

Schroders



Schroders
Terms of Business

1. Relationship

These Terms of Business govern the relationship between Schroders and the Intermediary and the terms upon which Schroders will accept Business from the Intermediary. They shall have effect immediately upon their receipt by the Intermediary or, if earlier, upon the commencement of any transaction effected by or through the Intermediary with Schroders.

2. Definitions

In these Terms of Business the following expressions shall have the following meanings save where the context otherwise requires:

Act: the Financial Services and Markets Act 2000 as amended, repealed or replaced from time to time.

Business: the business of engaging in one or more of the activities described in Section 22 of the Act in relation to Units or Shares.

Business Day: a week day on which banks and the London stock exchanges are normally open for business in the UK. If the London Stock Exchange is closed as a result of a holiday or for any other reason, or there is a holiday somewhere else or other reason which impedes the calculation of the fair market value of the Fund or a significant position thereof, Schroders may decide that any business day shall not be construed as such.

Client: a client or a customer of the Intermediary.

Client Money Rules: the rules contained in the FCA's Client Assets Sourcebook as amended from time to time.

Commission: a fee paid to an Intermediary by Schroders.

Conversion: a conversion from one unit class to another, within the same fund e.g. 'A' class to 'Z' class.

Designated Professional Body: a professional body designated by HM Treasury as authorised to approve certain professional advisers to carry on business under the Act.

FCA: the Financial Conduct Authority.

ISA: an individual savings account managed by Schroders.

Intermediary: a financial adviser authorised under the Act to carry out business or a professional adviser approved by a Designated Professional Body to carry out business under the Act.

Investment Trust: an investment trust company managed or advised by Schroders.

OEIC: an authorised or unauthorised OEIC managed or advised by Schroders.

Purchase Settlement Day: in respect of any contract relating to:-

- a) the purchase of Units or Shares, the fourth Business Day after trade date;
- b) ISA applications, the Business Day on which the ISA application is received by Schroders.

Schroders: Schroder Investment Management Limited or Schroder Unit Trusts Limited or either of them as the case may be, or any other associated company within the Schroders group may undertake the same or similar activities in succession to any of them.

Shares: shares in an Investment Trust or OEIC.

Units: units in a Unit Trust.

Unit Trust: an authorised or unauthorised unit trust scheme managed or advised by Schroders.

3. Authorisation

3.1 Schroders will not accept Clients or Business from any Intermediary who is not or ceases, for whatever reason, to be appropriately authorised by the FCA or a Designated Professional Body, as the case may be, to carry on Business.

3.2 The Intermediary undertakes to notify Schroders promptly should its authorisation by the FCA or the relevant Designated Professional Body to carry out Business be suspended, modified or terminated.

- 3.3** Schroders reserves the right in its absolute discretion to cease accepting Business or Clients from, or to refuse any particular Business or Client proposed by, any Intermediary whether or not appropriately authorised by the FCA or a Designated Professional Body, as the case may be, to carry out Business.
- 3.4** The Intermediary shall ensure that all members of its staff speaking to Clients about Schroders Unit Trusts, OEICs and Investment Trusts are appropriately authorised by the FCA and are trained and competent to speak about Schroders products. This may include having attended product specific training sessions organised by Schroders.
- 3.5** The Intermediary shall only offer Shares and/or Units to Clients where permitted by applicable law and subject to the terms of the relevant prospectus.

4. Agency

- 4.1** The Intermediary shall not act as the agent of Schroders.
- 4.2** Nothing in these Terms of Business shall constitute or be construed as constituting a partnership, joint venture or any other co-operative entity between the Intermediary and Schroders and neither party has any authority to bind the other except as contemplated in these Terms of Business.

5. Payments

- 5.1** Payment in respect of any order transmitted by the Intermediary must be received by Schroders in cash or cleared funds on or before the Purchase Settlement Day. Schroders shall be entitled, without giving prior notice to the Intermediary, to cancel, in whole or in part, any order in respect of which a payment or part payment remains

overdue. This provision shall not be affected by any requirement to serve a cancellation notice in respect of the transaction in question.

