

CDS Fee Proposals – Province of British Columbia Comments

1) Issuance and CDS Eligibility Services

Background:

CDS indicates they engaged in extensive consultation with the issuer constituencies to clarify CDS proposal and address issuer concerns – while BC was made aware, in early July 2016, of some consultations taking place, we (as an issuer) were not consulted directly by CDS. However, BC did have some conversations with BC Securities Commission shortly following the original CDS fee proposal (subsequently withdrawn).

Issuance Services:

“Disincentive fees” such as the late request fee charged for services done on a rush basis are, in the majority of circumstances experienced by BC, the result of a delay by CDS. Therefore, would strongly encourage CDS to review their internal processes prior to implementing “disincentive fees”. Also to be mindful, BC is three hours behind Toronto.

Simplified Pricing for ISIN Issuance

In BC, the Dealers request an ISIN on behalf of the Province rather than the Province requesting directly to CDS. Upon receipt of the ISIN from the Dealers, the Province will then submit the BEO acknowledgement form.

Security Eligibility Admin Fee

It may assist if CDS could clarify exactly what is reviewed (“details” and “features”) when deciding eligibility for its bonds. Since BC mainly issues vanilla bonds from a set issuance program, there wouldn’t be much (if any) deviance from one bond issue to another.

Once CDS systems have been upgraded would anticipate CDS’s “manual” processing to decrease over time – would this result in decrease in fees upon achieving automation of some processes?

Is this fee charged each time (new issue and reopenings)? Suggest CDS make new issues automatically deposit eligible.

Certificate Fee

Does CDS intend to stop accepting global certificates as early as Q3-2017? If so, this may be an unrealistic target from the Provinces perspective. If this applies to global certificates, there have been no discussions of this target date with BC.

Are the late fee cut off times, EST or PST? While BC is unaware of any late infractions (unknown if we have been within these proposed times), BC is of the opinion that these fees are excessive.

Does CDS have a service standard for delivering on ISIN requests? BC have heard from some dealers that CDS is the cause of some of the delays in issuing ISIN's.

2) Proposed Amendments to CDS Fee Schedule: Entitlements and Corp Action Events

Transfer Agents

BC would need to view the third party billing agreement prior to commenting.

Per-Event Fees

How are the fees determined, are they based on manual processing requirements? If so, are the interest and maturity events for money market and bonds not similar? How did CDS determine the fee structure between the different event types? Fees appear to be excessive.

Pricing Principles

What is the limit to generating shareholder value and a 'reasonable' return on investment? With CDS being a monopoly in Canada, fee increases could entice issuers to consider US alternative.