



**Information on the RBCCM Europe  
Allocation and Pricing of Securities  
Offerings Policy**

**RBC Capital Markets - Europe  
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## 1 Purpose of this Document

This document sets out information on the RBCCM Europe Allocation and Pricing of Securities Offerings Policy (“the Policy”) that sets out the principles for developing allocation recommendations, as required by the Markets in Financial Instruments Directive 2014/65/EU (“MiFID II”) for the following legal entities operating in the European Economic Area (“EEA”): Royal Bank of Canada, RBC Europe Limited and RBC Capital Markets (Europe) GmbH, together referred to as “RBCCM”, “we” or “the firm”.

This document is published and updated as necessary on our website at:  
<https://www.rbccm.com/en/policies-disclaimers.page>

## 2 Pricing and Allocation Process

When RBCCM acts as an active Bookrunner on behalf of an issuer client<sup>1</sup> on an offering of financial instruments, the amount of the offering designated to each investor<sup>2</sup> who placed an order during the book build is normally determined during the allocation process. The general objectives of the allocation and pricing process can vary from deal to deal and depend on the issuer client’s wishes (e.g. optimising price, establishing a long term stable and supportive investor base, generating sufficient liquidity, confidence in aftermarket performance). In the context of a securities offering, a firm owes duties to its issuer client but it must also pay due regard to its responsibilities to investors. In its role as active Bookrunner, RBCCM will act as a conduit between the issuer client and investors; by acting in this capacity, RBCCM’s involvement could lead to an actual or perceived conflict of interest and it is therefore important that RBCCM has policies and procedures in place to address such conflicts.

### 2.1 Allocation objectives

When awarded a mandate to Manage an equity or bond issuance, RBCCM will endeavour to ensure that its issuer client is apprised of the process of offering and allocation and that the client’s allocation objectives are understood.

The matters covered are likely to include:

- the process for identifying prospective purchasers of the financial instruments and the amount and price level of demand (for example, where the offering is to involve a book build, an explanation of the book building process);
- the factors relevant to recommendations and decisions on the pricing of the offering and the process by which RBCCM proposes that such recommendations and decisions will be arrived at;
- the factors relevant to recommendations and decisions on allocation (including recommendations and decisions regarding the identity of investors and the apportionment of allocations among them) and the process by which RBCCM proposes that such recommendations and decisions will be arrived at. Where relevant, this should include the effect of any confidentiality constraints to which RBCCM is or expects to be subject; and
- the fact that purchasers of the securities are likely to include investment clients of RBCCM to whom we provide other services and, where relevant, may also include RBCCM’s own principal book and that this represents a potential conflict of interest which RBCCM will manage in accordance with its internal procedures.

The issuer client will be offered the opportunity of active involvement in the process of allocation, including the opportunity to express any requirements, wishes or preferences regarding allocation to specific purchasers. In circumstances where the issuer client does not wish to become actively involved in

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<sup>1</sup> The definition of issuer client includes an entity that is issuing new securities or a vendor that is a seller of securities

<sup>2</sup> Investors are categorised as Corporate Finance Contacts

the pricing and allocation process, RBCCM will make recommendations and decisions on pricing and allocation on the basis of its judgment, in accordance with its procedures and taking into account any relevant factors referred to in this Policy.

Allocation decisions may differ in situations where RBCCM undertakes a “hard” underwriting commitment and in such circumstances RBCCM may decide to make allocations at its own discretion.

Issuer client objectives will vary from transaction to transaction and may include some or all of the following factors:

- a preference for specific investors;
- valuation/price;
- the extent to which the client is focused on aftermarket performance;
- concentration (i.e. preferences as to size and number of large, medium and/or smaller holdings);
- any minimum or maximum allocation amounts;
- desired investor types (indication of any preference as to approximate balance between identified investor “types” – e.g. long-only and hedge funds, “long-only-like” hedge funds, hedge funds that are like long-only funds, hedge funds that will trade in the stock over the long term, providers of liquidity, geography etc. and categories – e.g. retail fund/tracker fund/pension fund etc.) – in each case to the extent known, reasonably assumed or deduced in hindsight from the book of demand;
- any “free float” or similar requirements of the relevant listing, trading or indexation regime;
- desired geographical locations of investors (including consideration of applicable selling restrictions).
- the level and timing of engagement in the transaction process (pilot fishing/market sounding (on wall-crossed basis or otherwise) / pre-deal investor education / roadshow meetings / other (such as reverse enquiry) / one-on-one / group);
- the timing of the request for allocation, relative to final management meeting for the investor (where applicable) and size of the request for allocation;
- existing/prior holdings; size of assets under management; interest in issuer/comparable companies or offerings or within the relevant sector (to the extent known or reasonably assumed); and
- any other considerations as appropriate.

The above factors may also be relevant when selecting investors to attend investor or deal roadshows or when selecting investors for the purposes of market soundings.

## **2.2 Basis of Pricing**

Valuation and pricing can be complex processes, which normally involve a strong element of judgment and experience. In the context of a securities offering, there may be tension between the wish to maximize the proceeds of the offering and the issuer’s interest in the future performance and investor perception of, and interest in, its securities. It is therefore important that RBCCM and its issuer clients discuss the basis of pricing and (unless the price is agreed at the outset) how the final decision on pricing is to be reached. RBCCM will take appropriate steps to ensure that the issuer client remains fully informed of developments relevant to pricing during the offering process.

