become increasingly complex over the past two decades. The explosion in the number of daily transactions processed as a result of electronic trading has made the exchange and clearing transaction fee administration process more important than ever. Recognizing the importance of ensuring that exchange and clearing transaction fees and related rebates and credits are handled accurately and efficiently, FIA created a Global Exchange Fee Working Group comprised of brokers working in conjunction with exchanges, clearing houses, and vendors to review current approaches to transaction fee administration, as well as develop suggestions for how these processes might be improved through automation. Additionally, the Working Group developed this guide.

This document outlines current practices, provides useful links to exchange and clearing house reference materials, recommends broadly-applicable actions, as well as suggests ways to improve and enhance these processes. This document does not attempt to recommend firm-specific policies and procedures. Specific procedures will vary depending on the firm's size, scope, and the requirements associated with the markets in which the firm operates.

The scope of this paper is limited to exchange and clearing fees on US-regulated futures exchanges and does not include regulatory fees. The exchanges covered include:

- CBOE Futures Exchange
- CME Group Exchanges
 - CME
 - CBT
 - COMEX
 - NYMEX
- Eris Exchange
- ICE Futures US
- Minneapolis Grain Exchange
- OneChicago

One of the challenges of this exercise is the frequency with which changes occur. In order to keep information current, FIA has created a [webpage](#) where members can find updates to the material in this document as well as other pertinent exchange and clearing transaction fee informational updates.

The ABCs of Exchange and Clearing Transaction Fees

a. Exchange and Clearing Fee Schedules

The first step in administering the exchange and clearing transaction fee process is becoming familiar and comfortable with each exchange's fee schedule, including non-trade fees, and rebate and transaction fee discount programs. Links to these fee schedules are provided below and are also available on exchange websites:

- [CBOE Futures Exchange](#)
- CME Group Exchanges
 - [CME](#)
 - [CBT](#)
 - [NYMEX/COMEX](#)
- [Eris Exchange](#)
- [ICE Futures US](#)
- [Minneapolis Grain Exchange](#) (Additionally, please see the MGEX Rules & Regulations for additional fees.)
- [OneChicago](#)

Correctly coding exchange and clearing fee rates in clearing firm bookkeeping systems is necessary to ensure that proper fees are charged to customer accounts. Exchange and clearing fee schedules are subject to change with notice either via exchange email distribution lists or exchange websites. There are regular exchange and clearing fee schedule updates related to the introduction of new products.

RECOMMENDED ACTIONS:

- ✓ Review exchange and clearing fee schedules.
- ✓ Sign up for exchange and clearing fee update notices.
- ✓ Subscribe to exchange and clearing fee RSS Feeds.
- ✓ Contact exchange and clearing fee staff to confirm the methods used to communicate fee changes.
Ex. direct e-mail, distribution lists, product-specific team communications, website, RSS, regulatory filings, etc.
- ✓ Establish a procedure for ensuring exchange and clearing transaction fees are set up in the clearing firm bookkeeping system prior to a new product being made available for customer trading.

b. Exchange and Clearing Fee Billing Systems

It is important to understand each exchange and clearing house's unique transaction fee management process. Timelines are particularly important to review as each exchange and clearing house has unique timetables for the processing of daily and monthly fee charges and rebates as well as defined time periods for making corrections to previously processed transactions. Some exchanges have dedicated online exchange and clearing fee systems; others simply require the registration of accounts via email or phone, and some may require no special processing at all. See below for details on the exchanges in scope:

- CBOE Futures Exchange – [billing portal](#)
- CME Group Exchanges – [dedicated exchange fee system \(EFS\)](#)
 - CME
 - CBT
 - COMEX
 - NYMEX
- Eris Exchange – [uses CME EFS](#)
- ICE Futures US – Log in to applicable system (Managed File Transfer (MFT) or Extensible Clearing System (ECS)) to access billing files and monthly invoices. Access is restricted to clearing members only.
- Minneapolis Grain Exchange – No registration or online billing systems are applicable or needed for the monthly processing of exchange and clearing fees.
- OneChicago – Log in to secure server to obtain fee reports.

RECOMMENDED ACTIONS:

- ✓ Obtain logins to applicable exchange and clearing fee systems:
 - [CBOE Futures Exchange Billing Portal Access Form](#)
 - [CME Group EFS Login Request Form](#)
 - Eris Exchange uses [CME EFS Login Request Form](#)
 - ICE Login Request – Email iceclearus@theice.com by a valid company user admin of the clearing member.
 - OneChicago Login Request – Email mtheodore@onechicago.com.

c. Account Setups in Books and Clearing

Understanding account structures and registering accounts is key to the proper charging of fees at some exchanges and clearing houses. Some fee programs allow volume to be combined for all trading accounts with common ownership across clearing firms, which requires these accounts to be properly linked at the exchange and clearing house. Additionally, in some instances it is recommended that account owners and controllers also be linked to the applicable accounts to ensure proper fee charges to the accounts and controllers. The following exchanges require this type of setup:

- CBOE Futures Exchange – [Incentive program participation](#) requires account registration.
- CME Group Exchanges (using CME EFS)
 - CME
 - CBT
 - COMEX
 - NYMEX
- Eris Exchange – Fee discount programs require account registration. Contact Eris Exchange at accounting@erisfutures.com to receive appropriate forms.
- Minneapolis Grain Exchange – Clearing firms need to register all accounts in the clearing system.

RECOMMENDED ACTIONS:

- ✓ Ensure all customers participating in CBOE Futures Exchange incentive programs have completed and filed the requisite forms.
- ✓ Review CME EFS [account maintenance tutorial](#).
- ✓ Ensure all accounts trading CME Group products are properly set up in CME EFS including linking accounts with common ownership and identifying account owners and controllers.
- ✓ Ensure all customers participating in Eris Exchange fee discount programs have completed and filed the requisite forms.
- ✓ Ensure all accounts trading Minneapolis Grain Exchange products have been registered in the clearing system.

d. Registration of Electronic Traders

Unique clearing-firm-specific Operator IDs are assigned to individual traders as well as Automated Trading System (ATS) teams. These IDs are applied to exchange-designated fields referred to as “Tags” (Tag 76 for CBOE Futures Exchange, Tag 50 for CME Group and Tag 116 for ICE Futures US) on each electronic trade record. Registration of Trader/Operator IDs is required for the accurate calculation of fees on electronic trades on some exchanges and clearing houses. For example, any account that receives reduced rates at CME needs to register its Globex tags. The following exchanges require this type of setup:

- CME Group Exchanges – (using CME EFS)
 - CME
 - CBT
 - COMEX
 - NYMEX

RECOMMENDED ACTIONS:

- ✓ Review CME EFS [Globex registration tutorial](#).
- ✓ Ensure unique Operator IDs are assigned to all electronic traders and ATSs.
- ✓ Ensure Operator IDs are registered properly with the applicable exchanges.

e. Memberships

Correctly coding account membership status, as well as participants in fee incentive programs, in clearing firm bookkeeping systems is necessary to ensure that proper fees are charged to accounts.

Linking memberships to accounts and Operator IDs in exchange and clearing fee systems is a critical component in the fee calculation process. The following exchanges require this type of setup:

- CME Group Exchanges – (using CME EFS)
 - CME
 - CBT
 - COMEX
 - NYMEX
- ICE Futures US - Contact IFUS Membership department via email (ICEFuturesUSMembership@TheIce.com) to confirm firm or individual ICE Futures US membership status. Once membership has been confirmed, notify ICE Futures US Account Receivable department via email (ICEFuturesUSReceivables@theice.com) to establish member rate. Provide clearing firm, member name and account information.
- Minneapolis Grain Exchange – Account setups in the clearing system need to be updated to reflect applicable member or delegate status when applicable.

RECOMMENDED ACTIONS:

- ✓ Review the membership types applicable to each exchange. Information about CME Group memberships and incentive programs can be found [here](#).
- ✓ Develop an internal process for ensuring that membership status is checked and properly coded in both clearing firm bookkeeping systems and exchange fee systems (if applicable) as part of the new account opening process.
- ✓ Develop an internal process for communicating membership status changes and updating applicable accounts.
- ✓ Review CME EFS [membership information tutorial](#).

f. Non-Trade Allocations

Many exchanges and clearing houses have unique fee rates for non-trade transactions (including deliveries, cash settlements, exercises, assignments, expirations, give-ups, and futures from exercise or assignment). Correct fee setups for these transaction types in clearing firm bookkeeping systems is necessary to ensure that proper fees are charged to accounts.

