

2021 RTS 28 Report - Summary of the analysis

[Securities Lending & Borrowing on own account]

INTRODUCTION

Securities Services handles Securities Financing Transactions (“SFTs”) on its own account, or on behalf of its clients. This document pertains to the lending and borrowing on own account only for 2020, also called Principal Lending (whether those SFTs are lending and borrowing transactions or repos). Securities Services can therefore act as a lender or a borrower of securities (Equity / Bond) and can either deliver or receive collateral associated to those transactions.

When Securities Services acts as principal, it is considered as an execution venue, and has a best execution obligation to some of its professional clients.

As a matter of fact, when Securities Services is facing an eligible counterparty, it does not owe this entity Best execution obligations.

Opportunity clients & exclusive clients (with no guaranteed fee)

- Securities Services has determined that some professional clients either fully or partly rely on BP2S: we have no evidence of shop around nor solicitation by other liquidity providers / execution venues, therefore Best Execution is owed.
- Some of our professional clients do challenge our proposals (in terms of pricing for instance) and are approached by other market counterparties to provide a similar offer. Even though those clients have a sense of the market, we consider they mainly rely on us and therefore owe them best execution. It is to be noted that those client choose us as a provider since BP2S can offer a concatenation & set-up of services which are considered as the best options by the client (the choice remaining his own).
- Our clients in the above states cases are usually using BP2S as an execution venue for opportunity requests (the client requests to place an order by calling the desk when he needs to) or by 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).

Specific arrangements

- Exclusive clients with guaranteed fee: Securities Services when participating to an auction for such exclusive mandate provides its price for the portfolio, amongst various other liquidity providers. 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.
- Fail Coverage programme: Given the nature of the fail coverage programme, in that it is designed to provide local custody clients with the ability to request securities just prior to market cut-offs. 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 program on a reasonable efforts basis. Considering the above elements, Securities Services does not owe Best execution to clients being part of on such program.



ANALYSIS REPORT

A. Explanation of the relative importance the firm gave to the execution factors of prices, costs, speed, likelihood of execution, size of transaction and nature

1. Likelihood of execution

For our clients subject to Best Execution, each transaction is executed on Securities Services' initiative. The need to trade coming from Securities Services, all necessary efforts are made to ensure the proper execution of the transaction.

2. General Prices

Before responding with a price, Securities Services will check the relevance of its price with a benchmark of the overall market price. The use of benchmark tools such as Datalend and IHS Markit is combined with Securities Services' own data program.

However, transaction price being impacted by various factors (collateral quality, maturity etc.), it necessarily deviates slightly from the benchmark.

3. Size of the transaction

The transaction size (lower or higher than the market standard) is determining for the price formation. It remains a priority to fully serve the client's request.

4. Cost

No additional execution cost is applied to the price proposed by Securities Services to the client.

5. Speed of execution

Securities Services does not respond to Requests For Quotes (« RFQs ») on clients subject to Best Execution. Transactions are executed on Securities Services' initiative. The trading decision and the booking are simultaneous.

6. Nature

Nature of orders is not relevant for SFTs, as indicated in our Best Execution policy.

B. Description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders

Since Securities Services is the sole execution venue, chosen by the clients subject to Best Execution policy, there is no relevance of Conflict of Interest in the choice of the execution venue.

C. Description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received



As per above description, the specific arrangements with clients in Principal Lending programme are operated out of the Best Execution policy.

D. Explanation of the factors that led to a change in the list of execution venues listed in the firm's execution policy, if such a change occurred

No change occurred in the list of execution venue listed in our Best Execution policy.

E. Explanation of how order execution differs according to client categorisation, where the firm treats categories of clients differently and where it may affect the order execution arrangements

Only professional clients are concerned by the RTS28. Securities Services notified its professional clients on their categorisation before January the 1st 2018. After that date, for any new client, the on-boarding process includes the client MiFID II categorisation requirement.

Eligible counterparties are out-of-scope of the Best Execution policy.

In line with the regulation, Securities Services treats all their customers fairly. As a result, the order execution process and best execution monitoring are the same for all our clients.

F. Explanation of whether other criteria were given precedence over immediate price and cost when executing retail client orders

Securities Services do not trade SFTs with retail clients. This section is not applicable to Securities Services.