RBS Collective Investment Funds Limited

Market Timing Policy

NatWest

Contents

1 Definition

Market timing is where investors predict the valuation level (and thus the price) of a fund in advance of the valuation point, and place trades accordingly.

This can occur where investments are traded in earlier time zones, such as the Americas.

For market timing to be most effective, trades need to be particularly large and attempts will often be made by the client to reduce, or remove any Dilution Levy in order to make the activity more profitable. This favourable treatment will need collusion with the dealers, and may work to the detriment of the fund concerned.

2 RBSCIFL Policy Statement

RBS Collective Investment Funds Limited ("RBSCIFL") does not condone or engage in market timing activities.

3 The RBSCIFL Funds

Within RBSCIFL, there is limited scope to allow investments in an earlier time zone. The Prospectuses are clear that requests received up to 17:00 on any business day are forward priced and hence are processed the next business day at the valuation point. This forward pricing gives a measure of protection. Furthermore, the prospectuses also state that RBSCIFL as the Authorised Corporate Director ("ACD") may refuse a purchase or a switch if market timing is suspected.

4 Market Timing Risk

It is not considered that these funds would be a likely target for market timing abuse, as the underlying investors are usually private individuals, irrespective of whether they come through the Standard Life platform, the Child Trust Fund nominees, or directly.

Fund purchases are generally made as a result of advice given by the Bank's tied sales force. Accordingly, direct approaches from Retail clients are rare, and initial transactions require completion of an application form.

However, this policy is needed to ensure that any attempt is identified at an early stage.

5 Controls

No staff are permitted to arrange discounts on any dilution levy for customers without the express permission of the Investment Management Committee ("InvCo").

No single premium investments incur an initial charge

- Any Dilution Levy must be applied in accordance with the policy set by InvCo
  - Any deviation from this policy must be cleared in advance by InvCo
  - Additionally, a log will be maintained detailing transactions where Dilution Levy should normally be applied, which will help InvCo look for any trends
- Fund Governance/Financial Control jointly review the application of the Dilution Levy as part of their compliance oversight
- All funds, except for the "Your Portfolio" funds, were closed in 2013 to new business this was completed as a "soft closure" allowing only minimum new investments of £1m. Top ups from existing customers are allowed. Aviva Operational Oversight reviews a selection of repurchases (customer sales) for market timing, by investigating all those which were subsequently cancelled. All such cancellations are referred to the Operational Oversight team for authorisation prior to processing, regardless of their value
- The exception to this was in February 2016 when we closed the FTSE 100 Tracker fund and allowed customers to actively, or default into the RBS Growth Fund within the Investment Funds ICVC. All Dilution levy for these transactions was covered by RBSCIFL and not charged to customers
- Aviva, for Investment Options and Investment Fund ICVCs, review all large transactions for suspicious deals, such as to see if clients are trading frequently and at what level. This will include trading activity which falls just below the Dilution Levy criteria which may suggest the staggering of multiple investments or repurchases
- For Your Portfolio Funds customer transactions are completed by the Standard Life Platform and only bulk transactions are applied to the Funds.

A dilution adjustment will be applied to all transactions on the Funds. Where large transactions take place above £500,000 or 1% of the Fund it is the responsibility of IFDS to escalate this to RBS through the scheduled Service Review Groups. Customer level large transactions will be discussed through the Standard Life Service Review Group

- A formal policy exists regarding box management, which specifies the number of shares which we aim to keep in the box for each fund. The members of staff controlling the box have very limited discretion, except at the end of each tax year when the box size is likely to be higher, in anticipation of an increase in the number of manually reserved deals
- The Box Policy also allows the application of Fair Value Pricing ("FVP") when markets are closed during normal trading times
- The spread of stocks in which investment takes place is not in the public domain
- Late deals are not permitted, except in some instances where there has been an administrative error on the part of RBSCIFL. Any approach by a client to deal late, or on an historic basis, would be rejected
- The various Investment Managers also have their own policies on market timing, which also support the policies for RBSCIFL
- In-specie transfers are not usually requested on the RBS Funds, but as this is a requirement of the COLL regulations, these can be applied if circumstances dictate

Braille, large print or audio format?

If you'd like this information in another format, call us on **03457 888 444** (Minicom 0800 404 6161)

RBS Collective Investment Funds Limited.
Registered in Scotland No. SC46694.
Registered Office: 24-25 St Andrew Square, Edinburgh EH2 2YB.
Authorised and regulated by the Financial Conduct Authority.
Financial Services Register Number 122139.

NWB6201 February 2017