

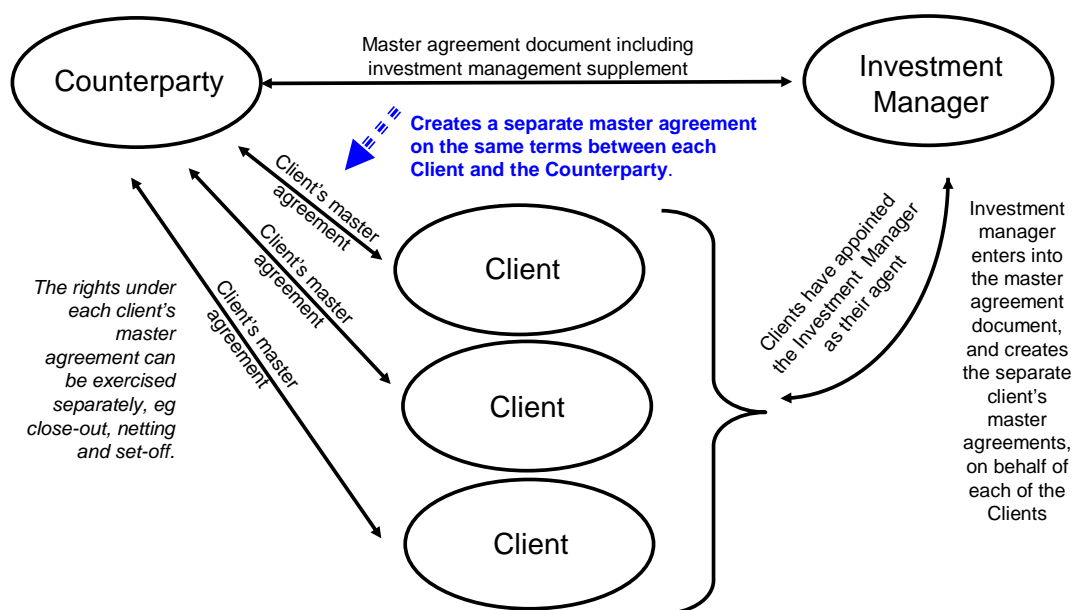
# Introduction to Investment Manager Supplement<sup>1</sup>

The Investment Manager Supplement (IMS) is used in master agreements between a counterparty and an investment manager who acts on behalf of one or more clients. It is designed:

- to create a separate master agreement (called a *client's master agreement*) between the counterparty and each of the clients
- to contemplate “blockbooking”, or the allocation of different parts of the same dealing between the investment manager and the counterparty to different clients
- to add additional representations, undertakings and events of default related to these arrangements.

The summary of the way in which the IMS works is shown in the following diagram:

The Investment Manager Supplement allows a single document to create multiple, separate agreements.



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The IMS can be incorporated into a master agreement document between a counterparty and the investment manager by attaching it to that master agreement and including appropriate words in the schedule to that master agreement. The master agreement is not signed by each of the clients, the investment manager signs it on behalf of each of its clients. The IMS has two parts, the Provisions (which are in a

<sup>1</sup> This paper is not a legal opinion or other professional advice on which users may rely. Intending users should seek prior independent professional advice in respect of the legal, taxation, stamp duty, regulatory (including in relation to licensing, conduct and disclosure obligations) and other implications arising from the use of the IMS.

standard form) and the Details (which are used to specify particular information relevant to the parties' relationship).

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## 1 Identification of clients

The IMS provides that the clients of an investment manager may be either notified to the counterparty (named clients) or not notified to the counterparty (unnamed). However, on the basis that dealing on behalf of named clients is the most common, this introduction does not consider dealings with unnamed clients. The names of the clients are disclosed in the Details section of the IMS. New clients may be added, or clients removed, by agreement between the counterparty and the investment manager.

The IMS provides that a separate *client's master agreement* is created between the counterparty and each named client on the same terms as the master agreement to which the IMS is incorporated except that references to the investment manager as a 'party' in that master agreement are taken to be references to the relevant client. The IMS also provides that rights under the different client's master agreements which have been created may be exercised differently, for example, transactions governed by one client's master agreement do not need to be closed-out just because transactions governed by another client's master agreement have been closed-out.

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## 2 Blockbooking and allocation of dealings

The IMS contemplates that any particular dealing between the investment manager and the counterparty may be on behalf of more than one clients. It also contemplates a number of possible options in relation to this:

- *allocation of dealing to clients by investment manager.* The allocation may be made before the dealing is entered into, or after the dealing is entered into;
- *notification of allocation to counterparty.* The allocation may be notified to the counterparty on or before the time of dealing, or afterwards;
- *confirmation of transactions.* The transactions entered into between the counterparty and the relevant clients may be confirmed together, or separately in respect of each client; and
- *settlement of transactions.* Payment under transactions may be settled separately, or on a net basis between clients who share the same custodian.

The options may be agreed between the counterparty and the investment manager at the time of signing the master agreement (or its schedule).

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## 3 Representations, undertakings and defaults

The IMS contains additional representations, undertakings and events of defaults applicable to each client's master agreement. It also contains representations and undertakings given by the investment manager. Some of

these are set out in the Details section of the IMS but most are set out in the Provisions section.