Some exchanges and clearing houses charge fees for non-trade transactions based on membership status. For these exchanges, non-trade transactions must be allocated to the appropriate account at the exchange. The following exchanges require these allocations:

- CME Group Exchanges – (using CME EFS)
 - CME
 - CBT
 - COMEX
 - NYMEX
- Eris Exchange – (using CME EFS)

RECOMMENDED ACTIONS:

- ✓ Become familiar with non-trade transaction types and how they are identified in clearing firm bookkeeping systems.
- ✓ Review exchange and clearing fee schedules for unique non-trade transaction fees.
- ✓ Verify that clearing firm bookkeeping systems reflect non-trade transaction fees correctly.
- ✓ Establish a process for the timely allocation of applicable non-trade transactions to the appropriate accounts in exchange fee systems.
- ✓ Review CME EFS [allocation tutorial](#).

g. Key Contacts and Additional Available Documentation

- CBOE Futures Exchange
 - For all fee related inquiries please contact 312-786-7689 or 312-786-7026.
- CME Group Exchanges – CME, CBT, COMEX and NYMEX
 - Fee Hotline: For assistance on fee schedules, general fee inquiries, rebates, exchange fee billing, fee reconciliation, CME EFS or other concerns/questions, you may either send an email to efsadmin@cmegroup.com or call 312-648-5470.
 - Fee Policy Bulletins can be found [here](#).
 - Market Regulation Advisory Notifications can be found [here](#).
- Eris Exchange
 - For all fee related inquiries please contact accounting@erisfutures.com or 888-587-2699.
- ICE Futures US
 - ICE Futures US Membership Status: Contact ICE Futures US Membership ICEFuturesUSMembership@Theice.com
 - ICE Futures US and ICE Clear US billing and fee-related questions: Contact ICE Futures US Accounts Receivable ICEFuturesUSReceivables@theice.com
 - ICE Futures US and ICE Clear US billing file and report access as well as file layout and specifications questions: Contact ICE Clear US ICEClearUS@theice.com
 - ICE Clear US Member Reports Specification Billing guide is accessible through ICE Community by clicking [here](#).
 - ICUS ICE Community billing page containing all billing notices and billing documentation can be found [here](#).
- Minneapolis Grain Exchange
 - For all fee related inquiries please contact mgex@mgex.com.
- OneChicago
 - For all fee related inquiries please contact mtheodore@OneChicago.com or 312-883-3437.
 - [One Chicago Exchange Fees FAQ](#)
 - [One Chicago Exchange Fees Presentation](#)

Reconciliations

Many exchanges and clearing houses provide daily and monthly transaction files including various rebate and transaction fee discount program information to assist clearing firms in fee reconciliations. Fee reconciliation is a very important step in overall exchange and clearing transaction fee management; it helps ensure that customers are charged correctly. Timely reconciliation limits the amount of inconsistent fee charges by identifying discrepancies early. Fee discrepancies can be researched and adjusted quickly with an effective reconciliation process.

NOTE: Some common fee discrepancies can be the result of:

- ambiguous or unclear exchange or clearing fee schedules;
- improper account setups;
- incorrect membership coding;
- erroneous fee rate setups;
- miscommunication of client participation in fee discount programs;
- complexity of administering cross-clearing firm fee discount programs; and,
- inability of clearing firm bookkeeping systems to apply some fees and volume discounts properly.

These setup issues may occur at either the clearing firm or the exchange. All of these discrepancies are typically quickly remedied once identified.

Available transaction data files for each exchange are listed below:

- CBOE Futures Exchange - See billing reports below
- CME Group Exchange – CME, CBT, COMEX and NYMEX
 - CME EFS has a suite of standard reports that also allow for customization. All reports may be extracted into any machine readable format. A detailed tutorial is available [here](#).
- Eris Exchange
 - CME EFS has a suite of standard reports that also allow for customization. All reports may be extracted into any machine readable format. A detailed tutorial is available [here](#).
- ICE Futures US
 - Daily Reconciliation – Charged Transactions (MFDR-CT)
 - Daily Reconciliation – Non-charged Transactions (MFDR-NT)
 - Monthly Rebate Reconciliation (MFMR-RB)
 - Monthly Summary (MFMS)
- Minneapolis Grain Exchange
 - Daily TRX Trade Reporting – via ftp file
 - Daily Financial Summary – via ftp file
 - Daily Final Trade and Financial Reporting – via email from MGEX Clearing House
- OneChicago - See billing reports below.

Available billing reports for each exchange are listed below:

- CBOE Futures Exchange
 - Trade detail
 - Block & ERCP trade detail
 - Miscellaneous billing report
- CME, CBT, COMEX and NYMEX
 - For all CME Group Exchanges – CME EFS has a suite of standard reports that also allow for customization. All reports may be extracted into any machine readable format. A detailed tutorial is available [here](#).
- Eris Exchange
 - CME EFS has a suite of standard reports that also allow for customization. Most reports are viewable in PDF format. A detailed tutorial is available [here](#).
- ICE Futures US
 - Monthly Invoice (MFMI-XXXX_USD) where XXXX = IFUS or ICUS
 - Monthly Summary (MFMS)
- Minneapolis Grain Exchange
 - Monthly Firm Summary – by commodity code
 - Monthly Firm Summary – by MGEX billing code
 - Monthly Firm Detail – by account within each commodity
- OneChicago
 - Daily and month-to-date reports detailing trade-by-trade Execution, Clearing and SEC Section 31 fees
 - Daily and month-to-date reports detailing carry fees
 - End of Month summary report

