

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

BNP PARIBAS SECURITIES (ASIA) LIMITED
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Table of Contents

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| Table of Contents | 1 |
| 1. Introduction | 2 |
| 2. Scope of the Policy | 2 |
| 2.1 Order Handling | 2 |
| 2.2 Quotes or Negotiated Price | 3 |
| 2.3 Specific Instructions | 4 |
| 2.4 Restrictions | 4 |
| 3. Best Execution Considerations | 4 |
| 3.1 Execution Factors | 4 |
| 3.2 Execution Venues and Brokers Selection | 5 |
| 3.3 Crossings | 6 |
| 3.4 Execution Costs | 6 |
| 3.5 Inducement Arrangements | 7 |
| 3.6 Odd-lots | 7 |
| 4. Type of Execution | 7 |
| 4.1 Trader – Managed Execution | 7 |
| 4.2 Client-Driven Execution using BNPP platforms | 8 |
| 4.2.1 Direct Market Access (“DMA”) | 8 |
| 4.2.2 Algorithms | 8 |
| 5. Governance and Monitoring | 8 |
| 5.1 Best Execution Committee | 9 |
| 5.2 Monitoring and Controls | 9 |
| 5.3 Handling of Client Requests | 9 |
| 5.4 Policy Review | 9 |
| Annex I – List of Brokers and Execution venues | 10 |



1. Introduction

This document sets out the Order Handling and Best Execution Policy of BNP Paribas Securities (Asia) Limited (“**BNPP SEC ASIA**”, “**us**” or “**we**”) when handling transactions in Cash Equities and Listed Derivatives Instruments (“**this policy**”). In respect of Listed Derivatives Instruments, please refer to the Listed Derivatives Agency Execution Appendix for policy terms which apply to exclusively to such instruments.

BNPP SEC ASIA is expected under its regulatory framework to have in place arrangements, including controls, monitoring and management supervision, to endeavor to obtain the best available terms when executing client orders (such obligation referred to as our obligation of “**Best Execution**”). This policy has been designed to provide clients with information on the arrangements implemented by BNPP SEC ASIA to manage the execution of client orders as required by the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (“**Code of Conduct**”), to the extent applicable.

2. Scope of the Policy

This policy applies to BNPP SEC ASIA in respect of (i) agency or back-to-back principal transactions¹ with clients, and (ii) principal transactions with clients (other than those which are back-to-back in nature). This policy also applies when BNPP SEC ASIA transmits the client’s orders with other entities for execution by those entities (reception and transmission of orders).

This policy has been provided to help clients understanding the client order execution practice of BNPP SEC ASIA.

2.1 Order Handling

Where we receive an order from a client we will ensure that the order is executed promptly and is accurately recorded and allocated. In the event that we receive comparable orders from two or more clients, the orders will be executed promptly and sequentially unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the client require otherwise. Orders will not be considered as comparable if they are received via different execution channels (for example by voice versus DMA) or via two different trading desks within BNPP SEC ASIA or otherwise where it would not be practicable for them to be treated sequentially.

¹ Under paragraph 8.3 part A of the Code of Conduct, back-to-back transactions refer to those transactions where a licensed or registered person, after receiving –

(a) a purchase order from an investor, purchases an investment product from a third party and then sells the same investment product to the investor; or

(b) a sell order from an investor, purchases an investment product from the investor and then sells the same investment product to a third party,

and no market risk is taken by the licensed or registered person.

Where BNPP SEC ASIA has the responsibility to arrange the settlement of an executed order, we will take all reasonable steps to ensure that any client financial instruments or client funds received in settlement of that executed order are promptly and correctly delivered to the account of the relevant client.

Information in respect of executed or pending client orders will be treated as confidential and we will take all reasonable steps to ensure that information of any executed or pending orders will not be misused.

