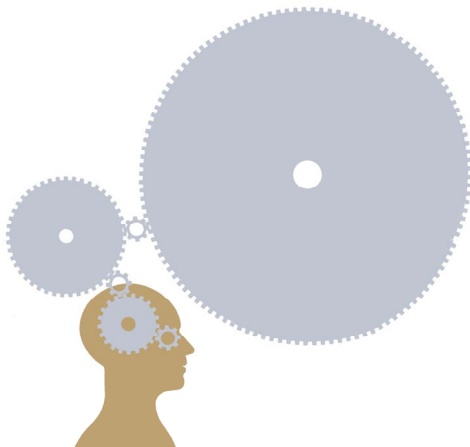


What are the costs, prices and volumes of  
post-trade services for securities trading in the EU?  
An approach to developing a methodology

Prepared for the European Commission's  
Clearing and Settlement Advisory and  
Monitoring Expert group

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## Objectives of the study

- to design a practical methodology enabling an assessment of changes in the prices, costs and volumes of post-trade activities
- this will enable monitoring of the effects of the introduction of the Code of Conduct and other initiatives aimed at removing Giovannini barriers
- focus on cross-border and domestic transactions in equities
  - covering various financial centres and investor types
- in stage 2 (not part of this study) this methodology will be applied to establish a monitoring framework

## Outputs (I)

- practical methodology enabling assessment from two perspectives
- 1. indicators capturing total transaction costs and volumes of domestic and cross-border trades
  - disaggregated into different activities
  - using typical investor types and different channels of transactions
  - grossing up to full market coverage
- enabling monitoring of changes in transaction costs and services offered, and in investor behaviour over time

## Outputs (II)

2. indicators capturing costs incurred by post-trade infrastructures while providing different services
  - disaggregated into different activities
  - enabling identification of unit costs (costs/volumes)
    - unit cost trends over time
    - changes in relative unit costs (eg, domestic and cross-border for different financial centres)

## Approach

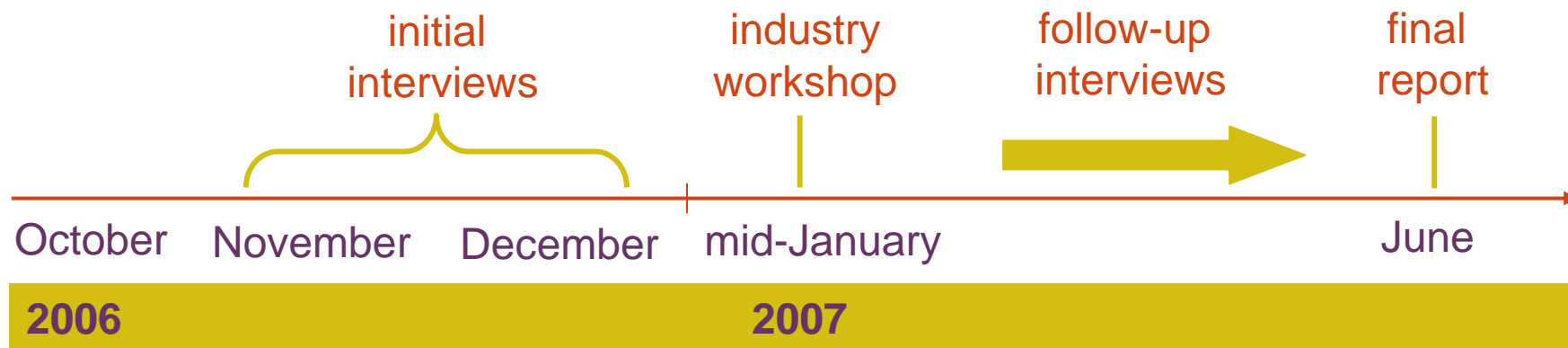
- step 1 identification of relevant channels of domestic and cross-border transactions
- step 2 choice of financial centres and design of representative investor types
- step 3 design of a full-information monitoring framework
- step 4 design of a feasible monitoring framework
  - recognising any practical difficulties and data limitations

# Practical methodology

- feasible methodology will be influenced by two main factors
  - practical availability of data—ie, data required for implementation is not currently available and would be difficult/costly to generate
  - confidentiality of data—ie, data required for implementation is available but is commercially sensitive and hence confidential
- potential for data handling requirements to mitigate confidentiality issues
- outputs of the study will consist of
  - feasible methodology based on data that would be available and evaluation of its shortcomings
  - identification of additional data requirements that would significantly improve monitoring effectiveness

## Research process

- early stages of economic analysis and evidence collation
- initial interviews to facilitate steps 1–3
  - exchanges (1–2); CCPs (1–2); CSDs (1–2), custodians (1–2); brokers (4–6, including 1–2 from less-developed centres); clearing members (1)
- industry workshop (cross-section of providers)
- follow-up interviews to finalise the framework



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