



# BNPP Dealing Services execution / selection policy

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## **PURPOSE AND BACKGROUND**

- The financial regulations set out good practice rules aiming at serving clients' best interests when executing their orders. The purpose of these rules is to guarantee the fast and fair execution of orders, *inter alia*.
- This execution policy (hereinafter the Policy) sets out the major principles that BNPP Dealing Services (hereinafter Dealing Services) must comply with where its clients (hereinafter the Client(s)) are concerned, together with the operational procedures that enable their application.
- This Policy is composed of principles that comply with the current regulations, and does not exclude the possibility of specific contractual provisions between Dealing Services and its Client, if those provisions are not in contradiction with the regulations.
- This Policy, which has been published on a durable medium, must be approved by the Client. The transmission of an order to Dealing Services by the Client supposes acceptance of the Policy.
- Dealing Services will send its Client all the information justifying the choices made for executing the orders, on request, or in accordance with the contractual procedures provided for.

## **1. SCOPE OF THE POLICY**

### **1.1. Services provided (hereinafter the "Services")**

Dealing Services' activity consists in receiving Clients' orders, selecting a provider within the Client's list of authorised providers (hereinafter the Authorised Provider), brokers or counterparties, and transmitting the order to the selected Authorised Provider for execution.

Dealing Services is authorised to perform the following Investment Services:

- the reception and transmission of orders (or RTO);
- the execution of orders on behalf of third parties.


Where Dealing Services selects and transmits an order to an Authorised Provider so as to have it executed in accordance with that Authorised Provider's execution policy, Dealing Services provides an **"order reception and transmission" Service**.

Where Dealing Services acts on behalf of its Client on over-the-counter markets, Dealing Services conducts the dealing process until completion and selects the Authorised Provider offering the best execution conditions. Dealing Services considers that when it accepts the execution conditions, i.e. the price offered by an Authorised Provider, the Service may be considered as **"execution of orders on behalf of third parties"** under the current regulations.

Dealing Services is never party to a transaction. Since its role is limited to bringing together its Client and an Authorised Provider.

It is specified that Dealing Services does not provide any investment advisory services, and that the Services or information provided by Dealing Services cannot be construed as an investment advisory service under any circumstances.

Dealing Services does not perform any transaction reporting functions where the Regulatory Authorities are concerned. Accordingly, the Client is responsible for ensuring that its own reporting obligations are properly complied with (by itself or by its Authorised Providers).

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## 1.2. Geographical scope

The Policy applies to Dealing Services and to any BNPP AM entities to which Dealing Services has delegated the execution processing of the Client's order.

## 1.3. Instruments

The Policy applies to every type of financial instrument negotiated by Dealing Services (see appendix I).

## 1.4. Dealing Services' clients

Dealing Services deals exclusively with Clients who are categorized as **professional clients**. Acceptance of this classification is formally set down in the agreement signed by Dealing Services and its Clients.

Accordingly, Dealing Services reminds them that the rules relating to the suitability and appropriateness tests do not apply under these conditions.

# 2. PRINCIPLES OF THE POLICY

## 2.1. Obligations of best selection and best execution

Given that Dealing Services may be required to provide RTO and orders execution services, it is subject to "best selection" and "best execution" obligations.

In practice, as it is the Authorised Providers who ultimately executes Clients' orders, the best selection and best execution obligations consist in taking all the measures that enable the optimal and fair execution of an order placed by a Client.

## 2.2. Conflicts of interest

Dealing Services doesn't receive any remuneration, discount or non-monetary benefit for routing Clients orders to a particular trading venue or execution. Where internal procedures don't allow to monitor the conflicts of interests, Dealing Services advises the(s) Client (s).

## 2.3. Execution of orders outside a trading venue

Before executing orders outside a trading venue, Dealing Services obtains the prior consent of its Clients in the form of a general agreement. Where Dealing Services only provides reception and transmission of orders, this is the Client's responsibility to communicate its choice to the brokers.

## 2.4. Authorised Providers

The Authorised Providers whom Dealing Services may use to have its Client's orders executed are chosen by the Client beforehand.

Dealing Services never involves its proprietary account when executing its Client's transactions, and always transmits the orders to the Authorised Providers that have been selected by the Client.