2.2 Quotes or Negotiated Price

When BNPP SEC ASIA trades as a principal (but not including those which are back-to-back principal transactions) and provides quotes or negotiated prices upon request (for example when arranging a crossing transaction), BNPP SEC ASIA will determine whether the client legitimately relies on BNPP SEC ASIA to protect its interests ("**Reliance Test**") to determine if Best Execution is offered. BNPP SEC ASIA will consider the complexity of the product, the transparency of the market and the sophistication of the client by taking into account the "four-fold test" illustrated in the Report on the Thematic Review of Best Execution issued by the Securities and Futures Commission ("**SFC**") on 30 January 2018.

The "four-fold test" will be applied as follows:

- Which party initiates the transaction - where a client initiates a transaction, this may indicate that the client is placing less reliance on BNPP SEC ASIA. For example, where we provide advice or a recommendation on a particular transaction it may indicate that a client is placing reliance on BNPP SEC ASIA. Where a client places an order with BNPP SEC ASIA on an unsolicited basis it may be an indicator that the client is not placing reliance upon BNPP SEC ASIA. From time to time we may communicate to client trade ideas, indicative prices as part of general business and general marketing materials but we do not consider this to be initiating transactions.
- Questions of market practice and the existence of a convention to 'shop around'- where there is an established market practice for clients to obtain multiple quotes and they have the ability to or indeed do "shop around" it may be less likely that they are placing legitimate reliance upon us.
- The relative levels of price transparency within a market - where clients have a similar level of transparency to BNPP SEC ASIA on market price and liquidity it may be an indicator that they are not placing legitimate reliance upon BNPP SEC ASIA. Where we have an enhanced level of market transparency it may be more likely that they are placing legitimate reliance upon BNPP SEC ASIA; and
- The information provided by BNPP SEC ASIA and any agreement reached – the extent to which any agreement between BNPP SEC ASIA and the client indicates that the client is placing reliance upon BNPP SEC ASIA will inform whether we decide the client is indeed placing legitimate reliance on BNPP SEC ASIA.



The factors referenced above are considered holistically on a case by case basis when assessing legitimate reliance.

Where applicable, BNPP SEC ASIA will check that the price quoted is fair by taking into account relevant market data and other factors where applicable.

2.3 Specific Instructions

Notwithstanding the above, where a client has placed an order with specific instructions, that covers each and every aspect of an order, BNPP SEC ASIA will have no discretion in respect of any aspect of the order and hence Best Execution will not apply.

To the extent that a client places an order with specific instructions that only covers partial aspects of the order, Best Execution will be owed in respect of the aspects of the order which were not covered by the instructions (for instance, where the order does not specify the venue on which the trade should be executed on).

Even where Best Execution obligation does not apply, BNPP SEC ASIA will act honestly, fairly and professionally in accordance with the client's best interests.

2.4 Restrictions

BNPP SEC ASIA is subject to internal trading and execution risk management restrictions as required under the SFC Code of Conduct and/or BNPP SEC ASIA's internal policies (e.g. trading limits and controls designed to prevent the sending of orders to markets which may interfere with the operation of a fair and orderly market, pose excessive financial risks, or be potentially erroneous). Execution of the orders may be affected if they reach the trading limits, and in certain cases, BNPP SEC ASIA may not be able to accept the order and will notify the client as soon as practical.

3. Best Execution Considerations

3.1 Execution Factors

Best execution is the obligation to obtain, when executing client orders, the best available terms for our clients. BNPP SEC ASIA will usually take into account the following relevant execution factors (the "Execution Factors"):

- Price
- Cost
- Speed of execution
- Likelihood of execution
- Speed of settlement



- Likelihood of settlement
- Size & nature of order
- Other relevant considerations

The relative importance of each factor and how it is treated may vary depending on the following:

- The characteristics of the clients' order and transaction
- The characteristics of the brokers and / or execution venues to which that order can be directed.

BNPP SEC ASIA has a degree of discretion on how and when to apply the different Execution Factors set out in Section 3.1 above; and this may result in a range of permissible approaches to executing clients' orders. While price is usually the most important factor, an order will comply with this policy even though it has not been executed at the best price (for instance, the execution venue cannot manage the orders placed or execution or settlement is considered unlikely). When undertaking a transaction where specific execution factors are specified by the clients, BNPP SEC ASIA shall endeavor to provide Best Execution on other aspects which are not over-ridden by the specific requirement set by the clients.

