

# BNP PARIBAS CIB

# ALLOCATION POLICY



**BNP PARIBAS**

The bank  
for a changing  
world

## Table of contents

<b>1</b>	<b>Objectives</b> .....	<b>3</b>
1.1.	Principles .....	3
<b>2</b>	<b>Equity and Equity Linked Securities Allocations</b> .....	<b>5</b>
2.1	The Bookbuilding Process .....	5
2.2	Eligibility .....	5
2.3	Book Coverage Updates .....	5
2.4	Allocation Objectives.....	6
2.5	Allocation Criteria.....	6
2.5.1	Permitted Criteria .....	6
2.5.2	Prohibited Criteria.....	6
2.6	Allocation Process .....	7
2.7	Allocation to Swap Accounts.....	7
2.8	Allocation to BNPP Paribas Entities.....	8
2.8.1	Allocations to Internal Accounts .....	8
2.8.2	Allocations to Related Accounts .....	8
2.9	Sign off by the Issuer .....	8
<b>3</b>	<b>Bond Allocations</b> .....	<b>9</b>
3.1	Choice of Investors for Market Sounding .....	9
3.2	Allocation of Roadshow Meetings .....	9
3.3	Distribution Strategy.....	10
3.4	The Bookbuilding Process .....	10
3.5	Allocation Criteria.....	11
3.5.1	Permitted Criteria .....	11
3.5.2	Prohibited Criteria.....	12
3.6	Book Coverage Updates.....	12
3.7	Allocations to BNP Paribas Entities .....	13
3.7.1	Allocations to Internal Accounts .....	13
3.7.2	Allocations to Related Accounts .....	13
3.8	Eligibility.....	13
3.9	Sign Off by the Issuer .....	13
<b>4</b>	<b>Disclaimer</b> .....	<b>14</b>



## 1 Objectives

This Policy has been drafted to provide guidance on the process for developing allocation recommendations to issuer clients for the purposes of placing financial instruments in accordance with applicable rules and regulations.

The Policy governs all offerings and placements of debt, equity, and equity-linked securities undertaken in accordance with the Bookbuilding or Syndication method which includes Bought and Retention deals and also includes both primary and secondary market offerings and is applicable to all employees involved in such transactions. This Policy does not apply when the Firm is acting as a Passive Bookrunner or Co-Lead manager and therefore not involved in the allocation process.

BNP Paribas has an obligation to satisfy the following conditions throughout the transaction:

- Ensure that indications of interest received on behalf of clients/investors are promptly and accurately recorded
- All investor allocations should be granted in a fair and justifiable manner
- Investors are allocated slots for Investor Meetings and Lender Presentations in a fair and justifiable manner
- Due consideration is given as to which investors to Market Sound, when necessary.
- An orderly after-market in the offered security is maintained
- Management of conflicts of interest
- There must be sufficient controls in place to prevent the unauthorised flow of MNPI
- For offerings where the Firm is sole bookrunner the client must be fully on boarded, categorised with complete KYC checks in place before the order is taken

### 1.1. Principles

The Bookbuilding and Allocation process must be conducted on the basis of objective criteria in the interests of fairness and transparency. In the context of a securities offering, a firm owes duties to all its clients including the issuer and potential investors. Consultation with the issuer should be made with a view to ascertaining their requirements, objectives or preferences with respect to distribution and allocation including preferences for type of client.

BNP Paribas is required to manage conflicts of interest that may arise in such a way to ensure that clients are treated fairly and that the Firm is conducting business with integrity and according to proper standards of market conduct, taking into account the different interests of the issuer and investor.

BNP Paribas must also pay due consideration when deciding which investors to involve in Investor Meetings, especially where access is limited, and which investors should be involved in a Market Sounding.

BNP Paribas should ultimately consider the benefit of our recommendations to the Issuer, and keep the Issuer involved in the process.

