

# Allocation guidelines for fixed income new issues

## Introduction and objective

The objective of this document is to provide guidelines of how ING's global syndicate desk ('Syndicate') allocates to investors in relation to fixed income debt transactions in the primary market. These guidelines are designed to be in line with the issuer's objectives, the Markets in Financial Instruments Directive (MiFID II), the Market Abuse Regulation ('MAR'), and the appropriate industry guidelines, being the ICMA Primary Market handbook guidelines in the case of high grade issues or the AFME European High Yield Primary Bond Market Practice Guidelines in the case of high yield issues.

ING DCM Origination ('Origination') will distribute ING's Allocation Guidelines to all issuers on whose transaction ING is mandated as an active bookrunner. For High Yield transactions which are run on a 'left lead' basis and where ING is designated as a bookrunner but has no actual involvement in the allocation process, ING is not able to undertake or ensure that these guidelines will be followed. Where ING is designated as a 'joint active' bookrunner it will endeavour to follow these guidelines in so far as is possible whilst recognising that the other joint active bookrunners may outvote ING in certain situations. Nevertheless, the allocation guidelines in relation to the target market should be applied in all circumstances.

## Syndicate desk responsibilities in relation to allocations

ING DCM Syndicate ('Syndicate') is responsible for the bookbuilding, allocation and pricing (via price discovery) processes of primary bond transactions. During the bookbuilding process, Syndicate has a full overview of both the investor demand (investor type per asset class and per geographical location) and the amount of oversubscription for the transaction (if any). The primary duties of Syndicate in this process is to achieve the issuer's objectives, to assist the issuer in the final price determination, to manage any conflicts of interest and to ensure that investors get a fair allocation in line with regulatory and industry guidelines. Syndicate will manage the risk of the transaction, with the intention to keep the orderbook open for at least 1 (one) hour from the formal announcement of the transaction, in line with the industry recommendation. Although not directly involved in the bookbuilding/allocation/pricing process, Origination, together with Syndicate, will be at the issuer's disposal throughout the process, maintaining an open and regular communication with the issuer by providing updates on the bookbuilding process including investors' price sensitivity, the amount of oversubscription and the investor quality. Syndicate will inform the issuer of the proposed allocation methodology, taking into account the interests and communicated objectives of the issuer. Syndicate will endeavour

to allocate the bonds to investors with the aim of achieving reasonable price stability and liquidity in the secondary trading market. Syndicate must ensure that allocations will be within the defined target market for the issue and in line with applicable regulations and any selling restrictions contained within the prospectus. Differences per category are possible in line with the appropriate industry guidelines, provided that such differences are recorded as required by MiFID II.

## Issuer preferences/sign-off

In issues where ING is acting as an active bookrunner for a corporate issuer, ING must consult with the issuer and the other active bookrunners (if any) in order to define the applicable target market for the issue.

ING should discuss with the issuer prior to the opening of the orderbooks whether it has specific preferences with regards to the allocation of the bonds. Examples of this include:

- Any preferred geographical jurisdiction on which an issuer would like to focus
- The types of investors within the target market that an issuer would like to favour
- Any specific investor to which that issuer would like to give preference and the reasons for that preference.

Following bookbuilding, ING, or one of the other active joint bookrunners, will provide the issuer with a document containing the proposed joint allocation (in line with the allocation guidelines and any issuer preferences agreed upon with the other banks). The issuer can then propose/instruct changes to be made to the proposed allocations. Only after receiving approval from the issuer on the proposed/definitive joint allocations (via mail/phone, through Origination and/or Syndicate) will Syndicate proceed in making the allocations public.

## Specific bookrunner guidelines

ING will apply the below guidelines where ING is acting as sole bookrunner. If there are multiple active bookrunners, ING will endeavour to apply the below principles in making allocations but we note that each bookrunner will have its own allocation guidelines, which may need to be reconciled in the allocation process. Key allocation guidelines are:

Type of investor: 'buy and hold' versus other investors. Allocations will differ per investor category and this consideration must be made in consultation with the issuer. Similar clients in terms of investor type should in principle get a similar percentage allocation. Unless directed otherwise by the issuer, the default preference will be for 'buy and hold'

investors (such as insurers, pension funds, central banks, asset managers, bank treasuries) and they will generally receive higher allocations versus those applied to trading desks, banks, private banking and hedge funds.

