

GROUP CONFLICTS OF INTEREST GLOBAL POLICY



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Author	Etienne VALENCE
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Summary:

As a full-service financial institution, BNP Paribas and its affiliates (together, "BNPP" or the "Bank") recognize that, in the normal course of its business and as in any large financial institution, conflicts of interest situations may arise, either permanently or from time to time. Subject to compliance with applicable regulation, there is nothing inherently wrong or unethical if and when such situations to arise. However, the abuse of such situations is improper, and BNPP is committed to managing those conflicts of interest that may arise in its business to prevent their abuse and give protection to its clients, employees and any other counterpart.

This Conflicts of Interest Global Policy (the "Policy") aims at describing BNPP's framework to manage conflicts of interest.

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● 1 What's new

Creation of a Conflict of interest committee
Volcker Rule special provisions

● 2 Definitions

• **Conflict of interest**

A conflict of interest is "a situation where, within the course of the Bank's activities, the interests of the Bank, and/or of its clients, and/or of its employees compete, whether directly or indirectly."

An interest is "the source of any advantage of whatever nature, either tangible or intangible, professional, commercial, financial or personal."

This definition applies to conflicts of interest that are either actual or potential or to the appearance thereof.¹

According to this definition, there are five classes of conflicts of interest:

1. Conflicts of interest that are internal to the Bank,
2. Conflicts of interest between the Bank and its clients or other counterparts (hereafter referred to as "Clients"),
3. Conflicts of interest between the Bank's employees and its Clients,
4. Conflicts of interest between the interests of Clients, and
5. Conflicts of interest between the Bank and its employees.

¹ It should be noted that in certain fields of business, where management of conflicts of interest relies primarily on protection of the independence of the business, the following narrower definition of a conflict of interest could be encountered: "a situation where the independence of the Bank or members of its staff could be challenged".



This Conflicts of Interest Global Policy only deals with the conflicts of interest that involve one or more Clients of BNPP, either directly or indirectly, and that are encountered – or could be encountered – by the Bank and its employees in the course of business with such Clients. Other actual or potential conflicts of interest encountered by the Bank and its employees (including such matters as personal securities account trading, outside business activities and private investments, directorships and public mandates, and political contributions) will be dealt with in separate policies.

- **Abuse of a conflict of interest**

Under the above limitation, abuse of a conflict of interest is “a situation in which an outcome to a transaction performed by the Bank has a material disadvantage to the interests of a Client and, as a counterpart, a material advantage to the Bank, an employee, another Client or any other related third party”.

● 3 Scope of the policy

The Policy is applicable to the BNP Paribas Group, i.e., to all activities on a worldwide basis, in order to monitor the associated operational and regulatory risks and reputational issues.

If necessary, the Policy will be customized on a local basis, as a local conflicts of interest policy, to comply with local regulations and practices, subject to application of the rule of “highest standard” under which the Policy prevails over local rules if the local rules are less strict or less demanding.²

As conflicts of interest raise significant reputational issues, it is recommended to Policy users to read the Group’s reputation policy.

² It should be noted that if applicable local regulation in the field of conflicts of interest is issued by country regulators, there are significant exceptions, such as the European Union countries, where such regulation applicable to branches of BNP Paribas is the ones issued by the “home country” regulators, i.e., the French regulator (Autorité des Marchés Financiers – AMF). *[NB: subject to empowerment of Mifid Directive]*



● 4 Classification of conflicts of interest

The Policy covers the following conflicts of interest:

- i) Conflicts of interest between BNPP and one or more Clients,**
- ii) Conflicts of interest between Clients, and**
- iii) Conflicts of interest between an employee of BNPP and one or more Clients.**

An exhaustive list of examples of conflicts of interest cannot be drafted, as new situations of conflicts of interest arise due to the dynamic of the banking business. As a consequence, the Policy does not deal with conflicts of interest situations on a case by case basis but, instead, focuses on the courses of action that can be taken to manage properly conflicts of interest situations.

