

# Memorandum

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**To:** CFTC Staff

**From:** Jonathan Thursby, KOR CEO

**Date:** July 3, 2024

**Re:** KOR SDR Fee Schedule change

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Pursuant to 3(2) of OSC Rule 91-507 of the Commodity Exchange Act, as amended, and Commodity Futures Trading Commission (the "Commission") Regulation 40.6, KOR Reporting Inc. ("KOR") submits, by written certification, proposed amendments to the KOR SDR Fee Schedule. Details on the full list of changes are recorded in the attached. The proposed amendments are blacklined in the text of the KOR SDR Fee Schedule attached hereto.

KOR certifies that these amendments comply with the Commodity Exchange Act and the rules and regulations promulgated by the Commission thereunder. No substantive opposing views have been expressed by Clients or others with respect to the amendments. KOR further certifies that, concurrent with this filing today, a copy of this submission was posted on its website and may be accessed at: [www.korfinancial.com](http://www.korfinancial.com).

As noted above, enclosed with this letter is a marked version of the KOR SDR Fee Schedule changes which is being submitted in whole. If you have any questions or need further information, please contact me at [tmanuel@korfinancial.com](mailto:tmanuel@korfinancial.com) / (678) 612-6133.

Sincerely,

Tara Collier Manuel  
Chief Compliance Officer & Head of Regulatory Products  
KOR Reporting, Inc

## Background

KOR Reporting Inc (“KOR”) is seeking to change its CFTC Swap Data Repository (“SDR”) fee schedule. In March 2022, KOR was authorized as a Provisionally Registered Swap Data Repository. During the ensuing period since, KOR has been engaging with the marketplace to establish and grow its SDR service. KOR has received feedback from a diverse cross section of market participants on its current fee schedule. Collectively, the market has found it challenging to assess their expense exposure using the methodology by KOR which differs substantially from one that they are accustomed to. KOR seeks to remove commercial barriers to grow its SDR.

## Changes Detail

### Unit of Measure

KOR intends to maintain the majority of its fees policies and change primarily the unit of measure for calculation. Under the current fee schedule, calculations are made based on the number of eligible messages received by KOR in a calendar month. Changing to the new fee schedule, the calculations each month would be based on the count of unique trade identifiers (“UTI”) which are open or closed UTIs that have activity. A related change is to move from a set price for a tiered block of messages to a tiered price structure applied to each UTI.

### Fee Caps

KOR will introduce annual fee caps to Clients. Based on market feedback, having maximum cost exposure for an annual period is of importance for budgeting and planning. KOR’s efficient infrastructure and operating models enable support of larger volumes at a significantly low variable cost. Further, in KOR’s modeling of markets, the respective caps are effectively at the volumes levels of the largest market participants.

### Prepay

KOR’s fee schedule currently operates exclusively on a basis of issuing invoices in arrears for the preceding calendar month. Under the new fee schedule, KOR will

additionally offer Clients the option to prepay annually for a discount. The prepay presents an administrative convenience to Clients and certainty of cash flows to KOR for forecasting and planning purposes.

### **Third-Party Reporter Payment**

KOR SDR permits Client submission via licensed Third-Party Reporters. In recognition of the role that Third-Party Reporters play in the sales, integration, submission, maintenance and support of Clients which remove the same duties from KOR; a payment on collected TR fees will be remitted to the Third-Party Reporter.

## **Client Impact**

As part of the diligence process in preparing and studying these changes, KOR TR has engaged with its contracted and in-contract Clients for feedback. No negative feedback was received.

## **KOR Impact**

The implementation of the fee schedule and policy changes represent a minimal impact to KOR technology and operational systems.

## **Implementation**

KOR shall enact the following steps to implement the revised TR fee schedule.

- (1) Submit to KOR Reporting Inc Board of Directors for approval [completed]
- (2) Submit to CFTC for initial review
- (3) Once any issues raised by the CFTC are resolved, conduct a self-certification process under CFTC Rule 40.6
- (4) Notify existing KOR SDR Clients
- (5) Update the KOR SDR website



**KOR**

## **KOR CFTC SDR Fee Schedule | Version 1.4**

Policy

### **KOR Public**

KOR Public

Effective: August 1, 2024

Approved By: Tara Manuel

Reviewed Date: August 1, 2024

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# 1.0 Overview

This KOR Swap Data Repository (“KOR SDR” or “KOR”) fee schedule is for reporting under rules of the U.S. Commodity Futures Trading Commission (“CFTC”). ~~KOR SDR offers a simple subscription model fees schedule which treats all submissions equally regardless of reporting counterparty, asset class, clearing status or execution.~~

~~As a real-time messaging-based service, fees are assessed on a per message basis to align SDR services and the expense to offer. All Reporting Clients are assessed the same fee structure regardless of pathway to KOR SDR to ensure a competitive and level field.~~

All fees charged by KOR SDR are uniform, equitable and non-discriminatory.

