

**RiverRock Securities SAS**

**Market Abuse Policy**

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**Glossary**

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## 1. Introduction

The Market Abuse Regulation (“MAR”) replaced the existing directive on market abuse across the European Union in July 2016 (Regulation (EU) No 596/2014). The new regulation sets out the regulatory framework for combatting insider dealing and market manipulation and details measures that firms need to take to prevent market abuse. In France, MAR extends the scope of the previous market abuse framework by including new markets, new platforms and new behaviours that can amount to market abuse introducing a new system for the punishment of market abuse into French law, overseen by both the criminal courts and the AMF/ACPR.

RiverRock Securities SAS takes very seriously its responsibilities to the markets on which it trades, its contractual counterparts and under law and regulation to prevent, limit or (in extremis) identify and report instances of market abuse and manipulation. RiverRock Securities SAS expects all its partners, officers, employees and contractors (“**Responsible Persons**”) to be engaged fully in this process.

## 2. Applicable Laws

**Market Abuse is regulated by the below texts and these apply to RiverRock Securities SAS:**

Regulation (EU) No 596/2014 of the European parliament and of the council of 16 April 2014 on market abuse

Commission delegated regulation (EU) 2016/957 of 9 March 2016

Commission delegated regulation (EU) 2017/583 of 14 July 2016

Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation (market abuse)

French Monetary and Financial Code: Art. L465-1 à L465-3-5, L621-15, L621-17-2 à 621-17-7

French Penal Code: Art. 226-13

General Regulation of the AMF: 315-1 to 315-5

AMF Instruction DOC-2008-05

Recommendation CESR, 04-505 Level 3 – first set of CESR guidance and information on the common operation of the Directive

Recommendation CESR, 06-562b Level 3 – second set of CESR guidance and information on the common operation of the Directive to the market

Order of 3 November 2014 on the internal control of companies in the banking sector, payment services and investment services subject to supervision by the ACPR

## 3. Context

The Market Abuse Policy (“**Policy**”) forms the basis of RiverRock Securities SAS’ expectation of its Responsible Persons in relation to market abuse and manipulation. However, since this Policy cannot be exhaustive in identifying instances or circumstances of market abuse or manipulation, RiverRock Securities SAS expects its Responsible Persons to exercise their best judgement at all times in assisting RiverRock Securities SAS in preventing, limiting or identifying market abuse and manipulation, even if such abuse and manipulation is not suspected of RiverRock Securities SAS itself.

MAR captures financial instruments traded on EU regulated markets, Multilateral Trading Facilities (MTFs) and Organised Trading Facilities (OTFs) and any related financial instruments traded over-the-counter (OTC), which can have an effect on instruments which are traded on any trading venue within the scope of MAR. Due to the nature, scale and

complexity of RiverRock Securities SAS' trading and strategies on Structured Products, all Responsible Persons should be aware that the efforts of each of them will be in vain unless each of them communicates effectively with the others and with RiverRock Securities SAS' counterparts and suppliers. RiverRock Securities SAS will be expecting Responsible Persons to provide it with as much information or documentation as RiverRock Securities SAS believes is required or desirable to fulfil its obligations.

RiverRock Securities SAS will take very seriously instances of non-cooperation by Responsible Persons which will be dealt with in accordance with RiverRock Securities SAS' disciplinary policy in force from time to time. This may result in the suspension or withdrawal of (some or all) responsibilities while investigations take place.

RiverRock Securities SAS operates an open-door policy and will not tolerate prejudice or discrimination against any person who has or brings to RiverRock Securities SAS authorised representatives his or her concerns regarding market abuse or manipulation.

#### 4. Definition and Types of Market Abuse

Market abuse can be defined as a failure to observe proper standards of market conduct. Market abuse can be committed by anyone, either intentionally or unintentionally and unknowingly, and can be committed anywhere. The offence is not limited to market participants and includes both action and inaction.

Under MAR it is an offence to:

- engage or attempt to engage in insider dealing,
- recommend that another person engage in insider dealing or induce another person to engage in insider dealing,
- unlawfully disclose inside information,
- engage in or attempt to engage in market manipulation.

All types of activity below (and given in the **EU Market Abuse Regulations (“MAR”)**) could be triggered by the failure or performance of a trading, monitoring or automated system. One example includes where an automated system for receiving acknowledgements of orders, cancellations or amendments from a trading venue malfunctions resulting in the trading systems re-sending the order, cancellation or amendment.

- Insider Dealing

Inside information is an information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments.

Insider dealing arises where a person possesses inside information and uses that information by acquiring or disposing of, for its own account or for the account of a third party, directly or indirectly, financial instruments to which that information relates. The use of inside information by cancelling or amending an order concerning a financial instrument to which the information relates where the order was placed before the person concerned possessed the inside information, shall also be considered to be insider dealing.