However it is noted that depending on Local rules and market practices, there may be instances where Issuers are not permitted to view or be part of the bookbuilding process e.g Japan, Switzerland. In these instances, BNP Paribas will always act in the Issuer's best interest. In the event of a public offer in certain jurisdictions (e.g. Belgium) which are oversubscribed, the Firm shall apply an allocation method based on a system of proportional retention of the orders made by investors and ensure that the potential investors are properly informed on the allocation method used.

For Pot transactions, a Syndicate manager may not discriminate against certain orders solely for the purpose of increasing the Firm's own compensation. In particular, a Syndicate manager may not seek to maximise fees by favoring orders submitted to BNP Paribas rather than to other Bookrunners. In certain jurisdictions (e.g. APAC, Belgian public offers), a transaction may consist of a combination of retention and pot style distribution. In these instances, BNPP are able to prioritize the retention order, however, this will be subject to issuer consent.

For bought, backstopped or any other "hard" underwriting transactions for which BNP Paribas bears risk on pricing before allocations are complete, BNP Paribas will need to take into account its own prudential responsibilities to manage such risk properly. This means that BNP Paribas reserves the right to make allocations at our sole discretion on and from the point that BNP Paribas is at risk.

Syndicate managers should take care to ensure that these principles are adhered to at all time



## 2 Equity and Equity Linked Securities Allocations

### 2.1 The Bookbuilding Process

Apart from Rights Issues, the Bookbuilding process is the most frequently used technique for placing Equity and Equity Linked Securities. This includes Initial Public Offerings (IPO), Accelerated Bookbuildings (ABB's), Block Trades as well as Equity Linked Offerings such as convertible bonds, exchangeable bonds and mandatory convertibles.

The Bookbuilding process refers to the solicitation, collection and collation of investor demand by the Bookrunners. The Book will be kept confidential by the Bookrunners and the Issuer or selling shareholder, and will be open for a specific period of time varying on the type of offering.

Where an investor commits to place a substantial IOI prior to the announcement of the transaction, in compliance with applicable laws and internal processes, then such an IOI may need to be disclosed to the market.

### 2.2 Eligibility

When BNP Paribas is sole lead manager, then the investor must be fully on-boarded with satisfactory completion of KYC checks before an IOI can be taken. Where BNP Paribas has a joint mandate, it is the responsibility of the institution taking the IOI to ensure the investor has been on-boarded and has completed the KYC checks. BNP Paribas cannot deliver securities to an investor that it itself has not on-boarded. In these instances, the IOI will either be cancelled or settled with the bookrunner that brought in the IOI.

The sales person responsible for taking and recording a client's IOI is fully responsible for ensuring that they are on-boarded, have valid KYC and are eligible for the offering for which they are requesting an allocation pursuant to regulatory requirements and any selling restrictions.

### 2.3 Book Coverage Updates

During the Bookbuilding process, the Bookrunners may organise regular update calls with the Issuer or the selling shareholder to keep them informed about the status of the Book.

All communications made internally and externally regarding the status of the Book must be fair, clear, not misleading and only be made if appropriate to do so. For the avoidance of doubt, any information provided to public-side sales and trading staff regarding the status of the Book must be consistent with the information that has already been made public.

## 2.4 Allocation Objectives

The general objective of any allocation process is to:

- Establish a solid and diversified investor base in a fair and transparent manner
- Create an appropriate mix of investors with long-term investors as well as ensuring positive aftermarket performance and liquidity
- Optimise pricing for the Issuer and investor
- Manage conflicts of interest

## 2.5 Allocation Criteria

The decision making process regarding whether an investor gets allocated any of the securities or how much they get allocated may depend on a number of criteria.

### 2.5.1 Permitted Criteria

The below non-exhaustive list is considered to be appropriate criteria for a Syndicate Manager to consider when recommending allocations:

- Issuer preferences with regards to investor profile or geographic location
- Investor's relationship with the Issuer / shareholder
- Perceived intentions of investor as a long term holder including indications from past conduct
- Type and Geography of Investor
- Size or amount committed relative to assets under management
- Investor's participation through the process, including in market sounding, if conducted and quality and accuracy of feedback
- Investors' participation in a tender offer exercise linked to the new issue, to the extent permitted under local laws and regulation
- Previous participation in ECM offerings
- Other holdings in the sector

Whilst the Syndicate can make a recommendation based on the criteria above, the Issuer has to provide its agreement to any proposed allocation per type of client for the transaction in accordance with this Policy.

