Broker Forum

Agenda

- BDA Regulatory changes
  - Withholding Tax on Interest
  - REIT’s
  - FATCA
- T+3 Phase 2
  - UAT Cycle 2
  - Feedback from Training
  - Margining
  - Go-Live
- T+3 Phase 3
Broker Forum

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BDA Regulatory Changes

Withholding Tax on Interest

- Section 50E(1) of Income Tax Act states that ‘any person’ who makes payment of any amount of interest to or for the benefit of a foreign person must ‘withhold’ withholding tax on interest
BDA Regulatory Changes

Withholding Tax on Interest cont...

Let’s look at how the cash will flow...

- The Issuer makes the payment to the CSD

- The Issuer does not have any information down to the underlying beneficial owner or tax residency of the underlying beneficial owner

- If the issuer must withhold the tax, how will the issuer know what withholding tax to withhold

- What does this mean from a processing perspective?
BDA Regulatory Changes

Withholding Tax on Interest  cont...

- **Option 1**
  - Issuer withholds 15% withholding tax across all clients
  - Issuer pays net interest to CSD
  - End result - Resident clients now have to claim back the withholding tax

- **Option 2**
  - Issuer pays gross interest payment to CSD
  - All clients including non-resident clients receive gross interest
  - End result - Non-resident client is responsible for payment of withholding tax to SARS
Withholding Tax on Interest cont...

- JSE, BASA, CSDP’s and Strate wrote a joint letter to National Treasury and SARS requesting that the effective date of Withholding Tax on Interest be postponed to a future date
- We have also requested confirmation/clarity around who will withhold the withholding tax
Withholding Tax on Interest cont...

- What happens if no final answer is received from SARS to postpone the effective implementation date which is 1 January 2015?
Withholding Tax on Interest cont...

- Processing in BDA

- For all corporate actions where interest is paid and where withholding tax is applicable, the interest will be calculated and processed at a gross level for all resident and non-resident clients

- Non-resident clients will then be liable to pay any withholding tax directly to SARS

- This however will have to be agreed with issuers
Broker Forum

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At the end of last year, there was some confusion around exemption forms required for local residents to qualify for the tax exemption.

At the time the JSE, representatives of REIT companies and BASA requested the assistance of Keith Engel (Ernest & Young) to write a letter to SARS.

The purpose of the letter was to ask SARS to consider approving an amendment notice stating that the current FICA process and KYC practice within the industry is an acceptable means of determining if a client was indeed a local client or not.

JSE received a formal response from SARS on 14 August 2014 which stated the following:

- SARS in principal agreed that members will not have to retrospectively get local clients to sign the exemption form
- SARS however do require that any new clients or accounts that are loaded after 12 August 2014, must have a signed exemption form
BDA Regulatory Changes

REIT’s cont...

Although this is not 100% what we were hoping for, we believe that this is still a massive win as members will not have to go through all the admin and costs involved to get ‘old’ clients to sign and exemption form.

The JSE, BASA and Keith Engle has subsequently met on the official SARS response to agree a follow up letter to SARS requesting that the effective date of 12 August 2014 be amended.

We have requested SARS to consider a future effective date and give some grace period to allow members to change their client on-boarding processes and incorporate the exemption form as part of this process.

Whilst we await a response from SARS, members should consider changing their client on-boarding processes anyway with immediate affect.
BDA Regulatory Changes

REIT’s cont...

Proposed BDA changes

• BDA business rules for processing will be changed as follows:
  • BDA will be changed to allow members to flag that a local client is exempt
  • Any local client loaded before the date as communicated by SARS, will not be charged the withholding tax
  • Any new client that is loaded after the date as communicated by SARS and not flagged in BDA, will result in 15% withholding tax being applied
Broker Forum

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Tax and Legislative Compliance

FATCA

• Attended FATCA Industry workgroups

• Member requested fields from a compliance/legislative perspective have been included

• Initial spec drafted and sent for review to 3 members

• Spec updated and sent to all members 30 May 2014 – comment invited by 20 June 2014

• Feedback or acknowledgement received from a number of members and incorporated into the functional requirements
Tax and Legislative Compliance

Changes to BROKT
- FATCA fields added

Changes to CLMNT, AGMNT and NAMNT
- New ID fields on LTMNT
- Increased length e-mail address field
- New home for Tax and Vat Numbers
- Fast paths to new screens:
  - ADMNT Additional Telephone, Fax and Cell numbers, Physical and Trading and E-mail Addresses
  - LTMNT1 ID, Tax and Vat details, DWT, IT3 and FATCA fields
  - LTMNT2 FICA, BND, NCA and CPA fields

Changes to NAMNT
- ID, Tax and Vat fields moved to LTMNT
- Shareholder %, Controlling Person Type and Contact info added
## FATCA Fields

