

BNP Paribas Securities Services

Exhibit 1a - Securities Lending &
Borrowing



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Securities Lending & Borrowing

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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 SFTR (REGULATION (EU) 2015/2365 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012) 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 (shares or cash) in return for a fee. BNP Paribas Securities Services (“**Securities Services**”) operates: in stock lending transactions (on its own account or on behalf of its lending clients) as well as in repo transactions and buy-sell back (or sell-buy back).

A.1.2 Securities lending and borrowing

As per MiFID II Directive (2014/65/EU) – 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

Commission Delegated Regulation (EU) 2017/575 of 8 June 2016 supplementing the MiFID II Directive on markets in financial instruments with regard to RTS concerning the data to be published by execution venues on the quality of execution of transactions 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 / Bondlend is an **Multilateral Trading Facility (“MTF”)** for SFTs, and is therefore an execution venue. This trading facility includes the participation of Securities Services and other execution venues. However clients eligible to best execution usually do not use such platform.



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

A.2 Best Execution obligation

Further to MiFID I, MiFID II Directive (2014/65/EU) (“**MiFID2**”) and the Markets in Financial Instruments Regulation (Regulation 600/2014) (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 counterparty). It aims to respond the above requirement of investor protection and transparency.

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 also 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 stock 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.

As indicated on the “Legitimate reliance” section of the BP2S general execution policy document, a four-fold test is conducted by Securities Services to determine if the client is relying on Securities Services. If this test concludes the client does, then Securities Services owes the Best execution.

Taking the above into account, we have 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).

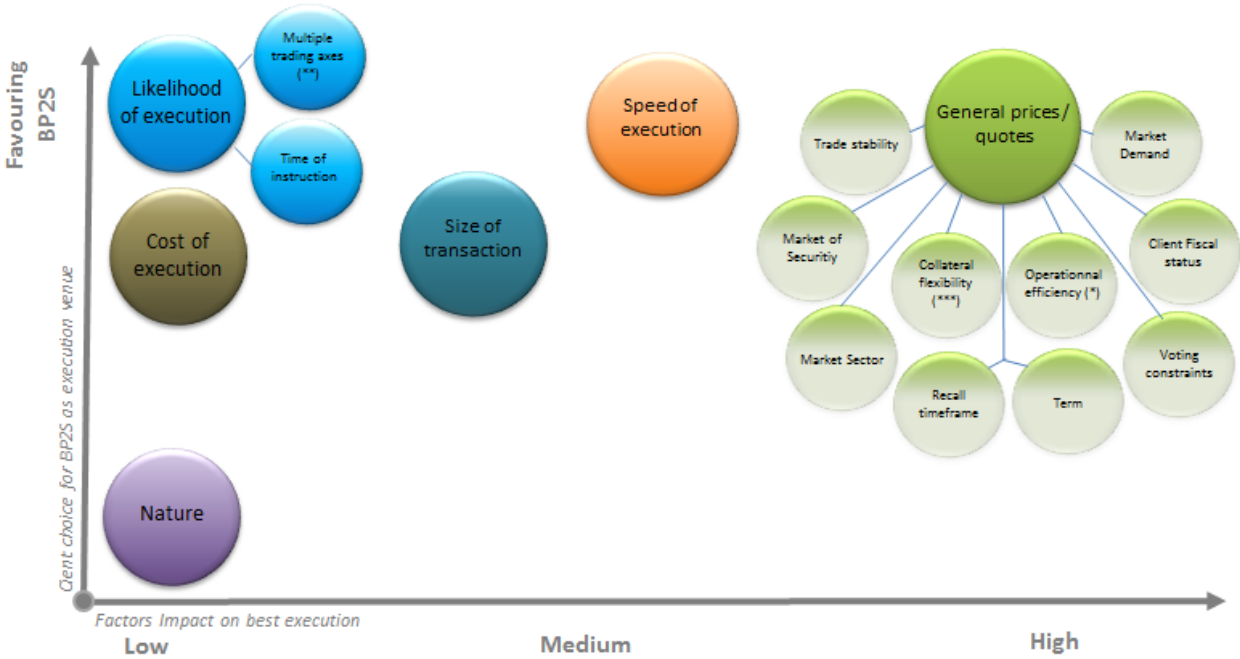
Our clients in the above states cases are usually using BP2S as an execution venue for opportunity requests (the client requests to place an order by calling the desk when he needs to) or by granting the exclusivity of their portfolio without any auction to take place (i.e. the client chooses to grant exclusivity on its portfolio, but does not gather other counterparties bids).

B.1.2 Execution

The factors that Securities Services considers to provide the best execution on its client’s orders include:



The above chart shows the weighting of execution factors considered by Securities Services when placing an order (x axe) 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 axe).



(*) Identification of client recalls, Corporate Actions management ...
 (**) BP2S is custodian of numerous broker dealers, hence the Securities Lending & borrowing desk has strong connection to them (without any conflict of interest) & offers a high utilisation rate
 (***) High variety of collateral available

Likelihood of execution

Securities Services assumes that client's main driver in executing a trade with us is the availability of the securities he is looking for. Our broad inventory and our capacity to borrow from a wide range of actors is in our view the reason why our 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 the size of the transaction is positively reflected in the price of this transactions, thus maximising the client's interest.

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, 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. However in some cases, the market data gathering might not be available. Hence, 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, 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.

B.2.2 Fail Coverage clients

Even though Securities Services does not owe Best execution to its exclusive clients, we are committed to providing this service for local custody clients. Fees are based on the short duration of trades, high turnover, limited time for settlement and relatively small sizes required.

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

- Market price observed by the market place
- Maturity of the deal
- Quality of Collateral to provide as a guarantee
- Counterparty risk rating

Such orders are initiated by the account managers in the local custody network of Securities Services, sending requests to borrow securities through the trading system.

Given the nature of the fail coverage programme, in that it is designed to provide local custody clients with the ability to request stocks just prior to market cut-offs. Securities Services highlights that not all requests can be fulfilled due to stock 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.

2. Management of conflicts of interest

A. Order Priority

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

B. Securities Services as agent lender and execution venue

There are 2 independent desks for agency lending and principal lending, and 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