RBCCM will provide issuer clients with information about how the recommendation as to the price of the offering and the timings involved are determined. RBCCM will also inform and engage with the issuer client about any hedging or stabilisation strategies that RBCCM intends to undertake with respect to the offering, including how these strategies may impact the issuer client’s interests.

## **2.3 Factors Relevant to Allocation**

The basis of allocation in an individual case will depend on the particular facts and circumstances and will be the result of discussions with the issuer, any other Syndicate members, and with the exercise of judgment. No one factor will be determinative, but factors which will often be relevant include the following:

- the size of an investor's expressed interest (both absolutely and relative to the investor's portfolio or assets under management);
- the extent to which the investor's expressed interest and the size of the allocation requested appears consistent with the investor's investment strategy and objectives and purchasing capacity;
- the investor's behaviour in and following past issues generally;
- the investor's interest in, and past dealings in, other securities of the issuer;
- the investor's interest in, and past dealings in securities of, other issuers in the sector;
- the nature and level of interest shown by the investor in the issuer and the particular offering, for example its involvement in road shows and other direct contacts with the issuer or seller of the securities and the timing of the investor's interest, especially if interest is expressed only at a relatively late stage, and pricing sensitivity;
- any statement by the investor about its intentions and the perceived credibility of any such statement;
- the category or description into which the investor falls (e.g. retail fund, pension fund, tracker fund);
- the geographical location of the investor;
- the sector or sectors of the investor's main business;
- any selling restrictions or other relevant legal or regulatory restrictions in jurisdictions with which the investor is connected; and
- the desirability of avoiding allocations in inconvenient or uneconomic amounts.

## **2.4 Records of Allocation Decisions**

RBCCM will record relevant allocation decisions at material stages in the allocation process. Such records should include:

- the firm's overarching allocation policy in force at the time of the commencement of the service;
- the firm's initial discussion with the issuer client and the agreed proposed allocation per type of investment client;
- the content and timing of allocation requests received from each investment client with an indication of their type;
- where relevant (e.g. where there is a departure from any previously-agreed instructions or preferences) any further discussion and instructions or preferences provided by the issuer client, other members of the Syndicate, or RBCCM itself, on the allocation process, including any emerging in light of allocation requests received from investment clients; and
- the final allocations registered in each individual investment client's account.

When the final schedule of allocations is agreed, a list of those investors to whom allocations will be made, together with the number of financial instruments to be allocated to each such investor will be emailed or otherwise made available to the client for their sign-off. This version of the final schedule of allocations will be deemed to be final unless there are any material subsequent changes, for example as a result of investors withdrawing or scaling back their orders, in which case such amended or updated schedule of allocations will be recorded as the final schedule.

## **2.5 Unacceptable Allocation Practices**

The following are regarded as unacceptable practices which are explicitly prohibited:

- "spinning" arrangements under which RBCCM uses an allocation as an inducement to the recipient to award or procure the award, or as a reward for the past award, of other business to RBCCM;
- "laddering" whereby investors are allocated securities in an offering to support the price after issue with buy orders;
- requiring investors to purchase additional securities in the after-market as a condition of being allocated securities in an offering ("laddering" or "tie-in" arrangements);

- other “quid pro quo” arrangements under which the allocation of securities to an investor in an offering is made conditional on or linked with a compensating benefit such as the investor’s undertaking to accept allocations in another offer of securities or payment of excessive commissions on aftermarket dealings in the offered securities or on dealings in other securities; and
- RBCCM should not make requests for allocations to “friends and family” as it could be construed as “spinning”. Any “friends and family” allocations are solely at the request of the issuer client.

## **2.6 Internal Procedures**

Decisions about recommendations on pricing and allocation to be provided to issuer clients are not made by sales and trading employees. While sales and trading employees may (and generally will) provide information and guidance, including information and guidance about investor demand and views, and during the process of book building, pricing and allocation, they will not determine the final recommendation on pricing and allocation. This responsibility lies with the Syndicate desk in consultation with the issuer client.

RBCCM does not allocate securities to retail clients. Block allocations may be made to entities such as Wealth Management firms who are responsible for the decision making and allocations to retail clients without any involvement from RBCCM employees.

Deal announcements should conform to industry standards, be comprehensive of the key transaction terms and be public at the time the book opens. It is also best practice that the announcement be made as close as practicable to the draft disclosure document being made available.

Final allocations remain confidential and will not be shared externally outside of RBCCM except for sharing with other syndicate members and the issuer client.

## **3 Ownership / Responsibility for the Policy**

The Policy is owned by RBCCM Compliance Europe.

## **4 Policy Review Schedule**

We conduct a biennial review of the Policy or more frequently if required.

## **5 Client Enquiries**

Should you have any enquiries in relation to this document or the Policy please contact your usual business contact.

Complaints should be directed to your usual business contact or the RBCCM Head of Syndicate.

RBCCM reserves the right to amend or supplement this policy at any time. This policy is a summary of the principal provisions of more detailed internal RBC policies applicable to the firm as a whole.

**End of document**