Johannesburg Stock Exchange

ITaC Commissions Guidance Note

Document Information

Drafted By	JSE Post-trade Services
Status	Draft
Version	V1.1
Release Date	20 March 2018

Revision History

Date	Version	Description
19 March 2018	1.0	Initial Release
20 March 2018	1.1	Updates to summary table to ensure aligned to detail sections: - Position reason of the 'from' deal associated with an assign and tripartite allocation updated to 'Assign From' and 'Tripartite From' respectively. - Trade field updated to 'TradeID'

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Purpose of guidance note:

In order to ensure an efficient, working commissions process it is necessary that the front end solutions used by different trading members are aligned in certain aspects, namely the population of the clientReference and commissionReference fields of the commission message (commissionReference will contain the reference to the deal associated with the commission). The purpose of this document is to:

1) Provide an *indication* of how front ends can manage the process for creating pending commissions and submitting these into the JSE Clearing System.

   NB. This aspect of the document provides some indicative options for managing this process but each software provider is to determine how their solution can best manage this process.

2) Specify how the two reference fields on the commission entry message <u>must</u> be populated to allow the counterparty to recognise and process the commission and allow Clearing Members to effectively process commissions at EOD.

   NB. This aspect of the document must be fully adhered to in order to ensure the necessary alignment across all participants' solutions.

Summary of how the two reference fields must be populated in the relevant trading and deal management scenarios:

	Scenarios	ClientReference	CommissionReference
A	Assign	TM/Branch code	'NextTradeIDs' field (15) of Trade sub-message (72) of AccountPositionEvent (10032) – *deal with position reason of '~~Allocate~~ Assign From'*
	Tripartite Allocation	Tripartite Client ID	'NextTradeIDs' field (15) of Trade sub-message (72) of AccountPositionEvent (10032) – *deal with position reason of 'Tripartite From'*
B	Allocations	'accountID' of client	TradeID field (1) of Trade sub-message (72) of AccountPositionEvent (10032) – *deal with position reason of 'Allocate To'*
C	Trades directly on client account	'accountID' of client	TradeID field (1) of Trade sub-message (72) of AccountPositionEvent (10032) – *deal with position reason of 'Trade'*
D	Bulk commissions	As above depending on destination entity	CommissionReference is not prescribed. Bulk commissions are not linked to a deal.

The next sections provide details for the above scenarios:

A. Process for Assigns and Tripartite Allocations

Creation of pending commission

When the assign/tripartite request is created or submitted, the front end can create a pending commission entry. One option is to include the value of the "Reference" field on the deal management request message (field #6) on the pending commission. This can be used later to link the deal confirmation to the associated pending commission. If the 'Reference' field is being used for other purposes, the front end will need to link the deal confirmation to the relevant pending commission entry using the combination of accountID, instrument, price and quantity or through another linking method.

The client reference can also be populated on the pending commission entry:
- For an assign the ClientReference must be populated with the code of the counterparty Trading Member or Branch i.e. code provided in the counterparty codes file published on IDP e.g. PRSXXXTMT01, ABL2.
- For a tripartite the ClientReference must be populated with the "ClientID" of the tripartite client e.g. AAA523

Submission of commission

When the assign/tripartite is accepted by the counterparty and the AccountPositionEvent 'From' deal is received from RTC, the 'Reference' field on this message can be used to link to the deal management request and in turn the pending commission that must be submitted into the Clearing System.

The CommissionReference on the commission message must be populated with the value in the 'NextTradeIds' field (field #15) of the Trade sub-message (72) of the AccountPositionEvent message (10032). This 'NextTradeIDs' value references the 'TradeID' of the 'To' deal from RTC which will allow the counterparty to link the commission he receives with the deal that he receives.

Notes:
- *The initiator will receive two AccountPositionEvent 'From' deals. The one will be an update of the trade that is being assigned/tripartite allocated*, with the position reason updated to 'Allocate From'. The other will be the equal and opposite deal which will also have a position reason of "Allocate From". The relevant deal for purposes of linking to the pending commission is the equal and opposite deal – its 'Reference' field will match the 'Reference' field of the deal management request and the pending commission.*

  * The trade being assigned/tripartite allocated may be a trade that has not been deal managed (original trade), a deal that resulted from an accumulation or a trade that has been partially deal managed.