Although the following list is not exhaustive, it details situations where conflicts of interest may arise:

- Access to material non-public information or other confidential (including trading) information of, or concerning, a Client, and trading of securities and other financial instruments in the markets (both proprietary trading and for the account of Clients);
- Multiple roles in a transaction (such as issuing a fairness opinion, with fees that are contingent on the success of the transaction, while at the same time advising on the investment banking aspects of the same transaction);
- Providing support to multiple Clients (or potential Clients) with competing interests regarding a specific transaction (such as participating in the lending group for competing bidders in an acquisition transaction);
- Making decisions on how to allocate or distribute products, opportunities or information (such as making allocation decisions for attractive trading opportunities among proprietary, Client and employee accounts, and allocating “hot” IPOs);
- Providing special incentives or payments for use or sale of products or services (such as offering incentives to a sales team to sell proprietary products to Clients);
- Providing research coverage on, or advisory services with respect to, securities of an issuer with which there is an investment banking relationship;
- Providing or receiving material gifts and entertainment to or from Clients.



● 5 Courses of action taken by BNPP to manage the conflicts of interest situations

The Bank must manage conflicts of interest, either actual or potential, so as to not abuse a conflict of interest situation and to avoid violating (1) its obligations to Clients and (2) applicable laws and regulations.

In response to a conflict of interest, the Bank (or its employees) can:

- decline to act,
- accept the conflict of interest but prevent any material abuse of it and give protection to the Client, and/or
- disclose the conflict of interest or obtain appropriate Client waiver or consent.

These courses of action are supported by permanent arrangements. These arrangements apply either to the whole of BNPP or to a single business entity (i.e., they apply to all transactions of BNPP or transactions of just one business entity, however they occur on a regular basis,) or on a case by case basis (i.e., transactions are examined one by one regarding conflicts of interest issues). A response to a conflict of interest can also apply, if necessary, to employees.

i) Declining to act

In some situations, often ones that would be the source of highly critical conflicts of interest, BNPP will not enter into (or will withdraw from) the transaction, or one of the transactions, that creates the conflict of interest.

BNPP has identified some of these situations. It maintains and operates procedures that detail when it is appropriate or necessary to decline to act, such as gift policies. It also maintains and operates procedures, especially within its Validation Framework for non-standard transactions, new products and new activities, that allow transactions to be barred in order to avoid conflicts of interest situations.

ii) Permanent arrangements

The proper action to take to manage a conflict of interest situation depends on the specific circumstances. BNPP maintains and operates permanent arrangements that are designed to properly manage most conflicts of interest situations, once identified. They are the following:

- **General Principles**

Integrity, fairness, impartiality and primacy of Clients' interests occupy a leading place among BNPP's ethical rules. All BNPP staff is required to comply with ethical rules and receives proper information, training and guidance in order to do so effectively.

- **Compliance Function**

Monitoring the framework to manage conflicts of interest is the responsibility of both the Compliance and Legal functions within BNPP. The definition of compliance adopted by BNPP is: "Adherence to statutory and regulatory provisions, professional and

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ethical standards, guidelines issued by the Board of Directors and instructions from Group Head Office". This definition of compliance includes adherence to conflicts of interest provisions and guidelines.

- **Segregation to insure independence**

In some permanent and critical potential conflicts of interest situations, BNPP takes the permanent action, if reasonably possible, to segregate the related transactions so that they are performed independently from the other transactions with which conflicts of interest issues could arise. This action is supported by organisational measures, such as separate lines of reporting, separate premises and restricted access to premises, restricted access and embargoes on information, affiliation. These permanent arrangements are often referred to as "Chinese Walls", "Firewalls" or "Information Barriers", depending on local practices.

In some situations, full or even partial segregation is not reasonably possible, for example in small entities. As a substitute, or a complement, to segregation, other permanent arrangements are implemented to ensure independence in performing the transaction whereby the potential conflict of interest could arise. These arrangements include procedures that, for specific transactions, provide guidelines that insure that they are performed with the appropriate level of independence.

