CTT: Feasibility and Revenues

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Processing a derivatives trade

1. Agree to deal
2. Match trade terms
3. Confirm trade details
4. Exchange payments

Electronically standardized communications

Electronically automated processing

Store a unique trade record
Figure 1: FX settlement through CLS Bank
Figure 2: FX settlement through correspondent banks

- Bank A
- Bank B
- Corresp Bank E_A
- Corresp Bank E_B
- Corresp Bank U_A
- Corresp Bank U_B
- TARGET (ECB)
- CHIPS
- Fedwire (Fed Res)

Payment flow:
- € from Bank A to TARGET (ECB)
- € from TARGET (ECB) to Bank B
- $ from Corresp Bank U_A to CHIPS
- $ from CHIPS to Corresp Bank U_B

Instruction or notification:
- Dashed lines indicate instruction or notification flow.
Figure 3: SWIFT message flow structure

- Sending bank
- Receiving bank
- SWIFT message processor
- Payment message
- Trade matching
- Settlement request
- Settlement confirmation
- CLS Bank or domestic large-value transfer system (e.g. CHIPS)
Figure 1: Spreads
(with respect to the US dollar)
Figure 2: Transaction volumes
(with respect to all other currencies)

Solid lines are historical values
Dashed lines are estimated values with 0.005% CTT
Table 2: Estimated revenue from a CTT of 0.5 basis points
(US$ billions, annual)

<table>
<thead>
<tr>
<th>Currency</th>
<th>Pre-tax volume(^a)</th>
<th>Pre-tax spread(^b)</th>
<th>Change in spread(^c)</th>
<th>Post-tax volume(^d)</th>
<th>Estimated revenue(^e)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CTT on $</strong> ...</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$</td>
<td>664,855</td>
<td>2.98</td>
<td>0.34</td>
<td>567,653</td>
<td>28.38</td>
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<tr>
<td>... and all other major currencies.</td>
<td></td>
<td></td>
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<tr>
<td>+ €</td>
<td>+ 83,448</td>
<td>4.48</td>
<td>0.22</td>
<td>+ 75,554</td>
<td>+ 3.78</td>
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<tr>
<td>+ £</td>
<td>+ 13,560</td>
<td>9.00</td>
<td>0.11</td>
<td>+ 12,919</td>
<td>+ 0.65</td>
</tr>
<tr>
<td>+ ¥</td>
<td>+ 12,636</td>
<td>9.00</td>
<td>0.11</td>
<td>+ 12,038</td>
<td>+ 0.60</td>
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<tr>
<td><strong>Total</strong></td>
<td>774,499</td>
<td>...</td>
<td>...</td>
<td>668,164</td>
<td>33.41</td>
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<td><strong>CTT on €</strong> ...</td>
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<tr>
<td>€</td>
<td>285,048</td>
<td>3.17</td>
<td>0.32</td>
<td>245,825</td>
<td>12.29</td>
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<td>... and £ and ¥.</td>
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<tr>
<td>+ £</td>
<td>+ 100,200</td>
<td>2.78</td>
<td>0.36</td>
<td>+ 84,689</td>
<td>+ 4.23</td>
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<tr>
<td>+ ¥</td>
<td>+ 107,916</td>
<td>3.39</td>
<td>0.29</td>
<td>+ 94,459</td>
<td>+ 4.72</td>
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<tr>
<td><strong>Total</strong></td>
<td>493,164</td>
<td>...</td>
<td>...</td>
<td>424,973</td>
<td>21.24</td>
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<td><strong>CTT on ¥.</strong></td>
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<td>¥</td>
<td>127,116</td>
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<td><strong>CTT on £.</strong></td>
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<tr>
<td>£</td>
<td>115,560</td>
<td>3.08</td>
<td>0.32</td>
<td>99,659</td>
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