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Annex B – Trading in investment funds

Procurement: US and North America Funds, Active Management

Fondtorgsnämnden
Swedish Fund Selection Agency

Table of contents

Introduction **4**

1. General **5**

2. Definitions **5**

3. Daily trading requirements **6**

4. Trading in investment funds **6**

4.1. Trading orders for the fund manager 6

4.2. Acceptance of trading orders 6

4.3. Unit prices 7

4.4. Delayed unit price/fund closed 7

4.5. Confirmation of executed trading order (note) 7

4.6. Deferred trading 8

4.7. Change in unit price 8

4.8. Minimum trading unit 8

4.9. Reinvestment of dividends 9

4.10. Spread 9

4.11. Currency 9

5. Investment fund fees **9**

5.1. Trading fees 9

6. Payments **9**

6.1. Payment instructions and billing address 9

6.2. Payment per trading order 10

6.3. Terms of payment 10

6.4. Fees in connection with payment etc. 10

6.5. Incorrect payment 11

6.6. Interest compensation 11

7. Provision of information **11**

7.1. Information regarding trading days 11

7.2. Investment holding report 11

7.3. Information on dividends 12

7.4. Settlement note for merger of funds 12

7.5. Incorrect information 12
8. Communication 12
8.1. Transfer of information 12
8.2. Security 13

Introduction

Each year, new pension rights are stipulated for the premium pension system. The Swedish Pensions Agency transfers money to be managed in funds that are covered by a fund agreement with the FTN and that have been chosen by the pension saver, or to the Seventh AP Fund. The Swedish Pensions Agency holds mutual fund units in the premium pension system and is also responsible for administering accounts and fund trading on behalf of pension savers and the fund manager. An individual pension saver is entitled to a pension based on the credit balance on the pension saver‘s premium pension account at any given time.

1. General

This annex specifically regulates the trade of funds and specifies the obligations that fall on the fund manager and the Swedish Pensions Agency in this area.

2. Definitions

Within the scope of this annex, certain terms are defined as follows:

Business day: the unit price day used for the transaction in question.

Record day: the date on which a dividend is calculated.

CET: Central European Time.

Delayed trading: "Delayed trading" applies to the fund if the Business day is the trading day that follows the Order day.

Delayed reporting: a fund has "Delayed reporting" if the fund is reported with one trading day 's delay compared with "Normal reporting".

Deferred Trading: the fund has "Deferred Trading" if the Fund Manager omits, in accordance with applicable law, to execute trading in the fund in accordance with the time limits set out in this fund agreement.

Settlement day: the date on which payment of a trading order shall be made to the fund manager or Swedish Pensions Agency.

Normal trading: the fund has "Normal trading" when the Business day is the same as the Order day.

Normal reporting: "Normal reporting" applies to the fund if the fund 's unit price is reported in accordance with Section 4.3, first paragraph and note in accordance with Section 4.5 first paragraph.

Order day: the trading day on which the Swedish Pensions Agency issues a trading order to the fund manager.

Dividend day: the day on which the dividend is reinvested at the unit price.

Definitions listed in Section 1 of the main fund agreement document, as well as additional explanations of abbreviations etc. that appear below also apply to this annex.

3. Daily trading requirements

The fund's official trading calendar shall allow daily trading in the fund, with the exception of the non-trading days set out therein. Saturdays, Sundays and official public holidays in the fund's country of registration are considered non-trading days. Other examples of non-trading days are public holidays in the dominant markets the fund invests in.

4. Trading in investment funds

4.1. Trading orders for the fund manager

An order for the purchase of units should contain information on the amount at which the Fund Manager 's sale shall take place. An order for the redemption of units must contain information on the number of units to be redeemed.

On an Order day, the Swedish Pensions Agency shall be able to issue a trading order no later than 10:00 CET and keep the date of the Order day as a Business day (so-called Normal trading). Usually, however, the Swedish Pensions Agency will issue an order as early as 09:30 CET.

The Swedish Pensions Agency may allow a Business day for a fund to comprise the trading day that follows the Order day (so-called Delayed trading). The Swedish Pensions Agency may consent to Delayed trading if it does not have an adverse effect on the interests of savers, and if Delayed trading is permissible according to the fund rules or equivalent documentation.

The Swedish Pensions Agency may issue additional trading orders to the fund manager after 10:00 CET. In such cases, the fund's regular cut-off times for trading apply.

4.2. Acceptance of trading orders

The fund manager shall accept a trading order by confirming receipt of the order no later than 12:00 CET on the Order day. If a trading order cannot be accepted before that time because the Swedish Pensions Agency has issued the order after 10:00 CET, notification of such shall be submitted in the manner specifically agreed between the Swedish Pensions Agency and the fund manager.

