BNP Paribas CIB

Execution and Selection Policy
Asset Class Specific Appendices
Agency Lending

BNP PARIBAS CIB GLOBAL MARKETS AND SECURITIES SERVICES
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1. Agency securities financing transactions execution policy

1.1 Introduction

This policy is intended to provide clients with information on the order handling and execution arrangements that the Securities Services activity of BNP Paribas (**"Securities Services"**, **"we"** or **"us"**) has put in place to carry out Securities Financing Transactions[1] (referred hereafter as **"SFTs"** or **"Loans"**) in its capacity as agent lender (hereafter "Agency Securities lending"), as required by MiFID II directive[2] and its implementing measures

1.1.1 Agency lending programme

Securities Services' agency lending programme ("**AGL**") 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.

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 as such.

AGL is only intended to clients classified as professional clients or eligible counterparties. However, this best execution policy only applies to professional clients.

1.1.2. Financial instruments to which this policy applies

This policy refers to those SFTs carried out by Securities Services as part of is agency lending programme only.

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

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[1] As defined under 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) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive

[4] 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

1.1.3. Execution venues currently used

The list of execution venues used by the Agency Securities Lending of Securities Services activity is indicated in section 4.B and comprises:

- Counterparties to the Loans (liquidity providers as defined in RTS 27[3]) as approved by each principal participant in the agency lending programme
- Equilend and Bondlend, Wematch and GLMX (Multilateral Trading Facilities).

1.2. Agency securities lending execution framework

The approach to the execution policy for each Loan will depend upon the strategy driving the requirement for the relevant Loan as described in B.1 below.

1.2.1. 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, Wematch or GLMX trading venues which match lenders' and borrowers' supply and demand.

Loans are over the counter (OTC) in nature for which liquidity and transparency is limited. Agency Securities lending therefore uses both internal and external sources of data (as available) to ensure its transactions fees are in line with the market conditions. External sources of data include Bloomberg, Markit, Datalend and the bid offer spreads quoted between market participants.

The best commercial arrangement may not only lie with the highest fee offered by the counterparty but also with a combination of other factors as set out below in the section 3 below. Agency Securities Lending will therefore monitor the quality of execution of the Loan based on those various factors.

The use of a fair allocation algorithm to the lending activity

Where the security is available from one or more clients, and the counterparty requesting this security approved by these clients, Agency Securities lending ensures clients have an equal and fair opportunity to participate to a loan transaction. Agency Securities Lending employs a fair allocation algorithm which is embedded in its trading system.

The algorithm identifies the allocation of each Loan between client and counterparty based on a negative scoring system. Each time client's securities are available to lend but are not allocated to the counterparty, the client will receive a negative score. The lower the score the higher in the allocation queue the client reaches. The fair allocation algorithm is monitored on a monthly basis by Securities Services' dedicated product control team which is independent from the front office trading function.

2. Management of conflicts of interest

Conflicts of interest may arise when Securities Services, in its capacity as agent, enters into a transaction on behalf of the client with its own principal lending desk or with another BNP Paribas group entity as counterparty (together "**BNPP**"). The selection of BNPP as a counterparty is carried out in accordance with the Conflict-of-Interest Policy.

Borrowing requests received from counterparties are analysed and executed wherever possible in a timely manner. Counterparty requests are addressed on a time priority basis irrespective of which counterparty has sent the request. This is designed to ensure that such requests from entities within the BNPP group will not be prioritised over those of external (i.e. non BNPP) counterparties.

3. Execution factors

3.1. General principle

The execution factors linked to requests for the same security made by different counterparties will take into account:

- **Fee offered** (defined in MiFID II as "**Price**"): in most cases this is the defining factor as it is directly linked to revenue generation and therefore the higher the fee offered the more likely the Agent will select that counterparty.
- **Implied reliability of the counterparty**: 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.
- **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. Inefficiencies are not only costly from a missed opportunity point of view but may present a reputational issue for the client.