- **FUNC**: E
- **BRK-CDE**: 084
- **BRK-ALPHA**: XYZ
- **XYZ SECURITIES (PTY) LTD**: TAX NUMBER - 9312345678
- **REGISTRATION NUMBER**: 1970/555555/07
- **CHANNEL ID**: CD
- **SECURITY TOKEN**: .
- **REPORTING INSTITUTION**
- **GLOBAL INTERMEDIARY ID**: __________
- **AUTO EXCHANGE OF INFO**: __
- **LEGAL ENTITY**
- **PF1 HELP**: PF2 RETURN**
- **PF4 MENU**: PF5 REFRESH**
- **PF12 QUIT**: 
New address maintenance panel - ADMNT

- **OPTN**: ADMNT
- **BCS/A**: ADDRESS MAINTENANCE
- **ACTION INDO:** E
- **ACCOUNT CODE**: Name:
- **PHYSICAL ADDRESS**: SAME AS POSTAL ADD: _
- **PHY ADD C/O IND**: _
- **C/O NAME**: _______________________________
- **UNIT NO**: __
- **COMPLEX NAME**: _______________________________
- **STREET NO**: ___
- **STREET/FARM**: _______________________________
- **SUBURB/DISTRICT**: ___________________________
- **CITY/TOWN**: ___________________________
- **POSTAL CODE**: ________
- **PHY ADDRESS CNTY**: ___
- **TRADING ADDRESS**: ___________________________
- **POSTAL CODE**: ________
- **FAX.#2 CNTY**: ___
- **FAX.#2**: __________________
- **TEL.#3 CNTY**: ___
- **TEL.#3**: __________________
- **TEL.#4 CNTY**: ___
- **TEL.#4**: __________________
- **E-MAIL 1**: __________________
- **DESC**: __________________
- **E-MAIL 2**: __________________
- **DESC**: __________________
- **E-MAIL 3**: __________________
- **DESC**: __________________
- **Cell 1**: __________________
- **Cell 2**: __________________
- **Cell 3**: __________________
- **1 HLP**: 4 MAIN 6 CLMNT/AGMT/NAMNT 9 LTMNT 10 LEFT 11 RIGHT 12 QUIT

**Fast path keys**

**Physical Address**

**Trading Address**

**Extra e-mails, cell numbers etc.**
### Tax and Legislative Compliance

**Legal and Tax Maintenance panel 1 - LTMNT**

<table>
<thead>
<tr>
<th>OPTN: LTMNT</th>
<th>BCS/A: LEGAL AND TAX MAINTENANCE</th>
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<tr>
<td>ACTN:</td>
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<tr>
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<td>ID:</td>
<td>CNTY OF ISS/INC:</td>
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<td>DATE OF ISSUE/INC:</td>
<td>FF EXPIRY DATE:</td>
<td>DATE OF BIRTH:</td>
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<tr>
<td>COUNTRY OF BIRTH:</td>
<td>PLACE OF BIRTH:</td>
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<tr>
<td>SARS TAX NO.:</td>
<td></td>
<td>SARS VAT NO.:</td>
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<tr>
<td>DWT CNTY OF RES:</td>
<td>DTA FORM RECEIVED:</td>
<td>PASS THRU:</td>
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<td>DWT EXEMPTION:</td>
<td>IT3B EXCL:</td>
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<tr>
<td>DWT FORM A OR B:</td>
<td>IT3C EXCL:</td>
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<td>ACC HOLDER TYP:</td>
<td>ACC STATUS:</td>
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<td>FI GINN:</td>
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<td>INDICIA1:</td>
<td>TAX RES1: NAL1: TIN1: JUR1:</td>
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<td>INDICIA5:</td>
<td>TAX RES5: NAL5: TIN5: JUR5:</td>
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<tr>
<td>1 HLP 4 MAIN 6 CLMNT/AGMNT/NAMNT 7 BACK 9 ADMNT 12 QUIT</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **New ID fields**
- **Other Indicia**
- **Tax and Vat numbers**
- **DWT and IT3 tax info**
- **FATCA fields**
- **Fast path keys**
## Tax and Legislative Compliance

### Legal and Tax Maintenance panel 2 - LTMNT

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<th>Action Ind.: E</th>
<th>Account Code:</th>
<th>Name:</th>
</tr>
</thead>
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<tr>
<td>BND Name:</td>
<td></td>
<td></td>
<td></td>
<td>SIC Code:</td>
<td></td>
</tr>
<tr>
<td>FICA Compliant Y/N/E:</td>
<td>DATE: CCYMMDD</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Re-verified Date: CCYMMDD</td>
<td>Client Risk (High/Medium/Low):</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Sanctions - Politically Exposed Person (Y/N):</td>
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<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>National Credit Act</td>
<td>Individuals - Previously Disadvantaged (Race) (Y/N):</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Companies - Annual Turnover or Asset Value:</td>
<td>Trusts - Number of Trustees:</td>
<td>Jurisdictional Trustee (Y/N):</td>
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</tr>
</tbody>
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Fast path keys