This fee schedule applies until ~~such time as~~ the Board of KOR Reporting Inc. determines otherwise and provides clients **with** at least one (1) month’s notice for significant changes to existing pricing or policy.

## 2.0 Terms

### 2.1 Reporting Client

For the purposes of the ~~Fee~~**fee** ~~Schedule~~**schedule**, the “Reporting Client<sup>1</sup>” ~~means~~**is** the **Reporting market Counterparty[1]** participant ~~that~~**with** a reporting obligation under CFTC reporting rules and **who** has in place a fully executed Agreement with KOR Reporting Inc. ~~and is liable for the fees incurred for use of the KOR SDR reporting services.~~

The Reporting Client may delegate **reporting, billing,** and/or payments ~~to another Client~~ by authorizing ~~either a Related Entity or~~ their Third-Party Reporter.

### 2.2 Related Entities Client Group

For the purposes of the ~~Fee~~**fee** ~~Schedule~~**schedule**, “Related Entity” refers to ~~KOR Counterparty~~**Reporting** Clients within the same corporate structure (“Client Group”). ~~Related Entities are treated together under a Client Group at KOR and serves~~**serve** the purpose of aggregating fee-liable activity ~~in each~~ for monthly calculations. Related Entities under a Client Group must aggregate their fee-liable activity and there will only be a single **membership fee and single invoice.** **The Related Entities Client Group may delegate reporting, billing, and/or payments by authorizing their Third-Party Reporter.**

## 2.3 Third-Party Reporter

For the purposes of the fee schedule, “Third-Party Reporter<sup>2</sup>” is an entity that has in place a fully executed Agreement with KOR Reporting Inc., is not a Reporting Client, is not part of a Client Group that contains a Reporting Client, and is facilitating reporting for an entity with a CFTC reporting responsibility.

Third-Party Reporters are NOT charged membership or reporting fees for the activity of their customers, who are also KOR Reporting Clients who have not delegated their billing and payments to the Third-Party Reporter. Third-Party Reporters may be assigned billing (receipt of invoices and payment responsibilities) by KOR Reporting Clients. When a Reporting Client makes a billing assignment to a Third-Party Reporter, it is for the whole of all billable activity including for activity submitted through an alternative entity from the Third-Party Reporter. Reporting Clients may only assign billing to a single Third-Party Reporter. The assigned billable activity by a Reporting Client or Client Group is not aggregated with that of any other Reporting Client or Client Group who assigns billing to the same Third-Party Reporter.

Customers of Third-Party Reporters are NOT required to execute an Agreement with KOR Reporting Inc. unless they seek direct access to the KOR systems and KOR support services. Third-Party Reporters ARE charged membership and reporting fees for the activity of their customers, who are NOT KOR Reporting Clients. These fees are assessed and charged as if their customer was a KOR Reporting Client or Client Group, and the Third-Party Reporter is liable for those fees.

## 2.4 SEF and DCM Reporting

For purposes of the ~~KOR fee~~ ~~Fee-Schedule~~ schedule, reporting by Swap Execution Facilities (“SEF”) and Designated Contract Markets (“DCM”) are treated as ~~messages-under~~ a Third-Party Reporter whereby the Reporting ~~Counterparty~~ Client is assessed KOR reporting fees, and the SEF/DCM, by default, is not.— A SEF/DCM may elect to assume direct billing responsibility for any Reporting ~~Counterparty~~ Client which is a KOR Counterparty Client.—

In the case when the Reporting ~~Counterparty~~ Client on a SEF/DCM reported transaction is not a KOR SDR Counterparty Client, then the SEF/DCM reporter will be billed as a Client Group for the ~~message~~ activity which shall be aggregated with all other SEF/DCM billable message activity. The SEF/DCM will further be assessed the membership fee under such scenario.

## 3.0 Fees

### 3.1 Eligible Messages

Each submitted message type and their different combination of event and action types are fee eligible.

A rejected message will count as an eligible message for fee calculation purposes.