3.2 Execution Venues and Brokers Selection

BNPP SEC ASIA utilizes a number of regulated trading venues (e.g. stock exchanges) and external liquidity pools for trade execution.

A non-exhaustive list of the execution venues is set out in Annex I to this policy. BNPP SEC ASIA places orders on the execution venues which we believe can provide the best overall terms for the clients, while taking into account the Execution Factors mentioned above; either directly or, through the intermediation of a third-party broker with which BNPP SEC ASIA has an agreement to place orders intended for a particular regulated market.

Additional factors that BNPP SEC ASIA may consider when determining the most appropriate execution venue for a particular type of clients and their orders may include:

- the general prices available;
- the depth of liquidity and any trading restrictions which will constrain BNPP SEC ASIA's ability to execute orders (such as position or short selling limits);
- the relative volatility of the market;
- the speed of execution;
- the cost of execution; and
- the quality and cost of clearing and settlement.

Whilst these factors will generally be applied in the order stipulated above, 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.
- Where the execution venues that are not included in Annex I but it is deemed appropriate and favorable in achieving the best possible terms for the client.

All legal entities including BNPP SEC ASIA's affiliates that act as third party brokers for BNPP SEC ASIA will be required to go through proper selection and monitoring process in accordance with internal policy. The broker selection criteria may include:

- execution venue access;
- market connectivity;
- speed & cost of execution;
- operational capability;
- financial stability; and
- internal controls

3.3 Crossings

In general, crossings refer to the non-auto-matched trades that are pre-arranged and subsequently reported to the relevant exchange. Crossings offer advantages in terms of liquidity, reduced market impact and confidentiality.

When the client has granted us prior consent, BNPP SEC ASIA may execute all or part of the client's order outside a regulated trading venue (e.g. stock exchanges). In particular, where permitted by local market rules, BNPP SEC ASIA may execute crossing transactions by filling all or part of the client's order against:

- another client's trading interest
- a facilitation book of BNP SEC ASIA's affiliate

When consenting to a facilitation transaction with a guaranteed outcome, client allows for BNPP to act in mixed capacity of agency and principal in executing such guaranteed trade. To the extent that the client has agreed to a guaranteed outcome, Best execution will not apply.

3.4 Execution Costs

When executing orders on a client's behalf or when providing quotes in response to requests for quotations, BNPP SEC ASIA may charge a fee, commission or apply a mark-up or a spread to the



execution price. These additional charges will be made to cover the costs and risks associated with the transaction on a reasonable basis and subject to parameters agreed via BNPP SEC ASIA internal governance processes.

3.5 Inducement Arrangements

In executing client orders BNPP SEC ASIA does not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular execution venue which would infringe any conflicts of interest or inducement requirements, BNPP SEC ASIA does not participate in any payment for order flow arrangements.

3.6 Odd-lots

A transaction involving fractional shares or shares less than one unit (odd lot) will be either executed on the odd-lot board provided by the exchange (if available), placed with a designated odd-lot broker, or executed against a BNPP SEC ASIA principal account.

Clients may provide BNPP SEC ASIA with order-specific or standing instructions for the execution of Odd Lots. In case there is no order-specific or standing instructions received, BNPP SEC ASIA may decide to execute such odd lots with its designated odd-lot broker. When executing with the odd-lot broker or on the odd-lot board, please note that BNPP SEC ASIA may not necessarily discuss and agree on the price with client prior to the odd-lot trade, and that the execution price of such transaction will be worse than the prevailing market prices of the round lot execution venues. For example, the designated odd-lot brokers may accept odd-lot sell orders with 100bps discount versus the prevailing bid on the market.

