

# **BNP Paribas Securities (Asia) Limited Order Handling and Execution Policy**

## **Listed Derivatives Instruments Appendix**

**BNP PARIBAS SECURITIES (ASIA) LIMITED**  
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**BNP PARIBAS**

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## 1. Products in scope

This policy is an Appendix to the overarching BNPP Securities (Asia) Limited Order Handling and Execution Policy (“**BNPP SEC ASIA Policy**”) and should be read in conjunction with that document. To the extent where they may be overlap, inconsistency or conflict between the BNPP SEC ASIA Policy and this Appendix in relation to Listed Derivatives Products, this Appendix shall prevail.

This Appendix provides further details with regard to the application of best execution in relation to the following financial products (the "**Listed Derivatives Products**"):

This Appendix covers the following financial products when executed on an agency basis.

- Government Bond Futures & Options
- STIR Futures & Options
- Equity Index Futures & Options
- Bonds Index Futures & Options
- Single Stock Futures & Options
- Energy Futures & Options
- Soft & Agricultural Futures & Options
- FX Futures & Options
- Precious Metals Futures & Options

With respect to the above Products, we provide the following services:

- Orders;
- Agency execution with discretion;
- Agency execution without discretion;
- Direct Electronic Access (DEA);
- Execution via algo execution tools

## 2. Application of Best Execution for products in scope of this Appendix

The application of best execution will depend upon the application of the four-fold test (as set out in Section 2.2 of the BNPP SEC ASIA Policy), and the nature of client order received and whether BNPP SEC ASIA has an element of discretion in the execution of the order. These factors will determine whether or not the client is placing legitimate reliance on BNPP SEC ASIA to protect their interests in the execution of orders. The types of orders received and the services provided by the Listed Derivatives Agency Desk are described below.

### 2.1 Client Orders with Discretion

#### 2.1.1 Order received by Voice or E-communication

Orders which are either verbally communicated by clients or received via e-communication messaging channels, will generally be treated as being subject to best execution. This would typically apply where BNPP SEC ASIA agrees to work an order on behalf of a client pursuant



to instructions such as stop less, open/close, at best, and target benchmark (for example VWAP).

## **2.2 Client Orders without Discretion**

Certain order types such as At Market or Limit Orders will be typically placed on the exchange venue as soon as received and will mean that BNPP SEC ASIA will not exercise any discretion over the execution of the order and as such best execution obligations will not generally apply. These orders will be executed in a timely manner.

### **2.2.1 Specific Instructions**

Where a client places an order with specific instructions that cover each and every aspect of an order, BNPP SEC ASIA, acting in accordance with these instructions, will not have any discretion over the execution of the transaction, including when or where to execute the order. As such BNPP SEC ASIA will not be deemed as acting on behalf of the client and best execution will not apply.

To the extent that a client places an order with specific instructions that only cover partial aspects of the order, best execution will be owed on the aspects of the order in respect of those elements not covered by the instructions, for instance where the order does not specify the venue on which the trade should be executed on and alternative execution venues exist, best execution would be owed in respect of BNPP SEC ASIA' choice of execution venue.

### **2.2.2 Direct Electronic Access (DEA) Orders**

There are two distinct types of DEA orders, Direct Market Access (DMA) and Sponsored Access. BNPP SEC ASIA provides clients with DMA access to various execution venues. For such activity, it is generally considered that best execution is not owed as clients are required to specify each and every aspect of the order and as such BNPP SEC ASIA will have no discretion over the execution of the order.

In the event that a system problem occurs that prevents client orders being executed via DMA, the client will be notified accordingly and the orders worked manually. In such cases, best execution would be owed on any aspect of the order that requires BNPP SEC ASIA to exercise discretion over the placement of the order.

Where Sponsored Access is provided, then best execution will not be owed. The reason being, that such orders are sent directly to the exchange without connecting to BNPP SEC ASIA systems.

### **2.2.3 Execution Algorithms**

BNPP SEC ASIA offers clients a suite of order working tools. BNPP SEC ASIA will provide clients using these order working tools, with clear instructions on their function, and how



they work. When using these tools, BNPP SEC ASIA considers that the client has provided BNPP SEC ASIA with a specific instruction on each and every aspect of the order. However, the execution algorithms are subject to review under the BNPP SEC ASIA Policy to monitor they work in line with expectations and to measure the effectiveness of execution.

### **Routing & Transmission of Orders**

For markets where BNPP SEC ASIA does not have access, we may rely on the use of third party brokers to access such markets.

The brokers selected are required to provide for best execution for orders sent to them in accordance with their own local best execution obligations and the execution performance of each broker is subject to monitoring and review to assess the quality of their execution.

A list of the main brokers and affiliates that BNPP SEC ASIA relies upon for routing and transmitting orders, are provided in Annex [I] of the BNPP SEC ASIA Policy.

### **Fixed Income Options (Block Trades)**

For Fixed Income Options, orders are often executed off venue. BNPP SEC ASIA will facilitate the execution of large size block trades, in markets where exchange order book liquidity is limited and to achieve the best bid-offer spread available from Market Makers. BNPP SEC ASIA will typically obtain multiple quotes from multiple Market Makers and will make a determination as to which Market Makers to approach based on past experience of the capacity and competitiveness of the Market Makers from relevant derivative contracts.