Accordingly, the Client is responsible for approving the Authorised Provider's execution policy as part of its contractual relationship with its Authorised Providers (including the execution venues selected by those Authorised Providers), and has the option to add restrictions (e.g. by excluding execution venues).



Although Dealing Services is not a party to the contractual relationship between the Client and its Authorised Provider, and does not exchange any cash flows with the Authorised Providers, Dealing Services may refuse to select the Authorised Providers listed by the Client, on justified grounds.

## **2.5. Specific instructions**

Where the Client gives a specific instruction, Dealing Services will handle the order or the specific aspect of the order in accordance with the Client's instruction, and may therefore be exempt from its best selection and best execution obligations within the limit of the restrictions included in the specific instruction.

Specific instruction cases may include the following:

- the Client directs the order to one of its Authorised Providers;
- the Client excludes one of its Authorised Providers on a one-off basis.

## **2.6. Execution venues**

Although this does not amount to a comprehensive list (for details refer to appendix II), the execution venues where the Authorised Providers may execute Clients' orders are:

- regulated markets, multi-lateral trading systems, systematic internalisers, proprietary account of the Authorised Provider, or any other execution venue, as set out in the Authorised Provider's execution policy and approved by the Client;
- over-the-counter markets (seeking and selecting the Authorised Provider in order to enable the execution of the order between this Authorised Provider and the Client). Dealing Services may perform request for quotes via execution platforms on the over-the-counter markets.

It should be noted that Dealing Services never acts as a member of a regulated market, and is not directly involved in filling an order book. However, in order to transfer the order to a regulated market or a multi-lateral trading system, Dealing Services may use the direct market access (DMA) tools made available by the Authorised Providers. Dealing Services may also use an automatic processing system that is made available by its Clients' Authorised Providers, in the name and on behalf of its Clients.

If the Client wishes to exclude an execution venue, the Client must inform its Authorised Providers, while Dealing Services will make every effort to remind the latter of this exclusion on the basis of the information provided by the Client.

## **2.7. Best selection and best execution criteria**

Dealing Services takes all the sufficient measures that enable the fast and fair execution of an order transmitted by the Client and assesses the Authorised Providers' ability to comply with the Client's interests as closely as possible according to the following criteria:

- the execution price, by requesting for quotes, if necessary, and taking only the execution costs<sup>1</sup> agreed by the Client and its Authorised Providers into account;
- the swiftness and likelihood of execution depending on the size and nature of the order;
- any other consideration deemed necessary.

The weighting of the criteria (appendix III) is determined according to the type of order selected by the Client from the list included in the agreement signed by the Client and Dealing Services. Dealing Services may take other considerations relating to the execution of the order into account (notably the potential impact on the market).

<sup>1</sup>Execution cost means the portion of the Authorised Provider's expenses that are exclusively dedicated to the execution process, without taking research costs into account.

As it deals with professional clients, Dealing Services does not take the costs relating to settlement & delivery or clearing into account.



Dealing Services selects the Authorised Provider or Providers that meet the chosen criteria as closely as possible based on a map of Clients' Authorised Providers, which is updated regularly. On over-the-counter markets, this selection is supplemented, if possible and appropriate, on the basis of the prices offered by the Authorised Providers following a request for quotes.

*In fine*, the Authorised Provider who is the best match for the criteria will ultimately be selected by Dealing Services.

If Dealing Services believes that the type of order and market conditions enable fast execution via a DMA tool, this route will be used if it offers execution costs that are as low as possible.

However, Dealing Services will not take any potential ancillary costs relating to a specific request made by the Client into account as part of its selection process, e.g. deferring the settlement & delivery date.

## **2.8. General principle of processing orders in their order of arrival**

Dealing Services applies the two rules hereafter unless the nature of the order or prevailing market conditions make this impossible, or the Client's interests require Dealing Services to proceed otherwise.

- Orders are processed in the order in which they are received by Dealing Services.
- When received concomitantly via different communication methods, priority will be given to the order that is received directly by Dealing Services' orders management system.

## **2.9. Follow up and review of the best execution/selection policy**

Dealing Services reviews its best execution / selection policy at minimum on an annual basis and keeps it updated as often as necessary. As part of the follow up of the execution / selection policy, Dealing Services periodically assesses the quality of the service rendered by the brokers and the counterparties. This assessment is sent to the Clients.

