***Introduction:***

Upon the conclusion of a Distribution/Intermediary Agreement, the terms to be used within the Rebate calculation are either specified directly within the main agreement or via specific side letters attached to the agreement.

The subsequent calculation and provision of all Rebates related services is done through the Revenues Operations team within Schroders Investment Management (Europe) S.A.

This memo will give an outline of the rebate process which is described under the following headings:

1. Calculation methodologies supported
2. Contacts
3. Timing, communication and payment of Rebates
4. ***Calculation methodologies supported:***

The rebates can be expressed as:

1. a percentage of the Annual Management Fee or/and Annual Distribution Fee rate of the fund or
2. a percentage of the Distributor’s Holdings.

Rebates are typically calculated based on daily holdings. When a distributor’s holdings are clearly identifiable and are maintained separately on the Transfer Agency system, Rebate calculations can be calculated based on the value of their holdings at the end of each business day giving a very accurate calculation of amounts due.

Standard Rebate calculations are therefore generally as follows:

1. % of the Annual Management Fee basis

**Daily rebate = Fee Rate (%) x Management fee rate x daily holding value in payment currency / number of days in the year**

2. % of the Distributor’s holdings basis

**Daily rebate = Fee Rate (bps) x daily holding value in payment currency / number of days in the year**

Note:

Daily holding value in payment currency = daily position of shares held in the fund x daily price x daily exchange rate (if applicable)

Distributor holding positions are calculated incorporating the following:

* Subscriptions, redemptions and switches are booked on the day of the trade

Exceptionally, where identification of the individual distributor holdings positions on a daily basis is not feasible (e.g. bulk deals placed via a depositary or clearing agent), the Rebates calculation per distributor will be based on their month-end holding valuation. In this case, the confirmation of the positions will be required from the distributor at each quarter-end. The holding confirmation is required in Excel in order to facilitate the calculation process and by signed copy (post, fax, pdf scan) for audit purposes.

Month-end Rebate calculationsare generally as follows:

1. % of the Annual Management Fee basis

**Monthly rebate = Rebate rate (%) x management fee rate x month-end holding value in payment currency / 12**

2. % of the Distributor’s holdings basis

**Monthly rebate = Rebate rate (bps) x month-end value in payment currency / 12**

Applicable rebate rates:

For both Standard and Month-end rebate calculations, the actual rebate rate to be applied can vary depending on FUM levels.

* **Flat rate:** The rate is applied on the total assets of the entity, i.e. SISF 40%, or SISF A 40%, SISF A1 45%.
* **Flat Banded Scale/Rate:** flat banded scale is based on the entity’s total assets or specific assets. The value of the assets is totalled to determine the tranche of the scale and the rate applicable to the totality of the assets.
* **Tiered or Sliding Scale:** also known as volume weighted average rate or tiered band rates, where by different rates are applied to the different tranches of the entity’s assets or specific assets.
* **Group 1 – Group 2 model :** also known as “Tier 1 – Tier 2” model, the funds have been divided by London Product in group 1 and group 2 and a different flat rate is applied to each group.

Refer to <http://myintranet.london.schroders.com/channels/index/lux-fund-services/Pages/Agreement_Template.aspx> for the fund group details.

Rebates Calculation - Summary

|  |  |
| --- | --- |
| **What can be supported** | **What cannot be supported** |
|  |  |
| Calculations are:   * based on the daily or month-end positions. * % of the management/distribution fee or * bps applied on the holding value * a % management/distribution fee and a bps on FUM calculation mix is possible. | * not done at transaction level. |
|  |  |
| The rate can be specific to certain groupings:   * per Sicav (Fund) * per management/distribution fee rate (bps or %) * per combined management and distribution fees (bps or %) * per share class * per sector/ sub sector (bonds, equities, liquidities) * per Fund currency * other groupings can be considered on a case by case basis. | * the rate can not be specific to individual or particular groups of deals. |
|  |  |
| In the case of Fee rate steps on FUM levels:   * the rate is based on the total investment of the Distributor (in all products) by default * the rate will be applicable from the date that the total investments of the Distributor reached the new rate tier. * the incremental rate can be based on the total investment of the Distributor in one product or group of products as specify in agreement. * In case of global distributor, the grouping of assets needs to be clearly identified. In such a case contact us to assess the feasibility. | * the rate step will not be fixed for a whole month or quarter (unless exceptionally if the calculation is month-end holdings based) |

1. ***Timing, communication and payment of Rebates:***

Timing Quarterly/Monthly/yearly process

The Rebates calculation process takes place immediately after each calendar quarter/month/year end.

Rebate statements and payments are issued before the end of the month following the quarter/month/year end.

The normal timing for quarterly/monthly/yearly paid clients is: around the 25th/27th of the month after quarter/month/year end. With our agreement we can issue some exceptional payments before that date (around the 15th and 20th )

In case of invoices, none domestic or depositary accounts the calculation and rebates payment may defer, or be delay from a month to another, depending on the invoice or holding statement reception. Automatic calculations and domestic accounts are our priority during the first month following quarter/month/year end. Other calculations are done during the 2nd and 3rd month.

Rebate Statements

* The statements (in PDF format) detailing the Rebates to be paid can be sent by post or by e-mail depending on the Distributor’s preference.
* The e-mail or the address is logged for each agent and a summary of these details can be sent to the sales offices if required.
* Statements are produced at Distributor/individual Client level.
* Payment client Statement: In case of big group with a single payment (payment client) a single statement can be provide with all underlying clients and their rebate amount.
* Statements are produced in the currency of payment.
* A daily calculation Excel report can be sent upon request. This report is not sent automatically to clients.

Rebate Payments

* Bank details are provided by the Distributor when the distribution agreement is signed.
* It is vital that the bank details communicated contain the correct field and include all necessary fields (e.g. IBAN code, country code, SWIFT, SORT CODE (for UK), BLZ (for Germany and Austria), code guichet (for France) bank account beneficiary holder name etc.)
* The Rebates Operations and the Client Support Management teams also need to be informed immediately on any changes in the account name (e.g. change of denomination of the company / agent name) or account code. Not informing the company will cause rejection of the rebates payments.
* When a correspondent bank is involved in the process, it is important to include the correspondent bank details in the agreement.
* The maintenance of bank details is done through the Payables Service Centre in the UK who also confirm the value date.
* The payment currency is made following the instruction of the Distributor and is not dependent on currency of the underlying investment.
* Rebates can be reinvested in the same fund and share class where rebates were calculated. This process is currently manual but can be supported for a small number of clients and funds. In case a large number of clients with multiple funds and shareclass investments, the Rebates Operations team need to be inform to assess the feasibility.

1. ***Contacts:***

The Schroders Europe Rebates Operations team are available to answer any queries with regard to rebate calculations, payments or any aspect of the rebate process. Please do not hesitate to contact us at [SchroderCommissions@schroders.com](mailto:SchroderCommissions@schroders.com)