

**STATE OF CONNECTICUT
OFFICE OF STATE TREASURER DENISE L. NAPPIER**



**SECURITIES TRADING GUIDELINES
FOR DOMESTIC EQUITY INVESTMENT ADVISERS**

I. INTRODUCTION

The Office of the State Treasurer seeks to ensure that a wider array of broker-dealers has an opportunity to provide services to the Connecticut Retirement Plans and Trust Funds ("CRPTF"). As principal fiduciary of the CRPTF, the State Treasurer encourages providers of investment advisory services to utilize Connecticut-based, minority, women and emerging broker-dealers in the trading of CRPTF's securities.

The CRPTF's investment advisers currently are obligated by contract to allocate trades in a manner that is: (1) consistent with generally accepted principles of best execution; (2) nondiscriminatory; and (3) in concert with the CRPTF's overall objectives, policies and procedures. These *Securities Trading Guidelines for Domestic Equity Investment Advisers* ("Guidelines") set forth specific targets for the procurement of brokerage services from diverse firms. At all times, investment advisers are responsible for implementing these Guidelines in a manner that results in the best price, execution, and quality of service, while minimizing risk.

II. DEFINITIONS

As used in these Guidelines:

1. "Broker-dealer" means any person or firm engaged in the business of effecting transactions in securities for the account of others or for the person's own account and is licensed or registered under the Connecticut Uniform Securities Act and/or the National Association of Securities Dealers in accordance with the Securities Exchange Act of 1934.
2. "Connecticut-based broker-dealer" means a broker-dealer, as defined herein, that is registered with the State of Connecticut's Department of Banking.
3. "Emerging broker-dealer" means a broker-dealer, as defined herein, that has been licensed by the National Association of Securities Dealers for less than five (5) years.
4. "Investment adviser" means any person or firm that has contracted with the Office of the State Treasurer to manage the assets of the CRPTF and, in so doing, is given the discretion to purchase or sell securities on behalf of the CRPTF consistent with the style, strategy and parameters of the investment adviser's written investment guidelines, as amended from time to time.
5. "Minority" means (a) Black Americans, including all persons having origins in any of the Black African racial groups not of Hispanic origin; (b) Hispanic Americans, including all persons of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish culture or origin, regardless of race; (c) all persons having origins in the Iberian Peninsula, including Portugal, regardless of race; (d) Asian Pacific Americans and Pacific islanders; (e) American Indians and persons having origins in any of the original peoples of North America and maintaining identifiable tribal affiliations through membership and participation or community identification; or (f) a person with a disability.

STATE OF CONNECTICUT
OFFICE OF THE STATE TREASURER
SECURITIES TRADING GUIDELINES

6. "Minority broker-dealer" means a broker-dealer, as defined herein, with at least fifty-one (51) percent of the ownership held by a minority (or minorities), as defined herein, or a person with a disability, and who is active in the daily affairs of the business and has the power to direct the management and policies of the business.
7. "Person with a disability" means a person with a physical impairment that substantially limits one or more of the major life activities of the person as defined by the Americans with Disabilities Act.
8. "Sale" or "sell" includes every contract of sale of, contract to sell, or disposition of, a security or interest in a security for value.
9. "Securities trading brokerage commission" means any commission or fee paid on or for a brokered security transaction, a purchase of a security or any other kind of trade of a security.
10. "Security" means any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, interests of limited partners in a limited partnership, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, certificate of interest or participation in an oil, gas or mining title or lease or in payments out of production under such a title or lease, or, in general, any interest or instrument commonly known as a "security", or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing. "Security" does not include any insurance or endowment policy or annuity contract issued by an insurance company which is subject to regulation by the Insurance Commissioner.

11. "Woman broker-dealer" means a broker-dealer, as defined herein, with at least fifty-one (51) percent of the ownership held by a woman (or women) who is active in the daily affairs of the business and has the power to direct the management and policies of the business.

III. SELECTION OF BROKER-DEALERS

The CRPTF's investment advisers shall use their best efforts to allocate trades on an annual basis as detailed below, or in such other manner as the State Treasurer may communicate in writing to the investment adviser, provided that all trades are consonant with the principles of best execution. Consistent with the standards set forth in Section 28(e)(1) of the Securities Exchange Act of 1934, investment advisers shall, in the exercise of their fiduciary duty, make a good faith determination that securities trading brokerage commissions are reasonable, taking into account the best net price, as well as the value of the brokerage and research services provided by the broker-dealer, viewed in terms of either that particular transaction or the investment adviser's overall responsibilities to the CRPTF.

1. At least thirty (30) percent of securities trading brokerage commissions shall be paid to Connecticut-based broker-dealers.
2. In addition to the target set forth in subparagraph (1) above, at least twenty-five (25) percent of securities trading brokerage commissions shall be paid to minority broker-dealers and/or women broker-dealers.
3. In addition to the targets set forth in subparagraphs (1) and (2) above, at least five (5) percent of securities trading brokerage commissions shall be paid to emerging broker-dealers.

4. Consistent with the provisions of the applicable investment adviser agreement, investment advisers shall pay the balance of securities trading brokerage commissions to broker-dealers that do not discriminate against any person or group of persons on the grounds of race, color, religious creed, age, marital status, national origin, ancestry, sex, mental retardation or physical disability (including, but not limited to, blindness), unless it is shown that such disability prevents performance of the work involved, in any manner prohibited by the laws of the United States or of the State of Connecticut.

IV. COMPLIANCE

The Office of the State Treasurer will evaluate the manner in which investment advisers implement these Guidelines. Each investment adviser shall provide a quarterly report to the State Treasurer, within thirty (30) business days after the end of each quarter, and shall certify the following:

1. For Connecticut-based broker-dealers:
 - a. Total assets traded (quarter to date and year to date);
 - b. Total commissions paid (quarter to date and year to date); and
 - c. Percentage of total commissions paid to local broker-dealers out of all brokerage commissions paid (quarter to date and year to date).
2. For minority broker-dealers and women broker-dealers:
 - a. Total assets traded (quarter to date and year to date);
 - b. Total commissions paid (quarter to date and year to date); and
 - c. Percentage of total commissions paid to minority broker-dealers and women broker dealers out of all brokerage commissions paid (quarter to date and year to date).
3. For emerging broker-dealers:
 - a. Total assets traded (quarter to date and year to date);

STATE OF CONNECTICUT
OFFICE OF THE STATE TREASURER
SECURITIES TRADING GUIDELINES

- b. Total commissions paid (quarter to date and year to date); and
 - c. Percentage of total commissions paid to emerging broker-dealers out of all brokerage commissions paid (quarter to date and year to date).
4. For all broker-dealers not included in the categories listed in subparagraphs 1, 2 or 3 above:
- a. Total assets traded (quarter to date and year to date);
 - b. Total commissions paid (quarter to date and year to date); and
 - c. Percentage of total commissions paid (quarter to date and year to date).

In the event that securities trading brokerage commissions are paid in a manner inconsistent with these Guidelines, the investment adviser shall explain the reasons for any variance and a description of the good faith efforts to meet the targets set out herein.