

APPENDIX G:

AIMG DRAFT PRACTICE NOTE ON SOFT DOLLAR DEALINGS

AUSTRALIAN INVESTMENT MANAGERS' GROUP PRACTICE NOTE SOFT DOLLAR DEALING

INTRODUCTION

This paper seeks to expand on the subject of "soft dollar" commission which is mentioned under Dealing Guidelines on page 4 of the AIMG Code of Conduct and should be read in conjunction with the Commentary attached. This paper is not intended to be a set of rules, but rather a statement of principles which should be adhered to by the members of AIMG.

These principles provide a self-regulatory framework to give a greater degree of industry certainty with respect to soft dollar dealing and are consistent with the regulatory environment in force in the US and UK.

PRINCIPLES

An Investment Manager may enter into a soft dollar arrangement on behalf of a client providing:

1. The goods or services acquired are of demonstrable benefit to the client (see Appendix attached).
2. The cost of dealing will not disadvantage the client compared with similar dealing otherwise than under the soft dollar arrangement.
3. The broker acting under the soft dollar arrangement does not act as principal in the transaction.
4. There are no cash or money rebates involved which could be constituted to be a secret commission.
5. The total commitment made on behalf of all clients of the Investment Manager for such arrangements does not jeopardise currently or prospectively the Manager's ability to maintain adequate financial resources. This will reflect the nature of the Manager's business and reasonable changes in market circumstances which could be expected.
6. There is adequate disclosure to all clients of the Manager's policy relating to soft dollar arrangements.

Where an investment manager participates in soft dollar management, as well as complying with the principles outlined above they should be in a position to furnish to any client, on request, the approximate nature and extent of soft dollar transactions entered into on their behalf.

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APPENDIX

Typical Products and Services Purchased with Soft Dollars:

- Performance Measurement
- Third Party Research
- Fundamental Data-Bases
- Technical Analysis Software
- Portfolio Modelling Software
- Stock Quotation Systems
- Political or Economic Analysis

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