



# BEST EXECUTION & BEST SELECTION POLICY - MIFID II (MANDATES)

UBP Asset Management (France)

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## **Content**

1. Introduction	3
2. Scope	3
3. Best Execution Policy	4
4. Best Selection Policy	8
5. Best Selection monitoring	8
6. Potential conflicts of interest	8
7. Cross trades between portfolios	9
8. Policy review	9
9. Recordings and Archiving	9

## 1. Introduction

UBP ASSET MANAGEMENT (FRANCE) is a French regulated asset management company, authorized by the “Autorité des Marchés Financiers” (the “AMF”), that specializes in convertible bond strategies and other investment strategies. In this respect, UBP ASSET MANAGEMENT (FRANCE) provides discretionary portfolio management services to its clients and shall comply with the obligations set out under Article L533-11 & al of the French Financial and Monetary Code (the “French FMC”), to act in the best interests of its clients when offering investment services including the execution of orders on their behalf.

Pursuant to Article L533-18 & al of the French Financial and Monetary Code (the “French FMC”) transposing article 27 of Directive 2014/65/UE of the European Parliament and of the Council of 15th May 2014 on markets in financial instruments (“MiFID II”), the Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 as further detailed by ESMA and/or the AMF guidance, UBP ASSET MANAGEMENT (FRANCE) takes all sufficient steps to obtain the best possible result when executing an order for its clients, given the price, cost and speed of the transaction, the likelihood of execution and settlement being completed, the size and nature of the order and any other consideration regarding execution of an order (the “Best Execution”).

In addition, where UBP ASSET MANAGEMENT (FRANCE) provides portfolio management services and entrusts orders to third party investment service providers (“ISP”) for execution thereof, UBP ASSET MANAGEMENT (FRANCE) has established and implemented a process in order to select only ISPs (brokers and other financial intermediaries) whose execution policy takes into account all sufficient measures to achieve the best possible results in executing orders for UBP ASSET MANAGEMENT (FRANCE)’s clients pursuant to MiFID II and Article L533-18 & al of the French FMC (the “Best Selection”).

The key premise of the MiFID II Best Execution and Best Selection requirements is to ensure that UBP ASSET MANAGEMENT (FRANCE) consistently takes all sufficient steps to provide the best possible outcome for its clients (“Clients”) when either executing trades directly or entrusting the execution of orders to ISPs on behalf of UBP ASSET MANAGEMENT (FRANCE).

## 2. Scope

This Best Execution & Best Selection Policy applies to the portfolio management services carried out directly by UBP ASSET MANAGEMENT (FRANCE) for its clients’ invested primarily in convertible bond strategies.

**This Best Execution & Best Selection Policy does not apply to collective investment schemes** (please refer to UBP ASSET MANAGEMENT (FRANCE)’s execution order policy for collective investment schemes for further details).

Pursuant to UBP ASSET MANAGEMENT (FRANCE)’s internal policies, UBP ASSET MANAGEMENT (FRANCE) offers portfolio management services solely to professional clients (the “Clients”). Categorization of clients is defined in accordance with MiFID II criteria and is governed by UBP ASSET MANAGEMENT (FRANCE)’s client categorization policy.

Furthermore, where UBP ASSET MANAGEMENT (FRANCE) delegates the portfolio management services to a third party (as is generally the case for asset classes outside of the Convertible Bond strategies), UBP ASSET MANAGEMENT (FRANCE) ensures that the delegated portfolio management entity carries out the delegated portfolio management services in accordance with its Best Execution & Selection Policy and takes all sufficient steps to provide the best possible outcome for its Clients when either executing trades directly or entrusting the execution of orders to ISPs in accordance with MiFID II.

