



## **Soft Dollar Policy**

When a broker-dealer or other intermediary provides Quantum Asset Management Company Private Limited – Investment Manager to Quantum Mutual Fund (“AMC”) with services or products other than transaction execution, or pays for those services or products for the AMC such as free research, hardware software or non –research – related- services, etc. in recognition of portfolio execution business done with that broker-dealer or other intermediary or in the expectation of such business, the AMC is said to have acquired those services or products with “Soft - Dollars.”

Quantum Advisors Private Limited – Holding Company and Sponsor of Quantum Mutual Fund is a United States SEC registered Investment Adviser and is subject to US Law pertaining to “Soft Dollars”. The AMC has chosen to follow the same standards, that its Sponsor is subject to which is described below.

### **US and SEBI Law**

A federal statute, Section 28(e) of the Securities Exchange Act of 1934, as amended, recognizes the potential conflict of interest involved in the use by an investment manager (such as the AMC) of soft dollars generated by securities transactions to pay for various expenses but provides a “safe harbor” from breach of fiduciary duty claims if certain conditions and requirements are met. Under the safe harbor, soft dollars may be used to acquire “research” and “brokerage” services and products for which a scheme would not otherwise be required to pay. “Research” means services or products that are used to provide lawful and appropriate assistance to the AMC in making investment decisions for its various schemes of Quantum Mutual Fund. “Brokerage” services and products are those used to effect portfolio transactions for the schemes or to assist in effecting those transactions.

Because Section 28(e) is a safe harbor, it cannot be violated. It is the general policy of the AMC, however, to limit its use of soft dollars so as to remain within the Section 28(e) safe harbor.

SEBI Circular dated March 18, 2016 state that arrangement between the AMCs and Brokers should be limited only benefits (like free research report etc.) that are in the interest of investors and the same should be suitably disclosed.

## **Practices**

Generally brokers provide in the normal course of business the following services in addition to transaction execution service and generally do not provide pure execution services:

- (i) Research
- (ii) Arranging conferences and meetings for all their clients and wherein the representatives of all their clients are invited by broker to attend such conferences and meetings.
- (iii) sales coverage; i.e having designated sales staff to attend to queries from the AMC or arranging meetings for the AMC's research staff with the broker's analysts

The commission paid to the broker is one composite percentage figure and is not split in to two parts, one representing the cost for execution and the other part representing the cost for research and other services.

It is the AMC's policy that all brokers must first be approved by the Key Employee Investment Committee and then must provide satisfactory execution services on an ongoing basis in order to receive any of the AMC's brokerage business. To the extent that these requirements are met, the AMC may also use the other services (mentioned above) provided by the broker.

## **Procedures**

In order to fulfill its duty to schemes of seeking

- (i) Best execution;
- (ii) Minimizing transaction costs; and
- (iii) Using scheme brokerage to benefit the schemes.

The following procedure is put in place.

1. The AMC does not commit to any particular level of trading with a broker in order to be eligible to receive the research services in addition to the execution services. Therefore the AMC is free to consider a number of brokers based on who will provide best execution and research.
2. The AMC will select brokers that can provide best execution. In evaluating the broker's capability to provide best execution, the AMC should consider the broker's financial responsibility, the broker's responsiveness to the AMC the commission rate or spread involved, and the range of services offered by the broker.
3. The AMC conducts an ongoing evaluation of the quality of execution and other services provided by the various brokers being used by the AMC based on inputs received from the AMC's dealer, research team and its back-office team.

4. The brokerage commission paid by the AMC to broker as permitted in the SEBI (Mutual Funds) Regulations, 1996.

**Disclosure /Consent**

- (i) The AMC will disclose whether it may use the Research to benefit schemes other than those whose trades generated the Brokerage. This disclosure will address whether the trades generating the Brokerage involved transactions conducted on a principal basis.
- (ii) The AMC will disclose (a) the types of Research received through Proprietary or Third-Party Research Arrangements; (b) the extent of use; and (c) whether any affiliated Broker is involved.
- (iii) Any soft dollar arrangements outside of the Section 28(e) safe harbor must be approved in advance by the Compliance Officer, who will ensure that those arrangements do not otherwise violate applicable law.

The AMC shall ensure that Soft Dollar arrangement as allowed under the SEBI Circular will be used for the benefit of schemes and in the interest of investors.