- 5.2** Schroders reserves the right to charge interest (calculated on a daily basis) on monies overdue in respect of payments for any order to purchase Units or Shares at a rate of 2 per cent per annum above the base rate of NatWest Bank plc.
- 5.3** The Intermediary shall, in the case of the sale of Units or Shares, including those held in ISAs, inform Schroders whether cheques should be drawn in favour of the Intermediary or the Client. The Intermediary may request cheques to be drawn in favour of the Intermediary only if the Intermediary is authorised to handle client money as defined in the Client Money Rules. Where Units or Shares are registered in joint names, cheques drawn in favour of the Client shall be made payable to the first-named registered holder of Units or Shares and crossed 'Account Payee'. Schroders may at its absolute discretion accept and carry out alternative written payment instructions issued and signed by all joint registered holders.
- 5.4** In accordance with the Client Money Rules the Intermediary shall promptly pass to Schroders all monies due in respect of purchases of Units or Shares given, transferred or sent to the Intermediary by a Client.

6. Commission

- 6.1** All matters relating to the payment of Commission by Schroders to the Intermediary shall be governed by these Terms of Business and by the rules of the FCA. In the event of any conflict between these Terms of Business and the rules of the FCA, the rules of the FCA shall prevail.
- 6.2** Schroders does not pay initial Commission to Intermediaries in respect of any transactions in Units or Shares.

- 6.3** Schroders does not pay renewal Commission to Intermediaries in respect of any transactions in Investment Trust ISAs.
- 6.4** Subject to 6.5, Schroders does not pay renewal Commission to an Intermediary in respect of any transactions in Units or Shares where the Intermediary advised the Client or exercised any judgement on the Client's behalf as to the merits or suitability of the transaction.
- 6.5** Unless otherwise prohibited by the FCA rules, Schroders shall continue to pay renewal Commission to Intermediaries on investments held as at 30 December 2012 except that Schroders shall not pay any renewal Commission on any additional advised transactions after this date such as top-up investments or increases to a regular savings plan.
- 6.6** Unless otherwise prohibited by the FCA rules, Schroders may pay renewal Commission to Intermediaries in respect of execution only transactions in Units and Shares i.e. where the Client is not relying upon the Intermediary to advise him or her to exercise any judgement on his behalf as to the merits or suitability of the transaction. There may be other circumstances where the FCA rules permit an Intermediary to receive renewal Commission. The Intermediary acknowledges and agrees that it is the Intermediary's responsibility to inform Schroders whether any transaction it proposes to make is advised (no renewal Commission payable) or execution only or otherwise not prohibited from receiving Commission under FCA rules (renewal Commission payable).
- 6.7** Instructions for transactions in Units or Shares must be made using the Schroder application form available to download at www.schroders.co.uk. The Intermediary must state on the application form whether or not the transaction placed is advised or execution only. An Intermediary must also complete an application form for each additional transaction such as top-up investments or changes to a regular savings plan.
- 6.8** Subject to 6.12 and 6.13 and unless otherwise prohibited by the FCA rules, renewal Commission shall be payable to an Intermediary in respect of transactions in Units or Shares as per 6.10. Renewal Commission shall only continue to be payable for so long as the Intermediary continues to act as Intermediary for the relevant Client(s) in respect of such transactions.
- 6.9** Schroders reserves the right not to pay renewal Commission in respect of a transaction by a Client where the same Client has previously entered into another transaction in respect of which renewal Commission is payable to a different Intermediary.
- 6.10** Renewal Commission is currently paid quarterly in respect of 'A' and 'P1' Units and Shares held in the Schroders ISA at a rate of 0.5 per cent per annum, except for Schroder Absolute Return Bond Fund which is paid at a rate of 0.45 per cent per annum and Schroder QEP Global Core Fund which pays no commission. Renewal Commission is also paid on 'A' and 'P1' Units and Shares listed in Appendix 1. This is calculated on the repurchase value at each month end on qualifying holdings that have been held for the full quarter.
- Payments are made quarterly in arrears and are made within 15 working days of the 31st January, 30th April, 31st July and 31st October or such other dates as Schroders may notify to the Intermediary from time to time. If no Units or Shares are held at the end of the quarter the unitholding will not be included in the renewal Commission calculated at the quarter end. The execution of a Conversion from a fee-paying class to a non fee-paying class before the end of the quarter will result in no Commission being accrued or paid for that quarter. Schroders may defer