### 2.5.2 Prohibited Criteria

The following practices and criteria are not permitted:



- Requiring investor clients to purchase additional securities in the after-market as a condition of being allocated securities in an offering or basing an allocation based on an investor's pledge to participate in the after-market
- Other "quid pro quo" arrangements under which the allocation of securities to an investor is made conditional on or tied to the client's agreement to (a) pay excessive commissions in the offered security or on after-market dealings in the offered securities or (b) use other services provided by BNPP
- "Spinning" arrangements under which BNPP uses an allocation as an inducement to the recipient to procure other business or as a reward for past business to BNPP
- Basing allocation decisions on the level of client contributions or commission generated by the investor

## 2.6 Allocation Process

BNP Paribas' role and involvement in the allocation process depends primarily on the position of BNP Paribas within the syndicate. When BNP Paribas acts as a sole or joint Global Co-ordinator, sole or joint Bookrunner (i.e. active role) or Left-Lead bookrunner then BNP Paribas will be fully involved in the allocation process unless otherwise specified. When BNP Paribas is acting as a Passive Bookrunner, Co-Lead Manager or as a Co-Manager then BNP Paribas does not have access to the order book and is not involved in the allocation process.

The general principle driving any allocation process is to ensure that allocations are fair, and do not result in the Syndicates' interest being placed ahead of the Issuer or investor's.

Once the Book is closed, the active Firms within the Syndicate of Banks will perform a review of the Book to ensure that details are accurately recorded and remove any duplicates of orders. The Syndicate will then prepare an allocations recommendation based on the permitted criteria and present that to the Issuer or Selling Shareholder. BNP Paribas is explicitly not permitted to take into account any of the prohibited criteria when presenting the allocation recommendation. Individuals in sales and trading who are responsible for providing services to investors will not be involved directly in decisions about allocations.

For bought, backstopped, firm commitment or any other "hard" underwriting transactions for which BNP Paribas bears risk on pricing before allocations are complete, BNP Paribas will need to take into account its own prudential responsibilities to manage such risk properly. This means that BNP Paribas reserves the right to make allocations at its sole discretion on and from the point that BNP Paribas is at risk.

## 2.7 Allocation to Swap Accounts

In some jurisdictions, BNP Paribas does not accept allocation requests "on swap".<sup>1</sup> This is when the client would like to receive their allocation as synthetic exposure, and BNP Paribas takes delivery of the allocation as a hedge to the swap.

<sup>1</sup> In APAC, allocations to swap accounts are permissible if permitted by local regulations. Check with Legal or Compliance if unsure.

## 2.8 Allocation to BNPP Paribas Entities

### 2.8.1 Allocations to Internal Accounts

Internal accounts are any accounts within the Primary or Secondary businesses of the Firm. In jurisdictions that allow allocations to internal accounts, such allocations may only be made for the sole purpose of improving the outcome of the transaction for the Issuer or at the Issuer's specific request. However, in such instances the regional head of syndicate should be notified and there should be a documented rationale for the allocation.

Any allocation or over-allotment for Stabilisation purposes should be in line with the local regulation or policy as relevant.

### 2.8.2 Allocations to Related Accounts

Related Accounts are accounts which are outside of the Firm but still within the BNP Paribas Group or an entity that BNP Paribas has an equity or financial interest in. Any allocations to Related Accounts must be:

- Justifiable in terms of specific allocation criteria agreed for the transaction
- Treated consistently with comparable third party investors.

## 2.9 Sign off by the Issuer<sup>2</sup>

Since the Issuer is the final arbiter of the Book in Best Efforts transactions, unless instructed otherwise, BNP Paribas must record the Issuer's sign off on the final allocation. If possible, this sign off should be in written format (email) and saved in the relevant deal folder by the Deal Team Captain. Alternatively the instruction can be received via telephone on a recorded line. In instances where BNPP is not responsible for seeking the Issuer's sign off on the final book, the syndicate manager will seek confirmation from the relevant bookrunner that the Issuer has signed off. If possible, this should be in written format (email)

However, it is noted that in certain jurisdictions, local regulations or market practice do not permit the Issuer to be involved. In these instances, Syndicate will always act in the Issuer's best interest.