Example A1: Commission with an Assign

RTC deal:

Position reason APE – Field 69	RTC assigned identifier "TradeID" –APE -Trade submessage-Field 1	TM/Branch APE –Field 82 or 83	Position Account "AccountIdAPE – Field 51	NextTradeIDs APE – Trade submessage – Field 15	PreviousTradeIDs APE – Trade submessage – Field 16
Trade	4530689	ABL2	2590479616820789		
Assign From*	4530689	ABL2	2590479616820789	4530690	
Assign From	4530690	ABL2	2590479616820789	4530691	4530689
Assign To	4530691	CRCXXXTMT01	2590464575745882		4530690

Original trade with updated position reason (as it will be received in live subscription)

AddCommissionReq:

Field	Value
InitiatingTM	ABL2
destinationTM	CRCXXXTMT01
clientReference	CRCXXXTMT01
commissionReference	4530691

Example A2: Commission with a Tripartite Allocation

RTC deal:

Position reason APE – Field 69	RTC assigned identifier "TradeID" –APE - Trade submessage- Field 1	TM/Branch APE – Field 82 or 83	Position Account "AccountId" APE – Field 51	NextTradeIDs APE – Trade submessage – Field 15	PreviousTradeIDs APE – Trade submessage – Field 16
Trade	4530689	ABL2	2590479616820789		
Tripartite From	4530689	ABL2	2590479616820789	4530690	
Tripartite From	4530690	ABL2	2590479616820789	4530691	4530689
Tripartite To	4530691	CRCXXXTMT01	2590464575745882		4530690

AddCommissionReq:

Field	Value
InitiatingTM	ABL2
destinationTM	CRCXXXTMT01
clientReference	2590464575745882
commissionReference	4530691

b.   Process for Allocations

Note, for own-client commissions, two options are possible:

1) *Commissions calculated at EOD in the clearing software through the application of commission fee tables provided by the TM to his CM beforehand (once off setup). This method is currently used for certain commissions/brokerage fees today. One of the existing commission/brokerage fees can be used to incorporate the new 'allocation' commission i.e. the commission fee that replacing the current turn. Note if this option is used for commissions charged in lieu of the current turn then own client commission entries will not be submitted to the JSE clearing system.*

2) *Commissions submitted at time of trading or deal management.*

The option to be catered for in front ends will depend on Trading Member requirements – do they have a requirement for commissions charged to their own clients to be submitted at the time of trading or deal management or can this be done at EOD, as is currently the case for certain types of commissions and brokerage fees charged by TMs. The rules below pertain to option 2 above.

Creation of pending commission

When the allocation request is created or submitted, the front end can create a pending commission entry. The clientReference must be populated with the 'accountID'* of the payer of the commission e.g. 2537111731090004

Submission of commission

When the AccountPositionEvent 'To' deal is received on confirmation of the allocation, the front end will need to link it to the relevant pending commission entry using the combination of accountID, instrument, price and quantity or through another linking method.

The CommissionReference on the Commission message must be populated with the TradeID of the 'To' deal i.e. 'TradeID' field (1) of the Trade sub-message (72) of the AccountPositionEvent message (10032).

* Note - When submitting deal management instructions, it is the accountID that is included on the instruction hence the recommendation to use this field when submitting commissions and not the ExternalAccountID

Example B: Commission with an Allocation

RTC deal:

Position reason APE – Field 69	RTC assigned identifier "TradeID" –APE - Trade submessage-field 1	TM/Branch APE – Field 82 or 83	Position Account "AccountId" APE – Field 51	NextTradeIDs APE – Trade submessage - Field 15	PreviousTradeIDs APE – Trade submessage - Field 16
Trade	4530689	CRCXXXTMT01	2590479616820006*		
Allocate From	4530689	CRCXXXTMT01	2590479616820006	4530690	
Allocate From	4530690	CRCXXXTMT01	2590479616820006	4530691	4530689
Allocate To	4530691	CRCXXXTMT01	2590563853059535		4530690

* Internal ID of 99999 suspense account

AddCommissionReq:

Field	Value
InitiatingTM	CRCXXXTMT01
destinationTM	CRCXXXTMT01
clientReference	2590563853059535
commissionReference	4530691

c. **Process for trades done directly on client account**

Off-book trades directly on client account
Creation of pending commission

When the Off book trade is booked, the front end can create a pending commission entry. If not used for another purpose either of the available free-text reference fields on the Off book trade capture message can be populated with a value that can also be populated on the pending commission to allow linking of the RTC deal to the pending commission later in the process.