- payments of renewal Commission until a total of £100 per Intermediary has accrued when payment is sent via cheque. No minimum is in place for payment by BACS.
- 6.11** A statement regarding renewal Commission payable, if any, will be included in the contract note in respect of the relevant transactions.
 - 6.12** Schroders reserves the right at its absolute discretion to reduce or vary renewal Commission otherwise due from it upon giving to the Intermediary 14 days' notice of any such reduction or variation.
 - 6.13** The Intermediary shall not recommend any transaction in Units or Shares unless the Intermediary has disclosed to the Client that the Intermediary will receive Commission in respect of the transaction if that is the case. The Intermediary shall disclose to the Client the actual Commission payable as required by the applicable rules of the FCA.
 - 6.14** Schroders, may at its absolute discretion but only in so far as is permitted by the applicable rules of the FCA, pay renewal Commission to an Intermediary in respect of any transaction in any product and may, at its absolute discretion, refuse to pay or cease paying renewal Commission to an Intermediary in respect of any transaction in any product.
 - 6.15** Subject to 6.1, Schroders may cease paying renewal Commission to the Intermediary:
 - a) if the Intermediary ceases to be authorised to carry on Business or such authorisation is suspended, modified or terminated; or
 - b) in respect of any transaction where the Intermediary has ceased to be the Intermediary; or
 - c) if the Intermediary shall die, become bankrupt, compound with or assign his estate or effects for the benefit of creditors, have his goods seized in execution; or
 - d) where that Intermediary is a company, and has gone into liquidation or receivership or become subject to an administration order; or
 - e) if the Intermediary is the subject of an investigation under the Act or under the rules of the FCA or relevant Designated Professional Body, as the case may be; or
 - f) if the Intermediary commits a material breach of the Terms of Business.
- 6.16** In the event of two or more Intermediaries claiming renewal Commission in respect of the same transaction, the decision of Schroders as regards the payment of such Commission shall be final.

7. Money Laundering

- 7.1** The Intermediary shall comply with the Money Laundering Regulations 2007 and the Proceeds of Crime Act 2002, each as amended, repealed or replaced from time to time, all relevant legislation and regulation under which certain acts constitute money laundering offences and any guidance applicable to the Intermediary which has been issued by the FCA or the Joint Money Laundering Steering Group.
- 7.2** The Intermediary shall give an individual written assurance to Schroders that it has verified the identity of each Client introduced by it to Schroders each time an investment is made, in line with all relevant legislation and regulation under which certain acts constitute money laundering offences and any applicable guidance from the FCA and/or the Joint Money Laundering Steering Group. Upon request, the Intermediary shall provide Schroders with all relevant documents relating to the identity of each Client introduced by it to Schroders in order to enable Schroders to comply

with its regulatory delegations concerning anti-money laundering and 'know your client' procedures.

7.3 The Intermediary shall comply with all applicable laws, statutes and regulations relating to anti-bribery and anti-corruption including but not limited to the Bribery Act 2010 (and guidance issued by the Ministry of Justice related thereto) as amended, repealed or replaced from time to time.

8. Documentation

8.1 The Intermediary shall pass to a Client promptly and without any amendment any documents supplied by Schroders for the information of, or completion by, the Client and shall pass to Schroders promptly any documents provided by the Client for that purpose.

8.2 a) The Intermediary shall not transmit an order to Schroders for any purchase of Units or Shares until the Intermediary has offered the Client a copy of the most recent half-yearly report (unless it has been preceded by an annual report) and provided a copy of a key features document or key investor information document in relation to the relevant Unit Trust(s)/OEIC(s) and/or Investment Trust(s). The Intermediary shall promptly supply the Client (or arrange for Schroders to supply the Client) the aforesaid documents and/or full prospectus as the Client requests. Schroders will, on request, promptly supply to the Intermediary copies of such documents as may be required to enable the Intermediary to carry out the Intermediary's obligations hereunder.

b) The Intermediary undertakes to comply with any other disclosure requirement of the FCA in force at the time of recommending or effecting a transaction to a Client.

8.3 In respect of ISAs the Intermediary shall ensure that, prior to applying to open/transfer an ISA, the Client has received Schroders' current terms and conditions, application form/transfer form, key investor information document and any brochure or explanatory booklet relating to the ISA, and undertakes to pass promptly to the Client all such documents supplied by Schroders for that purpose.

8.4 Schroders may have an obligation to send certain documents and communications directly to a Client and reserves the right in its absolute discretion to send any documents and communications direct to the Client.

8.5 Schroders may provide the Intermediary with copies of statements sent by Schroders to Clients in respect of which the Intermediary introduced business. The Intermediary will be deemed to have given an assurance to Schroders of the Client's authority to receive such copies and shall inform Schroders promptly should the Client request any other arrangements to be made.

