

# CalPERS Personal Trading Overview

Enterprise Compliance

Effective October 1, 2019

# Purpose & Key Topics

## Purpose

To provide an overview of CalPERS Personal Trading Regulations and Schwab Compliance Technologies (Schwab CT) personal trading platform.

## Key Topics

- CalPERS Personal Trading Regulations
- Pre-clearing Transactions
- Navigating Schwab CT Personal Trading Platform
- Attestations and Affirmations

# CalPERS Personal Trading Regulations

- Purpose and Intent of the Regulations
- Covered Person
- Covered Account
- Covered Security
- Examples
- Pre-Clearing Transactions

# Purpose and Intent

## Purpose

- Federal and state laws require firms like CalPERS to have processes in place to detect and prevent the misuse of material, non-public information.
- CalPERS Personal Trading Regulations are consistent with investment industry best practices.

## Intent

- To protect CalPERS staff
- To prevent insider trading
- To prevent front running
- To avoid potential conflicts of interest
- To help ensure that CalPERS meets its fiduciary duty

## Covered Person

The Covered Person definition aligns with the Investment Advisors Act of 1940, rule 204A-1 regarding “Access Person”.

- An individual who has access to nonpublic information regarding the purchase or sale of securities, is involved in making securities recommendations, or who has access to recommendations that are nonpublic.

Specific branches and positions are called out in the regulations.

Spouses or registered domestic partners are also Covered Persons.

*Reference: 17 CFR 275.204A-1*

# Covered Account

A Covered Account is any account that has the **capability** of buying or selling a Covered Security.

## Covered Accounts include:

- Any brokerage account with the capability of transacting in a Covered Security
  - Self-directed brokerage accounts offered through 401(k) or 457 accounts

## Covered Accounts do not include:

- Bank accounts
- Mutual Fund Only accounts
- Treasury Direct accounts
- 403(b) accounts
- 529 accounts
- Any account in which your spouse or registered domestic partner conducts trading by virtue of their employment (e.g., money manager)

*\*Managed Accounts are not Covered Accounts, however Covered Persons must disclose the account(s) in Schwab CT, provide recertification letters annually and may be added to on an electronic feed.*

# Covered Security

## Covered Securities include:

- All debt and equity securities, unless specifically excluded
  - Stocks
  - Corporate Bonds
  - Derivatives of these securities (including options and futures)
- Closed-end mutual funds
- Exchange-traded funds (ETFs) and notes (ETNs)
- Interest in Private Placement Offerings
- Initial Public Offerings
- Interest in a Real Estate (limited to Private Placement Offerings)

## Covered Securities do not include:

- Cash and cash-like securities
  - Certificates of Deposit
  - Money Market Funds
- Open-end mutual funds
- US Treasury Obligations
- Municipal Bonds
- Annuities and Life Insurance
- Collective Trust Funds
- Commercial Paper

# Examples

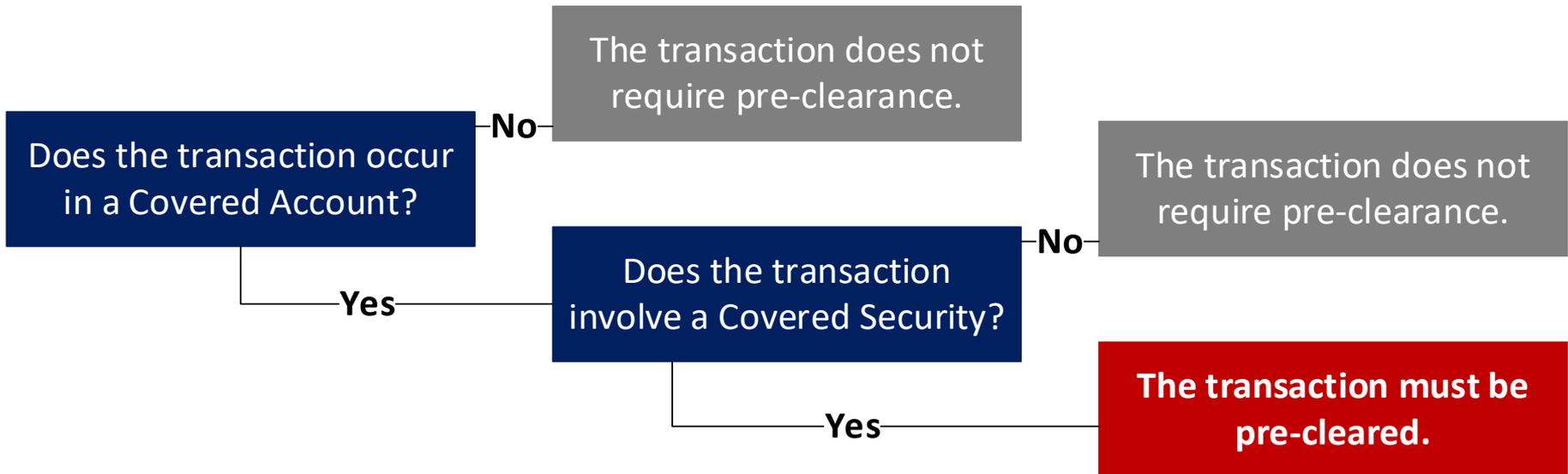
Investment	Pre-clearance?	Type of Investment
Nike, Inc. (NKE)	Yes	Publicly Traded Security
Senior Housing Communities LLC	Yes	Interest in a Real Estate Venture
T-Bill 912796TH2	No	US Treasury Obligation
SPDR S&P 500 Trust ETF (SPY)	Yes	Exchange-Traded Fund (ETF)
IBM Corp. Call Option (IBM190830C00132000)	Yes	Publicly Traded Security Derivative
Millennium Fund LLC	Yes	Interest in Hedge Funds
Vanguard 500 Index Fund (VFIAX)	No	Diversified Open-end Mutual Fund

