




<p>■ <b>Concerned Activities / Department</b></p> <p><b>Collective Investment(s) :</b></p> <p>RGMF (KY)</p> <p>RGMU (UCITS)</p> <p><b>Investment Manager(s) :</b></p> <p>Rcube AM</p>	<p>■ <b>Concerned People(s)</b></p> <p> Cyril Castelli - CC</p> <p>Nicolas Manel</p>	<p>■ <b>Regulator's law(s)</b></p> <p> RGAMF</p> <p>Comofi</p>	<p>■ <b>Associated Risk Level</b></p> <p> High</p>
<p>■ <b>Updates &amp; Distribution</b></p> <p>This procedure has been written by <b>Cyril Castelli</b> on <b>December 13, 2018</b></p> <p>It has been validated and distributed by mail by <b>Cyril Castelli</b> on <b>December 13, 2018</b> against acknowledgment of receipt for any (new) employee.</p> <p>This procedure is intended to be updated on a <b>Annual</b> basis updated <b>December 13, 2018</b></p>			

**Introduction**

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- ① This procedure is intended to prevent potential conflict of interests between Rcube AM and its brokers.
- ① To avoid any potential Conflict of Interest, Rcube AM has done a tender on possible brokers, as see per below and appendices, and decided to use only the best of them
- ① This policy is also linked with European regulatory framework (MIF directive) that forces Rcube AM to do its best efforts to execute client funds' orders (CIS, managed accounts...) at best price and conditions.
- ① Rcube AM, as a portfolio management company, not itself executes the orders on stock exchange markets, but transmit (hereinafter named "brokers") intermediaries. It must therefore, in order to fulfil the "best execution" obligation, establish a policy of selection of brokers to which orders are sent for execution.

**Glossary - Definitions**

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- ① RG AMF: Règlement général AMF
- ① COMOFI: Code Monétaire et Financier

**Regulatory Framework**

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- **RG AMF and COMOFI**
  - ① Article L533-18
  - ① Article 314-69
  - ① Article 314-70
  - ① Article 314-71
  - ① Article 314-72
  - ① Article 314-73
  - ① Article 314-74
  - ① Article 314-75
  - ① Article 314-75-1
  - ① Article 314-82
  - ① Article 314-75-1 du RGAMF et le nouveau guide AMF 2014-07
- **MIF and MIF2 Directive**
  - ① MIF Directives

**Brokers' Selection**

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- **Broker's Selected**
  - ① The list of selected brokers is established by the broker's selection committee of Rcube AM which is composed of: CACEIS, LCM, FCStone, Interactive Brokers
    - Cyril Castelli, President and CEO of Rcube AM
    - Nicolas Manel, COO and CRO
  - ① Please see in appendix 1, the list of selected brokers

**Selection Criteria**

- ① Each broker on the list of licensed brokers are investigated at least once a year, of a notation on the criteria listed above, rating conducted by the selection Committee, with the participation as appropriate other managers and the "backoffice. The assessment of the quality of execution as well as the quality of investment research are the domain of the managers that transmit orders to intermediaries and receive economic and financial research; they are at the heart of the business relationship and are able to evaluate services and the infrastructure deployed by intermediaries to provide the best possible benefits. The back-office will be more sensitive and attentive to the provision made by the service post-trade intermediate, its effectiveness, its precision, its speed (depending on many of the logistical resources allocated). All of the grades is subject to an annual review by all of the Committee members.
- ① In addition to the "best execution" and "best price" criteria, Rcube will use the following criteria to select brokers
  - 1- Financial Stability and strength (5Y CDS Spreads, ratings)
  - 2- Total Execution prices (Sum of execution costs) - see respective price schedule on network storage
  - 3- Execution quality (qualitative overview regarding execution technology, execution platform, reconciliation, availability, market coverage,...)
  - 4- Respect of Anti-Money Laundering and terrorism financing
  - 5- Execution privacy and management of execution information
  - 6- Quality of customer relationship and people
  - 7- Quality of Back-office

**Selection Methodology**

- ① Each potential broker will have separate notation on above criteria from members of selection of broker's committee
- ▶ **Grades**
  - 0 - No capacity
  - 1 - Low capacity
  - 2 - Intermediate capacity
  - 3 - High capacity
  - 4 - Excellent capacity
- ▶ **Final Grade**
  - ① The final grade is simply the sum of all individual grade and criteria

