

NAIROBI SECURITIES EXCHANGE (NSE) DERIVATIVES MARKET FEES PROPOSAL

1.0 Introduction

The NSE was granted a license to run a Derivatives Exchange on October 19, 2015. Following this, the Exchange has proposed to commence trading with two distinct contracts i.e. Single Stock Futures and Equity Index Futures.

The fees to be applied in the trading of derivatives contracts at the NSE are targeted to ensure that fees as a quotient of trade values, when compared to those charged in the cash markets, give investors exposure to price movements in the derivatives instruments rather than the underlying individual constituents. The proposed fees are also designed to encourage innovation and efficiency while at the same time promoting liquidity.

2.0 Proposed fee Structure

The NSE proposes a fee per trade based on percentage of value traded rather than a fixed shilling value. This is in order to keep the risk and reward consistent with the value of the contract. The fee structure is outlined below:

PRODUCT	FEE COMPONENT	FEE BAND	MAXIMUM FEE (PER VALUE OF CONTRACT)
EQUITY INDEX FUTURES CONTRACT	Exchange Fees	NA	0.02%
	Clearing Member Fees	0%-100% of Exchange Fees	0.02%
	Trading Member fees	0%-4.00% of Exchange Fees	0.08%
	Investor Protection fund	NA	0.01%
	Statutory Fee (CMA)	NA	0.01%
	Total contract Fees		0.14%
SINGLE STOCK FUTURES CONTRACT	Exchange Fees	NA	0.025%
	Clearing Member Fees	0%-100% of Exchange Fees	0.025%
	Trading Member Fees	0%-4.00% of Exchange Fees	0.10%
	Investor Protection Fund	NA	0.01%
	Statutory Fee (CMA)	NA	0.01%
	Total contract Fees		0.17%

3.0 Rationale for the Fees proposed

- i. The fees above will include the NSE fees, Clearing Member Fees, Trading Member fees as well as statutory fees which include the CMA fee and the contribution to the Investor Protection fund.
- ii. The Exchange Traded Derivative contracts should be easy and less costly to trade in and out while still providing an incentive for the Clearing and Trading Members to take part via the provision of services;
- iii. The effective fees are set over and above the Exchange fees and within bands rather than fixed fees to encourage innovation and efficiency which will serve to make the market place a more competitive avenue; and
- iv. The fees are small enough as a quotient of the trade values as to make the products distinct from their cash market equivalents. This tends to be one of the key attractions for the Derivatives markets as they should compare favorably to the costs of trading in the Cash markets.

Kindly submit your comments on the proposed fees by 20th February 2017 via email, hand delivery or post to-

**The Chief Executive
Capital Markets Authority
P. O. Box 74800-00200 Nairobi
3rd Floor, Embankment Plaza
Longonot Road, Upperhill
Email: corporate@cma.or.ke**