As stated previously, this Best Execution Policy established within UBP ASSET MANAGEMENT (FRANCE) applies to the portfolios managed directly by UBP ASSET MANGEMENT (FRANCE) pursuant to its proprietary investment strategies that are traded on the Over-The-Counter markets<sup>1</sup> including primarily:

### 1. the following asset classes:

- ◆ Convertible bonds and other assimilated financial instruments (including but not limited to preferred shares, exchangeable and mandatory bonds, warrants, etc)
- ◆ Bonds, notes and bills,
- ◆ Foreign exchange instruments including currency swaps and forwards (“FX Hedging Transactions”),
- ◆ Other OTC Derivatives including interest rates swaps and credit default swaps (CDSs).

The obligation to deliver the best possible result when executing client orders applies with no exception to all types of financial instruments.

### 2. the following markets:

- ▶ OTC interbank and wholesale markets

<sup>1</sup> For the purposes of this policy, a financial instrument is an OTC product when it is: (i) not admitted to trading, or, (ii) not traded on an organised trading venue (i.e. a regulated market).

The Best Selection Policy established within UBP ASSET MANAGEMENT (FRANCE) applies to:

**1. the asset classes of its underlying investment strategies that are traded on markets including primarily:**

- ◆ Equities and equity linked securities including certain convertible bonds and assimilated financial instruments,
- ◆ Listed derivatives, such index, equity or commodity options & futures

**2. the following trading venues:**

- ◆ Regulated Markets,
- ◆ MTFs,
- ◆ Other regulated markets or foreign recognized markets outside the EEA<sup>2</sup>.

### **3. Best Execution Policy**

With respect to the portfolio management services, UBP ASSET MANAGEMENT (FRANCE)'s Best Execution Policy aims at obtaining the best possible result when UBP ASSET MANAGEMENT (FRANCE) executes orders on the aforementioned OTC markets.

UBP ASSET MANAGEMENT (FRANCE) has defined the criteria and factors described here below when executing orders vis-à-vis third party ISP counterparties within each aforementioned asset class

#### **3.1. Best Execution Criteria**

In assessing the relative importance of the best execution factors, UBP has considered the following criteria as part of the overall execution strategy:

- ◆ the characteristics of the client including the categorization of the client as professional ;
- ◆ the characteristics of the Client's order;
- ◆ the characteristics of financial instruments that are the subject of that order;
- ◆ the characteristics of the execution venues to which that order can be directed.

For convertible bonds, assimilated financial instruments and other OTC products, the trading strategy and the execution factors may vary according to the prevailing market conditions, the liquidity and characteristics of the financial instruments.

#### **3.2. Best Execution Factors**

In order to achieve the best result possible when executing transactions on behalf of its Clients, UBP ASSET MANAGEMENT (FRANCE) acting in the best interest of its Clients may retain one or more best-execution factors as the prevailing criteria, taking into account the nature of the financial instrument and subject to the prevailing market conditions:

- ◆ Price of the transaction,
- ◆ Cost of the transaction,
- ◆ Speed of execution,
- ◆ Likelihood of execution and settlement,
- ◆ Size of the order,
- ◆ Nature of the order,
- ◆ All other considerations that might contribute to the quality of the execution of the order.

Ordinarily under MiFID II, the best possible result is determined in terms of total consideration which represents the price of the financial instrument and the costs relating to the execution of the client's order. The costs shall include all expenses incurred by the client which are directly relating to the execution of the order, such as venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

However it is important to underline that, the primary factor(s) and criteria for assessing the execution may vary according to the market conditions, characteristics of the transaction, nature of the underlying financial instrument and the Client's instructions, characteristics and categorization (as defined under the MiFID II).

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<sup>2</sup> European Economic Area

Where UBP ASSET MANAGEMENT (FRANCE) provides portfolio management services to its professional Clients, UBP ASSET MANAGEMENT (FRANCE) generally retains the price and volume as primary criteria.

Depending on the underlying OTC markets, UBP ASSET MANAGEMENT (FRANCE) shall seek several quotes (with a minimum of three) from ISPs selected from its authorized counterparties (see the Approved Counterparty List) in order to attain the Best Execution of the trades carried out on behalf of its Clients.