The clientReference must be populated with the "accountID"* of the payer of the commission e.g. 2537111731090004.

Submission of commission

When the AccountPositionEvent deal is received from RTC (position reason of Trade), the front end will need to link it to the pending commission entry. Per above if one of the free-text fields on the reported trade is used for purposes of linking to the pending commission this can be used to match the resultant deal from RTC with the pending commission. Alternatively, the resultant deal can be linked to the pending commission using the combination of accountID, instrument, price and quantity or another linking method.

The CommissionReference field of the commission message must be populated with the 'Trade ID' field (1) of the Trade sub-message (position reason of 'Trade') of the corresponding AccountPositionEvent message.

* Note - When submitting off-book trades to MIT, the external account ID is provided. However RTC returns both the external account ID and internal account ID in the account position event deal. To be consistent with the previously mentioned deal management activities, the internal account ID should be populated.

On-book trades directly on client account

Creation of pending commission

When the On book order is captured, the front end can create a pending commission entry and as the order is executed (filled) the relevant part of the commission can be processed. One option is to use the ClientOrderID in the execution report and trade capture report from MIT as well as on the RTC deal message to link the trade to the pending commission.

The clientReference must be populated with the "accountID"* of the payer of the commission e.g. 2537111731090004.

Submission of commission

When the AccountPositionEvent deal is received from RTC (position reason of Trade), the front end will need to link it to the pending commission entry. Per above if ClientOrderID value is used for purposes of linking to the pending commission this can be used to match the resultant deal from RTC with the pending commission. Alternatively, the resultant deal can be linked to the pending commission using the combination of accountID, instrument, price and quantity or through another linking method.

The CommissionReference field of the commission message must be populated with the 'Trade ID' field (1) of the Trade sub-message (position reason of 'Trade') of the corresponding AccountPositionEvent message.

* Note - When submitting on-book trades to MIT, the external account ID is provided. However RTC returns both the external account ID and internal account ID in the account position event deal. To be consistent with the previously mentioned deal management activities, the internal account ID should be populated.

Example C: Commission submitted associated with a trade (on or off-book) executed in the trading system directly on the client's account

RTC deal:

Buy Side Trade					Sell Side Trade			
Position Reason APE – Field 69	RTC assigned identifier "TradeID" –APE - Trade submessage- field 1	TM/Branch APE – Field 82 or 83	Position Account "AccountId" APE – Field 51		Position Reason APE – Field 69	RTC assigned identifier "TradeID" – APE - Trade submessage- field 1	TM/Branch APE – Field 82 or 83	Position Account "AccountId" APE – Field 51
Trade	4530689	CRCXXXTMT01	2537111731090004		Trade	4530689	ABMXXXTMT01	2590479616820004

AddCommissionReq for Buy side trade:**

Field	Value
InitiatingTM	CRCXXXTMT01
destinationTM	CRCXXXTMT01
clientReference	2537111731090004
commissionReference	4530689

**Similarly a commission can be captured for the sell side by the counterparty if sell-side TM acting in an agency capacity

D. Bulk Commissions

In addition to a commission per deal, the JSE commission solution also allows bulk commissions i.e. a single commission entry applicable to multiple trades/deals. If submitting a bulk commission **the clientReference field must be populated as specified in sections above** depending on whether the destination is a Trading Member, Branch, own client or tripartite client. The commissionReference will not and does not need to be populated with a specific, individual deal identifier and the clearing software will not attempt to link and report on the commission against a specific trade/deal. The clearing software will however feed these commissions into EOD settlement amounts.

E. Exception Scenarios

The following handling of exception scenarios will be required:

- Allocation corrections – cancel commission and submit a new commission on the correct client
- Principal corrections – cancel commission
- Trade cancellations – cancel commission (and submit a new commission with the new/replacement trade if applicable)
- Price Adjusts – if the price adjust impacts the commission value, the commission will need to be cancelled and a new commission submitted