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San Bernardino County Employees'
Retirement Association

POLICY NO. 018
Committee: Investment

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By: _____

Chair of the Board

Subject: INTERNATIONAL SWAP DEALER ASSOCIATION AGREEMENTS AND PRIME
BROKER AGREEMENTS

INTERNATIONAL SWAP DEALER ASSOCIATION AGREEMENTS AND PRIME BROKER AGREEMENTS

Background

Unlike public equity which is traded on a stock exchange, derivatives and other alternative investments are traded by means of an International Swap Dealer Association Agreement (ISDA). Similarly, securities borrowing through a credit facility for investments that use hedge and short strategies are accomplished through a Prime Broker Agreement (PB). SBCERA's alternative investment and securities borrowing strategies are often accomplished through the ISDAs and PBs that SBCERA's managers have negotiated for themselves with investment banks. SBCERA has determined that there are advantages to negotiating its own ISDAs and PBs with investment banks for the purpose of executing these strategies. This policy codifies the Board's decision of January 7, 2010, to negotiate its own ISDAs and PBs.

Policy

Where SBCERA's interests in derivatives, alternative investments, and securities borrowing strategies are not adequately protected by investment managers, where SBCERA would have greater control over documentation of the investment and disputes with managers, or where significant legal fees and other expenses can be minimized, the Board directs staff to use ISDAs and PBs that SBCERA has separately negotiated with investment banks.