



Derivative Policy and Procedure Addendum

Approved by the Board of Trustees

Adopted: May 15, 2013

WHEREAS, Section 4s(h) of the Commodity Exchange Act, as amended (“CEA”), imposes certain business conduct standards upon “swap dealers” (as defined in the CEA) that enter into or offer to enter into “swaps” (as defined in the CEA) with a “special entity” (as defined in the CEA);

WHEREAS, Section 15F(h) of the Securities Exchange Act of 1934, as amended (“Exchange Act”), imposes certain business conduct standards upon “security-based swap dealers” that enter into or offer to enter into “security-based swaps” (as defined in the Exchange Act) with a “special entity” (as defined in the Exchange Act);

WHEREAS, the District of Columbia Retirement Board (“DCRB”) is a special entity for purposes of the CEA and the Exchange Act;

WHEREAS, the Commodity Futures Trading Commission (“CFTC”) has adopted Regulation §23.450 which sets forth various requirements for swap dealers and “major swap participants” (as defined in the CEA) acting as counterparties (but not advisors) to special entities;

WHEREAS, CFTC Regulation §23.450(b) requires that a swap dealer or major swap participant that offers to enter into or enters into a swap with a special entity must have a reasonable basis to believe that the special entity has an independent representative meeting the requirements of Regulation §23.450;

WHEREAS, CFTC Regulation §23.450(d) provides that a swap dealer or major swap participant shall be deemed to have a reasonable basis to believe that a special entity has a representative that satisfies the requirements of Regulation §23.450 if (i) the representative makes the written representations to the special entity and the swap dealer or major swap participant required by Regulation §23.450, and (ii) the special entity represents in writing to the swap dealer or major swap participant that it has complied in good faith with written policies and procedures reasonably designed to ensure that it has selected a representative that satisfies the applicable requirements of Regulation §23.450(b) and that such policies and procedures provide for ongoing monitoring of the performance of such representative consistent with the requirements of Regulation §23.450(b); and WHEREAS, in order to ensure that swap dealers and major swap participants are available to trade with the investment managers of DCRB for the benefit of DCRB, it is in the best interest of DCRB to enable any such swap dealers and major swap participants to obtain the benefits of the safe harbor in CFTC Regulation §23.450(d) described above.

NOW, THEREFORE, DCRB hereby adopts the following policies and procedures:

(1) Before permitting any investment manager to engage in swaps, DCRB shall have a reasonable basis to believe that such representative

(i) has sufficient knowledge to evaluate the transaction and risks;

(ii) is not subject to “statutory disqualification,” which term means grounds for refusal to register or revoke, condition, or restrict the registration of the investment manager as set forth in Sections 8a(2) and 8a(3) of the CEA;

(iii) is “independent” of the swap dealer or major swap participant within the meaning of Regulation §23.450(c), and a representative will be deemed to be independent of the swap dealer or major swap participant if:

(a) the representative is not and, within one year of representing DCRB in connection with the swap, was not an associated person of the swap dealer or major swap participant within the meaning of Section 1a(4) of the CEA;

(b) there is no principal relationship between the representative of DCRB and the swap dealer or major swap participant;

(c) the representative: (1) provides timely and effective disclosures to DCRB of all material conflicts of interest that could reasonably affect the judgment or decision making of the representative with respect to its obligations to DCRB; and (2) complies with policies and procedures reasonably designed to manage and mitigate such material conflicts of interest;

(d) the representative is not directly or indirectly, through one or more persons, controlled by, in control of, or under common control with the swap dealer or major swap participant; and

(e) the swap dealer or major swap participant did not refer, recommend, or introduce the representative to DCRB within one year of the representative’s representation of DCRB in connection with the swap;

(iv) undertakes a duty to act in the best interests of DCRB;

(v) makes appropriate and timely disclosures to DCRB;

(vi) evaluates, consistent with any guidelines provided by DCRB, fair pricing and the appropriateness of the swap; and

(vii) is subject to restrictions on certain political contributions imposed by the CFTC, the Securities and Exchange Commission, or a self-regulatory organization subject to the jurisdiction of any of such commissions.

(2) The determination required in clause (1) above shall be made by Chief Investment Officer;

(3) In making the determination required in clause (1) the person or body identified in clause (2) above making the determination may reasonably rely upon written representations provided by the applicable representative, which may be in the form of Exhibit A hereto; and

(4) Chief Investment Officer shall monitor the investment manager’s performance with the items set forth in clause (1) above.

[Form of Representative Representation Letter]
[Letterhead of Representative]

[Date]

District of Columbia Retirement Board
900 7th Street NW, 2nd Floor
Washington, DC 20001

Re: Representation Letter for CFTC Regulation §23.450

Dear Sir/Madam:

[Name of Representative] (“Manager”) acts as investment manager to the District of Columbia Retirement Board (“DCRB”) pursuant to that Investment Manager Agreement, dated [Insert Date], between Manager and DCRB. Pursuant to that agreement and in compliance with the guidelines therein, Manager may invest in derivative instruments.

Manager hereby represents and warrants to DCRB as follows, which representations and warranties shall be continuously made at all times during which Manager acts as investment manager to DCRB unless Manager otherwise notifies DCRB in writing:

- (i) Manager is familiar with and understands Regulation §23.450 promulgated by the Commodity Futures Trading Commission (“CFTC”);
- (ii) Manager has policies and procedures reasonably designed to ensure that Manager satisfies the applicable requirements of CFTC Regulation §23.450(b);
- (iii) Manager meets the independence test of CFTC Regulation §23.450(c); and
- (iv) Manager is legally obligated to comply with the applicable requirements of CFTC Regulation §23.450(b) by agreement, condition of employment, law, rule, regulation or other enforceable duty.

Sincerely,
[Name of Representative]

By: _____
Name:
Title: