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# Instructions for the Fund Agreement – Information for Fund Managers

## Procurement: US and North America Funds, Passive Management

Fondtorgsnämnden
Swedish Fund Selection Agency

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# 1. Introduction

## 1.1. Instructions for the Fund Agreement

These instructions for the Fund Agreement (the "Instructions") aim to provide information to Fund Managers regarding, among other things, the registration of funds within the premium pension system and contain certain conditions and instructions, including for the Swedish Pensions Agency's trading in the funds offered on the fund platform. Further terms and conditions in respect of trade can be found in Annex B. Information about the Swedish Pensions Agency's role in the premium pension system and its relationship with the Swedish Fund Selection Agency and Fund Managers can be found in the Fund Agreement's main document.

After the fund agreement has been entered into, the fund manager must meet the requirements and conditions for approved unit price (NAV) reporting and complete registered fund information in order for the fund to finally become eligible on the fund platform.

The Instructions are available in Swedish and English. The Swedish version applies. The English translation is only provided as a reference.

# 2. Administration and trade

## 2.1. Communication via Focus

A web-based communication system – Focus– is used for the day-to-day cooperation between the Swedish Pensions Agency and the Fund Manager. Communication via Focus is a requirement of the Swedish Pensions Agency.

Focus does not require any special software. The only requirement is a functioning Internet connection, user ID and security tokens (SecurID).

Focus consists of two parts, with separate logins:

- Focus Fund Trade
- Focus Fundinfo

#### 2.1.1. Focus Fund Trade

Focus Fund Trade is used for the transfer of trading orders, reporting of contract notes, unit prices, reporting of holdings, and general information on fund trading.

#### 2.1.2. Focus Fundinfo

Focus Fundinfo is used for the Fund Manager's reporting of fund information, sustainability information, historical unit prices, and fund fees. In Focus Fundinfo, the Fund Manager can also monitor how the fund is presented in the Swedish Pensions Agency's system and correct the fund information if necessary.

#### 2.1.3. Focus User Manual

The User Manual for Focus is available in Focus and can also be sent on request.

### 2.2. Login to Focus

Logging in to the two parts of Focus requires separate security tokens (SecurID) with separate user IDs.

Each SecurID token has secret encryption keys to certify that the codes created are unique to each individual login. The codes are shown in a display and automatically updated every 60 seconds.

#### 2.2.1. Ordering security tokens

To obtain security tokens, the Fund Manager must order tokens using special forms.

For Focus Fund Trade, the Swedish Pensions Agency provides each Fund Manager with two security tokens free of charge. Fund managers can obtain more tokens by placing an order. For additional tokens, Fund Managers are charged according to the Swedish Pensions Agency's purchase price at the time (currently SEK 1500 per token) to be paid within 30 days.

For Focus Fundinfo, the Swedish Pensions Agency provides each Fund Manager with one security token free of charge. Fund Managers can obtain additional tokens by placing an order. For the additional token, Fund Managers are charged according to the Swedish Pensions Agency's purchase price at the time (currently SEK 1500 per token)to be paid within 30 days.

It is also possible for Fund Managers to have several tokens for reporting fund information if Fund Managers hire different rapporteurs/companies for this purpose.

The Fund Manager shall designate a person responsible for the tokens on the order forms. The person responsible will receive the tokens and also be the Swedish Pensions Agency's contact person in all matters relating to the tokens (e.g., unlocking and changing the PIN) and the reporting of fund information.

Together with the security token, the Swedish Pensions Agency provides user instructions. The Fund Manager is responsible for storing tokens and codes in accordance with the user instructions for the security token.

For assistance or any questions regarding the security tokens, please contact the fund administrators via fundadmin@pensionsmyndigheten.se.

### 2.3. Approved price reporting and complete registered fund information

Once a login to Focus Fund Trade has been obtained, unit prices can be reported for the fund in question. The Swedish Pensions Agency checks that price reporting works before the fund is made available for trading in the system.

In addition, the fund information requested for the fund shall be registered in Focus Fundinfo. The information is used, among other things, to inform pension savers about the fund via the Swedish Pensions Agency's website, in separate fund fact sheets, and in the Swedish Pensions Agency's fund catalogue. Instructions on how to register the information in Focus can be found in the Focus User Manual, which can be downloaded via Focus or obtained from the Swedish Pensions Agency. Until the information is complete, the fund will not be available for trading in the system. Thereafter, it is important that the information is updated regularly.

