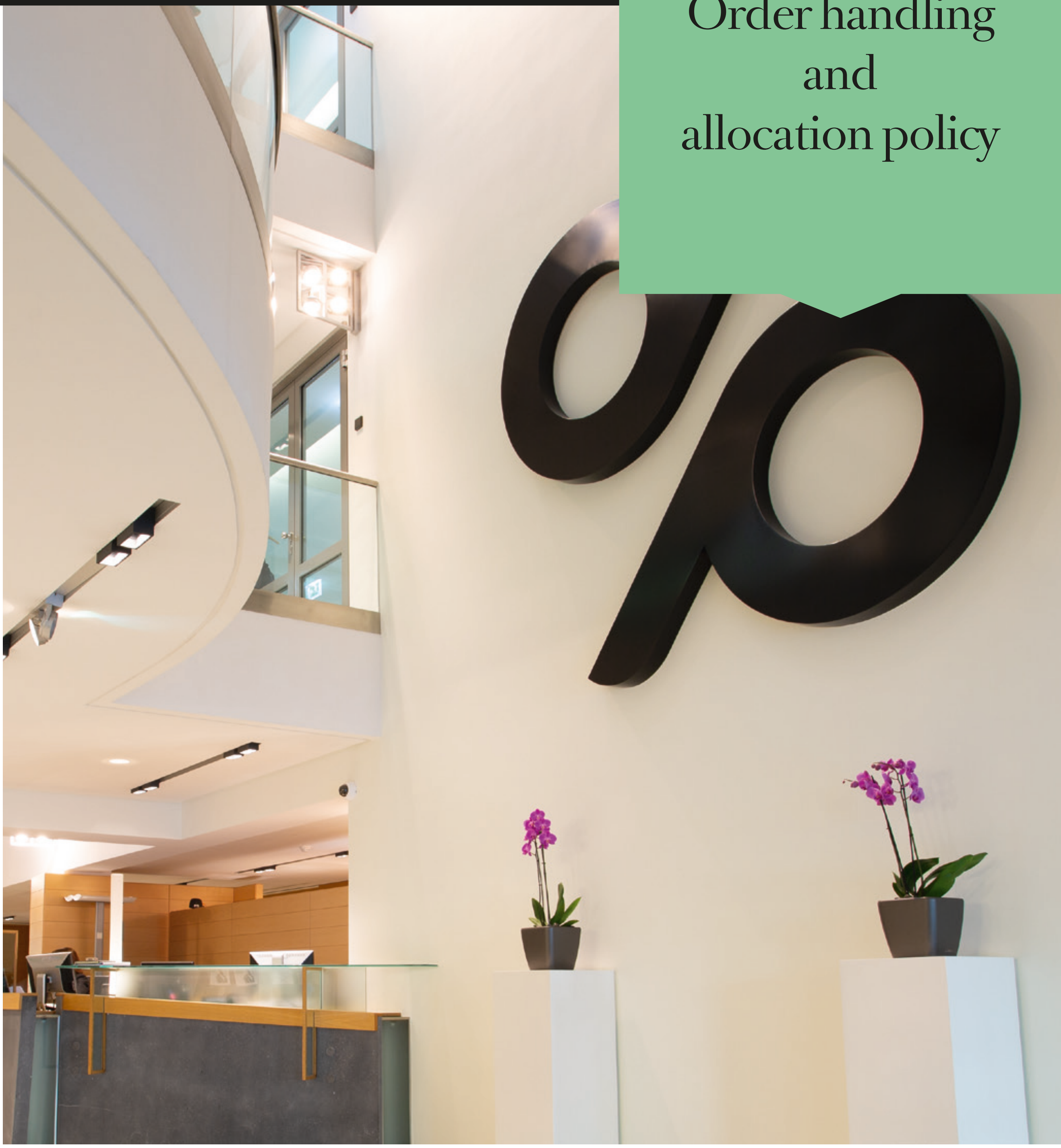
Order handling and allocation policy



MiFID II
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1. Introduction

The present policy details the policy of Banque Degroof Petercam Luxembourg S.A. (hereinafter referred to as "the Bank") regarding the handling of orders.
This policy provides information on how orders are handled, with the overriding objective being to ensure that orders are executed promptly, fairly and sequentially.

2. Scope

this policy concerns all clients of the Bank categorized as "retail clients" or as "professional clients" within the meaning of MiFID II. This policy does not apply to client categorized as "eligible counterparties" under MiFID II. Each client is informed by the Bank of its client categorization.

The Order Handling Policy applies to all activities of the Bank involving orders on financial instruments, for the account of clients or for the Bank's own account. Financial Markets activities, Private Banking, as well as activities performed by other departments that result in orders being handled by Financial Markets, are covered in the present document. This explicitly encompasses buy-side activities (centralized through the dealing desk) and sell-side activities (performed by the distinct product-oriented desks within Financial Markets).