Examples of Insider Dealing include front running/pre-positioning, using inside information concerning a proposed bid. Under MAR, insider dealing includes the use of inside information to *amend or cancel* an order (even if that order was commenced prior to the receipt of the information).

## Unlawful Disclosure

Unlawful disclosure of inside information arises where a person possesses inside information and discloses that information to any other person, except where the disclosure is made in the normal exercise of an employment, a profession or duties. For example: selective briefing of analysts; selective/unprofessional disclosure of information by the Directors of an issuer.

MAR provides a framework for making legitimate disclosures of inside information which are protected against allegations of improper disclosures, 'market soundings'.

- Market Soundings

A market sounding is the communication of information prior to the announcement of a transaction to gauge the interest of potential investors in a possible transaction by a disclosing market participant such as an issuer, secondary offeror, an emission allowance market participant or another third party acting on behalf or on the account of a person as referred to above. Disclosure of inside information by a person intending to make a takeover bid initiate a merger shall also be considered a market sounding if the information is necessary to enable the parties to perform an opinion.

A market sounding can take place orally, during face to face meeting, via audio or conference call, in writing, by mail, fax or electronically.

The person providing the information during a market sounding is defined as the Disclosing Market Participant ("DMP"). The person receiving information during a market sounding is referred to as the Market Sounding Recipient ("**MSR**"). For the purpose of this Policy, the MSR is RiverRock Securities SAS staff.

RiverRock Securities SAS staff must follow appropriate and precise steps when participating in a market sounding to ensure this is conducted in accordance with regulatory requirements.

MAR provisions apply to all information received from market soundings and not only information identified by the DMP as "inside information", as market sounding may or may not involve the communication of inside information.

When a DMP discloses inside information to a MSR, this should be deemed to have been made in the normal course of the exercise of the person's employment, profession or duties and therefore it will not constitute market abuse or unlawful disclosure, provided the DMP follows the pre-determined actions as set out in Article 11(3) and (5) of MAR.

- Market Manipulation

Market manipulation is a deliberate attempt to interfere with free and fair operations of markets by creating artificial, false or misleading appearance of market activity or price of a security, commodity or currency.

Giving false or misleading impression involves trades, orders or other behaviour which:

- gives or could give a false or misleading impression of supply/demand or price of a financial instrument/underlying spot commodity; or

- distorts or could distort the price of a financial instrument/underlying spot commodity at an abnormal or artificial level, unless the person who carried out the transactions or issued the orders proves that its reasons for doing so are legitimate.

Under MAR, market manipulation takes into account attempted manipulation and incomplete transactions.

Examples include: buying or selling at the close of the market with the effect of misleading investors who act on the basis of closing prices; sale or purchase where there is no change in beneficial ownership effected with the intention of misleading investors; entering orders into an electronic trading system and withdrawing them before they are executed with the intention of misleading other market participants; abusive squeezes.

- Manipulating Devices

Manipulating devices involve transactions or orders or other behaviour which employ fictitious devices or any other form of deception or contrivance which affects or could affect prices of a financial instrument.

Examples include: voicing an opinion about a Qualifying Investment whilst holding a position in the Investment and profiting subsequently from the effect of the market acting on that opinion; a series of transactions that are designed to conceal the ownership of a Qualifying Investment so that disclosure requirements are circumvented by the holding of the Qualifying Investment in the name of a colluding party, such that disclosures are misleading in respect of the true underlying holding. Fictitious devices include the sending (and cancelling or amendment) of orders to a trading venue.

- Dissemination (of false or misleading information)

Although RiverRock Securities SAS may not see client orders or transactions that are suspicious, we also have a duty to raise concerns if we suspect a client is circulating or disseminating false or misleading information which the person knew or ought to have known was false or misleading and which:

- gives or could give a false or misleading impression of supply/demand or price of a financial instrument/underlying spot commodity, or
- distorts or could distort price of a financial instrument/underlying spot commodity, through any media – including the internet and rumours.
- Misleading behaviour and Market Distortion

Misleading behaviour and market distortion refer to actions that could create a misleading impression as to the supply of, demand for, or price of a financial instrument. Actions which are relevant include the sending (and cancelling or amendment) of orders to a trading venue.

## 5. RiverRock Securities Market Conduct

No member of RiverRock Securities SAS should agree to become an Insider in relation to the securities of any company other than where it relates to performing their role as an investment professional of RiverRock Securities SAS.

No Responsible Person should behave, as described above, in a way which amounts to Market Abuse and should seek to ensure that no other person behaves in such a way.

If in doubt then guidance should be sought from the RCSI and/or the Compliance Officer/Sian Wilson.

RiverRock Securities SAS subscribed to Steeleye as a trade surveillance and communications surveillance and capture tool.