In certain circumstances, UBP ASSET MANAGEMENT (FRANCE) may seek less than three quotes. For example where local market regulations impose restrictions on the purchase and sale of securities and other financial instruments or when the dissemination transaction information to the market could be materially detrimental to the quotes obtained from the market counterparties, in particular where the market for the underlying asset is illiquid or distressed.

In order to mitigate operational risk and ensure straight through processing of transactions, UBP ASSET MANAGEMENT (FRANCE) shall trade FX Hedging Transactions primarily with an affiliated entity ("Affiliate") insofar that such affiliated transactions are permitted under the terms of the discretionary portfolio management agreement. For certain portfolios, this means that the Affiliate may be the sole counterparty to the FX Hedging Transactions. In order to avoid potential conflicts of interest when dealing with the Affiliate, UBP ASSET MANAGEMENT (FRANCE) shall ensure that transactions are carried out at a fair market price and has set out ex ante and ex post controls to this effect.

### **3.3. Case of special orders / specific instructions**

While executing special orders, for example orders subject to a threshold or in the case of orders with specific instructions given by a client, these instructions shall override best-execution requirements set out in this policy.

It is important to emphasize that when a client gives specific instructions (for example a limit order or execution on a specific venue) in relation to the execution of an order, the order will be executed accordingly and UBP ASSET MANAGEMENT (FRANCE) will be considered as having satisfied its best execution obligations in respect of the part or aspect of the order to which the client's instructions relate.

**Any specific instructions from the Client may prevent UBP ASSET MANAGEMENT (FRANCE) from taking the steps that it has designed and implemented in this policy to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions.**

### **3.4. Pooled orders**

In certain circumstances UBP ASSET MANAGEMENT (FRANCE) may pool Client orders. Pooled orders may be more or less advantageous for Clients than non-pooled orders depending on numerous factors including the market conditions, the size of orders and the time required to fully execute such orders.

In the event that orders have been pooled, the Clients are informed that: 1) the pooling of the orders could in certain cases be less favorable for them than the execution of a non-pooled order; and 2) that UBP ASSET MANAGEMENT (FRANCE) has established beforehand an equitable pre-allocation policy in order to protect its Clients' best interests.

When Client orders are pooled UBP ASSET MANAGEMENT (FRANCE) ensures that these operations do not harm its Clients' interests and that transactions have been correctly allocated.

Meanwhile, UBP ASSET MANAGEMENT (FRANCE) has set up procedures to prevent the reallocation of orders on terms that would be unfavorable to the client and monitor trades to ensure the pre-allocation of orders.

### **3.5. Best Execution monitoring**

UBP ASSET MANAGEMENT (FRANCE) has a monitoring system in place aimed at verifying, on an ongoing basis, the execution quality obtained and the effectiveness of the execution policy and order execution arrangements in place.

The controls are performed on an *ex-ante* and *ex-post* basis in order to identify circumstances under which changes may be appropriate and, where necessary, correct any deficiencies.

*Ex-ante*, UBP ASSET MANAGEMENT (FRANCE) monitors its Best Execution policy in order to ensure that the design and review process of policies is appropriate and takes into account new services or products.

*Ex-post*, UBP ASSET MANAGEMENT (FRANCE) checks whether the Best Execution Policy has been correctly applied.

The controls are performed at two different levels.

## **1. Ex-ante monitoring**

The *ex ante* monitoring of the Best Execution Policy is performed on a daily basis and is part of the portfolio management team's process under the responsibility of Head of Convertible Bonds and includes the following controls:

- ◆ The third-party ISP is duly authorized,
- ◆ Several quotes are sought in accordance with the Best Execution Policy,
- ◆ The trades are consistent with the Best Execution criteria here above,
- ◆ Where FX Hedging Transactions are carried out with an Affiliate, that they are carried out a "fair market price".