4. Type of Execution

4.1 Trader – Managed Execution

4.1.1 Discretionary orders

Where BNPP SEC ASIA is acting on a client's behalf and the client has not specified an exchange or given specific instructions, BNPP SEC ASIA will apply discretion when determining the execution venue and the timing and order placement in the market, taking into consideration the Execution Factors outlined Section 3.1 above, with the aim of achieving Best Execution. Price will generally be the leading factor for most orders, however, for large orders, relevant factors such as certainty of execution, reduction of market impact and speed of execution might have greater importance.

4.1.2 Worked orders

When requested by clients, worked orders require the involvement of a trader to execute the order. BNPP SEC ASIA considers that Best Execution is owed in respect of such worked orders.



However, worked orders may involve highly prescriptive specific instructions from the client as to how it requires the trade to be executed. To the extent that a client places a worked 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.

4.1.3 Program trading

When BNPP SEC ASIA executes agency-program trade for clients, Best Execution is owed and BNPP SEC ASIA will endeavor to provide the best overall result in relation to the aggregate portfolio rather than in relation to individual transactions within the portfolio.

4.2 Client-Driven Execution using BNPP platforms

BNPP SEC ASIA gives clients the ability to select trade parameters and strategies by themselves for orders placed through its electronic trading platform. When trading through these platforms, BNPP SEC ASIA considers that the client has provided us with a specific instruction on each and every aspect of the order (please see below for the different types of market access). Such orders are overseen by BNPP SEC ASIA's Electronic Sales Trading team, who reserves the rights however to intervene on an order as and where required, such as when the original parameters could result in adverse market impact.

4.2.1 Direct Market Access ("DMA")

In some circumstances BNP Paribas may agree to provide you with access to our Direct Market Access ("DMA") service. Orders placed through DMA will constitute a specific instruction and BNPP will not owe a duty of Best Execution.

BNP Paribas reserves the right however to intervene in the routing and execution of DMA orders where the original parameters could result in adverse market impact.

4.2.2 Algorithms

Orders sent to BNPP SEC ASIA's electronic trading platform will be executed according to the trading logic of the algorithm specified by the client. Each algorithm is designed to achieve a desired outcome. The choice of trading via an algorithm by a client, along with any specified parameters selected, is considered a specific instruction to BNPP SEC ASIA that will be satisfied by the order being traded by the algorithm. Nevertheless, BNPP SEC ASIA will monitor and ensure a proper execution of client orders traded by the algorithm on a Best Execution basis given the liquidity available and the prevailing market conditions. Trading restrictions as mentioned in Section 2.4 above will apply whenever applicable.

5. Governance and Monitoring

BNPP SEC ASIA has implemented a dedicated governance & control framework in order to monitor the effectiveness of its order execution arrangements and to identify, where appropriate, and correct any deficiencies.



BNPP SEC ASIA will assess, from time to time whether changes to the execution arrangements are needed. As part of the review process, BNPP SEC ASIA retains order and execution records. Where requested by a client BNPP SEC ASIA will demonstrate that an order has been executed in accordance with this Policy and client instructions.

5.1 Best Execution Committee

A Best Execution Committee (the “**Committee**”) is in place which will meet regularly to ensure sufficient management oversight that BNPP SEC ASIA is adhering to its Best Execution responsibilities in accordance with the applicable regulatory requirements and this policy.

5.2 Monitoring and Controls

BNPP SEC ASIA Front Office (first line of defense) and Control Functions (second and third line of defense) monitor the Best Execution arrangements on an ongoing basis to identify and implement any appropriate enhancements. The result and issues identified by this monitoring would be reviewed by the Best Execution Committee.

5.3 Handling of Client Requests

Upon receiving clients’ queries for information in relation to order execution, BNPP SEC ASIA will refer to this policy and provide follow up and/or necessary information in relation to the order execution at our sole discretion.