## 3. Administrative requirements (fund trading)

Annex B of the Fund Agreement (Trading in Funds) details a number of administrative requirements on the Fund Manager.

### 3.1. Daily administrative routines

Each day, the Fund Manager's administration shall perform the following in the trading system of the Swedish Pensions Agency, Focus Fund Trade:

| Time (CET) | Activity |
|---|---|
| 9:30 – 12:00 Day 1 | Confirm orders - Log in to Focus Fund Trade, retrieve and confirm fund orders. Information on the Fund's cut-off times is provided in section 4 of Annex B. |
| 14:30 — 21:00 Day 1 or 08:00 — 11:00 Day 2 | Daily price reporting - Log in to Focus Fund Trade and report unit prices for Day 1. |
| 14:30 — 21:00 Day 1 or 08:00 — 13:00 Day 2 | Submit contract note on executed orders. The time can be postponed to the next day if the fund has extended trading and/or delayed reporting (read more about this in the trading section below). |

### 3.2. Monthly reporting

The Fund Manager shall report the holdings of the Swedish Pensions Agency in Focus Fund Trade no later than by the third trading day after the end of each month.

## 4. Trading in the funds

The Swedish Pensions Agency's trading is based on the fund choices made by pension savers, placement of entitlements, rebates paid, inheritance gains, fees, and pension payments. This means that the size of the transactions can fluctuate considerably from day to day. To avoid too small orders, the Swedish Pensions Agency keeps a trading stock in each fund.

4.1.1. The Swedish Pensions Agency's trading cycle
The following is a brief description of the Swedish Pensions Agency's normal trading cycle. All times stated below refer to Swedish time (CET).

Day 0

The pension saver requests a fund change, which can be made until midnight (Monday–Thursday and Sunday).

Day 1

The Swedish Pensions Agency compiles buy and sell orders in the various funds.

At 09:30, the Swedish Pensions Agency sends a net order per fund to Fund Managers via Focus Fund Trade. Between 09:30 and 12:00, Fund Managers can log in to Focus Fund Trade and retrieve/confirm the orders of the day.

The Fund Manager sets the fund unit prices for Day 1 and executes the Swedish Pensions Agency's order at these prices. However, if the fund is registered with "delayed trading", the Swedish Pensions Agency's trading is executed at the fund unit price for Day 2. The Swedish Pensions Agency refers to the day for which the unit price is used for trading as Trading Day.

The Fund Manager reports the fund unit prices of the day to the Swedish Pensions Agency via Focus Fund Trade. This reporting takes place between 14:30 and 21:00.

Day 2

Fund Managers that did not report the fund unit price during the afternoon of Day 1 report the price on the morning of Day 2 between 08:00 and 11:00. Fund Managers unable to calculate their fund unit price by 11:00 may register the fund with "delayed reporting". The price reporting/contract note will then be pushed to the next day in Focus Fund Trade.

The Fund Manager reports the contract note via Focus Fund Trade between 08:00 and 13:00 for the previous day's transactions.

### 4.2. Delayed trading

According to the Fund Agreement's Appendix B (Trading in Funds), an order issued by the Swedish Pensions Agency before 10:00 on the order day shall be executed at that day's unit price (Trading Day). For a fund whose cut-off times make this impossible, the Swedish Pensions Agency may allow the fund's Trading Day to be the trading day following the order day. This means that the fund has so-called delayed trading.

### 4.3. Delayed reporting

According to Appendix B to the Fund Agreement (Trading in Funds), an order shall be confirmed no later than by 13:00 on the day after the Trading Day. However, the Swedish Pensions Agency may allow confirmation by 13:00 two days after the Trading Day. This means that the fund has so-called delayed reporting.

### 4.4. The Swedish Pensions Agency's trading stock and internal trading

The Swedish Pensions Agency maintains a trading stock to facilitate the administration of trading in funds and to minimise transaction costs related to payments.

Occasionally, pension savers' fund changes are only adjusted through internal trading, meaning against the Swedish Pensions Agency's trading stock.