Furthermore, the portfolio management team carries out complementary *ex ante* controls in order to define and fine tune its execution strategy using the available execution data it has collated including but not limited to the bid/offer spread, volume, bloc and/or program trades, hit ratios, trading venue and counterparties, etc. Through its controls, the portfolio management team seeks to ensure that its execution strategies attain the best possible outcome for its Clients and that trades are carried out at a fair market price.

The portfolio management team reviews and assesses on a quarterly basis the quality and the effectiveness of its execution policy and order execution arrangements in place.

## **2. Ex-post monitoring**

The *ex-post* controls are carried out by UBP ASSET MANAGEMENT (FRANCE)'s Compliance and Internal control team (the "CCI") on a quarterly basis by using a sampling method and by reviewing anomalies on an ongoing basis in order to ensure that the Best Execution Policy has been correctly applied. The controls include:

- ◆ The third-party ISP is duly authorized,
- ◆ Several quotes are sought in accordance with the Best Execution Policy,
- ◆ Trades are carried out with the best quote obtained,
- ◆ Where the trades are not carried out at the best price quoted, that such trades are justified with respect to the other Best Execution criteria here above,
- ◆ Where less than three quotes are sought, portfolio managers are required to justify the underlying rational,
- ◆ Where FX Hedging Transactions are carried out with an Affiliate, the "fair market price" is duly justified and documented,
- ◆ Pooled orders are applied in compliance with pre-allocation rules and that the Client's best interests are ensured.

The findings with respect to the *ex post* controls undertaken by the CCI are reported to UBP ASSET MANAGEMENT (FRANCE)'s CCI Committee on a quarterly basis. The CCI's findings and recommendations are reviewed by the Committee and where necessary corrective measures (including corrections to the Policy or arrangements) are implemented to drive improvements in UBP ASSET MANAGEMENT (FRANCE) processes.

### **3.6. Execution venues**

UBP ASSET MANAGEMENT (FRANCE) has selected the execution venues, listed in the table below, in which it places significant reliance in meeting its obligation to take all reasonable steps to obtain, on a consistent basis, the best possible result for the execution of client orders.

Clients acknowledge and agree that UBP ASSET MANAGEMENT (FRANCE) may carry out trades outside trading venues, ie. RM, MTF, FM and OTF (see table below reference to OTC markets)

Financial Instrument	Execution Venue <sup>3</sup>	Strategy to obtain Best Execution & Best Selection	Factors	Comments
Equities	RM, MTF, FM	Orders are sent to the selected ISP in accordance with Best Selection Policy	Cost, Price, quality of execution, specialization of ISP, liquidity, speed	Factors vary according to prevailing criteria and type of order

<sup>3</sup> Including OTC : Over the Counter market  
RM : Regulated Market  
MTF : Multilateral Trading Facility  
FM : non-EEA foreign market