---

<sup>2</sup> Only required for transactions that are subject to Directive 2014/65/EU (MiFID II)

## 3 Bond Allocations

### 3.1 Choice of Investors for Market Sounding

In the event that Market Sounding is to take place, it is considered normal course of business for Syndicate in conjunction with the Issuer<sup>3</sup> to choose which investors to approach for Market Sounding based on the following factors:

- Issuer request (both specific and general requests on which investors to include)
- Investors' eligibility to participate in the intended transaction
- Investors' existing holdings and engagement in previous offerings of the Issuer and/or sector.
- Investor's recent activity and previous willingness to engage in Market Sounding
- Previous feedback on Issuer and/or sector

Whilst the Syndicate can make a recommendation based on the criteria above, the issuer has to provide written approval<sup>4</sup> before Market Sounding can commence.

### 3.2 Allocation of Roadshow Meetings

For publically announced roadshows (deal related), investors are invited to attend the roadshow. In the event that the roadshow is oversubscribed, it is considered normal course of business for meeting slots to be allocated based on, in no particular order, the following factors:

- Issuer request (both specific and general requests on which investors to include)
- Investors' eligibility to participate in the intended transaction
- Investors' existing holdings and engagement in previous offerings of the Issuer and/or sector
- Potential interest in the transaction
- Previous feedback on Issuer and/or sector
- Previous willingness to provide feedback following roadshow meetings

When organising "A Series of Investor Meetings" or Credit Updates (i.e. non deal related roadshows) it is considered normal course of business for Syndicate / Sales to approach investors based on, in no particular order, the following factors:

- Issuer request (both specific and general requests on which investor's to include)
- Previous willingness to engage in Credit Updates
- Investors' existing holdings and engagement in previous offerings of the Issuer and/or sector.

---

<sup>3</sup> In Switzerland and Japan, the Issuer is not involved in this process.

<sup>4</sup> In Switzerland and Japan, oral approval on a recorded line is sufficient

- Previous feedback and interest in the Issuer and/or sector

BNP Paribas will always do its best to accommodate an investors' request/interest for a Roadshow Meeting. As well as 1-on-1s, group meetings and presentations are often organised to ensure that all interested investors are able to attend.

Whilst the Syndicate can make a recommendation based on the criteria above, the Issuer has the final say on the allocation of all roadshow slots.

### **3.3 Distribution Strategy**

Distribution to Eligible Counterparties and Professional Clients is undertaken via the sales force within the bank. Following the initial announcement of the offering, Syndicate will then distribute details of the offering via Bloomberg to the sales force – such offering targeting only Eligible Counterparties and Professional Client. This information is then forwarded to the Sales' investor contacts via Bloomberg message, Bloomberg chat, email or telephone. Sales will then take receipt of any orders via telephone, email or Bloomberg and input the order into the Syndicate bookbuilding system. In addition, some investors, being Eligible Counterparties and Professional Client, have access to the IPREO "Investor Access" system which allows them to directly receive details of the offering and place orders into the book. All channels for distribution of the Notes to eligible counterparties and professional clients are appropriate.

Distribution to Retail clients, in addition to Eligible Counterparties and Professional clients, is done via the sales force within the bank covering the retail & private banks. These retail & private banks have themselves the relation with the Retail clients. Syndicate distribute details of the offering via Bloomberg to the sales force – such offering targeting only Eligible Counterparties, Professional Clients and Retail Clients. This information is then forwarded to the Sales' investor contacts via Bloomberg message, Bloomberg chat, email or telephone. Sales will then take receipt of any orders via telephone, email or Bloomberg and input the order into the Syndicate bookbuilding system. In addition, some investors, being Eligible Counterparties Professional Client, retail & private banks, have access to the IPREO "Investor Access" system which allows them to directly receive details of the offering and place orders into the book. All channels for distribution of vanilla non-complex Notes to retail clients are appropriate. For complex structured products, the appropriate distribution channel is via advised sales only. BNP Paribas does not provide advice on investments.

