

# **RBS Collective Investment Funds Limited**

## **Market Timing Policy**

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## 1 Definition

Market timing in the context of a collective investment scheme fund (CIS) is where investors seek to profit from short-term differences between the closing NAV of a CIS and the market prices of the fund's component stocks.

This can occur where investments are traded in time zones, such as the Americas, where markets open and close later than in the UK.

Market timing is wrong, regardless of the size of the trade, but is most damaging when the size is large. In such cases, attempts will often be made by the investor to reduce, or remove any anti-dilution levy in order to make the activity more profitable. This favourable treatment requires collusion with the portfolio managers and will cause detriment to the fund concerned and its investors.

## 2 RBSCIFL Policy Statement

RBS Collective Investment Funds Limited ("RBSCIFL") does not condone or engage in market timing activities.

## 3 The RBSCIFL Funds

Within RBSCIFL, there is limited scope to allow investments in an earlier time zone. The Prospectuses are clear that requests received up to 15:00 on any business day are forward priced and hence are processed at the valuation point of 23:00 the same day. This forward pricing is an important measure in the prevention of market timing (market abuse). Furthermore, the Prospectuses also state that RBSCIFL as the Authorised Corporate Director ("ACD") may refuse a purchase or a switch or compulsory redeem shares held by any Shareholder if market timing is suspected.

## 4 Market Timing Risk

It is not considered that these funds would be a likely target for market timing abuse, as the underlying investors are usually private individuals, irrespective of whether they come through nominees or directly and the fund portfolios comprise to a large extent of investments in other collective investment schemes, and these investments are subject to UCITS rules on the eligibility of assets for investment by a UCITS, which include minimum governance standards. The forward pricing of the funds gives an additional measure of protection.

However, this policy is needed to ensure that any attempt is identified at an early stage.

## 5 Controls

- No investments incur an initial charge
- No staff are permitted to arrange discounts on any anti-dilution levy for customers without the express permission of RBSCIFL's Management Committee ("ManCo")
- Any anti-dilution levy must be applied in accordance with the policy set by RBSCIFL
  - Any deviation from this policy must be cleared in advance by ManCo
  - Additionally, a log will be maintained detailing transactions where anti-dilution levy should normally be applied, which will help ManCo look for any trends
- Fund Governance & Oversight/Financial Control jointly review the application of the anti-dilution levy as part of their compliance oversight
- All funds are closed to new business, although top ups from existing customers are allowed. A selection of repurchases (customer sales) are reviewed for market timing, by investigating those which were subsequently cancelled.
- All large transactions are reviewed for suspicious deals, such as to see if clients are trading frequently and at what level. This will include trading activity which falls just below the anti-dilution levy criteria which may suggest the staggering of multiple investments or repurchases

An anti-dilution adjustment may be applied to any transactions on the Funds. Where large transactions take place above £250,000 or 1% of the Fund, these are automatically referred to RBSCIFL for review.

- A formal policy exists regarding box management, which specifies that RBSCIFL operates a zero box
- The Unit Pricing Policy also allows the application of Fair Value Pricing ("FVP") when markets are closed during normal trading times
- The spread of stocks in which investment takes place is not in the public domain
- Late deals are not permitted, except in some instances where there has been an administrative error on the part of RBSCIFL. Any approach by a client to deal late, or on an historic basis, would be rejected
- The Investment Manager also has its own policy on market abuse, which also supports the policy for RBSCIFL
- In-specie transfers are not usually requested on the RBS Funds, but as this is a requirement of the COLL regulations, these can be applied if circumstances dictate.

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RBS Collective Investment Funds Limited.

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