RECOMMENDED ACTIONS:

- ✓ Download daily transaction files from exchanges where volume warrants daily reconciliation.
- ✓ Download monthly transaction files from all exchanges.
- ✓ Perform daily (when applicable) and monthly reconciliation of fees charged in exchange and clearing transaction files versus fees charged in clearing firm bookkeeping.
- ✓ Research reconciliation discrepancies and rectify by adjusting customer accounts, and fee, account and membership setups in clearing firm bookkeeping systems or exchange fee systems as applicable.

Rebates and Transaction Fee Discounts

Many exchanges offer various rebate and transaction fee discount programs. Some of these rebates and discounts are applied automatically to customers that meet certain criteria – typically volume based or contractually negotiated between the exchange and the customer – typically applicable to liquidity providers. In some instances these rebates are calculated by the exchange or clearing house and sent directly to the customer; in other instances they are passed back to the clearing firm. A thorough understanding of these programs is an important component of exchange and clearing transaction fee maintenance. Details of these programs are generally included in exchange and clearing fee schedules (See page 4).

RECOMMENDED ACTIONS:

- ✓ Become familiar with exchange rebate and transaction fee discount programs.
- ✓ Review monthly exchange and clearing transaction files and reports for rebates and discounted fee information.
- ✓ Credit customer accounts as applicable.

Policy

We recommend that clearing firms develop an internal policy, specific to their business model, for the administration of exchange and clearing transaction fees.

Written Procedures

We recommend that each clearing firm draft written procedures for its processes for exchange and clearing transaction fee management. These procedures may include descriptions of the topics in this guide and how they are handled at the firm. However, these recommended descriptions are not designed to set an industry standard. Rather each firm's written procedures should be consistent with the firm's business model and fee management processes and requirements. We recommend that these written procedures include descriptions of how to perform reconciliations of exchange and clearing transaction fees charged to customers and how to detect and handle potential discrepancies in the fees charged.

RECOMMENDED ACTIONS:

In terms of providing guidance for a clearing firm to consider in drafting written procedures for their business model and processes, we suggest the following:

- ✓ Descriptions of exchange and clearing fee schedules.
- ✓ Descriptions of exchange and clearing fee billing processes, including any systems used.
- ✓ The process for registering accounts.
- ✓ The process for registering electronic traders and automated trading systems teams.
- ✓ The process for handling memberships.
- ✓ The process for allocating non-trade transactions.
- ✓ The process for periodic transaction reconciliations.
- ✓ The process for handling adjustments to customer accounts.
- ✓ Training in the firm's written procedures with accreditation.

We recommend that a clearing firm use this guidance as a framework, with deference made to the processes of each particular firm and adequate reflection of those processes in the written procedures.

Supervision

We recommend that those that supervise the administration of the exchange and clearing transaction fee process have the appropriate level of experience or training to fulfill their supervisory obligations. We recommend emphasis on the fee reconciliation processes, as appropriate. We also recommend that the supervisor perform periodic reconciliation reviews to assess and evaluate discrepancies and adjustments, and that actions be planned for appropriate resolution of any discrepancies and adjustments.

We recommend that clearing firms use the above supervisory guidance as a framework, within the context of the supervisory structure and processes of each particular firm.

FIA Sponsored Industry-Wide Training Initiative

FIA plans to take the lead in sponsoring an industry-wide training initiative for FIA member firms to use in their periodic training of personnel involved in the administration of exchange and clearing fees. This initiative will consist of a recorded online class available for viewing on demand. The class will be general in scope and feature an expert panel offering insights on the fee administration process. FIA expects to make this class available in the first quarter of 2016.

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ABOUT FIA:

FIA is the leading trade organization for the futures, options and cleared swaps markets worldwide. FIA's membership includes clearing firms, exchanges, clearinghouses and trading firms from more than 25 countries as well as technology vendors, lawyers and other professionals serving the industry. FIA's mission is to support open, transparent and competitive markets, protect and enhance the integrity of the financial system, and promote high standards of professional conduct. As the principal members of derivatives clearinghouses worldwide, FIA's member firms play a critical role in the reduction of systemic risk in the global financial markets. FIA and its affiliates FIA Europe and FIA Asia make up the global alliance FIA Global, which seeks to address the common issues facing their collective memberships. Learn more at fia.org.



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