

2022 RTS 28 Report - Summary of the analysis

[Securities Lending & Borrowing on own account]

INTRODUCTION

BNP Paribas 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 2021, also called Principal Lending (whether those SFTs are lending and borrowing transactions or repos). BNP Paribas 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 BNP Paribas 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 BNP Paribas is facing an eligible counterparty, it does not owe this entity Best execution obligations.

Opportunity clients & exclusive clients (with no guaranteed fee)

- BNP Paribas has determined that some professional clients either fully or partly rely on BNP Paribas: 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 BNP Paribas 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 BNP Paribas 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: BNP Paribas 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 BNP Paribas 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. BNP Paribas highlights that not all requests can be fulfilled due to security availability and in some instances timing of requests. The BNP Paribas lending desk provides the fail coverage program on a reasonable efforts basis. Considering the above elements, BNP Paribas 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 BNP Paribas initiative. The need to trade coming from BNP Paribas, all necessary efforts are made to ensure the proper execution of the transaction.

2. General Prices

Before responding with a price, BNP Paribas 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 BNP Paribas' 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 BNP Paribas to the client.

5. Speed of execution

BNP Paribas does not respond to Requests For Quotes (« RFQs ») on clients subject to Best Execution. Transactions are executed on BNP Paribas 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 BNP Paribas Best Execution policy Annex dedicated to Principal Lending). We remain in line with our Group overall Conflict of Interest policy.



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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. BNP Paribas 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, BNP Paribas 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 as a business line does not trade SFTs with retail clients. This section is not applicable to Securities Services business line.