

# MiFID II: Ex Ante Costs & Charges Disclosure for Agency Derivative Services

## MiFID II Article 24 (4)

### Business Area overview

Agency Derivatives Services (ADS) provides execution, clearing, intermediation and settlement services through three business lines:

- Futures & Options Execution & Clearing
- OTC Derivatives Clearing
- Intermediation including FX Prime Brokerage

During, the agreement to undertake business, ADS will agree a commission schedule with its clients for the products and services being offered. These agreed commissions may however be subject to change and amended in line with the agreed legal terms.

### Futures & Options Execution & Clearing Costs & Charges

Costs and charges applicable to the Futures and Options execution and clearing business may be categorised as follows:

Type	Examples
Transaction related	Execution and clearing commission charged by Barclays. These are calculated on a charge per lot/trade and applied to each transaction executed and/or cleared through Barclays to cover the cost of processing such transactions
Position-related	Close-out fees, fees on expiry, position transfer fees
Lifecycle event charges	Option exercise, assignment, delivery fees, late stock delivery fees
Funding charges	Spread on margin posted, debit interest, non-cash collateral charge, failed margin payment charges
Infrastructure costs	Client connectivity, market data, direct market access (DMA) fees
Account Management commissions	EMIR ISA/OSA account structures, MiFID II NOSA/GOSA account structures, operational service charge fees, minimum monthly charge

Please note that other add-on services such as collateral transformation or single currency margining can also incur incremental fees.

### OTC Derivatives Clearing Costs & Charges

Costs and charges applicable to the OTC Derivatives Clearing business may be categorised as follows:

Type	Examples
Transaction related	Clearing commission charged by Barclays. These are calculated on a charge per trade and applied to each transaction cleared through Barclays to cover the cost of processing such transaction
Position-related	Portfolio fee - spread on initial margin, quarterly maintenance fee related to the number of open positions, position transfer fees
Lifecycle event charges	Option exercise
Funding charges	Debit interest, non-cash collateral charge, failed margin payment charges
Account Management commissions	EMIR ISA/OSA account structures, operational service charge fees, minimum monthly charge

Please note that other add-on services such as collateral transformation or single currency margining can incur incremental fees.

## Intermediation Costs & Charges

Costs and charges applicable to the intermediation business may be categorised as follows:

Type	Examples
Transaction related	Trade fee, USD charge per USD equivalent million of trade notional. Clients may instead elect to have an equivalent charge either: (i) built into the overall traded price via the spread - 'Pipped Trades' (ii) represented as a percentage of option premium
Position-related	Portfolio fee - spread on outstanding notional
Lifecycle event charges	Option exercise, assignment
Account Management commissions	Operational service charge fees , minimum monthly charge

## Third Party Account Charges & Taxes

Note that as standard, Barclays will pass costs and charges through to client accounts on behalf of third parties. These include:

- Central Counterparty (CCP) fees <sup>1</sup>
- Exchange fees<sup>2</sup>
- Agent and settlement service provider fees
- Financial transaction taxes collected on behalf of national tax authorities
- Regulator fees

Any amounts relating to volume discounts or fee holidays received from CCPs or exchanges that are clearly attributable to, and a direct result of, a particular client's execution and/or clearing activity will be passed back to the client

## Pricing Factors for Costs & Charges related to Clearing Services

The rate that Barclays charges clients for the provision of clearing services, both for Futures and Options and OTC Derivatives is influenced by a number of core drivers, including the client's:

- Consumption of Barclays financial & capital resources
- Level of automation in the clearing and/or margin processes
- Complexity of clearing service requirements

The below table outlines some of the core drivers and provides more detail on the factors that may influence a reduction from the higher end of the clearing charges scale. Each factor is considered separately and will have a varying impact on a client's commission structure.

Clearing Feature	Mitigating Factors to the Costs & Charges Determination Process
Trading Volumes	High rather than low trading volumes
Contract Settlement	Cash settlement of contracts rather than physical delivery
Clearing House (CCP)	Activities undertaken in mature and automated ("Straight Through Processing"/"STP") markets with more standardised features
Client Reporting	Standard rather than bespoke reporting requirements
Margin Account Type	Omnibus Segregated Account rather than Individually Segregated Account
Client Account Set-Up	Low number of accounts Standard account structure and operational requirements

<sup>1</sup> Charge is applicable for Futures & Options and Cleared OTC derivative products

<sup>2</sup> Charge is applicable for Futures & Options Execution products

Clearing Type	Direct execution versus give in business
Allocation Process	Higher level of automation supported by client. Pre- rather than post-clearing allocations
Average Pricing	Automated versus manual average pricing process
Number of Settlements	Fewer number of daily settlements required

Clients may additionally minimise certain funding related costs and charges through prudent position management. For example, debit interest charges may be reduced by maintaining a financial buffer with Barclays.

### Pricing Factors for Costs & Charges related to Futures & Options Execution Services

The rate that ADS charges clients for the provision of Futures & Options execution services is determined by a number of core drivers. The below table explains some of these core drivers and provides more detail on the factors that may influence a reduction from the higher end of the execution charges applied. Each factor is considered separately and will have a varying impact on a client's commission structure.

Pricing Factor	Mitigating Factors to the Costs & Charges Determination Process
Trade Size	Larger sized orders rather than a large number of small orders
Products Traded	Trading in more liquid markets
Execution Service Level	Low touch electronic self execution as opposed to high touch voice support
3 <sup>rd</sup> Party Fees & Charges	Provision of own technology, market data and not using fee incurring services such as give-up processes on exchanges that charge for them

### Pricing Factors for Costs & Charges related to Intermediation

The rate that ADS charges clients for the provision of intermediation services is determined by a number of core drivers. The below table explains some of these core drivers and provides more detail on the factors that may influence a reduction from the higher end of intermediation charges applied. Each factor is considered separately and will have a varying impact on a client's commission structure.

Pricing Factor	Mitigating Factors to the Costs & Charges Determination Process
Average trade size and volume of trades	Lower trade volume and higher notional (FX), Higher trade volume and lower notional (Rates)
Tenor	Shorter dated transactions
Product type	Cash rather than options trades
Client Account Set-Up	Low number of accounts. Standard account structure and operational requirements