The principles established in this policy apply to all employees of the Bank.

3. Context

When executing or transmitting orders for financial instruments, regulations require institutions to take all sufficient measures to achieve the best possible result for their clients.
This document details the order handling policy of the Bank, which follows the Markets in Financial Instruments Directive (MiFID II, 2014/65/EU), in particular Article 27 thereof and the Implementing Regulation 2017/565/EU, in particular Articles 67-70.

The handling of orders complements the Best Execution policy to form a coherent framework applicable to all instructions received or initiated by the Bank.
The policy also complements the Bank's framework for the management of conflicts of interests and market abuse. Please refer to the relevant policies and procedures for additional details.

4. Role of the bank

The Bank undertakes all sufficient measures to obtain the best order handling for its clients:
- The orders to be executed on behalf of clients are promptly and accurately recorded and allocated,
- Financial instruments or payments for executed orders are received promptly and delivered correctly to the client,
- Clients are treated fairly and their interests remain paramount, and
- All reasonable steps will be taken to prevent the misuse of information relating to pending client orders.

5. General principles

When the bank receives an order from a client it will verify that the order can be accepted and will execute or transmit the order in a prompt, fair and expeditious manner relative to other orders or its own trading interests. The Bank will ensure that the order is promptly executed and is accurately recorded and allocated. Orders received and accepted by the Bank are handled promptly and sequentially unless the characteristics of the order or prevailing market conditions make this impracticable, or the interest of the clients require otherwise. Where the Bank is responsible for arranging the clearing and settlement of an executed order, it will take reasonable steps to ensure that any client financial instruments or client funds received are promptly and correctly delivered to the account of the appropriate client.

The Bank informs retail clients if it becomes aware of any material issues that would prevent it from executing their order. The Bank will endeavour to similarly inform professional clients.

5.1. Authorised channels

Channels authorised for the sending of orders to the Bank are the following:

- Bloomberg IB chat[1];
- Order routing networks (e.g. FIX networks, Bloomberg)[1];
- Web-based banking applications (pe Defit2)[1];
- Electronic connection from portfolio management systems[1];
- Taped phone (excluding mobile phone)[2];
- Email[2];
- Postmail and Fax[3].

The private banking department encourages instructions entered via authorised channels. Nevertheless, orders received during client meetings can be accepted if and only if written instructions are signed by the client and meeting minutes are saved (in the same as any other instructions given via other authorised channels). Under no circumstances can orders be accepted via Skype, LinkedIn, WhatsApp, Messenger, SMS, Twitter, Instagram, etc.

The Bank encourages the use of electronic routing channels for professional clients. A certain type of channel could be more appropriate for specific types of assets (i.e. Fix networks for equities, etc.).

Order handling processing time depends on the channels used. The time elapsing between the client decision and the timestamp of order sent to the market will be faster for clients that use electronic routing channels[4].

[1] Electronic channels for professional clients
[2] For retail and professional client
[3] For retail client only
[4] For retail clients, internal processes are in place in order to shorten the delay between the client decision and the input in the Portfolio Management System (PMS)

5.2. Sequence of orders

As a general principle, the Bank will treat orders in the chronological sequence in which they are received. Orders received through the different channels (electronic routing vs others) will be treated sequentially when it enters an electronic routing[5].

When they are input via electronic routing, client orders are promptly and precisely executed in the chronological order in which the Bank receives them, unless the nature of the orders concerned or market conditions make this impossible or where the best interest of clients call for a different procedure.

5.3. Applicable limits

Execution or transmission of orders is subject to various limitations applicable to their size, frequency or number, arising from internal rules (e.g. Risk Management, Compliance, etc.) or external requirements (e.g. regulations, rulebooks, etc.).

As a general principle, verification of compliance with all applicable limits is expected to be performed as part of the order handling process.

Additionally, clients can themselves provide for client specific instruction (including certain limits) regarding the execution or transmission of the specific order at hand (the follow-up and impact of these client limitations are described in the Best Execution Policy).

For client-limited orders in respect of shares admitted to trading on a regulated market or traded at a trading venue, the Bank will respect the conditions of article 70 of Delegated Regulation 2017/565 and article 28, 2. of MiFID II.

5.4. Aggregation of orders

5. 4. 1. GENERAL RULES

The general principle is that aggregation or grouping of orders is prohibited unless the following conditions are met:

- It is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated
- Where an aggregated order is partially filled, allocation to clients will take place on a strictly pro-rata basis. In all instances, the allocation must be in the best interests of the relevant clients and any allocation must be undertaken on a fair and reasonable basis.

The Bank strictly segregates and will therefore never group orders for its own account with orders for the account of clients.

Moreover, the Bank applies as a general rule the restriction on grouping different client orders and therefore applies a segregation of orders in this case. However a limited number of exceptions are allowed based on this policy (see section 5.4.2).

The Bank never groups orders received from third party asset managers serviced by the Third Party desk unless specifically agreed with the third party asset manager in writing in all relevant cases.

