

# **SUMMARY OF THE BNP PARIBAS CORPORATE AND INSTITUTIONAL BANK (CIB) ALLOCATION POLICY**



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# 1 Introduction

This Policy has been drafted to provide guidance on the process for developing allocation recommendations to issuers/borrowers/selling shareholders (hereafter referred to as the “Client”) for the purposes of placing financial instruments or loans (hereafter referred to as “Financial Products”) in accordance with the applicable rules and regulations. The Policy governs offerings and placements of all Financial Products in which BNP Paribas has an active role in developing allocation recommendations, and investor selection for Roadshows and Market Soundings arising from a Primary or Secondary Market offering.

## 2 Allocations

### 2.1 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 syndicated offering, a firm owes duties to its Clients and potential investors. Consultation with the Client should be made with a view to ascertaining their requirements, objectives or preferences with respect to distribution and allocation including preferences for type of investor.

Syndicate 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. Syndicate should ultimately consider the benefit of our recommendations to the Client, and keep the Client involved in the process.

However, it is noted that depending on local rules and market practices, there may be instances where Clients are not permitted to view or be part of the bookbuilding process e.g. Switzerland. In these instances, Syndicate will always act in the Client’s best interest and in accordance with local regulations as required. In the event of a public offer in certain jurisdictions (e.g. Belgium) which are oversubscribed, BNP Paribas 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.

BNP Paribas is required to make every effort to manage conflicts of interest that may arise in such a way to ensure that Clients and Investors are treated fairly and that BNP Paribas is conducting its business with integrity and according to proper standards of market conduct. Clients and Investors have different interests with respect to the pricing and allocation of the Financial Products being distributed. Whilst individuals from sales and trading who are responsible for providing services to Investors may be consulted with respect to decisions about allocations, the ultimate responsibility for determining the allocation recommendation rests with the Syndicate, provided that all allocations must not result in the Syndicate’s own interest being placed ahead of Investors’ or Client’s interests. Whilst the Syndicate will make a recommendation, the Client has the final decision on the allocations<sup>1</sup>.

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

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<sup>1</sup> When permitted to do so by local regulation.



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.

## 2.2 Choice of Investors for Market Sounding & Roadshow Meetings

In the event that Market Soundings or Roadshow Meetings take place, the following factors should be considered, as applicable<sup>2</sup>:

- Client's 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 Client and/or sector
- Investor's recent activity and previous willingness to engage in the process and provide feedback
- Previous feedback on the Client and/or sector

In consultation with the Client, BNP Paribas will always do its best to accommodate an investor 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

## 2.3 Distribution Strategy<sup>3</sup>

Distribution to eligible counterparties, professional and retail Investors is undertaken via the sales force, or the Syndicate Desk where appropriate, within the bank. Following the initial announcement of the offering, Syndicate will then distribute details of the offering via Bloomberg or email to the sales force – such offering targeting eligible counterparties, professional or retail Investors as appropriate. This information is then forwarded to the sales forces Investor contacts via Bloomberg message, Bloomberg chat, email or telephone. Distribution to retail clients is typically via retail and private banks. 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 have access to electronic bookbuilding systems, which allows them to directly receive details of the offering and place orders into the book. All channels for distribution are appropriate.

## 2.4 Allocation Criteria

The allocation process depends on a number of factors. See below for factors that are permitted or prohibited:

### 2.4.1 Permitted Criteria

Permitted factors include, but are not limited to:

<sup>2</sup> In Switzerland, the Client is not involved in this process.

<sup>3</sup> Only applicable to Mifid II transactions.



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- The size of an Investor's IOI (both absolutely and relative to the Investor's portfolio or assets under management)
- Client's requirements or preferences with respect to Investor profile or geographical distribution
- Investor's relationship with the Client
- Perceived intentions of the Investor as a long-term holder, including indications from past experience or behavior
- 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, price limits, 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 solely determinative and the absence of any of the identified considerations is not necessarily determinative in any particular circumstance. The criteria applied in one transaction may not necessarily be the same in another transaction.

## 2.4.2 Prohibited Criteria

The following practices and criteria are strictly prohibited from being taken into account when developing allocation recommendations:

- Requiring Investors to purchase additional securities in the aftermarket as a condition of being allocated securities in an offering or awarding an allocation based on an Investors pledge to participate in the aftermarket
- Other "quid pro quo" arrangements under which the allocation of securities to an Investor is made conditional on or tied to the Investor's agreement to (a) pay excessive commissions in the offered security or on aftermarket dealings in the offered securities or (b) use other services provided by BNP Paribas (see e.g. the Firm's anti-tying policy)
- "Spinning" arrangements under which BNP Paribas uses an allocation as an inducement to the recipient to procure other business or as a reward for past business to BNP Paribas
- Basing allocation decisions on the level of client contributions or commission generated by the Investor

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



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## 2.5 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 and not selectively. 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.

If prior to the announcement of the transaction, the Syndicate has received a substantial commitment from an Investor and the Client has agreed to fulfil that commitment, then that commitment may need to be disclosed to the market.

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 Bookbuilding. 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.

Any orders placed by Bookrunners (Primary Syndicate or Secondary Trading) must be disclosed in or excluded from any Book size comments or statistics. Estimated IOIs not based on firm orders should also be disclosed or excluded.

## 2.6 Allocations to BNP Paribas Entities

Syndicate may receive IOIs for a new issuance from a desk or entity related to BNP Paribas. These will be considered on a case-by-case basis, considering the below factors and be subject to enhanced approvals.

### 2.6.1 Allocations to BNPP Internal Accounts

Internal accounts are any accounts within the primary or secondary businesses within the Corporate and Institutional Bank (CIB) division of BNP Paribas. Allocations to internal accounts can only be made for the sole purpose of improving the outcome of the transaction for the Client or at the Client's specific request.

### 2.6.2 Allocations to BNPP Related Accounts

Related accounts are all other accounts related to BNP Paribas Group but not within its Corporate and Institutional Division (e.g. BNP Paribas Asset Management). When considering any potential allocations to related accounts, the Syndicate Desk will consider the below factors:

- The overall demand of the offering and whether such an allocation improves the outcome of the transaction for the Client
- Whether such an allocation is in accordance with the allocation criteria agreed with the Client
- Ensuring that the order is treated consistently with comparable third party Investors

### 3 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.



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