

Fortitude Asset Mgt Sdn Bhd

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Item 3.12 (Portfolio Turnover)

If the requirement is to report a measure of turnover, I don't quite agree for the following reasons:

Not many lay man understand its significance and what it actually means

There are periods when a high turnover is reasonable. Reporting a figure that varies in relative meaning over successive periods can lead to misunderstanding.

I suggest that fund managers can alternatively include a summarized list of transactions so that giving total purchases and total disposals during a period. It is for the respective clients to interpret the meaning, given the results and the market for the period.

Item 3.15 (Best Execution)

I think the 50% or whatever reasonable capping should apply to aggregate of all portfolios. It is difficult to apply such limit on individual portfolios, as some retail portfolios are too small to warrant more than one CDS or broker's account.

Item 3.18 (Cross Trades)

I think (a) to (d) should be adequate to avoid abuses. Requirement (e) would unnecessarily lead to higher cost, longer time and more administrative efforts with no tangible benefits to clients.

Soft Commissions Arrangements

3.24 (Prohibition), 3.25 (Permissibles)

I do not see real concrete rationale in prohibiting "soft commissions". It is already common knowledge that there is price advantage in "wholesale" transactions that financial intermediaries would legitimately benefit from. As long as the brokerage rates are not inflated above what clients would get elsewhere, I do not see any sin in it. After all, other financial intermediaries adopt similar practices. For example, banks earn significant rebates/commissions from premiums on MRTA and credit insurances paid by their borrowers. Insurance companies earn also earn significant rebates and commissions from reinsurance premiums.

It is equally important that fund managers also have a broad income base to strengthen their revenue model. There is no real need to restrict such "incidental" income, when clients would be paying the same price elsewhere anyway.

I also believe that if soft commission in the form of cash rebate is prohibited, it should not be permitted in any other forms as well, as that would only complicate matters. All fund managers would presumably have invested sufficiently in infrastructure for research, software, etc before starting the business. Relying on rebates to "enhance" the

infrastructure certainly places them in questionable position of having compromised clients' interest. It may appear as though their existing infrastructure is sub-standard.

Permitting soft commission in these forms is just like rewarding those fund managers that have not invested sufficiently in those infrastructure, because those that have invested so much will have no more "permissible rebates" to receive.

We should either prohibit the soft commissions wholly in whatever form, or allow them completely.

Other than the above, I believe that the proposed guidelines have been very well thought of and I would like to congratulate the parties involved for a job well done