Furthermore, the client should be made aware that the effect of the aggregation may actually work to its disadvantage for a particular order.

[5] For retail clients, when the order is inputted in the Portfolio Management System (PMS)

5. 4. 2. EXCEPTIONS

a. Capital market deals

Some specific circumstances require grouping of orders, such as orders collected for capital market deals (secondary placement or primary offering) before the book is closed by the syndicate of the deal. Orders are aggregated by the Bond Desk and sent as one global order to the relevant members of the syndicate. If the structure of the deal requires a certain split, the order sent to the syndicate will be split according to this requirement.

b. Order grouped by the client or in the best interest of the client

The second exception relates orders grouped by the client itself or in the best interest of the client.

Clients have the right to group their orders before sending them to the Bank according to their own policies.

The Bank may group similar orders to form a block when it is reasonable to expect a better result than when executing the orders separately:

- For retail clients, aggregated orders are only permitted for discretionary managed portfolios. Whenever orders are grouped, the portfolio list and the amount for each portfolio are retained in the Portfolio Management System.
- In most cases, several orders received by the dealing desk simultaneously in the same underlying instrument are generated by one single Fund/Portfolio manager who takes the same investment decision for several accounts. In this case, there is added value for the investment process to group those orders before going to the market. The price and liquidity discovery for the total amount will be enhanced compared to execution of multiple and successive smaller orders.
- For professional clients, only orders coming from the same client may be grouped.

5.5. Order allocation

5. 5. 1. GENERAL RULES

The general principle is that the post-allocation always reflects the pre-allocation (i.e. the % pro-rata of the separate orders as combined in the aggregated order).

This is particularly obvious for a single order as there is a unique one-to-one match between the order and the execution (partial or full).
In cases of grouped orders, post-allocation is straightforward if there is full execution: all orders are completely filled at the same execution price.

In case of partial execution of grouped orders, allocation always takes place at the same execution price and all orders are filled pro-rata and according to the pre-allocation.

In the event that clients

- wish to renege on their allocation and are permitted to do so or;
- are forced to renege on their allocation because they did not reach the minimum threshold investment amount (only applicable for discretionary management) or;
- are forced to renege on their allocation because is not economically justified if the pre-allocation grid were to be applied, e.g. when the settlement cost would outweigh the nominal amount of the trade;

the Bank will then either reallocate the partial execution on one or more accounts of the pre-allocation grid with the goal of minimizing the spread compared to the theoretical post-allocation or sell the position on the market on behalf of the client if no other option is valid. In that case, the reallocation must be submitted to Compliance for validation.

Professional clients are also allowed to confirm their post-allocation via electronic allocation and matching platforms (for instance, Omgeo) or via mail.

5.5.2. PRODUCT-SPECIFIC ALLOCATION RULES

a. Accelerated book-building and private bond placements

Accelerated book building and bond placements require a fair allocation between participating clients. The rules below apply as an ad hoc allocation rule as detailed under the earlier section dedicated to grouped orders.

In case of market sounding, clients who participated in the process have priority of allocation over other clients. In order to ensure fairness for all clients, the priority of allocation must be duly documented and archived. Documentation is kept readily available for monitoring and review by the Compliance and Risk Management departments.

After prioritized allocation is performed, the standard rules apply as detailed earlier.

In cases where no market sounding was performed, the standard rules apply as detailed earlier.

The standard rules apply to clients who wish to renege on their allocation and are permitted to do so, or are forced to do so because they did not reach a sufficient minimum investment amount. This implies that the Bank will either reallocate to other clients according to the aforementioned standard allocation rules, or sell the position on the market on behalf of the client if no other option is valid.

b.Private placements

Private placements follow the same rules as accelerated book building, after preliminary confirmation that each contacted client is eligible for said private placement.

6. Links with other policies and procedures

This policy has a link with the following policies and procedures.

LIST	PROCEDURE/POLICY
1.	Best execution policy
2.	Conflict of interest policy
3.	Market abuse policy

7. Legal and compliance sources

N°	TYPE (LAW, REGULATION, DIRECTIVE, OTHER)	SOURCE
1.	Directive	Directive 2014/65/UE of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments
2.	Delegated Regulation	Commission Delegated Regulation 2017/565/EU supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and the definition of certain terms for the purposes of that Directive

8. Role and responsibilities

	COMPLIANCE	INVESTMENT BANKING
Policy	R, A	C, I

R Responsible A Accountable C Consult I Inform

Contact

BANQUE DEGROOF PETERCAM LUXEMBOURG S.A.
Zone d'activité La Cloche d'Or
12, rue Eugène Ruppert
L-2453 Luxembourg
T +352 45 35 45 1

WEBSITES

degroofpetercam.lu

funds.degroofpetercam.com

blog.degroofpetercam.com/en-lu

LINKEDIN
linkedin.com/company/degroofpetercam

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