BNPP SEC ASIA monitors the performance of its panel of Market Makers and utilises the output of such monitoring in determining the on-going selection criteria.

### **Equity and Commodity Block trades**

A Block Trade is a bilaterally negotiated futures, options, or combination transaction that is permitted to be arranged and executed away from an execution venue but then post execution reported to and cleared on an execution venue. Typically the venue will stipulate a minimum size for a transaction to be eligible for block trade execution. The arrangement of such trades may be subject to best execution to the extent the client is placing reliance on BNPP SEC ASIA. However, the arrangement of such trades is performed by other BNPP SEC ASIA trading desks and the application of best execution in such circumstances are described in the relevant product appendices for those business units.



### 3. Execution Factors taken into consideration

When executing an order on behalf of a client, we will take sufficient steps to execute the order in a manner that is intended to achieve the best possible result for the client. BNPP SEC ASIA will take into account the following relevant Execution Factors in the order of priority listed below:

#### **i) Price**

Achieving the best possible execution price for the client will generally be of primary importance, taking into account the nature of the order received and any specific execution instructions provided.

#### **ii) Likelihood of Execution & Size**

This refers to the ability of BNPP SEC ASIA to execute your order in its entirety, or substantially fill the order. This will be most relevant in respect of large orders on less liquid markets.

#### **iii) Speed of Execution & Market Impact**

We will process your orders promptly and seek to have orders executed on a timely basis taking into due consideration the potential market impact of such orders and any specific execution instructions received. Where an order by nature of its size may have a negative market impact this may impact the speed at which the order is executed in order to preserve integrity.

#### **iv) Execution Costs**

The cost of execution and clearing is disclosed to clients in a fee schedule so will have limited impact on the execution of trades. To the extent that a derivative contract is listed on more than one execution venue and in the absence of any specific instruction from you, the associated execution costs will be considered as an additional execution factor.

#### **v) Other Relevant Considerations**

Whilst these factors will generally be applied in the order stipulated there may be circumstances where the priority will change due to the nature of the order or market at the time of order placement, such as:

- Where the client specifically requests that one execution factor takes priority over another
- Where market liquidity is limited but the client has indicated they are keen to for the order to be filled, speed of execution and size of order may take preference over price;
- Where the order is very large compared to market depth, other considerations such as market impact may take preference over factors such as speed of execution. Spreading the execution of a trade over a longer time period may help to achieve a better execution price for the client whilst maintaining an orderly market.



#### 4. Choice of Execution Venue

BNPP SEC ASIA will execute orders on a regulated market as instructed by the client. The list of the main execution venues used by BNPP SEC ASIA to execute client orders in an agency capacity and the main Market Makers used for Fixed Income options business is provided in Annex [I] of the BNPP SEC ASIA Policy. The list of venues used is subject to on-going review to assess whether such venues continue to provide for the best possible result for the client and also to assess the suitability of new execution venues.

When receiving orders BNPP SEC ASIA will usually expect to receive clear instructions from the client with, to the extent possible, all relevant execution parameters specified, such as, quantity, price, direction, underlying reference asset, contract type, contract maturity, venue and specific instructions such as timing (vwap, market, limit). Where there is a lack of precision on an element of the order, such as contracts listed on two different venues, BNPP SEC ASIA will seek to obtain clarification from the client. To the extent that clarification is not obtained in a timely basis, BNPP SEC ASIA may decide to use its discretion to determine the most appropriate execution strategy, such as choosing an execution venue based on the venue of greatest liquidity or from knowledge of clients previous stated preferences.

Additionally, for Fixed Income Options, BNPP SEC ASIA will select Market Makers by looking at factors such as reliability of quotes (presence in market and ability to meet quote size) as well as execution price.

#### 5. Monitoring

BNPP SEC ASIA will monitor the continued effectiveness of its execution arrangements in general and in accordance with this document. For orders in listed instruments, executed on behalf of clients on execution venues, post trade analysis will be conducted to evidence the effectiveness of BNPP SEC ASIA execution arrangements. This analysis will consider the result achieved for clients in accordance with various benchmarking tools.

The monitoring process is constructed to provide exception based reviews, to enable follow up review and analysis of trade execution processes, venue access and broker selection (for markets where BNPP SEC ASIA does not have direct trading access). The results of the analysis will be used to monitor the effectiveness of BNPP SEC ASIA execution arrangements and where necessary amend and enhance execution processes.

BNPP SEC ASIA may provide post trade execution reports to clients upon request.

Additionally, for Fixed Income Options, BNPP SEC ASIA will review the selection of Market Makers, looking at metrics such as reliability of quotes (presence in market and ability to meet quote size) as well as execution price. The results of such review will be used to determine the on-going selection of the panel of Market Makers used.



## 6. Execution & Clearing Fees

Commission levels charged for execution and clearing of transactions are subject to a fee schedule which are agreed with clients in advance of providing execution and clearing services.

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