Port in messages of open trades[3] to KOR and DCO terminations of the original swap[4] are not fee liable.

### 3.1 Membership Fee

All Reporters shall pay a monthly membership of \$100.00 for all months where they have any billable UTIs during the month, or where they are a party to that UTI<sup>3</sup> and pull reports. A Client Group shall pay a single monthly membership fee. The first and final months will not be prorated and the monthly membership will be assessed until the KOR CFTC Counterparty Client Addendum is terminated.

The first 500 UTIs for Standard Swaps<sup>4</sup> are included in the membership fee. Where the UTIs encompass multiple asset classes, the first 500 will be included at the rate corresponding to the asset class with the lowest fee.

### 3.2 Reporting Fees Overview

KOR SDR maintains offers two simplified subscription plans where each tier plan includes a maximum number categories of messages reporting per month. To calculate the calendar monthly fee fees, KOR totals all eligible messages submitted in the prior month one for each Standard Counterparty Swaps Client and or one Client for Group Cleared Swaps<sup>5</sup>.

KOR provides a 10% monthly overage allowance across for any given month per Counterparty Client or Client Group[2].

Tier	Up to Monthly Messages	Monthly Fee
1	100	\$100
2	1,000	\$500
3	10,000	\$2,000



5	1,000,000	\$15,000
6	4,000,000	\$36,000
7	9,000,000	\$60,000
8	14,000,000	\$95,000
9	19,000,000	\$150,000
10	24,000,000	\$220,000

### 3.2.1 Reporting Fee - FX

UTI Count	Standard Swap Fee per UTI (USD)	Cleared Swap Fee per UTI (USD)
1 - 10,000	0.350	0.090
10,001 - 50,000	0.275	0.070
50,001 - 100,000	0.200	0.050
100,001 - 150,000	0.150	0.030
150,001 - 500,000	0.035	0.010
500,001 - 1,500,000	0.020	0.006
1,500,001 +	0.004	0.001

### 3.2.2 Reporting Fee - Commodities

UTI Count	Standard Swap Fee per UTI (USD)	Cleared Swap Fee per UTI (USD)
0 - 10,000	1.300	0.400
10,001 - 20,000	1.150	0.350
20,001 - 50,000	0.950	0.255
50,001 - 200,000	0.875	0.215

200,001 - 500,000	0.140	0.035
500,0001 - 1,250,000	0.020	0.005
1,250,001 +	0.004	0.001

### 3.2.3 Reporting Fee - Credit, Equities, Rates

UTI Count	Standard Swap Fee per UTI (USD)	Cleared Swap Fee per UTI (USD)
1 - 10,000	1.500	0.400
10,001 - 50,000	1.400	0.350
50,001 - 200,000	0.875	0.215
200,001 - 500,000	0.140	0.035
500,001 - 1,250,000	0.020	0.005
1,250,000 +	0.004	0.001

## 4.0 UTI Count Calculation

Each unique transaction identifier (“UTI”)<sup>6</sup> that is either open or that has activity<sup>7</sup> against it is considered fee-eligible.

For a calendar month, the total number of unique UTIs that are open<sup>8</sup> or have activity against them at any point during the month is recorded and is used to calculate the monthly UTI count for purposes of determining the monthly reporting fee.

If a Client or Client Group engages in both Standard Swaps and Cleared Swaps, the transaction counts are calculated independently for each category; however, both types of counts are considered together when applying the Annual Fee Cap.

### ~~4.2 Single Reporting Client, Monthly Overage~~

~~In a given month, a single Reporting Client submits 105,000 messages and though the total is 5,000 messages above the tier allowance, it is within the 10% bursting allowance. As such the~~

~~Client will be assessed a \$6,000 fee.~~

## 5.0 Porting

KOR does not assess a fee on either the porting in or porting out of trades or positions. Ported in trades and positions will be eligible for applicable reporting fees.

## 6.0 Annual Fee Cap

The total reporting and membership fees shall not exceed \$2,000,000 for a Client or Client Group during the twelve-month period including and following the anniversary month. The anniversary month for KOR CFTC SDR is established as the first fee liable month.

Annual Fee Caps apply when assigning billing to a Third-Party Reporter, and shall be calculated on a standalone customer or customer group<sup>10</sup> basis. This approach shall also apply when a Third-Party Reporter is reporting on behalf of a Reporting Client that is also not a KOR Client.

The annual pre-paid credits discount may be used in combination with the annual fee cap.