8.6 When placing an order relating to Units or Shares, the Intermediary shall provide Schroders with:

- a) the Intermediary's FCA reference number;
- b) a statement that the FCA's Conduct of Business Sourcebook Chapter 15 applies to the transaction; and
- c) a statement that the Intermediary is acting for an identified Client and in accordance with that Client's specific instructions.

The requirements in (a), (b) and (c) above will apply unless:

- (i) the Client is an execution-only Client, i.e. if the Intermediary can reasonably assume that the Client was not relying upon the Intermediary to advise him or to exercise any judgement on

- his behalf as to the merits or suitability of the transaction; or
- (ii) the Intermediary reasonably believes that the Client is any person other than a consumer, (typically a business investor); or
 - (iii) the transaction is in respect of Units or Shares entered into pursuant to a customer agreement between the Intermediary and the Client that complies with the relevant rules of the FCA and does not confer cancellation rights.

- 8.7** The Intermediary shall maintain such books and records as shall be necessary to enable Schroders to monitor the Intermediary's compliance with these Terms of Business and, upon request, provide Schroders with information relating to the performance of the Intermediary's duties under these Terms of Business.

9. Indemnity

The Intermediary shall indemnify and keep indemnified Schroders from loss (including for this purpose all costs and expenses reasonably incurred) resulting to Schroders arising from:

- a) any failure by the Intermediary to comply with the provisions of the Act, any regulations made thereunder or any rules of the FCA or relevant Designated Professional Body, if applicable.
- b) any breach by the Intermediary of any of these Terms of Business including, without limiting the foregoing, any failure to provide promptly and accurately the information or documentation required pursuant to these Terms of Business; and/or
- c) the introduction of Clients beyond the scope of the Intermediary's authorisation under the Act,

but this indemnity shall not extend to loss caused to Schroders in respect of a deal or transaction solely due to a default by the Client, provided that Schroders shall be entitled in such circumstances to refuse to pay or to cease paying Commission to the Intermediary in respect of any transactions introduced by the Intermediary (whether in respect of that or any other Client and whether before or after such loss was caused) until such time as Schroders has been fully compensated for such loss.

10. Service of documents

Any letter or other document sent by first class post shall be deemed to have been served on the Business Day following that on which the envelope containing it is posted and in proving such service it shall be sufficient to prove that such envelope was properly addressed, stamped and posted.

11. Variation

11.1 Schroders reserves the right to vary these Terms of Business (either generally or in respect of any particular Intermediary) but except in so far as required by the Act or any regulations made thereunder or any rules of the FCA:

- a) no variation shall affect orders made prior to the date of variation; and b) not less than 14 days' prior notice shall be given to the Intermediary of any such variation unless by specific agreement with the Intermediary.

11.2 The Intermediary shall not be entitled to sub-contract or transfer any of his or its rights and obligations arising under or out of these Terms of Business without the prior written consent of Schroders.

12. Dealing

- 12.1 Orders placed by telephone in respect of the sale or purchase of Units or Shares shall be binding when made.
- 12.2 Schroders shall be entitled to act upon any telephone communication believed by Schroders to be made by the Intermediary.
- 12.3 Up-to-date information on any Unit Trust, OEIC or Investment Trust may be obtained from Schroders.

13. Market Timing

Market timing is considered to be the investment behaviour of a person or group of persons buying or selling Units or Shares in funds on the basis of market indicators which are not, at the time of dealing, reflected in the Unit or Share price. Such behaviour may be characterised by patterns of large and frequent transactions in Units or Shares. Market timing may in certain circumstances lead to a dilution in the value of other clients' holdings.

In order to protect the interests of all clients in the Unit Trusts, OEICs and Investment Trusts, Schroders seeks to monitor trading for evidence of market timing behaviour in order to identify persons engaging in such activity and, where appropriate, to decline orders to buy Units or Shares.

In order to assist Schroders in protecting the interests of all clients in the Unit Trusts, OEICs and Investment Trusts, the Intermediary undertakes to notify Schroders should it become aware of any attempt or apparent attempt at market timing activity in relation to the Unit Trusts, OEICs and Investment Trusts and will use its reasonable endeavours to prevent any dealing in the Unit Trusts, OEICs and Investment Trusts resulting from such activity.