4.3. Unit prices

For each trading day, the fund manager shall provide unit prices to the Swedish Pensions Agency between 14:30 CET and 21:00 CET on the same day, or between 08:00 CET and 11:00 CET on the next trading day (so-called Normal reporting). When indicated to do so by the system used for reporting, the fund manager shall make a special note regarding the accuracy of any major changes in relation to unit prices from previous trading days.

The Swedish Pensions Agency may allow reporting times to be delayed by one trading day compared with the time frames shown in the first paragraph (so-called Delayed trading). The unit prices submitted by the fund manager shall be the rates used by the fund manager for shareholders during trading or when valuing the fund. Unit prices shall be free from any known errors and be otherwise the most accurate prices the fund manager is able to provide under the circumstances.

4.4. Delayed unit price/fund closed

If unit prices can be determined for the trading day but not within the time frame specified in Section 4.3, the fund manager shall instead report the fund as having a temporarily delayed unit price within the said time frame. In the case of such funds, unit prices shall be submitted no later than 11:00 CET on the trading day that follows the deadline.

If the Swedish Pensions Agency requests unit prices for a day on which such information has not been determined for the fund, the fund manager shall report the fund as closed. The fund manager shall submit such reports at the earliest opportunity, but no later than 11:00 CET on the following trading day.

4.5. Confirmation of executed trading order (note)

The fund manager shall confirm each executed trading order (so-called Normal reporting). This confirmation shall be given to the Swedish Pensions Agency no later than 13:00 CET on the trading day that directly follows the Business day. Confirmation shall be given in the form of a contract note and shall always contain information regarding amount, number of sold or redeemed units, the final determined unit price, business date and settlement date, along with any additional information requested by the Swedish Pensions Agency on a case-by-case basis.

The Swedish Pensions Agency may allow for confirmation as laid out in the first paragraph to be delayed by one trading day (so-called Delayed reporting).

4.6. Deferred trading

In the event of Deferred trading, the fund manager shall immediately inform the Swedish Pensions Agency. In case of Deferred trading, trade shall be carried out as soon as possible unless otherwise agreed with the Swedish Pensions Agency.

In the event of Deferred trading, the trading order shall be executed at the unit price that would have been used if trading had taken place on time, unless applicable legislation stipulates otherwise.

4.7. Change in unit price

If, at a later point in time, the fund manager discovers that an incorrect unit price has been submitted, the fund manager shall immediately inform the Swedish Pensions Agency. The fund manager shall state the correct unit price that shall apply. This applies even if no trading has taken place in the fund on the trading day on which the incorrect trading price has been submitted.

Notification of a change in unit price shall be signed by an authorised representative of the fund manager.

4.8. Minimum trading unit

The fund manager is not entitled to demand a certain minimum amount as a condition for trading. However, if the fund rules limit the possibility of trading below a certain amount, FTN can, however, approve the restriction if it does not affect the Swedish Pensions Agency's needs for trading in the fund.

4.9. Reinvestment of dividends

Without receiving any special direction from the Swedish Pensions Agency, the fund manager shall, where applicable, reinvest cash dividends from an investment fund into new units in the same fund on the Dividend day. The fund manager shall confirm that reinvestment has taken place no later than the day following Dividend day. Confirmation shall contain the following information: record date, Dividend day, number of units distributed, amount distributed, reinvestment price, holdings before dividends, and dividend per unit.

When applying for repayment of any withholding tax pertaining to dividends, the fund manager shall take the measures requested by the Swedish Pensions Agency.

4.10. Spread

The fund manager shall not make use of spread, that is, different unit prices for buying and selling the Swedish Pensions Agency‘s units.

4.11. Currency

The share class covered by the fund agreement and in which the Swedish Pensions Agency can thus purchase units shall be in the base currency of the Fund unless otherwise stated in the requirements defined in the procurement process or is otherwise approved by the Swedish Fund Selection Agency.

5. Investment fund fees

5.1. Trading fees

No purchasing or sales fees shall be charged to the Swedish Pensions Agency for trading in the fund manager ‘s investment funds.

6. Payments

6.1. Payment instructions and billing address

The fund manager shall provide clear and complete details regarding the payment instructions that apply for the fund, as well as information on which

institution is the depositary or equivalent for the fund. The instructions shall be signed by an authorised representative of the fund manager. The Swedish Pensions Agency shall correspondingly provide information to the fund manager regarding the payment instructions that apply for the Swedish Pensions Agency.

6.2. Payment per trading order

Each trading order shall be paid separately. The order's reference number shall be written in such a way that a payment can be associated with the correct order.

6.3. Terms of payment

The fund manager must in connection with the conclusion of the Fund Agreement specify in its application which Settlement day the fund manager wishes to apply. However, the fund manager shall come to an agreement with the Swedish Pensions Agency regarding which day payment of trading orders shall be made to the fund manager or the Swedish Pensions Agency. The Settlement day may be postponed to the next possible day if payment cannot be made because:

i. trading in the listing currency for the fund is closed, or
ii. it is permitted for payment for the fund to be delayed according to the fund rules.