<table>
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<tr>
<th>BND Name</th>
<th>SIC</th>
<th>FICA</th>
<th>CPA</th>
<th>NCA</th>
</tr>
</thead>
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# Tax and Legislative Compliance

## Supplementary Names and Addresses - NAMNT

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<th>20NOV13 09.31.11</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACTN:</td>
<td>125:ENTER ACTION N/C/D/E/R, A/C CODE</td>
<td>JSE AB0</td>
</tr>
<tr>
<td>A/C CODE:</td>
<td>TYPE: ___</td>
<td>BRANCH: ___</td>
</tr>
</tbody>
</table>

- **FIRST NAMES:** ____________________________________  C/O ADD IND : __
- **NAME:** ____________________________________  INIT : ____
- **ADDRESS:** ____________________________________  TITLE: __________
  - ____________________________________
  - ____________________________________
  - ____________________________________
  - ____________________________________
- **POSTAL CODE:** ____  COUNTRY : ___  FGN POSTAL CODE :
- **TEL #1:** _______________  TEL #2 : _______________  TELEFAX: _______________
- **E-MAIL:** _________________________________
- **ALPHA KEY:** _________________________________
- **INSTIT TYP:** ___  LANGUAGE : _  SCRIP DISP: __
- **STRTE REF NO:** _________________________________
- **ETC FUND CODE:** ___  ETC FUND BIC : _______________

- **ELECTRONIC REPORT IND:** _  SHAREHOLDER % : ___  CONTROLLING PERSON TYPE : __
- **CONTACT:** ___________________________________________________________________
- **CELL:** __________

- **SA RESIDENT:** ________________________________
- **POSTAL CODE:** ____  COUNTRY : ___  FGN POSTAL CODE :

**Fast path keys:**
- F1 HELP
- F2 RETURN
- F5 TABLES
- F6 ARMNT
- F7/8 UP/DOWN
- F9 LTMNT
- F10 ADMNT
- F12 QUIT

**New fields:**
- ID, Tax and Vat fields moved to LTMNT
- SA Resident indicator
- Foreign Postal Code field

**Supplementary Names and Addresses - NAMNT**
Impact to BDA dissemination and uploads

- Existing dissemination card codes will change
- New dissemination card codes will be added for the additional fields
- Existing CLMNT Upload card codes will change
- New card codes will be added to the CLMNT upload for all the additional fields

What are these changes?
Dissemination changes

- Card Code 80 – ID field has been moved to a new card code 54
- Card Code 85 - CO-REG-NO has been moved to new card code 54
  - Both of the above fields will remain on the existing card codes, i.e. they will remain on card codes 80 & 85 respectively however will be populated with zeros
- Card Code 86 – E-mail address has been increased to 55 characters and the filler reduced
- Card Code 79 – New fields have been added to the end and the filler reduced
- New card codes added – 44 to 48 & 50 to 59 (15 card codes in total)
CLMNT Upload changes

- ID & CO-REG-NO – Removed from card code 31 and added to new card code 38

- New card codes added – 36 to 40

- All these changes are documented in the FATCA functional requirements which was communicated to all members and is available on the website

- JSE very mindful to minimise development impact to members on existing dissemination and uploads
Tax and Legislative Compliance

Implementation of FATCA changes

• JSE can only implement FATCA changes after T+3 phase 2 go-live

• JSE however must implement FATCA changes soon after T+3 phase 2 as T+3 phase 3 code changes need to be made on the FATCA changes

• Data and field changes need to be implemented before JSE can start on reporting requirements as per the SARS specification

• What is the impact to members and/or their service providers?
Tax and Legislative Compliance

Implementation of FATCA changes

- JSE would like to propose implementation of FATCA changes over the week-end of 22 November 2014

- Alternative date would be 24 January 2015
Broker Forum

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- T+3 Phase 3
# UAT Cycle 2

<table>
<thead>
<tr>
<th>Date</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
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</tr>
<tr>
<td>16</td>
<td>T + 1</td>
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<tr>
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<td>T + 2</td>
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<td>31</td>
<td>T + 3</td>
</tr>
<tr>
<td>01</td>
<td>T + 4</td>
</tr>
<tr>
<td>02</td>
<td>T + 5</td>
</tr>
</tbody>
</table>

**BDA deployment of “new” code**

September

October
UAT Cycle 2

- Test Pack was communicated to all Compliance, Settlement officers and the Broker Forum contact list

