

## **Regarding Capital Management (Pty) Ltd (RECM) Commission Sharing Agreement (CSA) Policy**

The overriding principal of this policy is that at all times the interests of our clients are placed ahead of those of RECM.

RECM has adopted the CFA Institute Soft Dollar Standards, a copy of which can be found at [www.cfainstitute.org/ethics/codes/softdollar/Pages/index.aspx](http://www.cfainstitute.org/ethics/codes/softdollar/Pages/index.aspx). RECM has imposed a number of higher degrees of responsibility in that:

- RECM does not and will not use any Mixed-Use Research
- RECM does not and will not use any Brokerage to pay for computer hardware terminals or software
- RECM does not and will not use any Client-Directed Brokerage Agreements
- RECM does not and will not facilitate any Principal Trades.

The components of this CSA policy are displayed in more detail overleaf.

## Summary of CFA Institute Soft Dollar Standards mandatory requirements, as applied by RECM (provided for ease of reference):

### 1. General

- Brokerage is the property of the client and should only be used to benefit the Client.
- RECM has an on-going duty to ensure that it:
  - seeks to obtain Best Execution;
  - minimises transactions costs and
  - uses Client Brokerage to benefit Clients.
- RECM will always act for the benefit of the Client and place the Client's interests ahead of its own in any Commission Sharing Agreement.
- RECM will not allocate a Client's Brokerage based on the amount of Client referrals that RECM receives from a Broker.

### 2. Relationships with Clients

- RECM will disclose to the Client that it may engage in Commission Sharing Agreements prior to engaging such Agreements involving the Client's account.
- RECM should ensure that over a reasonable period of time all Clients receive the benefits of Research purchased with Client Brokerage.

### 3. Selection of Brokers

- When selecting Brokers, RECM will consider the capabilities of the Broker to provide Best Execution.

### 4. Evaluation of Research

- In determining whether to use Client Brokerage to pay for Research, RECM will use the following criteria:
  - Does the Research meet the definition of Research contained in the CFA Institute Soft Dollar Standards (in addition to the Standards, RECM requires that the Research may not be computer hardware terminals or software)?
  - Does the Research benefit RECM's Client(s)?
  - Is RECM able to document the basis for the determinations?
- If RECM is unable to decide and document that the Research meets the above criteria, then such research cannot be paid for with Client Brokerage

### 5. Disclosure

- RECM will clearly disclose its policies with respect to Commission Sharing Agreements to Clients and potential clients.
- RECM will provide Clients with an annual statement that any Commission Sharing Agreements that relate to that Client comply with RECM's Commission Sharing Agreement Policy and the CFA Institute Soft Dollar Standards.
- RECM will prominently disclose in writing that in accordance with the CFA Institute Soft Dollar Standards additional information concerning the Commission Sharing Agreements is available on request. This includes:
  - On a firm wide basis, a description of the products and services that were received from Brokers through a Commission Sharing Agreement, detailed by Broker;
  - At a Client account level, the total amount of Brokerage generated for the Client through a Commission Sharing Agreement, detailed by Broker.

### 6. Record Keeping

- RECM will maintain all records that:
  - Are required by law.
  - Are necessary to supply Clients on a timely basis with the items mentioned in point 5 above.
  - Document the Commission Sharing Agreement.
  - Document transactions with Brokers involving Commission Sharing Agreements including a list of Research providers and a description of the service or product obtained from the provider.
  - Indicate how the services and products directly assisted RECM in the Investment Decision-Making Process for its Clients.
  - Show compliance with the CFA Institute Soft Dollar Standards including the identity of RECM personnel responsible for determining such compliance.
  - Copies of all Client disclosures and authorisations.

## Definitions

**Agency Trade** refers to a transaction involving the payment of a Commission.

**Best Execution** refers to executing Client transactions so that the Client's total cost is the most favorable under the particular circumstances at that time.

**Broker** refers to any person or entity that provides securities execution services.

**Brokerage** refers to the amount on any trade retained by a Broker to be used directly or indirectly as payment for execution services and, when applicable, Research supplied to the Investment Manager or its Client in connection with Commission Sharing Agreements.

**Brokerage and Research Services** refers to services and/or products provided by a Broker to an Investment Manager through a Commission Sharing Agreement.

**Commission** refers to the amount paid to a Broker in addition to the price of a security and applicable regulatory fees on an Agency Trade.

**Commission Sharing Agreement** refers to an agreement whereby a Broker provides services or products that are in addition to execution.

**Client** refers to the entity, including a natural person, investment fund, or separate account, designated to receive the benefits, from the Brokerage generated through securities transactions.

**Client-Directed Brokerage Agreements** refers to an agreement whereby the Client directs that trades for its account be executed through a specific Broker in exchange for which the Client receives a benefit in addition to execution services.

**Investment Manager** refers to RECM serving in its capacity as asset manager to a Client.

**Mixed Use** refers to services or products provided to the Investment Manager that have the capacity to benefit both the Client and the management of the Investment Manager.

**Principal Trade** refers to transactions involving a discount or spread.

**Research** refers to services and/or products provided by a Broker