The fund manager shall immediately notify the Swedish Pensions Agency regarding the delay and its cause.

6.4. Fees in connection with payment etc.

The Swedish Pensions Agency and the fund manager shall each pay any fees and other costs incurred in connection with payments being made according to their respective payment instructions. Accordingly, the Swedish Pensions Agency or the fund manager shall, among other things, each be responsible for fees and costs charged by the bank used for processing payments when transferring and receiving liquid resources (shared payment). Fees and costs incurred shall not affect the transferred amount paid.

6.5. Incorrect payment

If payment is not made on time, in the correct currency, at the appropriate amount, to the right account, or is in any other way incorrect, the Swedish Pensions Agency and the fund manager shall immediately contact each other so that corrections can be made as soon as possible. The Swedish Pensions Agency or the fund manager – whichever caused the error – shall reimburse the other party for the costs it has incurred due to the mistake.

6.6. Interest compensation

If payment is incorrect as set out in Section 6.6, the beneficiary is entitled to late payment interest in accordance with Section 6 of the Interest Act (1975:635).

7. Provision of information

7.1. Information regarding trading days

No later than on 1 December each year, the fund manager shall inform the Swedish Pensions Agency of the dates on which the fund manager is aware that the fund will be closed for trading during the next calendar year. If, after 1 December, the fund manager becomes aware of any additional occasions on which the fund will be closed for trading, the Swedish Pensions Agency shall be informed no later than five trading days prior to the day(s) in question.
The Swedish Pensions Agency shall correspondingly inform the fund manager about the dates on which the Swedish Pensions Agency will not be trading.

7.2. Investment holding report

The fund manager shall report the Swedish Pensions Agency‘s holdings of units in the fund to the Swedish Pensions Agency based on the conditions at the end of the last trading day of each calendar month. These reports shall be submitted no later than three (3) trading days following the end of each calendar month and shall contain details on the number of units owned by the Swedish Pensions Agency. The reports shall be submitted using the system specified and provided by the Swedish Pensions Agency.

The Fund Manager shall report the total assets of the fund under management. The reporting must include an aggregate of all of the fund‘s share classes. The

reporting must take place at the frequency requested by the Swedish Pensions Agency and in the system provided by the Swedish Pensions Agency.

As soon as possible following a request from the Swedish Pensions Agency, the fund manager shall provide a detailed statement of executed trading orders from the Swedish Pensions Agency in the fund in question.

7.3. Information on dividends

By the record date for dividends at the latest, the fund manager shall, where applicable, inform the Swedish Pensions Agency that dividends will be paid from a fund.

The fund manager shall report the terms that apply for the dividends and tax on such dividends no later than the trading day that directly follows the Dividend day. These reports shall be submitted using the system provided by the Swedish Pensions Agency.

7.4. Settlement note for merger of funds

In the event of merger of funds, a settlement note for the merger shall be submitted to and received by the Swedish Pensions Agency no later than the day following fusion. The settlement note shall be designed as stipulated by the Swedish Pensions Agency and contain the information the Agency specifies. The settlement note for the merger may be submitted later if approved by the Swedish Pensions Agency.

7.5. Incorrect information

If incorrect information has been provided with regards to the trade, the Swedish Pensions Agency or fund manager – whichever discovered the error – shall immediately contact the other party.

8. Communication

8.1. Transfer of information

Information referred to in Section 4.1–4.6 and 4.9, first paragraph and Section 7.2–7.3 shall be forwarded electronically using the system provided by the Swedish Pensions Agency.

Unless otherwise indicated by the Swedish Pensions Agency, other information referred to in this annex shall be promptly forwarded by email in the manner specified by the Swedish Pensions Agency at any given time.

The Swedish Pensions Agency and the fund manager shall immediately inform each other if there is anything preventing the information from being forwarded. If the information cannot be forwarded in the prescribed manner, it should instead be submitted to the Swedish Pensions Agency via email (preferred option), by fax (alternative option) or through another appropriate method specified by the Swedish Pensions Agency or that the Swedish Pensions Agency and the Fund Manager agree on.

8.2. Security

The fund manager undertakes to make use of the security solutions provided by the Swedish Pensions Agency for communicating in the manner determined by the Swedish Pensions Agency. Further information can be found in the Instructions for the Fund Agreement.

If the Swedish Pensions Agency provides special software for encryption, signing, access control for electronically transferred information etc., the fund manager shall, at its own expense, take any necessary measures to ensure that the software can run on the fund manager‘s systems so that information can be transferred securely. The manager is not permitted to copy or use the software provided by the Swedish Pensions Agency for any other purpose.

The fund manager shall handle certificates and passwords that have been received in a secure manner and shall immediately inform the Swedish Pensions Agency if there is any suspicion that there has been unauthorised access to a certificate or password.

The fund manager is responsible for ensuring that individuals who, on behalf of the fund manager, are given access to security solutions as described above are informed about and observe the aforementioned security provisions.