# Pre-Clearing Transactions

- General Rule
- Pre-Clearance Denials
- Reconsideration Requests

# General Rule

Covered Persons are required to obtain pre-clearance approval before buying, selling, or transferring any Covered Securities in a Covered Account.



When in doubt, pre-clear the transaction.

# Pre-Clearance Denials

There are three types of pre-clearance denials:

- **Blackout Period**

The three (3) day period of time that commences one market day before and ends one market day after a transaction in Covered Securities by CalPERS.

- **Holding Period**

The 30 calendar day period between the acquisition and sale, and the 30 calendar day period between sale and re-acquisition of a Covered Security, on a last-in first-out basis.

- **Restricted List**

The list of Covered Securities that identifies companies which CalPERS has information that may be material and non-public.

# Submitting a Reconsideration Request

If a request for pre-clearance is denied, a Covered Person can submit a Reconsideration Request.

Each Reconsideration Request is unique and has a specific set of questions you must answer.

In some cases, you may be required to submit additional information and/or documentation.

All requests are evaluated on a case by case basis.

## Forms

[Covered Account Validation](#)

[Pre-clearance for Non-Public Securities](#)

[Reconsideration Request: Blackout Period Denial](#)

[Reconsideration Request: Holding Period Denial](#)

[Reconsideration Request: Restricted List Denial](#)

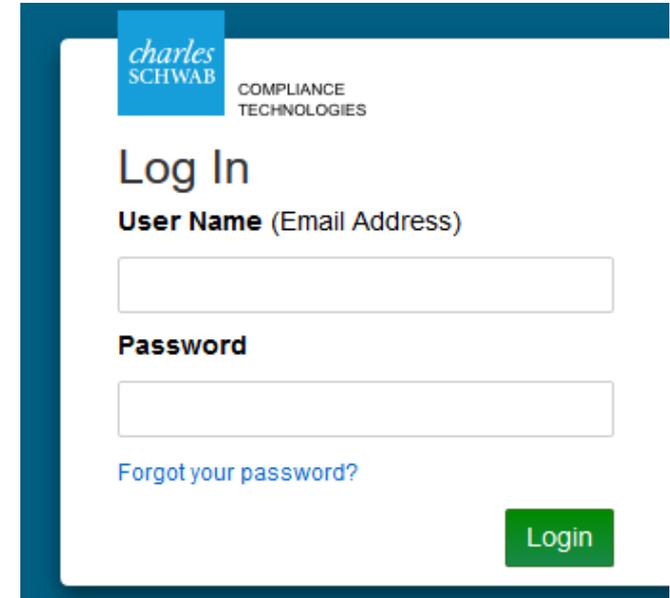
# Navigating Schwab Compliance Technologies

- Logging in to Schwab CT
- How to Request Pre-Clearance
- Submitting a Reconsideration Request
- Personal Trading Affirmation and Attestations
- Other Navigations Items

# Logging in to Schwab CT

Log in to the Personal Trading Platform at [www.schwabct.com](http://www.schwabct.com)

- Your username is your CalPERS email address, all lowercase ([firstname.lastname@calpers.ca.gov](mailto:firstname.lastname@calpers.ca.gov)).
- First time users and those who forgot their password, click the “Forgot your password?” link.
- The system will generate a password reset link and send it to your CalPERS email. Use [www.office.com](http://www.office.com) to access your email anywhere.
- Follow the steps in the link to reset your password.