## 7.0 Prepay Discount

KOR Clients have the option to annually pre-pay fees for credits and receive a discount to be used towards monthly reporting and membership fees. A one-year commitment and prepay is a 10% discount. A three-year commitment and annual prepay is a 15% discount.

Pre-paid fees serve as credits to be used monthly against actual volumes and calculated fees. Annual shortfalls, once the pre-paid fee credits are fully utilized, are charged at the non-discounted rates.

Annual pre-paid fee credits are non-refundable if a Client or Client Group ceases to use KOR SDR for its CFTC trade reporting. If a Client or Client Group ceases to use KOR SDR for its CFTC trade reporting, they forfeit any remaining pre-paid credits in the current annual period. For a Client or Client Group that had been operating under the three-year commit cease to use KOR SDR for its CFTC trade reporting prior to the end of the three years, they shall be required to repay 5% of past fees for the period the discount was received up to a maximum of two years.

Excess annual pre-paid fee credits will be rolled into the next annual period.

Membership fees are excluded from the prepay discount and must be paid for the year at the same time as the prepayment of Reporting Fees.

Clients participating in the pre-paid fee credits discount must have an executed agreement and be on-boarded with KOR SDR

## 8.0 Reports Fair Usage

KOR SDR is a 100% cloud service leveraging the performance and scale available through the cloud infrastructure.- KOR incurs costs through the accessing of its Clients’ data hosted and used to generate requested reports.- The KOR SDR Fee Schedule is designed for simplicity and flexibility; modeling an expected mix of scheduled access access and use of standard daily, weekly, and monthly reports of each Client’s data in addition to reasonable (frequency and selected date range) use of ad-hoc reporting.- KOR will monitor reportsreport generation activity across a Client and engage to advise of observations for exceeded use above standard fair use allowances.- Should a business need for reports warrant continued use at a sustained higher than expected activity level, a move to a higher fee tier may be deemed appropriate.-

## 9.0 Fee Examples

### 9.1 Single Reporting Client

In a given month, a single Reporting Client submitsreporting 800standard eligibleproducts messageshas a daily UTI count of 12,000 and is assessednot a participating \$500in pre-paid discounted credits. The monthly fee is calculated as:

- Credit Asset Class

Tier	Fee per UTI (USD)	Count	Sub-Total (USD)
0 - 10,000	1.500	10,000	15,000.00
10,001 in the following month50,-a single000	1.400	2,000	2,800.00
Tota Reporting ClientFee			17,800.00
Monthly submitsMembership 2Fee			100.00

Total Monthly Fee	<div>17,100</div> <div>eligible</div> <div>messages</div> <div>and is</div> <div>assessed a</div> <div>\$2,000</div> <div>fee 900. Th</div> <div>en in the</div> <div>next</div> <div>month, a</div> <div>single</div> <div>Reporting</div> <div>Client</div> <div>submits</div> <div>700</div> <div>eligible</div> <div>messages</div> <div>and is</div> <div>assessed a</div> <div>\$500</div> <div>fee. 00</div>
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9.2 Prepay Example

A Client establishes a one-year commitment and pre-pays \$100,000 for \$110,000 in credits. The \$110,000 credit is applied monthly against the monthly actual fees. All \$110,000 is fully utilized by the end of the 11th month. The 12th month’s actual fee is assessed without a discount applied.

9.3 Client Group

The Client Group account includes 4 related entities which collectively submitted 55,000 eligible messages in a given month and the Parent Client account is assessed \$6,000 for the month. In the following month, the Parent Client account includes 6 related entities which collectively submits 70,000 eligible messages and the Parent Client is assessed a \$6,000 fee. In the next month, the Parent Client accounts includes 3 related entities which collectively submits 9,000 eligible messages and the Parent Client account is assessed a \$2,000 fee.

10.0 Third-Party Reporter Payment

Third-Party Reporters are eligible for a 15% payment on assessed reporting fees for submissions where they are the submitting entity to KOR SDR and when the aggregate fees due to KOR across Third-Party Reporter customers exceed 1,000 USD per month. For Third-Party Reporter customers who are not direct Clients of KOR SDR, fees will be calculated in the same Client and Client Group manner.

The Third-Party Reporter Payment is in recognition of the replacement sales, integration, and support services performed by the Third-Party Reporter.

Payments are made to the Third-Party Reporter in the month following each calendar quarter. Where billing and/or payments have been delegated to the Third-Party Reporter, these payments will be applied as credits and appear on the next billing cycle as a separate line item.