Financial Instrument	Execution Venue <sup>3</sup>	Strategy to obtain Best Execution & Best Selection	Factors	Comments
Sovereign Bonds	OTC, MTF	Request for Quotes ("RFQ") with approved ISPs in accordance with Best Execution Policy	Price, volume, likelihood of execution and/or settlement, speed	Liquidity of OTC markets is ensured by market makers and other market counterparties; settlements are delivery versus payment, settlement are guaranteed.
Convertible Bonds and assimilated financial instruments	OTC, RM, MTF,	Primarily through RFQ with approved ISPs in accordance with Best Execution Policy; Subsidiarily, orders are sent to the selected ISP in accordance with Best Selection Policy	Price, volume, liquidity likelihood of execution and/or settlement, specialization of ISP, size, speed	Liquidity of OTC markets is ensured by market makers and other market counterparties; settlements are delivery versus payment, settlement are guaranteed; certain "mandatories" or preferred shares may be traded solely on an RM, MTF or FM.
Corporate bonds,	OTC, RM, MTF, FM	Primarily through RFQ with approved ISPs in accordance with Best Execution Policy; Subsidiarily, orders are sent to the selected ISP in accordance with Best Selection Policy	Price, volume, liquidity, likelihood of execution and/or settlement, specialization of ISP, size, speed	Liquidity of OTC markets is ensured by market makers and other market counterparties; settlements are delivery versus payment, settlement are guaranteed.
Listed Futures (index futures, baskets, etc)	RM, FM	Orders are sent to the selected ISP in accordance with Best Selection Policy	Cost, Price, quality of execution, liquidity, specialization of ISP, speed	Factors vary according to prevailing criteria and type of order.
Listed options (index options, baskets or single stocks, etc)	RM, FM, OTC	Orders are sent to the selected ISP in accordance with Best Selection Policy or through RFQ with approved ISPs in accordance with Best Execution Policy	Cost, Price, quality of execution, liquidity, specialization of ISP, size, speed	Factors vary according to prevailing criteria and "bloc size"; typically transactions that are the under the "bloc size" will be executed on the RM, MTF or FM whereas those that exceed the "bloc size" are executed OTC and cleared through the central clearing counterparty
FX Hedging Transactions	OTC	When expressly authorized, with an affiliated counterparty	Operational risk, guarantee of execution and/or settlement, speed	UBP ASSET MANAGEMENT (FRANCE) ensures that transactions are carried out at a fair market price
SWAPS and other OTC derivatives (including FX Hedging transactions not covered hereabove)	OTC	RFQ with approved ISPs in accordance with Best Execution Policy	Price, volume, likelihood of execution and/or settlement, speed	Liquidity of OTC markets is ensured by market makers and other market counterparties; settlements are delivery versus payment, settlement are guaranteed.

Fees may vary depending on the execution venues. These differences are due to manner in which transactions carried out. For example, fees and costs linked to OTC transactions are often included in the transaction price whereas, on market transactions often bear commission and fees that are billed in addition to the execution price.

Information on the top five execution venues and quality of execution obtained can be found at the following address: <https://www.ubp.com/fr/nos-bureaux/ubp-asset-management-france>. Unless otherwise directed by the Client, where such information relates to a single Client's portfolio, UBP ASSET MANAGEMENT (FRANCE) shall treat the information as being the Client's confidential information and UBP ASSET MANAGEMENT (FRANCE) shall address the information in the manner agreed between the parties.

## **4. Best Selection Policy**

With respect to the portfolio management services where UBP ASSET MANAGEMENT (FRANCE) entrusts the execution of its Clients' trades to third party ISPs, it is UBP ASSET MANAGEMENT (FRANCE)'s responsibility to make sure that the ISP it has selected seeks to obtain the best possible outcome in the execution of the orders entrusted to it by UBP ASSET MANAGEMENT (FRANCE). All ISPs must be approved by the UBP ASSET MANAGEMENT's Risk Committee. As the case may be, UBP ASSET MANAGEMENT (FRANCE) uses the resources made available by UBP Group for the purpose of selecting and assessing third party ISPs such as third-party due diligence and periodic reviews.

For each "on-market" transaction, UBP ASSET MANAGEMENT (FRANCE)'s portfolio managers are responsible for selecting, in accordance with the Best-Selection Policy, third-party ISPs exclusively from the Approved Brokers List appended to this Policy as amended from time to time. The third-party ISP retained by UBP ASSET MANAGEMENT (FRANCE) is in turn expected to fulfill the same best execution obligations for each such transaction as UBP ASSET MANAGEMENT (FRANCE) does. In other words, the ISP retained by UBP ASSET MANAGEMENT (FRANCE) is required to take all sufficient measures to attain the best possible outcome in the execution of an order for UBP ASSET MANAGEMENT (FRANCE)'s Clients, taken into account the price, cost and speed of the transaction, the likelihood of execution and settlement, the size and nature of the order and all other considerations related to the execution of an order.

## **5. Best Selection monitoring**

The first level of monitoring of the Best Selection principles is performed on a daily basis and is part of the Portfolio Management, Middle Office and Risk process. It may include the following controls:

- ◆ the third-party intermediary is duly authorised (see Approved Brokers List),
- ◆ the total cost of the trade (price, brokerage, commission, taxes) is consistent with the principles defined in this Best Selection Policy (size of the order, volume, trading venue specific instructions from the client, etc.).