The screenshot shows the login interface for Charles Schwab Compliance Technologies. At the top left is the Charles Schwab logo. To its right, the text 'COMPLIANCE TECHNOLOGIES' is displayed. Below this is the heading 'Log In'. Underneath the heading are two input fields: the first is labeled 'User Name (Email Address)' and the second is labeled 'Password'. Below the password field is a blue link that says 'Forgot your password?'. In the bottom right corner of the form area is a green button with the text 'Login'.

# How to Request Pre-Clearance

Log in to the Personal Trading Platform at [www.schwabct.com](http://www.schwabct.com)

## Publicly Traded Securities

Request for pre-clearance by clicking “Create a pre-clearance” under the Quick Links section on the home page. Enter the pertinent information and hit Submit.

## Non-Publicly Traded Securities

Request for pre-clearance by clicking “Pre-clearance for Non-Public Securities” under the Forms section on the home page. Enter the pertinent information and attach documentation (fact sheet, offer letter, etc.) and hit Submit.

You will receive an email from the system indicating if your pre-clearance has been approved or denied. Not receiving and immediate response means the request is pending administrator review.

## Quick Links

[Create a pre-clearance](#)

[View policies](#)

[Create a disclosure](#)

## Forms

[Covered Account Validation](#)

[Pre-clearance for Non-Public Securities](#)

[Reconsideration Request: Blackout Period Denial](#)

[Reconsideration Request: Holding Period Denial](#)

[Reconsideration Request: Restricted List Denial](#)

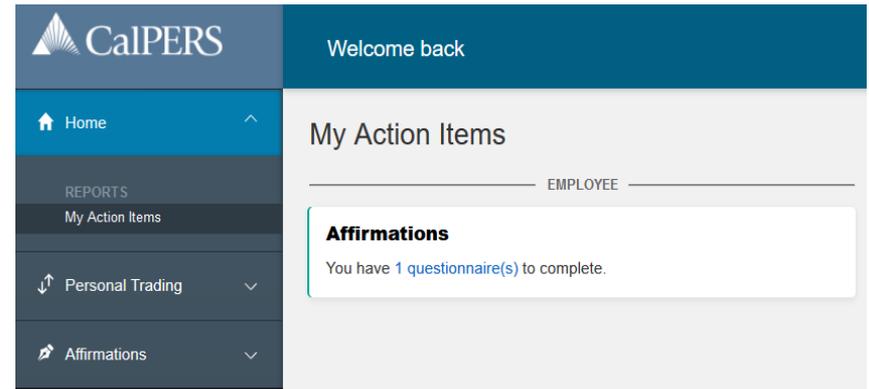
# Personal Trading Affirmations and Attestations

## Initial Personal Trading Affirmation

For new Covered Persons, you are required to complete your Initial Personal Trading within 30 days of your start date.

## Annual Personal Trading Attestation

Once a year, Covered Persons are required to attest to the three affirmations. This is a requirement for all Covered Persons, regardless of if you have Covered Accounts.



The three affirmations are:

1. Personal Trading Regulation Attestation
2. Covered Account Validation
3. Account Statement and Confirmation Authorization

# Personal Trading Affirmations and Attestations

## Personal Trading Regulation Attestation

A "Yes" response affirms that you have read and understand the CalPERS Personal Trading Regulations.

**Note:** You must click the hyperlink to open the regulations before you can respond.

Affirmation Type	Statement	Response	Due Date
Personal Trading Regulation Attestation	I hereby certify that I have read and understand the California Code of Regulations, Title 2, Section 558.1. <a href="#">Read 1. CalPERS Personal Trading Regulation</a>	<input type="button" value="Yes"/>	10/01/19

# Personal Trading Affirmations and Attestations

## Covered Account Validation

This section is for you to disclose the Covered Accounts for you and spouse/registered domestic partner.

- Select “No” if you do not have any Covered Accounts to Disclose.
- Select “Yes” to begin disclosing your Covered Accounts. You will be taken to the Brokerage Account disclosure page. See page 22-23 for more information.
- Annually you will be asked to review your disclosed accounts to ensure they are current.