### 4.5. Daily price reporting

It is of the utmost importance that the Swedish Pensions Agency receives accurate unit prices from the Fund Manager each day, even on days when the Swedish Pensions Agency does not send any orders. Internal trading at the Swedish Pensions Agency may occur without any external trading with the Fund Manager. The unit prices are also used to calculate future orders and for fund information to the pension savers. If the Fund Manager adjusts its unit price retroactively, the Swedish Pensions Agency must be contacted immediately.

### 4.6. Orders via fax

On special occasions, orders may be sent by fax to the Fund Manager. This is always done in communication with the Fund Manager. A fax order from the Swedish Pensions Agency is signed by authorised signatories according to the signature list for fund trading.

# 5. Payments to the Swedish Pensions Agency

All information necessary for making payments to the Swedish Pensions Agency can be found in the separate payment instruction, Payment Instruction for the Swedish Pensions Agency.

Payments to the Swedish Pensions Agency must include the Swedish Pensions Agency's order number(s) and shall be executed by deposit. For payments in a foreign currency, the SWIFT/BIC address for the Swedish Pensions Agency's bank must be stated, along with the account number for each respective foreign currency account and the Agency's order number.

Please note that the Fund Manager and the Swedish Pensions Agency shall bear their own fees and costs in connection with payments. When payments are made in a foreign currency, the code SHARE shall be stated. The Swedish Pensions Agency can only guarantee that the Agency's bank pays the entire remittance. If the receiving bank or transfer banks deduct fees from the payment, the Fund Manager must cover these fees or send a different payment instruction.

For questions regarding payments, please contact the financial administrators at finansadmin@pensionsmyndigheten.se.

# 6. Fund information, etc.

## 6.1. Reporting of fund information in Focus

Fund information refers to, for example, sustainability information, fund assets, turnover rate, portfolio allocation, the ten largest holdings, and various texts describing the fund. The information that the Swedish Pensions Agency needs to compile the fund catalogue and the fund fact sheets is detailed below and in the Focus User Manual. The Fund Manager must initially register and then regularly update Focus Fundinfo with the information about the fund that the Swedish Fund Selection Agency or the Swedish Pensions Agency requests and that is indicated in the Focus User Manual. The information is continuously updated on a quarterly and annual basis, for example, by the 20th of the month after the end of the previous quarter and previous year, respectively, depending on the nature of the information. In addition, the Fund Manager must ensure that all information is up-to-date and must

update the information in Focus as soon as possible after any changes are made.

When the fund is registered with the Swedish Pensions Agency, the Fund Manager must also submit historical dividend-adjusted unit prices. If these are in SEK, this must be done in Focus Fundinfo. If the unit prices are in a currency other than SEK, they must instead be sent to the Swedish Pensions Agency by email. Unit price reporting must cover the most recent ten-year period or the shorter period in which the fund has existed. The historical prices are used to calculate returns and risk measures.

The Fund Manager undertakes to comply with the requirements defined for the texts in the system from time to time. For instance, all texts must be written in Swedish and specialised language must be avoided. The texts must be objective, informative and apply to the fund in question. Texts such as "this year's fund", "managed by the best manager" or "best performance" are not permitted.

### 6.2. Reporting levies from the fund

In Focus Fundinfo, the Fund Manager shall report all fees and costs withdrawn from a fund. Reporting with respect to the previous calendar year shall be done by 28 February. The Fund Manager shall report the costs on a quarterly basis no later than on the 20th in the month following the end of the previous quarter, unless otherwise specifically stated in these Instructions or by the Swedish Pensions Agency.

The information reported to the Swedish Pensions Agency is used for three distinct purposes:

1. The Swedish Pensions Agency's fund information, made available in the fund catalogue, fund fact sheets, and on the Agency's website.
2. The Swedish Pensions Agency's calculation of the price reduction that the Fund Manager shall pay to the Agency, if any.
3. Reporting to each individual pension saver how much the administration has cost the pension saver in SEK for each fund they have had capital invested in during the previous year.