All the transactions executed with third-party intermediaries are consolidated in order to monitor the brokerage volume and/or fees. These data are retrieved by the Risk Officers and presented during the monthly Risk Committee meeting.

In addition, UBP ASSET MANAGEMENT (FRANCE)'s Risk Officers conduct an annual review of its third-party ISPs. The Portfolio Management and Middle Officers take part in the periodic review, and provide a score for each third party ISP. The Risk Officers analyze the results, verify the consistency of the scoring and update the Approved Brokers List. The final scoring is presented to the Risk Committee.

Depending on their assessment, third-party intermediaries may be added to or removed from the Approved Brokers List. This approval or disapproval process is set out in UBP ASSET MANAGEMENT (FRANCE)'s procedure relating to "Intermediaries follow-up and selection".

Compliance and Internal Control will perform periodic checks as part of the internal control plan.

## **6. Potential conflicts of interest**

In respect to the MIFID II provisions, UBP ASSET MANAGEMENT (FRANCE) do not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular trading venue or execution venue which would infringe the requirements on conflicts of interest or inducements.

UBP ASSET MANAGEMENT (FRANCE) may group Client orders and execute Client trades with another Client or an Affiliate. In such cases it has set out policies and controls in order to ensure that trades are carried out at a fair market price and in its Clients' best interests (please see sections 4 and 7).

UBP ASSET MANAGEMENT (FRANCE) is required to maintain a conflicts of interest policy identifying the circumstances that constitute or may give rise to a conflict of interest entailing a material risk or damage to the interests of one or more Clients, and specifying the procedure that UBP ASSET MANAGEMENT (FRANCE) follows and measures that UBP ASSET MANAGEMENT (FRANCE) adopts in order to manage such conflicts.

This requirement applies to potential conflicts of interest that may arise between UBP ASSET MANAGEMENT (FRANCE) and its Clients as a result of its execution arrangements which could prevent it from satisfying its best execution obligations.

## **7. Cross trades between portfolios**

UBP ASSET MANAGEMENT may carry out cross trades between one or more portfolios under management in accordance with the RG AMF and always acting in the best interests of UBP ASSET MANAGEMENT (FRANCE)'s clients. Cross trades occur when two or more portfolios carry out buy and sale transactions at the same time on the same underlying financial instruments. By utilizing cross trades, UBP ASSET MANAGEMENT (FRANCE) reduces the bid offer spreads for the buyer(s) and seller(s), minimizes the market impact and ensures transparency through the use of third party brokers. Cross trades between portfolios are subject to the prior consent of UBP's Compliance Officer and Chief Investment Officer.

## **8. Policy review**

UBP ASSET MANAGEMENT (FRANCE) will review, at least annually or when a material change occurs, both its order execution arrangements and this Best Execution & Best Selection Policy. Accordingly, UBP ASSET MANAGEMENT (FRANCE) periodically monitors the effectiveness of its current Best Execution & Best Selection Policy to identify whether any changes are necessary.

UBP ASSET MANAGEMENT (FRANCE) will make the necessary amendments and inform its clients through the company's website or the collective investment scheme notices, as it deems appropriate.

## **9. Recordings and Archiving**

All data relating to trading activities are recorded on a durable support on UBP ASSET MANAGEMENT (FRANCE)'s internal servers and duplicated on UBP Group's infrastructure for a minimum of five years.

### Approved Brokers List

UBP approved list of third party brokers is available on its website : <https://www.ubp.com/fr/nos-bureaux/ubp-asset-management-france>

UBP periodically evaluates the quality of the services offered by the third party brokers through a Broker Review in accordance with the needs of UBP ASSET MANAGEMENT (FRANCE) and its Clients. Whenever it deems necessary, UBP renegotiates commission rates and may remove a broker from the approved list.



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