### Exceptions based on issuer preferences and the below additional guidelines are possible:

- Geography of the investor (in case of issuer preferences)
- Specific preferences of the issuer (as specified under 3 above).
- The experience gathered by ING on an investor behaviour not in line with the investor type category
- Historic involvement in the issuer's bond and/or the bonds of the same/similar sector issuers
- Order characteristics: order size, price limits
- Timeliness of an order (early or late) in the bookbuilding process
- Feedback related to an order or early indication of interest:
  - via active participation in investor discussion exercises, including:
    - group meetings/1-1's
    - deal and non-deal related roadshows
  - global investor update calls/1-1 calls
  - relative value thoughts (level of detail) shared with Syndicate
- Reverse enquiry orders are considered as key for the success of a transaction and hence will be treated more positively in the allocation process
- Without exception, an allocation to a specific client cannot be increased for commercial reasons. Sales staff cannot influence the final allocation decision of Syndicate for commercial reasons. They can however provide information and guidance on investor demand/expectations/opinions during the bookbuilding process. Syndicate, in agreement with the issuer, will be responsible for the final allocation decision
- In-house orders (from ING) will **NOT** be treated differently to other orders
- On so called 'Green' bonds, Syndicate can, in agreement with the issuer, give a better allocation to investors who have a specific focus on socially responsible investing
- Syndicate will consider any selling restrictions or other applicable legal/regulatory restrictions in the jurisdictions with which the investor is connected
- No allocations should be given to:
  - investors outside the specified target market for the issue<sup>1</sup>
  - investors in any specified negative target market for the issue
  - investors within the specified target market who ING is aware will sell-one the bonds to investors outside the specified target market for the issue
  - investors within the specified target market who ING is aware have sold-on bonds in previous transactions to investors outside the specified target markets for those issues. This point can be reconsidered if ING is satisfied that

such an investor has (i) taken appropriate remedial action (if possible), (ii) has undertaken not to do so again and (iii) has put appropriate procedures in place in order to ensure that such sales do not happen again

- Justifications for differentiations in allocations must be recorded and retained as required by MiFID II.

### Communication guidelines

- ING and the other bookrunners may, during the bookbuilding process, communicate the status of the orderbook. In such cases, information is shared publicly with all investors. Any such disclosure should be provided in writing (e.g. on Bloomberg) and available to all potential investors in order to comply with the requirements of MAR.
- The final allocation per investor is only shared between ING, the other bookrunners (active and passive) and the issuer. It is not shared publicly or, unless in exceptional circumstances, made available to banks on the transaction other than the bookrunners (e.g. co-managers).
- Syndicate will make public the allocation statistics per executed trade (split per investor type and geographical area) at the earliest opportunity (following approval by issuer and all bookrunners) after pricing of the transaction.

### Record keeping

Syndicate, as part of its overall responsibility for the allocation process, will keep a record (minimum 5 years) of the allocations of each deal where ING has a bookrunner role.

Sales, syndicate and origination staff regulatory considerations  
Syndicate and Origination staff will comply with all applicable internal compliance rules and all applicable laws and regulations, including but not limited to MAR and MiFID II.

ING FM Sales and Syndicate will make an assessment of potential inflation of orders based on the following considerations:

- We know that an order is inflated in that we are aware that it is higher than the limit they are permitted to take in a particular deal
- When placing the order, the investor specifically mentions their real level of interest, which is lower than the order amount placed
- Previous experience with specific investors
- The timing of the order – at what point of the launch process was it placed or increased
- The investor looks to return bonds to Syndicate without a valid reason after allocation but before pricing.

Based on the above considerations and in line with MAR requirements for reporting on suspicious transactions ('STOR'), Syndicate will report where needed to the relevant regulator.

<sup>1</sup> If the target market for the relevant issue is 'professional investors only', care must be taken that the relevant settlement account for that investor is not a retail account