## 6.3. Information about changes, etc.

A Fund Manager shall, according to the terms and conditions of the Fund Agreement, notify the Swedish Fund Selection Agency of important changes, for example with respect to the fund offered on the fund platform or the Fund Manager's organisation and activities. The reason for this is, among other things, that the change may mean that the Swedish Fund Selection Agency or the Swedish Pensions Agency needs to take measures, for example reviewing and approving the change in relation to the Fund Agreement's terms and conditions, notify pension savers, or change information in each respective Agency's systems. Therefore, it is important that the Fund Manager notifies the Swedish Fund Selection Agency of future changes as soon as possible and well before the change is implemented. A detailed timetable for when the Swedish Fund Selection Agency shall be notified of a change is set out in the Fund Agreement.

Changes that only concern trading-related information can be submitted directly to the Swedish Pensions Agency. Changes are notified using the form "Ändringsanmälan" (Notification of Change), available on the Swedish Pensions Agency's website. The form shall be signed by the Fund Manager's authorised signatory and sent to fundadmin@pensionsmyndigheten.se, along with an authorisation document for the signatory. The authorisation document should not date back more than three months.

Below are examples of changes/fund events that may relate specifically to the Swedish Pensions Agency's trading and systems.

### 6.3.1. Administrative changes

Administrative changes related to funds or Fund Managers may mean that the Swedish Pensions Agency must, for example, change or adjust the information in their systems. In order for the cooperation between the Swedish Pensions Agency and the Fund Manager to work, it is important that the Fund Manager notifies the Swedish Pensions Agency of planned administrative changes in good time.

The Fund Manager shall notify the Swedish Pensions Agency of coming changes regarding, for example:

- Procedures or cut-off times for trading in fund units or calculating fund unit prices

- Price reporting procedures
- Trading cycle
- Payment procedures/account details
- Administration company and transfer agent
- Contact person details for the trading.

# 7. Daily administrative routine

Information about funds' fees and costs is provided by the Fund Manager in Focus Fundinfo. In the event that quarterly invoicing of the Price Reduction is to take place, i.e. in the event of a difference between the regular Management Costs and the Procured Price, this is based on the reporting. After each year-end, the Swedish Pensions Agency also requests an annual report for review and possible corrections.

## 7.1. Initial information

Before a fund is established on the fund platform, the Fund Manager shall submit the information requested by the Swedish Pensions Agency, including the information requested in the administrative application form.

## 7.2. Quarterly cost and fee information for invoicing

Fund Managers must, no later than the 20th of the month following the end of the quarter, for each fund, report at least the following items relating to the last quarter (per cent annualised) (see Annex A for definitions):

- management fees (together with a performance-based fee, if applicable)
- other administrative or operational costs
- Procured Price

Where applicable, what is known as the Cost Recovery Ratio (TK) shall be calculated. TK = FAD + Performance-based fee.

| | |
|---|---|
| FAD = | The fund's management fees and other administrative or operational costs as set out in Regulation No 1286/2014 of the European Parliament and of the Council (PRIIPs Regulation) and Commission |

Delegated Regulation 2017/653. FAD shall be expressed as a percentage to six decimal places.

Costs for securities lending, class action lawsuits or other costs as determined by the Swedish Fund Selection Agency, which costs are associated with a net income in the fund, shall be reported to the Swedish Pensions Agency by the Fund Manager but shall not be included by the agency in the Management Costs when calculating the Procured Price and any Price Reduction.

#### 7.2.1. Performance-based fee

If the Fund Manager calculates and charges a performance-based fee on a monthly or quarterly basis, but then makes an adjustment on an annual basis, the invoicing must be redone after year-end. This is reported in the annual report.

If the fund does not have a performance-based fee, this part of TK is 0%.

#### 7.2.2. Deadline for reporting of fees and costs

Final dates for quarterly reporting of fees and costs are 20 January, 20 April, 20 July, and 20 October.

### 7.3. Annual fee information for review

Fund Managers shall report the average fees and costs of the previous year for each fund, working on the basis of the items specified above, by no later than 20 February. This fee reporting is used to check the invoicing of the previous year.

#### 7.3.1. Transaction costs

In connection with reporting the fee information for annual review, the Fund Manager shall also report the fund's direct transaction costs, meaning actual paid broker's commission.

#### 7.3.2. Changed fee

Should the fees change during the year or at year-end so the calculation basis and the information basis become misleading, the Fund Manager shall report this in Focus.