Affirmation Type	Statement	Response	Due Date
Covered Account Validation	Do you or your spouse or registered domestic partner have a brokerage account in your name(s) or have authorization to execute or direct transactions in a brokerage account to purchase, sell, or hold a Covered Security (e.g., stocks, bonds, futures, options)?  <small>If you have a <a href="#">Managed Account</a> please <a href="#">download the Managed Account Certification Form</a> and <a href="#">attach the completed form to the disclosure of your Managed Account</a>. Please email <a href="#">Enterprise Compliance</a> with questions.</small>	<input type="button" value="Review Existing"/>	10/01/19

# Personal Trading Affirmations and Attestations

## Account Statement & Confirmation Authorization

A "Yes" response affirms that you authorize your broker to send duplicate account statements and trade confirmations to CalPERS for your Covered Accounts.

**Note:** If you do not have any Covered Accounts, a "Yes" response affirms you will allow the above of any future disclosed Covered Accounts.

Affirmation Type	Statement	Response	Due Date
Account Statement & Confirmation Authorization	<p>COVERED PERSON WITH COVERED ACCOUNT(S): I authorize my broker(s) to provide duplicate account statements and trade confirmations to CalPERS / Schwab Compliance Technologies for me and my spouse or registered domestic partner.</p> <p>COVERED PERSON WITHOUT COVERED ACCOUNT(S): If I become the owner of a Covered Account, I agree to authorize my broker(s) to provide duplicate account statements and trade confirmations to CalPERS / Schwab Compliance Technologies for me and my spouse or registered domestic partner.</p>	<input type="text" value="Yes"/>	10/01/19

# Personal Trading Affirmations and Attestations

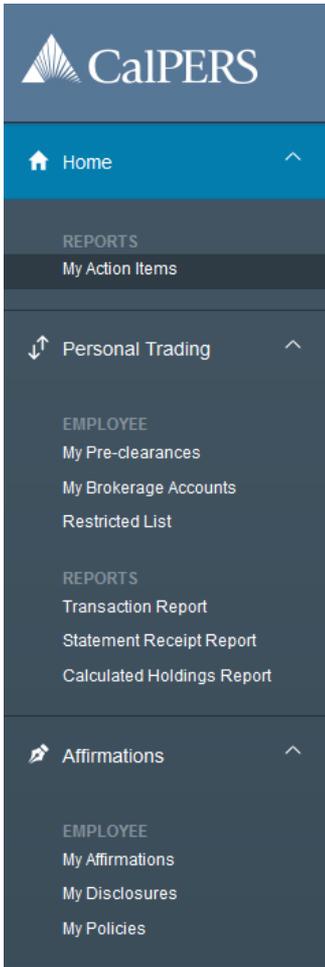
## Quarterly Transaction Affirmations

Covered Persons who have accounts that are not with one of CalPERS' Designated Brokerages are required to complete a Quarterly Transaction Affirmation.

- Click on "Disclose" to open the affirmation.
- Covered Persons are required to manually enter transactions that occurred during the reporting quarter.
- Authorize their non-designated brokerage to provide duplicate trade confirmations and statements to Enterprise Compliance either by mail or email to the [Personal Trading Mailbox](#).

Affirmation Type	Statement	Response	Due Date
Transaction Affirmation - Paper Accounts	For Covered Accounts from brokers or broker-dealers that do not provide account activity information electronically to the On-Line Platform, Covered Person Employees and Board Members must report all purchases, sales and transfers of Covered Securities on a quarterly basis, within 30 calendar days after the first day of each new calendar quarter.	<input type="button" value="Disclose"/>	10/31/19

# Other Navigation Items



## Personal Trading

- View your submitted Pre-clearances
- Disclosed brokerage accounts
- Past transactions
- Submitted paper statements (if applicable)

## Affirmations

- View past affirmations
- Disclosures (reconsideration requests, Pre-clearance for Non-Public Securities)
- Various other policies and resources

# Managing My Accounts

- Designated Brokerages
- Adding Brokerage Accounts
- Non-Designated Brokerages
- Managed Accounts

# Designated Brokerages

## CalPERS Designated Brokers

Electronic Feed is established for 17 brokerages:

- Charles Schwab
- Fidelity
- E\*TRADE
- TD Ameritrade

All Covered Accounts must be maintained at a Designated Brokerage. Covered Persons have 60 days from employment to move accounts to a Designated Broker.