Steeleye has a comprehensive RegTech suite covering MiFID II and EMIR reporting, trade surveillance and market abuse detection, communications capture and surveillance, best execution and transaction cost analysis, record keeping, eDiscovery, trade reconstruction and analytics.

Regarding RiverRock Securities SAS, due to the bespoke nature and low volume of trades, these trades are not captured in the system. Regulatory reporting is carried out through a manual process between RiverRock Securities SAS and RiverRock ECP Operations/Middle Office (under the terms of the SLA). The Compliance Officer/Sian Wilson uses Steeleye as a tool to carry out communication surveillance and to capture communications for review as part of our compliance monitoring program. Steeleye allows the Compliance Officer/Sian Wilson to perform this task in a precise and organised manner. Steeleye is configured by the Compliance Officer/Sian Wilson to capture the appropriate communications e.g. internal email and Bloomberg chat. Communications are also captured and stored via Mimecast complying with data retention obligations.

By way of example, trade life sample testing is carried out by the Compliance Officer/Sian Wilson as part of the compliance monitoring program, The Compliance Officer/Sian Wilson will utilise the tool to find the supporting evidence i.e. captured emails to support the trade.

Any suspicious trading activity shall be reported by the Compliance Officer/Sian Wilson to the RCSI.

RCSI will then decide should any of those reports be deemed to trigger a "DOS"/"Déclarations d'Opérations Suspectes". RCSI will also perform a review of that scheme on an annual basis.

Note for collaborators:

You should be aware that you may be made an insider at internal meetings or in conversations and if it is the case that you do not wish to be restricted from dealing in the relevant shares, you should make the other party aware that you do not want to be given inside information.

In the event that you do come into possession of inside information, you must report this fact to the RCSI who will add the security to a banned list and circulate the list firm-wide.

No Responsible Person may personally deal in any security about which RiverRock Securities SAS has inside information and is listed on the Insider list.

No Responsible Person may reveal any inside information held by RiverRock Securities SAS to any third party unless it is proper and necessary to do so.

**NB:** In order for any act or omission to amount to market abuse or manipulation, it is not necessary that a RiverRock Securities SAS or person *intends* to manipulate or abuse the market: the mere fact that the act or omission itself does manipulate or abuse (or risks manipulating or abusing) the market is sufficient.



Responsible Persons should be aware that any contravention of the Insider Dealing legislation may result in summary dismissal without notice or compensation. It is also important to note that Insider Dealing falls within the Market Abuse Regime.

**If in doubt, the RCSI must be contacted for advice.**

## **6. Penalties associated with market abuse**

MAR makes insider dealing and market manipulation civil offences and gives the AMF power to impose unlimited financial penalties, order injunctions or publicly censure legal and natural persons who engage in market abuse. This applies to all persons, whether they are AMF authorised or approved. Persons who take or refrain from taking any action which would require or encourage another person to commit market abuse are also liable to be penalised under the regime. Insider dealing and market manipulation are also criminal offences and can incur custodial sentences according to article L.621-15 of the French Monetary and Financial Code.

The AMF cannot impose a penalty if it is satisfied on reasonable grounds that a person:

- reasonably believed his behaviour did not amount to market abuse,
- had taken reasonable precautions and care to avoid engaging in it, or
- reasonably believed he had not encouraged or had taken reasonable steps and care to avoid encouraging market abuse.

If you are in any way unsure as to what might constitute market abuse, you should contact the RCSI immediately.

## **7. Indicators of market abuse**

ESMA has set out a non-exhaustive list of indicators of market manipulation. These indicators should be used as a guide when analysing whether orders or transactions may indicate possible market abuse. They should be used as an additional tool, but not replace the thorough analysis to be conducted in relation to any suspicious activity or behaviour.

- orders / transactions that represent a significant proportion of the daily volume of transactions,
- orders / transactions undertaken by persons with a significant buying or selling position,
- transactions that lead to no change in beneficial ownership,
- orders / transactions including position reversals in a short time,
- orders / transactions undertaken are concentrated within a short time span,
- orders that change the representation of the best bid or offer prices (or the general order book) and are removed before they are executed,
- orders / transactions undertaken at or around a specific time,
- orders / transactions that are preceded or followed by dissemination of false or misleading information,

orders / transactions that are preceded or followed by the dissemination of investment recommendations that are erroneous, biased or demonstrably influenced by material interest.

## 8. Market Abuse Internal System

The RCSI, with the support of the Compliance Officer/Sian Wilson and of the External Consultant, will implement measures to monitor for potential or actual abusive behaviour on a risk based approach based on the business RiverRock Securities SAS conducts, including the recording of communications channels and retention of these records for at least 5 years (this may be extended on request by a competent authority). This will include but not necessarily be limited to:

- communications monitoring,
- transaction and order monitoring,
- manual ad-hoc reviews as appropriate.

