



Integrated Trading and Clearing (ITaC)

Recap of Commissions Solution

August 2018

Commissions

Recap of Key Aspects



- **Commissions** applicable to **agency** transactions only
- Front-ends to cater for commission fee structures per member requirements
 - Examples include Bps of trade value, flat fee per contract, flat fee per trade
 - Fee structures set up once-off and updated from time to time
 - Front ends to apply the fee structures at time of transaction* and submit a ZAR amount (incl. VAT) to the JSE Clearing System
- Commissions **may be submitted** when a trade is
 - Executed directly on the client account via an On Book trade
 - Executed directly on the client account via an Off Book trade
 - Allocated to own client
 - Assigned to another TM/Branch
 - Allocated to a tripartite client

** Commissions currently applied at EOD by Clearing Member will still be available*

Commissions

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- Commissions will in most cases be associated with a specific deal but a deal reference is not always required
 - Bulk commissions and commission adjustments entered on T+1 are examples of commissions which do not require a deal reference
- If deals are further deal managed member's front-end to facilitate commissions as appropriate, for example:
 - If an allocation correction is performed commission to be cancelled and new commission submitted on correct client
 - If principal correction is performed commission to be cancelled

Commissions

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- Process for give-up transactions (i.e. Off Book trades, assigns, tripartite allocations)
 - 1) Initiating TM (I_TM) initiates give-up
 - a) I_TM may cancel the submitted commission
 - 2) Receiving TM (R_TM) accepts give-up
 - 3) On acceptance I_TM submits the associated commission
 - 4) R_TM receives the commission - deal in the R_TM's deals view should be updated with the commission amount
 - a) R_TM may reject the commission*

***If a commission is rejected the deal is not rejected or cancelled.**

Unless a commission is rejected, it will be processed and incorporated into net payments at EOD i.e. commissions are by default confirmed.

Commissions

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JSE Clear will facilitate	Settlement of net commission amounts across Clearing Members on T+1
Clearing Member to facilitate	Payment of commissions between their Trading Members
Trading Member (or Clearing Member on TM's behalf) to facilitate	Collection of commissions charged to TM's own clients
VAT on Commissions	Commissions are subject to VAT, therefore Members to ensure VAT invoicing and tax reporting obligations are met



- **Will trades be cleared if CMs haven't been able to verify the commission amounts?**
 - CMs will not be verifying the correct application of fee structures by TMs who have executed trades on behalf of the CM's clients
 - CM systems may have threshold checks to identify materially erroneous commissions which can be resolved at EOD
 - Once any materially erroneous commissions have been addressed CMs will process commission payments (and clear the associated trades) as part of T+1 net settlements
 - Any erroneous commissions identified through recons done post trade day T can be adjusted for through the capture of commission adjustments
- **How will I know when I accept a trade whether there is an associated commission?**
 - This should have been pre-agreed with the executing TM, either based on pre-agreed terms or when placing the order
 - In the case of a tripartite trade the TM may not know whether a commission applies when accepting the trade
 - Following acceptance of the trade, the commission should be displayed on the trade in the receiving TM's Front-end views
 - If a commission should not have been charged it can be rejected