- ① As a result, with 7 criteria, a maximum grade of 4 and 4 involved people the maximum grade is:  $7 * 4 = 28$  points
- ① The committee as decided to agree brokers that have overall grade above 16 points (on average), corresponding to 57% of maximum points

#### Follow-up and limits

- ① The Selection of Broker's Committee will review these criteria on an annual basis and will respect the limit of 16 points evocated above for each annual revision
- ① However, to prevent its client from losing money (as a counterparty risk), and if possible in advance to overnight risk, Rcube AM has decided to implement daily broker limits
  - Rating below BBB
  - 5Y CDS Spread above 400 bps
- ① In that cases, Rcube will follow risk management policy and can move assets and cash to other couterparty/prime brokers.

#### Conflict Of Interests

- ① Each year Rcube AM brokers' Selection committee will meet and re-evaluate broker internal rating
- ① If any of Rcube people is involved in a conflict of interest, this member of the selection committee won't have voting power, on the concerned broker, and overall notation will be reduced. However, to be maintained/agreed as selected broker, the broker will need to obtain 57% of the total available points.

## Monitoring



#### Report on Intermediation Fees

- ① The intermediation fees stipulated in Article 314-79 shall pay for services that are of direct interest for the clients or the collective investment scheme. Such services shall be covered by a written agreement subject to the provisions of Articles 314-59 and 314-64.
- ① These fees shall be assessed periodically by the asset management company.
 

If the portfolio management company uses investment decision aid and order execution services and if the intermediation fees for the previous year came to more than EUR 500,000, it shall compile a document entitled "Report on Intermediation Fees" that shall be updated as needed. The report shall specify the terms and conditions on which the portfolio management company used investment decision aid and order execution services, along with the breakdown between:

  - Intermediation fees related to order reception, transmission and execution services;
  - Intermediation fees related to investment decision aid and order execution services.
- ① The breakdown for applying costs shall be formulated as a percentage and based on an established method using relevant and objective criteria. It may be applied to:
  - Either all the assets in a specific collective investment scheme category;
  - Or all the assets that the portfolio management company has under management for a specific category of clients ;
  - Or any other procedure suited to the method used for applying costs.
- ① If applicable, the "Report on Intermediation Fees" shall specify the percentage of all intermediation fees in the previous year shared with third parties under the terms of the commission sharing agreements referred to in Article 314-81 for the fees referred to in b in Point 1° of Article 314-79.
- ① It shall also give an account of the measures implemented to prevent or deal with any potential conflicts of interest in the selection of service providers.
 

This document shall be posted to the portfolio management company's website, if the company has one. The management report for each collective investment scheme and the management report for each portfolio under management shall refer explicitly to this document. If the portfolio management company does not have a website, the document shall be included in the management rep

#### Controls

- ① Rcube AM cannot deal with a broker if the convention with the latter is not signed. Thus, at the end of the brokers evaluation Committee, the Administrative Manager (or RCCI) will ensure that there is existence of agreements between Rcube AM and used brokers and they are duly signed. Following a change in the list of the used brokers, the Administrative Manager will go into relationship with custodians/depository banks' so as to regularize the situation. The RCCI will ensure, in the context of the implementation of its Plan of compliance and internal control compliance with this procedure.

#### Criteria Analysis

- ▶ **Financial Stability and strength (5Y CDS Spreads, ratings)**
  - ① The financial stability represents the volatility of brokerage rating and 5Y CDS Spread over the past 5 years
  - ① The financial strength represents the current rating and 5Y CDS spread
- ▶ **Total Execution prices**
  - ① Represents the sum of execution costs from the broker (execution + clearing + other fess) + incompressible costs (exchange fees + regulatory fees (NFA...))
- ▶ **Execution quality**
  - ① It is capacity from the broker to comply with orders sent (time to execute, executed quantity and price, technology...)
- ▶ **Respect of Anti-Money Laundering and terrorist financing**
  - ① Does the broker have AML policy and qualitative overview of policy and its respect
- ▶ **Execution privacy and management of execution information**
  - ① This represents respect of execution privacy and security offered through the execution of orders
- ▶ **Quality of customer relationship and people**
  - ① This represents the overall skills of broker's members (front-middle-back, relationship manager, legal, regulatory...)
- ▶ **Quality of Back-Office**
  - ① This represents the respect of timing for operations: confirmations, settlement instructions, [...] + overall skills of broker's BO