



Centralized Index Licensing Synergies & Savings

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Agenda

Case Study: Centralized Index Licensing, Synergies & Savings

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2009 Marketplace

Buying
Licenses

- **Financial Services Firms** most active in issuance/trading of Equity and/or Fixed Income index-linked Derivative Products include JP Morgan, Citi, Credit Suisse, UBS, Barclays Capital, Goldman Sachs, HSBC, BNP Paribas, Societe Generale, RBS, Deutsche Bank, ABN Amro, UniCredit

Selling
Licenses

- **Global and Regional Index Sponsors** most active in marketing Deriv Prods Index License Agreements include S&P, MSCI, DJ, STOXX, FTSE, NASDAQ OMX, RUSSELL, HSI, SMI, TSE, Nikkei, KRX, BOVESPA, MEXBOL

\$75+ mil
Business

- **Active Firms** average annual spend of USD \$3+ million on index license Agreements for Deriv Prods
- **Annual (Blanket) Agreements** average range from USD \$50k to USD \$500,000+

Sponsors Stance



Leveraging Resources

- Licensing Agreement **T's & C's** Trends
 - Pre-Approval of all marketing materials
 - Clients expected to enforce license compliance
 - Transaction reporting requirements
- Licensing Sales Team
 - Experts in Deriv Prods markets
 - Seemingly Inflexible
 - Driven - Not Shy
- Deriv Prods Markets – Participant Data
 - StructuredRetailProducts.com (SRP.com)
 - StructuredProductsOnline.com (Incisive)

Leveraging Revenue

- **Licenses are very expensive for the service** provided, paid in full in advance, lack of transparent fee schedules
- **Few alternative providers**, index sponsors are “single source suppliers” - ETFs don't track the cash indices precisely

Synergies

Leverage Index Spends

- **Combine** index data spend with Deriv Prods license spend for greater overall discount
 - Adoption underway
 - Enables accurate allocation

Peer Group Formation

- International Working Group
 - Business Managers and Legal Div staff
 - Build **knowledge base**
 - Q & A within user community

Court Ruling

- May 2009 German Supreme Court Decision
 - Solo Pushback
 - Breadth of interpretation
 - Europe vs. US impact

Savings

Negotiate
Negotiate
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- Index Licensing Fees are Flexible
 - 2008 5%-10% target
 - 2009 10%-20% target

Buy in Bulk

- Annual License Focus
 - One-time hardship discounts
 - Multi-year deals
 - Remove evergreen provisions

Early
Expiration
Credits

- Credits for Under-Utilized Licenses?
 - Individual trade pre-paid licenses
 - Popular indices
 - Large notional, long maturity

Tiered
Pricing

- Neither Blanket nor Single Trade