# **3. SPECIFIC EXECUTION PROCESSES**

## **3.1. Grouped orders and allocation**


Where circumstances authorize it (same security, direction, order type), Dealing Services may group the orders of different portfolios of a same management company affiliated to BNPP Asset Management Holding or of different management companies affiliated to BNPP Asset Management Holding.

Where the orders are partially executed, Dealing Services will allocate the amount on a prorata basis to the extent where it isn't against the interest of the Client(s). In such a case, Dealing Services will seek the best solution for the Client(s) and may equally allocate the amount executed.

## **3.2. Handling of FX instruments orders**

As a rule Dealing Services doesn't net FX orders. But where certain conditions are fully met, Dealing Services may net FX orders (spot, forward, swaps of same currency pairs) :

- orders received from the same Client within a reasonable timeframe;
- orders received as care where the Client has given right to dealer to net (in cases of extremely illiquid Fx markets);
- netting is in the best interest of the Client (spread saving, market impact reduction, swiftness of execution);

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- a minimum of 3 common Authorized Providers is necessary.

### **3.3. Matching orders from different Clients**

If Dealing Services identifies that two Clients are interested in buying and selling the same instrument, and considers that these opposing orders are likely to be executed to the detriment of both Clients, for instance in the event of a lack of liquidity on over-the-counter markets, Dealing Services will make every effort to match these orders via an Authorised Provider shared by both Clients, and will accept the average execution price that is most favourable to both Clients on the basis of the market prices quoted.

### **3.4. Automatic execution and selection**

Where orders meet certain criteria (e.g: size, liquidity, currency, instruction type...), Dealing Services may resort to automatic selection of brokers and execution of orders, i.e without the intervention of a trader.

For equity, the selection of brokers will be performed by an algo wheel or a program trading wheel that consist in selecting a broker following a preset list of brokers and coming back to the beginning of the list when the last broker of the list is reached. The list of brokers that are set in the algo wheel and the program trading wheel, are regularly reviewed in order to meet the best selection.


For fixed income, a request for quote is automatically generated by the order management system through a Multilateral Trading Facility (Tradeweb). 3 to 6 counterparties depending on the instrument type (ex: govies) are challenged. The counterparties are preset by the relevant desk in the Multilateral Trading Facility system by instrument type, issuers and/or sectors, considering their skills. The list of counterparts is regularly reviewed and amended if need be in order to ensure the best execution.

## **4. CASES WHERE AN EXEMPTION TO THE APPLICATION OF THE POLICY ARISES**

### **4.1. Problems relating to the size of orders**

Where the size of an order is larger than the size offered by the Authorised Provider providing the best price following a request for quotes, the optimal approach for achieving the best possible execution may consist in selecting the Authorised Provider who is able to execute the entire order, even though the price obtained may be less favourable than the one that could have been obtained for a portion of the amount desired. The dealer will then prioritise the criterion relating to liquidity rather than the sole price criterion. If time and market conditions allow it, the dealer will contact the Client prior to execution in order to obtain their approval.

Moreover, Dealing Services imposes no restriction on the volume of orders but informs the Clients of any problems notified by the Authorised Provider given the size of the Clients' orders, or even restrictions related to the order size that this Authorised Provider could impose. In these cases, Dealing Services ensures that it does not distribute any information that would favour one of the Clients or contravene existing rules.

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#### **4.2. When conducting a request for quotes is impossible**

Dealing Services may not be in a position to organise a request for quotes in some cases, or may consider that it is inappropriate to do so in the Client's interests, which provides a *de facto* justification that the price criterion has been adhered to.

Without drawing up a comprehensive list, this may occur in the following circumstances:

- a need to guarantee maximum confidentiality;
- the illiquidity of the financial instrument;
- any situation where the request for quotes is contrary to the Clients' interests.

Dealing Services will nonetheless act in the Client' best interests depending on the characteristics of the order received and on market conditions.

#### **4.3. Exceptional market conditions**

In the event of severe market disruption and/or the failure of an internal or external system, Dealing Services may find itself in a position where it is unable to comply with all the Policy's principles, although it will make every effort to do so.

Furthermore, in the event of a malfunction in the order reception system, Dealing Services has i a backup procedure, which is described in the agreement signed by the Client and Dealing Services.

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