Foreign Financial Transaction Fee Overview

In 2012, a number of foreign governments proposed and/or took steps to impose a financial transaction tax on any financial services firm that facilitates a trade in certain securities (or categories of securities) connected with the country assessing the tax. These financial transaction taxes are levied extraterritorially and are imposed on investors and/or financial services firms (regardless of where the investors or firms are located or where they conduct business), and the financial services firms that facilitate transactions (e.g. by accepting or executing trade orders) in securities that are subject to the financial transaction tax are responsible for remitting the tax to foreign tax authorities. While the various countries adopting financial transaction taxes will uniquely define which securities transactions will trigger the tax and the amount of the tax, it is expected that the financial transaction taxes will apply to trades in an increasing number of securities of foreign issuers as well as U.S.-issued American Depository Receipts for foreign securities.

For transactions that trigger the imposition of financial transaction taxes, KCG includes the amount of the tax as a fee during the settlement process. As a pass through charge, for impacted transactions, TCA will include the amount of the tax in the commission field of the trade.

It is expected that the universe of transactions subject to the Foreign Financial Transaction Fee will grow and change over time, it is important for RIAs who are considering investing in American Depository Receipts ("ADRs") for foreign securities to be aware of which security transactions may be subject to a financial transaction fee.

Please contact your relationship manager if you have questions.