



EXECUTION AND SELECTION POLICY, EXHIBIT 1A – SECURITIES LENDING & BORROWING

SECURITIES SERVICES

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1 SECURITIES FINANCING TRANSACTIONS EXECUTION POLICY

A. Introduction

A.1. Definitions

A.1.1. Securities financing transactions

For the purpose of this document Securities Financing Transactions (“SFTs”) are defined by Securities Financing Transactions Regulation¹ such as:

- a repurchase transaction
- securities or commodities lending and securities or commodities borrowing;
- a buy-sell back transaction or sell-buy back transaction; and
- a margin lending transaction.

By definition, SFTs are temporary transfers of securities, secured by collateral (securities or cash) in return for a fee. BNP Paribas Securities Services (“Securities Services”, “we” or “us”) operates on its own account in lending and borrowing transactions as well as in repo transactions and buy-sell back (or sell-buy back).

With respect to SFTs products, Securities Services only treats Request for Quote “RFQ”.

A.1.2. Securities lending and borrowing

As per MiFID II Directive² – Annex I section A, “dealing on own account” is an investment service, which consequently qualifies securities lending and borrowing in the name of Securities Services as such.

SFTs enter MIFID II scope as transactions on financial instruments listed in Annex I Section C of the above stated directive.

A.1.3. Execution venues

RTS 27³ defines liquidity providers as “firms that hold themselves out as being willing to deal on own account, and which provide liquidity as part of their normal business liquidity” and further provides that “execution venues should include [...] multilateral trading facilities [...] and other liquidity providers”.

In the structure of a securities lending transaction on own account, Securities Services is a liquidity provider and an execution venue as those terms are defined therein.

Equilend and Bondlend are Multilateral Trading Facilities (“MTF”) for SFTs. Transactions concluded by our clients with Securities Services as participants or members under the rule governing the MTF are not subject to best execution requirements and therefore to this document.

The list of execution venues used by Securities Services is indicated in section 2.C.

¹ Regulation (EU) 2015/2365 of the European Parliament and the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012

² Directive 2014/65/EU of the European Parliament and the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU

³ Commission Delegated Regulation (EU) 2017/575 of 8 June 2016 supplementing the MiFID II Directive on markets in financial instruments with regard to regulatory technical standards concerning the data to be published by execution venues on the quality of execution of transactions



A.2. Best execution obligation

Further to MiFID I Directive⁴, MiFID II Directive (“**MiFID II**”) and the Markets in Financial Instruments Regulation⁵ (“**MiFIR**”) detail the application of best execution obligations (“**Best Execution**”) on SFTs, and require to document this process (“**the policy**”) and to share it with clients.

This policy document focuses on SFTs carried out as part of the Securities Services’ securities lending and borrowing programme (i.e. whereby Securities Services, enters into loans and borrows in its own name with various counterparties). It aims to respond the above requirement of better investor protection and increased transparency.

The aforementioned programme is only offered to clients classified as professional clients or eligible counterparties. However, the policy only applies to professional clients.

B. Securities lending & borrowing on own account

B.1. Opportunity model & exclusive client without auction

B.1.1. Clients provided with best execution

Securities Services handles SFTs on its own account, whether those SFTs are lending and borrowing transactions or repos. Securities Services can therefore act as a lender or a borrower of securities and can either deliver or receive collateral associated to those transactions.

When Securities Services acts as principal, it is considered as an execution venue our clients usually use for opportunity requests (the clients request to place an order by calling the desk when they need to) or for granting the exclusivity of their portfolio without any auction to take place (i.e. the client chooses to grant exclusivity on its portfolio, but does not gather other counterparties bids).

As indicated on the “Legitimate reliance” section of the Securities Services general execution policy, Securities Services determines whether the client is deemed to be placing legitimate reliance upon Securities Services to protect their interests in relation to the execution of the transaction.

Taking the above into account, we have determined that some professional clients either fully or partly rely on us. In these cases, Securities Services owe them Best Execution obligations.

For the purpose of the stated services, the other clients are classified as eligible counterparties and hence no Best Execution duty is owed.