### **3.4 The Bookbuilding Process**

The Bookbuilding process is the most frequently used method of placing bonds. Bookbuilding refers to the process of generating, capturing, and recording investors demand for new issues, in order to support efficient price discovery. Typically the issuer appoints one or more Bookrunners.

The Book is the collation of investor demand by the Bookrunners during the Bookbuilding process and is confidential to the issuer and the Bookrunners. Under the Bookbuilding procedure, the Bookrunners solicit indications of interest from institutional investors and orders are collated in the Order Book.

For the avoidance of doubt, Sales cannot input any subjective comments concerning the investor client against the order regarding the quality and/or importance of the account.

Once the Book has been closed, a Syndicate Manager will perform a review of the Book in order to ensure all relevant details are correctly recorded and the duplication of orders is avoided.

The Bookrunners / Syndicate managers may make a recommendation, based on factors described in section 3.5 but it can never be on the basis of commissions paid by institutions to the Firm or on the promise of an aftermarket order. The final arbiter of the Book is the issuer/borrower. Note, however, that the issuer/borrower may leave allocations to the discretion of the Bookrunner(s). In these instances, the Issuer should agree to this in writing.

However, it is noted that in certain jurisdictions, local regulations or market practice do not permit the Issuer to be involved. In these instances, Syndicate will always act in the Issuer's best interest.

Any allocation that may result in a conflict may not be made. Any concerns with respect to conflicts of interest must be escalated to Compliance promptly.

## **3.5 Allocation Criteria**

The decision making process regarding whether an investor gets allocated any of the securities or how much they get allocated may depend on a number of criteria and some criteria which are not permitted.

### **3.5.1 Permitted Criteria**

The below non-exhaustive list is considered to be appropriate criteria for a Syndicate Manager to consider when recommending allocations:

- The size of an investor's indication of interest (both absolutely and relative to the investor's portfolio or assets under management)
- Issuer requirements or preferences with respect to investor profile or geographical distribution
- Relationship with issuer, borrower or sponsor
- Perceived intentions of the investor as a long-term holder, including indications from past conduct
- Visibility on the nature of the end investor (e.g. for Private Bank order)
- Any relevant precedent set by way of previous experience with the investor
- Any conditions to commitment e.g. preferred tranches, currencies, minimum amount, structural requirements etc
- Speed of response and timeliness of the order
- Intra deal support and participation throughout the process (meetings with management, involvement in market sounding etc)
- Quality and accuracy of the feedback
- Other holdings in the sector

No one factor will be determinative and the absence of any of the identified considerations is not determinative in any particular circumstance. The criteria applied in one transaction may not be the same in another transaction.

Whilst the Syndicate can make a recommendation based on the criteria above, the Issuer has to provide its agreement to any proposed allocation per type of client for the transaction in accordance with this Policy.

### 3.5.2 Prohibited Criteria

The following practices and criteria are not permitted:

- Requiring investor clients to purchase additional securities in the after-market as a condition of being allocated securities in an offering or basing an allocation based on an investor's pledge to participate in the after-market
- Other "quid pro quo" arrangements under which the allocation of securities to an investor is made conditional on or tied to the client's agreement to (a) pay excessive commissions in the offered security or on after-market dealings in the offered securities or (b) use other services provided by BNPP
- "Spinning" arrangements under which BNPP uses an allocation as an inducement to the recipient to procure other business or as a reward for past business to BNPP
- Basing allocation decisions on the level of client contributions or commission generated by the investor

### 3.6 Book Coverage Updates

All communications internally and externally regarding the status of the Book must be fair, true, not misleading and should only be made if appropriate to do so. Any disclosure should be made public. As a matter of best practice, lead banks should agree a strategy on the frequency of book disclosure updates before books open. For the avoidance of doubt, any information provided to public-side Sales and Trading staff on Book size must be consistent with information provided externally.

