

## 2022 RTS 28 Report - Summary of the analysis

## [Securities Lending on behalf of clients]

The purpose of this document is to provide details on our way to execute transactions in 2021, in the best interest of our clients.

Securities Services' agency lending programme entitles it to act as agent on behalf of its lending clients (principals to the transaction), in order to generate revenues for those clients by lending their securities upon agreed terms with approved counterparties (each a "Loan").

The principal to the transaction will be referred to as "the client". The borrowers will be referred to as "the counterparty". Securities Services acting as agent lender is also referred to as "the Agent".

MiFID II defines "execution of orders on behalf of clients" as an investment service, which consequently qualifies the execution of agency securities lending SFTs ("Securities Financing Transactions") as such.

The list of execution venues used by Securities Services comprises:

- Counterparties to the Loans (liquidity providers) as approved by each principal participant in the agency lending programme
- Equilend / Bondlend, (a Multilateral Trading Facility).

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

Our service is offered through two arrangements:

**Discretionary lending**

- Discretionary lending is based on the availability of the security at the time the request to borrow the security is made to the Agent by the counterparty.
- Loan requests can be submitted directly to the counterparty or via the Equilend / Bondlend trading platform which matches lenders' and borrowers' supply and demand.
- Where the security is available from one or more clients, and the counterparty approved by these clients request this security, Securities Services ensures clients have an equal and fair opportunity to participate to a loan transaction. Securities Services employs a fair allocation algorithm which is embedded in its trading system

**Specific arrangements**

Exclusive clients: The terms of the exclusive mandate require Securities Services to run an auction process on the lendable portfolio, on behalf of the client.

Securities Services will provide the details of the auction to all counterparties selected by the client, taking into account the restrictions, buffers, collateral and other parameters.

Securities Services will manage the auction process as agent on behalf of the client, collating the counterparties' bids including revenue guarantee, conditions and duration of the exclusive mandate and present the results to the client, who will select the successful counterparty.

The loans borrowed by the counterparty under the terms of the exclusive arrangement are out of scope of best execution as the auction process itself acts as a proxy for best execution.



## **ANALYSIS REPORT**

### **A. Explanation of the relative importance the firm gave to the execution factors of prices, costs, speed, likelihood of execution, reliability of the counterparty and nature**

#### **1. Implied reliability of the counterparty**

Securities Services traders have knowledge of counterparties who will keep the position on loan for longer periods as this is also directly linked to revenue generation, or towards counterparties who can maintain stable balances throughout the year.

We have a high vigilance on our choice of counterparties, and follow solid procedures to enter into a relationship with counterparty involving Credit Risk, Compliance and Legal departments.

#### **2. Likelihood of execution & settlement**

Counterparties who frequently fail to settle new loans, or to return recalled securities in a timely manner are less likely to be selected for the loan. Hence, we have a close monitoring of each counterparties fail rate including a range of indicators, overseen by monthly governance.

#### **3. 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, client election of cash or stocks etc.), it necessarily deviates slightly from the benchmark.

#### **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**

There are no changes in the conflicts of interest already identified in our Best Execution policy (please refer to Securities Services Best Execution policy Annex dedicated to Agency Lending). We remain in line with our Group overall Conflict of Interest policy.



**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 Agency 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 MIFID2 categorisation requirement.

Retail clients and 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.