The following the factors listed in MiFID II are not relevant for the agency lending programme:

- **Speed of execution**: Agency Securities lending does not get clients orders, rather locates from counterparties. Agency Securities lending endeavours to reply as soon as feasible to the counterparties locates, in order to maximise the chance of lending our clients securities. However, the speed of response does not mean the loan will be concluded.
- **Costs**: There are no additional costs to the transaction that the fee the client agrees with Agency Securities lending when signing its service agreement.
- **Nature of the transaction**: Agency Securities Lending only treats RFQs, hence the nature of orders has no impact on its execution framework.

Due to internal compliance and risk guidelines, Agency Securities Lending may choose not to proceed with some transactions. In case Agency Securities lending is offering indemnification for instance, internal due diligence processes are applied and would complement or be added

to clients' requirements. Agency Securities Lending may be subject to trading restrictions refraining its capacities to execute orders on behalf of clients.

Where there are specific instructions from a client, covering each and every aspect of an order, Agency Securities lending will execute the order in accordance with the instructions. These specific instructions can limit the application of the Execution Policy and any discretion from Agency Securities lending with respect to the elements of the order that are impacted by the instructions.

Nevertheless, when a specific instruction covers only partial aspects of the order, or only one aspect of it, the Execution Policy remains applicable to the aspects of the order not covered by the specific instruction.

3.2. SFT strategies and relevant execution factors

Below is a list of core SFT strategies which may drive the appropriate approach to best execution:

General collateral

Where the counterparty wishes to borrow a predefined basket of securities with the objective of using those securities as collateral purposes other than to cover a short position, the form of collateral will play a greater role in the economic driver for the loan.

In such case Agency Securities Lending will consider the following execution factors to determine the appropriate fee for the Loan.

1. Collateral acceptability and flexibility of the client (the more flexible the approved collateral the more likely the loan will be made);
2. The value of loan (defined in MiFID II as "size of the transaction"); and
3. Relative stability of the clients' portfolio for the purposes of lending general collateral: the more stable the portfolio the more attractive the assets are to the borrower
4. The request of the borrower. As credit is extended in the form of margin the borrower may have a credit limit consideration

Collateral upgrade

This strategy occurs where the counterparty is looking to borrow a basket of assets and provide securities as collateral that have a higher financing cost to the counterparty. Typically, this activity is driven by the counterparty's regulatory needs to hold assets on its balance sheet for a period of not less than 30 business days in order to improve its regulatory ratios (i.e. liquidity coverage ratio).

The wide range of collateral provided by the counterparty is not included in market data gathering sources.

In such instances, the following factors are considered in order to obtain the best possible outcome for the client and include the following:

1. Quality of the assets lent;
2. Collateral approved by the client;
3. Term of the Loan;
4. Jurisdiction of the client. A non-nettable country of residence will be less attractive to the borrower;
5. Relative stability of the portfolio/asset; and
6. Value of loan (defined in MiFID II as "size of the transaction").

Short coverage, specials and other strategies

Where a counterparty wishes to borrow a particular security to either cover a short position, for example as a hedge for another trading strategy, or to deliver into a futures expiry, Agency Securities Lending will refer to Market Data Providers (ex: Markit, Datalend) to analyse the recent history of the securities in question in terms of utilisation and historical fees as a factor in setting the fee for the Loan.

Execution factors taken into consideration to obtain the best possible outcome for the client include:

1. Liquidity of the security, lendable size, utilisation rate and the market demand;
2. The Agent's market share in terms of requested security; and/or
3. Value of the loan (or "size of the transaction").

4 Execution venues

4.1. Execution venues policies

This document is the best execution policy provided by Securities Services as an agent lender. This document does not take into account the individual execution policies of the various execution venues used and listed in section 4.B. below.

4.2. Execution venues list

Agency Securities Lending presently executes SFTs through EquiLend, BondLend, Wematch, and GLMX—the latter two venues having been validated in 2026. The list of approved execution platforms will continue to evolve in line with the changing requirements of our clients and borrowers. Whenever a new venue is added, the list will be refreshed as part of the annual policy review.

5 Controls

A control framework is in place to ensure on an ongoing basis the respect of the above Policy and Group procedures. The results of the controls are reviewed through proper governance and committees in place within the Securities Services Market Financial Service Business of BNP Paribas. A post-trade analysis, using an external data provider, is performed to make sure the pricing offered by the activity is in line with the execution policy and market levels.