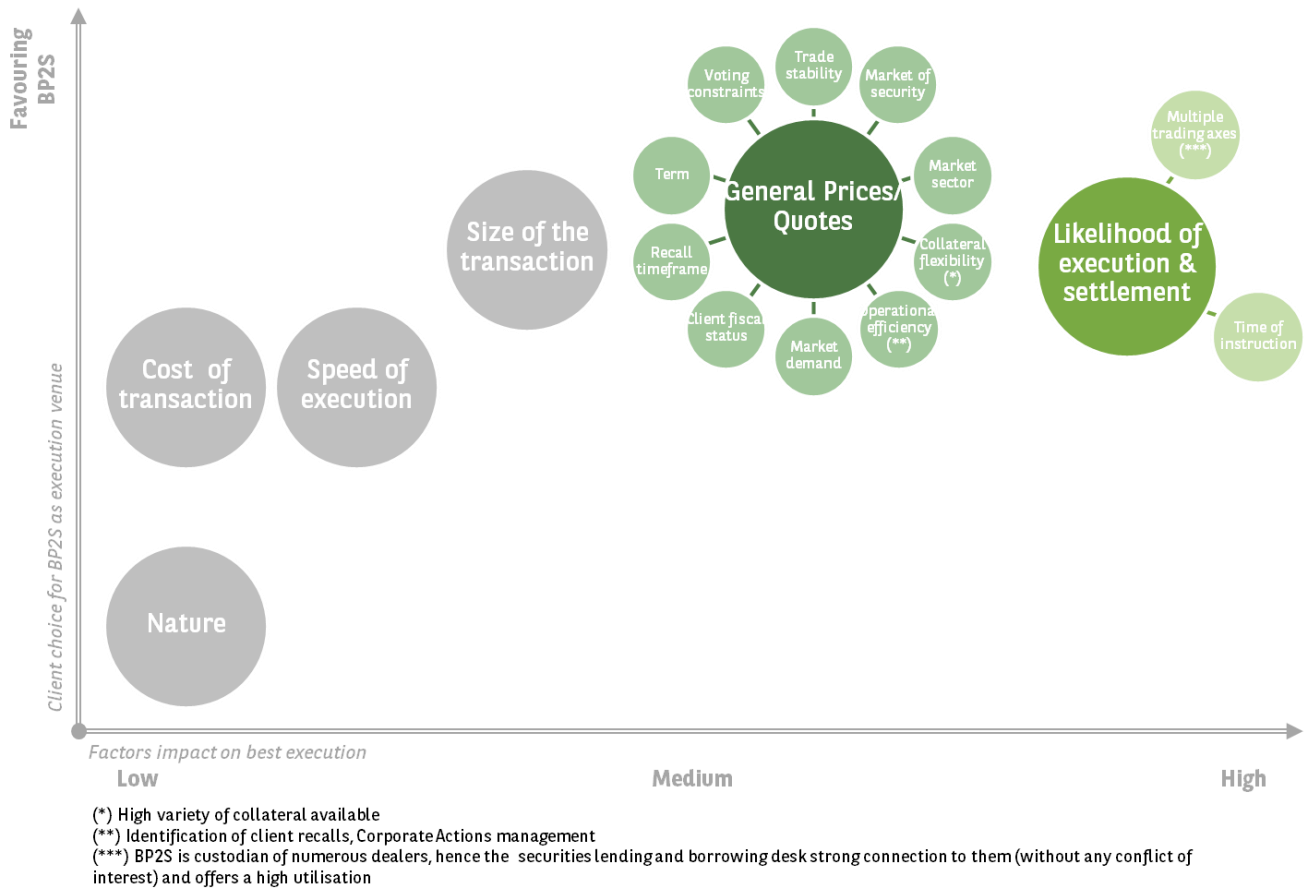
⁴ Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC

⁵ Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012



B.1.2. Execution factors taken into consideration

The below chart shows the weighting of execution factors considered by Securities Services when placing an order (x-axis) and the weighting of similar factor that Securities Services assumes is taken into account by the client when choosing Securities Services as a venue (y-axis).



When executing transactions in SFT products where best execution applies, in absence of any specific instructions, Securities services will take into account the following execution factors by order of priority:

Likelihood of execution and settlement

Securities Services assumes that client's main driver in executing a trade with us is the availability of the requested securities and the chance the trade settled. In the view of Securities Services, its broad inventory and its capacity to borrow and lend from a wide range of market participants are the reasons why the clients choose Securities Services as a venue.