**Note:** If you cannot move your account(s) to a Designated Broker, you must request for an exception. Exemptions will be considered on a case by case basis.

# Adding Brokerage Accounts

## How to Disclose a Covered Account

- A “Yes” response to the Covered Account Validation
- Covered Account Validation link under “Forms”
- Under the Personal Trading section, in the “My Brokerage Accounts” subsection, click the green “New” button

## Required Items

- You will need to title your disclosed account, provide the account number, and enter the brokerage name. Once the form is complete, hit “Submit”.

**Note:** If you do not see your brokerage auto populate, please select “Other” and enter the name in the space provided. For non-designated brokerages, you need to provide an “Exception Reason”.

# Non-Designated Brokerages

## Quarterly Transactions Affirmations

- Authorize your broker to provide duplicate trade confirmations and statements to Enterprise Compliance either by mail or email
- Manually enter the related transactions in Covered Securities with their respective pre-clearance approval IDs
- You have 30 calendar days from the end of the quarter to complete the affirmation

## Non-Designated Brokerage Accounts must adhere to the Regulations

- Requesting for pre-clearance for all transactions in a Covered Security
- Adhering to the Holding Period, Blackout Period, and Restricted List requirements

**Note:** Enterprise Compliance reserves the right to revoke the undesignated broker exception at any time if it is determined that your account no longer fits the criteria for having an exception.

# Managed Accounts

## Definition of a Managed Account

- It is managed by a third party who is not a Covered Person;
- No Covered Person has the power to affect or ability to control or influence investment decisions in the account, and;
- No Covered Person communicates (directly or indirectly) with the person(s) with investment discretion regarding specific trade activity in the account.

## Managed Accounts and the Regulations

- Managed Accounts are not considered Covered Accounts under the Personal Trading Regulations.
- They are not subject to the Regulation requirements, such as requesting for pre-clearance and holding period.
- While they are not Covered Accounts, they must be disclosed and a **Managed Account Certification Letter** is required upon disclosure.
- Additionally, Managed Account holders must certify annually that the disclosed information is current and provide an updated copy of the Managed Account Certification Letter from the third-party money manager.

# Managed Accounts

## How to Disclose a Managed Account

- From the “New Brokerage Account” form, check the “Managed Account” box certifying that this account is a Managed Account.
- Once the Managed Account has been submitted, go to the “My Policies” subsection under Affirmations.
- Download the “Managed Account Certification Form” and have your investment advisor complete and sign the letter.
  - **Note:** CalPERS will accept an investment advisor’s proprietary letter, providing it contains the same required information and language.
- Email the letter to the [Personal Trading Mailbox](#) for review and approval.

# Brokerage Account Matrix

Type of Account	Type of Brokerage	Requirements
Managed Account	Designated Brokerage	<ul style="list-style-type: none"> <li>• Setup on Electronic Feed</li> <li>• Requires Managed Account Certification Letter</li> <li>• Annual Managed Account Certification/Attestation</li> <li>• Annual Personal Trading Attestation</li> <li>• Pre-Clearance is not Required</li> </ul>
Managed Account	Non-Designated Brokerage	<ul style="list-style-type: none"> <li>• Not on Electronic Feed, Statements are not Required</li> <li>• Requires Managed Account Certification Letter</li> <li>• Annual Managed Account Certification/Attestation</li> <li>• Annual Personal Trading Attestation</li> <li>• Pre-Clearance is not Required</li> </ul>
Non-Managed Account	Designated Brokerage	<ul style="list-style-type: none"> <li>• Setup on Electronic Feed</li> <li>• Annual Personal Trading Attestation</li> <li>• Pre-Clearance is Required (Stocks, ETFs, etc.)</li> </ul>
Non-Managed Account	Non-Designated Brokerage	<ul style="list-style-type: none"> <li>• Not on Electronic Feed</li> <li>• Duplicate trade confirmation and statements from brokerage</li> <li>• Quarterly Transaction Affirmation</li> <li>• Annual Personal Trading Attestation</li> <li>• Pre-Clearance is Required (Stocks, ETFs, etc.)</li> </ul>

# Contact Enterprise Compliance

Reach out with any questions or to setup a one-on-one training:

- [ECOM\\_Personal\\_Trading\\_Requests@CalPERS.ca.gov](mailto:ECOM_Personal_Trading_Requests@CalPERS.ca.gov)
- ECOM Main Line: (916) 795-2148

## Additional Resources

- [CalPERS Personal Trading Information Center](#)