The payment is calculated on the net amount after the Membership Fee and any Client pre-paid fee credit discounts are applied.

## 11.0 Terms of Payment

Invoices are generated by the fifth (5th) day of every calendar month~~5~~<sup>10</sup> for the prior month’s activity.

The billing currency is USD (\$) and invoices must be paid in USD.

Invoices are payable within **forty-five (45)** days upon receipt. Accounts not paid within terms are subject to a 1.5% monthly finance charge.

KOR SDR will accept and process billing adjustments up to 45 days after the invoice date. Clients must initiate contact with KOR by email (billing@korfinancial.com) or via the UI Support feature to raise a dispute.

Adjustment requests received after the **forty-five (45)** day period will not be accepted by KOR SDR. Approved adjustments will be applied as credits and appear on the next billing cycle as a separate line item. Adjustments are processed as a net, meaning that credits owed will be taken off the current monthly fees.

Payments can be made by direct debit, ACH, wire transfer, or credit card. Credit card payments will be assessed an additional 3%. Details for ACH and wire transfer are provided below. When sending payment, please include the invoice number and remittance details.

Account Name	KOR Financial Inc.
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ACH Routing Number	071000013
Wire Transfer Routing Number	021000021
Account Number	719117399

12.0 Footnotes

- <sup>1</sup>[1Reporting Client] Per the KOR Technical Specifications, this is the field “Counterparty 1”, unless “Counterparty 1 Agent” is populated, then “Counterparty 1 Agent”.
- <sup>2</sup>[2Third-Party Reporter] ~~Following~~Per the ~~first~~Technical ~~full~~Specifications, ~~month~~this is the field [Submitter Identifier], where the [Submitter Identifier] is NOT also the [Reporter Identifier], nor a Client in the Client Group of ~~production~~the ~~submissions~~ “[Reporter Identifier].
- <sup>3</sup>[3UTI] Per the Technical Specifications, where they are a party to the UTI and they can pull reports on that UTI. The fields that define a party to include:

Submitter identifier
Other submitter identifier
Reporter identifier
Counterparty 1
Counterparty 2
Counterparty 1 Agent
Counterparty 2 Agent
Execution Agent
Central counterparty
Clearing Member

<sup>4</sup>[Standard Swaps] Per the KOR Technical ~~Specification~~Specifications, ~~any~~UTIs ~~submitted~~(or ~~message-type~~USIs) where the field [Cleared] = “~~Event-Type~~N” ~~equals~~or “~~PORT~~” ~~and~~“~~Action Type~~” ~~equals~~ “~~NEWT~~” ~~and the trade is still open.~~

<sup>5</sup> [4Cleared Swaps] Per the KOR Technical ~~Specification~~ Specifications, any UTIs submitted (or ~~message-type~~ USIs) where the field “Event [Cleared] ~~Type~~” equals “CLRGY”

<sup>6</sup> [Each unique transaction identifier (“UTI”)] Identified by the field “Unique transaction identifier”, or “Unique Swap Identifier”. Is by the combination of unique UTI or USI + Counterparty 1.

<sup>7</sup> [activity] Activity on closed trades submitted on non-business days will be applied to the next business day total. UTIs that are opened and “Action closed ~~Type~~” on equals the same day are captured under the “~~TERM~~ Closed activity UTI count”.

<sup>8</sup> [5open] ~~Trades~~ “Open” for UTIs are defined by any and all unique transaction/position reports by UTI + Counterparty 1

- a. That have been submitted and passed all validation requirements, and
- b. Whose close date is greater than current date (NOT = to current date).
  - i. [Action type] = “PRTO”, then close date = date portion of [Event timestamp] b. [Action type] = “POSC”, then close date = date portion of [Event timestamp] c. [Action type] = “EROR”, then close date = null (meaning it was never open) d. [Action type] = “TERM”, then close date = [Early termination date]
  - ii. AND subsequent messages do NOT update the ~~prior~~ [Close ~~month~~ Date] ~~up~~ unless ~~until~~ [Action type] = “REVI”, then close date = [Expiration date]

<sup>9</sup> [customer or customer group] Where a Third-Party Reporter’s customers or customer group are permitted, assessed, and billed in the ~~final~~ same manner as if the same were to be direct Clients or Client Groups of KOR Reporting Inc

<sup>10</sup> [calendar ~~day~~ month] at Midnight ~~midnight~~ Eastern Prevailing Time (“EPT”) is used for calculation purposes.