In order to allow investors time to collate their demand for a transaction, it should be regarded as best practice not to make any significant changes to indicative issue terms, including pricing and expected range of issue size, nor publicize the order book size during the last 15 minutes of the book build. If a significant change to issue terms has to be made in the last 15 minutes, the clock should be reset and the book remain open for another 15 minutes after the change has been communicated to all relevant parties.

In the UK, ICMA guidelines state that orders placed by Bookrunners (Primary Syndicate or Secondary Trading), must be disclosed in or excluded from any Book size comments or statistics. Estimated indications of interest not based on firm orders, should also be disclosed or excluded.

## 3.7 Allocations to BNP Paribas Entities

### 3.7.1 Allocations to Internal Accounts

Internal accounts are any accounts within the Primary or Secondary businesses of the Firm. Allocations to internal accounts can only be made for the sole purpose of improving the outcome of the transaction for the Issuer or at the Issuer's specific request. However, in such instances the regional head of syndicate should be notified and there should be a documented rationale for the allocation.

Any allocation or over-allotment for Stabilisation purposes should be in line with the CIB London Branch FI Stabilisation Policy for UK transactions or any other local regulation or policy as relevant. In the UK any decision/intention to stabilise outside of the safe harbor, for example by overallocating securities in excess of 5%, should be discussed with UK Compliance Department at the earliest opportunity.

However it is noted that in certain jurisdictions local regulations or market practice do not permit the Issuer to be involved. In these instances, Syndicate will always act in the Issuer's best interest.

### 3.7.2 Allocations to Related Accounts

Related accounts are accounts which are outside of the Firm but still within the BNP Paribas Group or an entity that BNP Paribas has an equity or financial interest in. Any allocations to related accounts must be:

- Justifiable in terms of specific allocation criteria agreed for the transaction
- Treated consistently with comparable third party investors

## 3.8 Eligibility

Where BNP Paribas is sole lead manager then the relevant sales marketer must make sure that the client is fully onboarded with completed KYC checks in place before the order can be taken. Where BNP Paribas has a joint mandate, it is the responsibility of the institution taking the order to ensure the investor has been onboarded and has completed the KYC checks. BNP Paribas cannot deliver securities to an investor that it itself has not onboarded. In these instances, the order will either be cancelled or settled with the bookrunner that brought the order in.

The sales person responsible for taking and recording a client's order is fully responsible for ensuring that they are onboarded, have valid KYC and are eligible for the offering for which they are requesting an allocation for pursuant to regulatory requirements and any selling restrictions.

## 3.9 Sign Off by the Issuer

Since the Issuer is the final arbiter of the Book in Best Efforts transactions, unless instructed otherwise, BNP Paribas must record the Issuer's sign off on the final allocation. If possible, this sign off should be in written format (email) and saved in the relevant deal folder by the Deal Team Captain. Alternatively the

instruction can be received via telephone on a recorded line. In instances where BNPP is not responsible for seeking the Issuer's sign off on the final book, the syndicate manager will seek confirmation from the relevant bookrunner that the Borrower has signed off. If possible, this should be in written format (email). However, it is noted that in certain jurisdictions, local regulations or market practice do not permit the Issuer to be involved. In these instances, Syndicate will always act in the Issuer's best interest.

## 4 Disclaimer

This Policy is made available in accordance with our obligations under Directive 2014/65/EU ('MiFID II'). The information provided in this Policy: (i) is provided for information purposes only and BNP Paribas assumes no liability or duties, express or implied, as a result of providing you with this information (including but not limited to fiduciary duties); and (ii) is provided "as is" and may be updated from time to time at BNP Paribas's discretion, and BNP Paribas shall have no obligation to amend or update any information provided or to provide you with notice of any such amendments or updates. BNP Paribas does not give any express or implied warranty on the suitability of the Policy for any particular purpose. BNP Paribas does not make or provide any representation or warranty or condition of any kind, implied, express or statutory regarding the Policy, including, but not limited to information in the Policy.