Compliance will maintain a specific monitoring plan for the above purposes.

### 8.1 Market Abuse Prevention

To comply with Market Abuse regulation, RiverRock Securities SAS has:

- this internal Market Abuse procedure updated on a regular basis or as often as needed;
- an internal system setting out personal transactions;
- applied a judicial and regulatory watch via an External Consultant; ensured collaborators training regarding Market Abuse on a regular basis.

### 8.2 Controls

#### i. 1st Level Controls

This 1st level of control is performed by all collaborators.

Employees involved in order processing are aware of and trained in market abuse issues and are able to detect transactions that could constitute market abuse. As a matter of fact, the RCSI and the Compliance Officer train staff and use the principles and criteria (criteria relating to the volume of orders in relation to the average volume on the targeted market, or present in the order book, criteria relating to the size of the differences between the requested price and the last quoted price...) defining a situation of market abuse to detect a potential situation of said market abuse.

If a situation might constitute a market abuse, employees inform the Compliance Officer/Sian Wilson and the RCSI who is in charge of analysing those suspicious transactions.

Once the concerned transactions have been analysed, the RCSI decides if sending a report to the AMF is necessary. This decision is taken independently.

The RCSI formalises the reasons that allow him to decide if he sends a report to the AMF or not. In any event, all suspicious transaction reports, as well as the information, must be kept by RiverRock Securities SAS for a period of five years.

**Note to collaborators:** If you receive an order to trade or arrange or execute a transaction with or for a client and have reasonable grounds to suspect that the transaction might constitute market abuse or attempted market abuse, you must report it to the RCSI

immediately. The RCSI will then investigate the case and, if necessary, will make a report to the NCA by submitting a Suspicious Transaction or Order Report (“STOR”).

## ii. 2d Level Controls

A 2d level of control is performed by the External Consultant, according to their mission defined in the Compliance Monitoring Programme.

These controls aim to detect suspicious operations (in terms of volume, price, price movement, trader’s habits, market announcement, orders issued or transactions carried out at or close to the time at which reference prices, settlement prices and valuations are calculated etc).

As soon as a suspicious transaction is detected, controllers analyse the entire audit trail, save all relevant documents and comment on their investigations.

The Compliance Officer/Sian Wilson implements "ex-post" reviews of transactions, taking place regularly on a random basis, to ensure that suspicious transactions are reported in a timely manner. The Compliance Officer/Sian Wilson is in charge of carrying out these controls.

In case of any doubt remaining, the External Consultant informs the Compliance Officer /Sian Wilson and the RCSI, who will decide whether to send a notification to AMF.

The different tasks of the External Consultant are as follow:

- to verify the awareness-raising and training of employees on the subject and that the provisions of the Compliance Manual comply with regulations on market abuse (prohibition to use or communicate insider information, prohibition to manipulate prices, prohibition to communicate false information, etc.),
- to select a sample of Financial Instruments presenting risks of market abuse (liquidity risk, operations on which the managers are insiders and mentioned in the register),
- based on this sample and the history of transactions, to ensure that transactions in these Financial Instruments do not constitute a market abuse,
- to verify, in the event of doubtful transactions, that the appropriate reporting has been made.

## 9. Reporting

MAR imposes an obligation to report suspicious transactions and orders in financial instruments.

If any employee who arranges or executes a transaction with or for a client has reasonable grounds to suspect that a transaction or an order might constitute market abuse, they must report it without delay to the RCSI. The RCSI will then investigate the case and, if necessary, make a report to the AMF.

You should decide on a case by case basis whether there are reasonable grounds for suspicion, considering the elements constituting market abuse, and any other behaviour or information. Note that it may not always be apparent that a transaction might be abusive until after a transaction has taken place.

You should keep the information in relation to a suspicious transaction or order report confidential and discuss it on a need to know basis only.

### Suspicious Transaction Reports (“STRs”) (Market Abuse)

A firm which places an order or executes a transaction and has reasonable grounds to suspect that the order or transaction might constitute market abuse must notify the National

Competent Authority (“NCA”) without delay. Operators of trading venues will be required to report suspicious behaviour as well as prevent and detect it.

Assistance in determining whether a transaction constitutes market abuse may be found in the rules of each trading venue on which RiverRock Securities SAS places orders or completes transactions and MAR itself.

Notifications must include:

- Description of the transaction including type of order e.g. limit order, market order, etc and type of trading market e.g. block trade. Also, whether the suspicion relates to a series of transactions, behaviours or other information.
- Reason for suspicion of market abuse.
- Once it becomes available, the following information must be supplied:
  - Means for identifying persons involved in the transaction;
  - Capacity in which RiverRock Securities SAS operates e.g. own account or on behalf of third parties;
  - Any other significant information.