- CSS will be communicating daily what processing has been done and what checking members should do
  - This will be in line with the test pack

- Members can raise any questions/issues with CSS
Broker Forum

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Feedback from Training

Real Time Release Functionality

- Members have raised a couple of changes they would like to be made to improve the functionality and use of some of the on-line screens - Some changes are cosmetic and some will require more effort to change

- As the JSE does not want to introduce risk to phase 2 go-live, we will address these changes after go-live

- We are in the process of documenting these request and will circulate to the market for review and sign-off

- We have already started working on some of the easier cosmetic changes
Broker Forum

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Detailed Cycle

- Go-live month

**Margin Migration**

- BDA deployment of “new” code

- T New

- T +1

- T +2

- T +3

- T +4

- T +5

- ECS
Recap....

- BDA will calculate Securities and Funds Availability (SFA) and pass data to ECS
- ECS will calculate Margin and pass calculated results back to BDA
- BDA will process accounting entries into the general ledger as is currently done
For CTL clients:

- If clients does not have full cover for sales and purchases, the full amount will be margined
- Any cash corporate action events will be included in the calculation of available funds for purchases from LDT+1
- Any share entitlement will be included in the calculation of available securities from LDT+1
Broker Forum

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In order to reduce implementation risk, phase 2 implementation which incorporates the deployment of the JSE’s new Equity Clearing Solution (ECS) and changes to BDA, will be implemented over two consecutive week-ends.
Activities on week-end 1

- JSE will deploy ECS and BDA changes
- All active client and proprietary accounts in BDA will be converted into ECS
- We anticipate that this process will be completed by the Monday morning
- JSE will check all data in ECS to ensure every account loaded in BDA has been converted into ECS
- JSE has involved PWC to audit and sign-off on the data conversion process prior to the implementation of ECS
- No member involvement required over this deployment week-end
Post week 1 implementation activities

- From Monday post the implementation, any new client and or proprietary account loaded in BDA will be sent and updated to ECS
- The JSE will be using the automated recon process to validate each day that any new accounts created in BDA, has in been loaded in ECS
  - This recon process will be run intra day and at start of BDA batch
- Members who will have access to ECS will also be able to view the new accounts as they are created in ECS
- Any exceptions will be communicated to members as and when they arise as well as the corrective action required
T+3 Phase Implementation

Activities on week-end 2

- No ECS activities
- JSE will be implementing all BDA changes required for phase 2
  - Automation of Prime Broking transactions
  - Real Time Deal Management
  - Real Time Contract Notes
- No member involvement required over this deployment week-end
Post week 2 activities

- The JSE wants to ensure that all processing between BDA and ECS is correct
- In order to achieve this, the JSE will be stopping BDA and ECS batches from the Monday to Friday to perform various checks
- In some instances, only spot checks will be done
- As a result of stopping the BDA & ECS batches, it may delay:
  - BDA member and institution dissemination files
  - BDA reports via ERD
  - Capad dissemination
  - BDA on-line availability
Post week 2 activities

- During this week, the JSE will be following the normal after hours support and communication process to keep clients informed of any potential impacts and/or delays
- If you want to be included in any of these communications for the week post go-live only, please provide your name and cell phone contact details to CSS
Post week 2 activities

- Real Time Contract Notes
  - On 7 August 2014, the JSE communicated via service hotline 149/2014 that real-time contracts notes will be generated in XML for any pre-dated deals (DLPRE) and/or deal adjustments (DLADJ)
  - This will impact all members who currently use XML contract notes
  - Please note that there is NO changes to the XML format
  - There is NO changes to the batch XML contract notes or hard copy printed contract notes
- The new real-time contract notes will be placed on the FTP or IDP server where your current contract notes are placed – the real-time contract notes will have a different file name
Post week 2 activities

- Please read the service hotline
- We are happy to meet with any member and/or service provider if you have any questions on the real time contract notes
- If you require a meeting, please contact Customer Support
Broker Forum

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Member session to be held:

- Date: 10 October 2014
- Time: 12h00 to 14h00
- Venue: JSE Auditorium
- Formal notification will be sent out
T+3 Phase 3

Purpose of this session is to recap on what is changing with the move to T+3

- Timeline changes i.e. T+5 to T+3
- Migration over this period (overlap of T+5 and T+3)
- SLB automation between ECS and BDA where SAT acts as lender
- Fails management process and automation of accounting entries in BDA
- Impact to Corporate Actions
- Margining down to client level
Contact the JSE and join us on social media

EMAIL THE JSE
info@jse.co.za

JOIN US ON THE WEB
www.jse.co.za

BECOME A FAN ON FACEBOOK

FOLLOW US ON TWITTER
www.twitter.com/MyJSE