14. Data Protection

Schroders will act as data controller (and in certain circumstances, data processor) within the meaning of the Data Protection Act 1998 (the 'DPA'). The Intermediary hereby consents to the processing and use by Schroders and its agents and Schroders' associates of personal data (as defined in the DPA) given by the Intermediary under these

Terms of Business which may include the transfer of data out of the European Economic Area (as defined in the DPA). Such processing may also occur for any of the following reasons:

- i) keeping the Intermediary (or potential Intermediary) records up to date; (ii) investment administration; (iii) keeping the Intermediary informed of any other Schroders products or services unless otherwise notified by the Intermediary in writing at the address indicated below; (iv) the prevention and detection of fraud or money laundering and legal or regulatory reporting or activity. The Intermediary undertakes to supply personal data to Schroders in accordance with the provisions of the DPA.

15. Confidentiality

- 15.1 Subject to 15.2 and 15.3, each of Schroders and the Intermediary shall treat as strictly confidential all information received or obtained from the other in connection with these Terms of Business.
- 15.2 Each party may disclose information which would otherwise be confidential: (i) if required by applicable law; (ii) if required by any stock exchange or any regulatory or governmental body; (iii) to its professional advisers and auditors, where reasonably necessary to enable them to provide their professional services; or (iv) if the

information has come into the public domain other than in breach of any obligation of confidentiality.

- 15.3** Schroders may disclose confidential information received from the Intermediary to any other member of the Schroder group or other parties which support or process its or their business.

16. Intellectual Property

With Schroders' prior written consent, the Intermediary may use the Schroders' name or trademarks to the extent reasonably necessary to carry out the activities described under these Terms of Business. If Schroders deems that an improper use of its name and/or trademarks is being made, then the Schroders reserves its right to instruct the Intermediary to take all corrective actions as Schroders may deem necessary. The ownership as well as any goodwill attached to the name and trademarks of Schroders shall remain vested exclusively in Schroders.

17. Complaints

If the Intermediary receives any complaint relating to Schroders or its products, the Intermediary undertakes to promptly inform Schroders of such complaint and will co-operate with Schroders to endeavour to resolve it.

18. Treating Customers Fairly

In order to assist Schroders in ensuring the fair treatment of clients, the Intermediary undertakes to adhere to the FCA's treating customers fairly principles in its dealings with Clients.

19. Miscellaneous

- 19.1** These Terms of Business shall be governed by and construed in accordance with English law for all purposes and both Schroders and the Intermediary submit to the exclusive jurisdiction of the English courts over any dispute arising out of or in connection with these Terms of Business.
- 19.2** Schroders may record all telephone calls, including those referred to in clause 12 above.
- 19.3** Schroders reserves the right to register with a credit reference agency in relation to information provided by the Intermediary and information about the conduct of the Intermediary's business.
- 19.4** These Terms of Business shall not be enforceable by any party other than Schroders or the Intermediary.

20. Administrative address

Schroders, Investor Services, PO Box 1102, Chelmsford, CM99 2XX.

Appendix 1

Fund	Rate
Schroder Absolute Return Bond Fund	0.225%
Schroder All Maturities Corporate Bond Fund	0.25%
Schroder Asian Income Maximiser	0.50%
Schroder Core UK Equity Fund	0.50%
Schroder Dynamic Multi-Asset Fund	0.50%
Schroder European Alpha Income Fund	0.50%
Schroder European Equity Absolute Return Fund	0.50%
Schroder European Recovery Fund	0.50%
Schroder High Yield Opportunities Fund	0.25%
Schroder Global Cities Real Estate Fund	0.50%
Schroder Global Equity Income Fund	0.50%
Schroder Global Real Estate Securities Income Fund	0.50%
Schroder Income Maximiser	0.50%
Schroder MM Diversity Balanced Fund	0.50%
Schroder MM Diversity Fund	0.50%
Schroder MM Diversity Income Fund	0.50%
Schroder MM Diversity Tactical Fund	0.50%
Schroder MM International Fund	0.50%
Schroder MM UK Growth Fund	0.50%
Schroder Strategic Credit Fund	0.50%
Schroder UK Alpha Income Fund	0.50%
Schroder UK Corporate Bond Fund	0.50%
Schroder UK Dynamic Absolute Return Fund	0.50%
Schroder UK Dynamic Smaller Companies Fund	0.50%
Schroder UK Opportunities Fund	0.50%



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