5.4 Policy Review

The Committee will conduct annual review (and update, if necessary) of this policy to ensure BNPP SEC ASIA includes all the reasonable steps to obtain the best available terms for the trade execution. The Committee will also review (and update, if necessary) any other Best Execution arrangements, including internal controls and monitoring etc., in accordance with the relevant regulatory standards. Where such review results in a material change to BNPP SEC ASIA’s execution arrangements, which could impact the Execution Factors and their relative importance, this will be communicated to clients via updating the policy. In addition, should any material change to BNPP SEC ASIA’ execution arrangements that affects BNPP SEC ASIA’ ability to continue to obtain the best available terms for its clients be identified outside of any formal periodic review processes, this will be subject to a separate review process and notified to clients accordingly.

This policy (including its updated versions from time to time) is available at the following link:
<https://cib.bnpparibas.com/secAsia>





Annex I – List of Brokers and Execution venues

BNPP SEC ASIA may use the following Brokers and Execution Venues:

Cash Equities

| Region / Market | Brokers | Execution Venues |
|--------------------|---|--|
| Australia | Macquarie Securities (Australia) Ltd BTIG Singapore Pte Limited Instinet Pacific Limited | ASX TradeMatch, ASX Centre Point, Chi-X Australia |
| Bangladesh | Maybank Kim Eng Securities Pte Limited | DSE |
| China | Shenwan Hongyuan Securities Co Limited | B-shares (Shanghai, Shenzhen) |
| Hong Kong | BNP Paribas Securities (Asia) Limited | HKEx (including Shanghai and Shenzhen Stock Connect) |
| India | BNP Paribas Securities India Private Limited ⁽¹⁾ | BSE, NSE |
| Indonesia | CGS-CIMB Securities (Singapore) Ptd. Limited. PT Trimegah Sekuritas Indonesia Tbk ⁽²⁾ | JSE |
| Japan | BNP Paribas Securities (Japan) Limited ⁽¹⁾ | TSE, JapanNext, Chi-X Japan, BNP Paribas Alternative Trading System |
| Korea | BNP Paribas Securities Korea Co. Limited ⁽¹⁾ Shinhan Investment Corp | KSE KOSDAQ |
| Malaysia | CIMB Investment Bank Berhad | KLSE |
| New Zealand | Macquarie Securities (Australia) Ltd Instinet Pacific Limited | NZSE |
| Pakistan | Maybank Kim Eng Securities Pte Limited | PSX |
| Philippines | Daiwa Capital markets Hong Kong Limited / Maybank Kim Eng Securities Pte Limited | PSE |
| Singapore | CGS-CIMB Securities (Singapore) Ptd. Limited. | SGX |
| Sri Lanka | CT CLSA Securities (pvt) imited | CSE |
| Taiwan | BNP Paribas Securities (Taiwan) Co. Limited ⁽¹⁾ | TWSE, GreTai |
| Thailand | Finansia Syrus Securities Public Company Limited ⁽²⁾ Maybank Kim Eng Securities Pte Limited | SET |
| Vietnam | Saigon Securities Inc | STC |

Listed Derivatives

| Region / Market | Brokers | Execution Venues |
|------------------|--|------------------|
| Australia | BNP Paribas Sydney Branch ⁽¹⁾ NewEdge Group Hong Kong Branch Credit Suisse Equities Australia Limited | ASX24, ASX200 |
| Hong Kong | BNP Paribas Securities (Asia) Limited | HKFE |
| India | BNP Paribas Securities India Private Limited ⁽¹⁾ | NSE, BSE |
| Japan | BNP Paribas Securities (Japan) Limited ⁽¹⁾ Credit Suisse AG Sydney Branch | OSE, TFX, TOCOM |
| Korea | BNP Paribas Securities Korea Co. Limited ⁽¹⁾ | KRX |
| Malaysia | Credit Suisse AG Sydney Branch | BMD |



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

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|------------------|---|------|
| Singapore | BNP Paribas Singapore Branch ⁽¹⁾ | SGX |
| Thailand | Credit Suisse AG Sydney Branch | TFEX |

¹Affiliate of BNPP Securities (Asia) Limited

²Has signed cooperation agreement with BNPP Securities (Asia) Limited for joint preparation and publication of research.

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