General prices / Quotes

Securities Services seeks to provide a highly competitive service to clients and will respond with a price it considers competitive and fair (please refer to section B.1.3 for more details). Various factors have an impact on the price and are represented in the above chart. Securities Services take into account all those items when executing a transaction and providing a price to the client.

Size of the transaction

Securities Services will ensure to execute the transactions according to the requested size while proposing the best possible prices. Upon clients' approval, Securities Services may also adjust the size of the transaction to reach better market conditions.

Cost of execution

There are no additional costs to the transaction that the quote offered by Securities Services to the client. Hence Securities Services considers this is a factor driven the client to choose us as their venue.

Speed of execution

Securities Services ensure all Requests For Quotes ("RFQs") are responded in a timely manner, thus enabling the client a sufficient time window to choose a potential alternative execution venue.

Nature

Securities Services only treats RFQs, hence the nature of orders has no impact on its execution framework.

Due to internal compliance and risk guidelines or international/ national restrictions, Securities Services may choose not to proceed with some transactions.

B.1.3. Fairness of the price

Art. 64(4) Delegated Regulation (25/04/2016) states 'When executing orders or taking decision to deal in OTC products including bespoke products, the investment firm shall check the fairness of the price proposed to the client, by gathering market data used in the estimation of the price of such product and, where possible, by comparing with similar or comparable products.'

Therefore Securities Services will ensure that the fairness of the price of its transactions will be monitored. The fairness of the price will be checked through market data collectors (such as Markit or Datalend). Comparing our rates on same transaction types allows us to show our rates are in line with the industry average, or above. In some cases, the market data gathering might not be available, and Securities Services has developed an internal model to provide comparisons of the price fairness on similar orders.

B.2. Specific arrangements

B.2.1. Lenders under auction process

Securities Services Lending desk provides a guaranteed fee for exclusive access to a client's portfolio for a fixed duration. The guaranteed fee is paid in equal monthly instalments, one month in arrears. The guaranteed fee for exclusivity to the client's portfolio is dependent on the following factors:

- Nominal size of the portfolio
- Attractiveness of individual securities for borrowing
- Size per line of stock
- Equity markets covered and allocation per market
- Unlimited access to the portfolio for the specified duration
- Asset turnover / stability
- Recall timeframe
- Collateral requirements, including margin
- Voting constraints
- AGM recalls
- Duration of trade requirements
- Fiscal status
- Market sector of the underlying securities



- Timing of borrowing and ability to borrow on same day basis
- Election on optional dividends
- Client credit rating and organisational structure
- BNP Paribas Securities Services internal credit rating for the client
- PEA ratios
- Fund manager pre-approval

Securities Services when participating to an auction for such exclusive mandate provides its price for the portfolio, competing with various competitor. The choice of awarding the exclusivity of the portfolios is the sole choice of the lending client. Hence Securities Services does not owe Best execution on such specific arrangements.

B.2.2. Fail Coverage clients

The fail coverage programme is designed to provide local custody clients with the ability to request securities just prior to market cut-offs. The fees applied to those transactions are contractually pre-agreed with the clients.

For such executions, the execution factors are ranked as follows:

- Market price observed by the market place
- Likelihood of the settlement of the overall chain
- Quality of Collateral to provide as a guarantee

Securities Services highlights that not all requests can be fulfilled due to security availability and in some instances timing of requests. The Securities Services lending desk provides the fail coverage programme on a reasonable efforts basis. Considering the above elements, Securities Services does not owe Best execution to clients being part of on such programme.

2 MANAGEMENT OF CONFLICTS OF INTEREST

A. Order priority

Client RFQs must be promptly, fairly and expeditiously executed relative to other client RFQs. Time priority should be applied to comparable orders. Except where the characteristics of the transaction or prevailing market conditions make this impracticable or the interests of the client require otherwise.

B. Securities services as agent lender and execution venue

The Securities Services Agency lending activity operates securities lending transactions on behalf of clients and does not interact with its own account.

The Agency lending desk is independent from Principal lending, physically segregated. The operational workflows and systems infrastructures are also clearly separated.

As a matter of fact, each desk is located in a dedicated trading room, and using different applications & Front-to-Back systems. Back-office core functions are also separated for each activity, thus ensuring clients' interests & confidential data are not shared amongst the 2 activities.

C. Execution venues list

BNP Paribas Securities Services acts as the unique execution venue for the SFT Products.