- **Safety devices**

Safety devices are permanent devices, such as procedures and tools designed to contribute to, or handle, detection, prevention and management of conflicts of interest situations.

BNPP maintains and operates such devices to help prevent some conflicts of interest situations. Examples are "watch lists" of securities (related transactions are scrutinized) and lists of "sensitive" or "insider" staff members (the related transactions of which are scrutinized).

Safety devices can be fully automated. BNPP operates some IT systems (either dedicated or embedded within operational IT systems) that automatically deal with some conflicts of interest situations.

- **Follow up of "incidents"**

An "incident" is any situation that reveals that a conflict of interest situation might not have been properly addressed, such as a sanction, a report from auditors or regulators or a client complaint. Such "incidents" are monitored by the main line of business or support function involved, under the supervision of Compliance. An investigation can be performed by Internal Audit. If necessary, remedial action is taken under the supervision of Compliance.

- **Procedures**

The permanent arrangements mentioned above are supported by internal procedures. On a more general basis, BNPP maintains and operates a set of procedures to identify and manage conflicts of interest situations. These procedures deal with:

- Specific conflicts of interest situations, such as approval of advisory services mandates,
- Conflicts of interest situations that could be met in the course of the Group's Validation Framework.

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This framework is a process under which non-standard transactions, new products and new activities are scrutinized in committees in order to monitor associated credit, market or operational risks, financial and compliance issues, and conflicts of interest situations; it provides a framework for decision making and, if necessary, escalation,

- Any other conflict of interest situation that could be encountered. There is a specific procedure to deal, on a case by case basis, with conflicts of interest situations that do not fall within the scope of either the procedures for managing specific situations or the Validation Framework, or that cannot be fully processed through this process, for example for confidentiality reasons, and
- Obligations of employees in not abusing conflicts of interest situations.

iii) Disclosure/waiver

Some conflicts of interest cannot be properly managed either by declining to act or withdrawing, or preventing any abuse and giving appropriate protection to the Client. In this case, BNPP discloses appropriate and proportionate information to the Client or, as needed, obtains an appropriate Client waiver or consent. In any case, disclosure does not exempt the Bank of its duty to manage conflicts of interest situations in order to prevent abuses and give protection to the Client.

iv) Conflict of Interest Committee

When a conflict occurs between clients or between different BNPP roles and when the situation cannot be properly managed by the procedures, Information Barriers and Chinese wall arrangements, a Conflict of Interest Committee must be held in order to make the necessary arbitration pertaining to the choice of clients and/or positioning of BNP PARIBAS (see Annex A: Compliance memo date March, 20th, 2015).

In response to a conflict of interest, the Committee decides with which client BNPP will be positioned.

● 6 Identification of conflicts of interest situations and responsibilities

With support from the Compliance and Legal functions, responsibility for careful and consistent identification of conflicts of interest situations, either actual or potential, for managing such situations, for setting and applying related permanent arrangements, especially procedures, and for complying with this Policy, relies on the lines of business (Pôles, Métiers) and support functions, as they are responsible, on a more general basis, for monitoring their risks.

Management of conflicts of interest situations is an important item of BNPP's Compliance permanent control framework. As such, it is within the scope of Group permanent control reporting.



● 7 Volcker Rule Special Provisions Relating to Conflicts of Interest

BNPP prohibits any trading desk or business unit from engaging in any transaction, class of transactions or activity that would otherwise be permissible as permitted proprietary trading activities or permitted covered fund activities under the Volcker Rule if such transaction, class of transactions or activity would violate the restrictions in the Volcker Rule prohibiting any transaction, class of transactions or activity by involving or resulting in a material conflict of interest between BNPP and its clients, customers or counterparties, unless any material adverse effect on the client, customer or counterparty created by the conflict of interest is (i) negated or substantially mitigated through clear, timely and effective disclosure of the conflict of interest or (ii) prevented through establishing, maintaining and enforcing information barriers. This Policy shall apply to the identification and management of the specific conflicts of interest prohibited by the Volcker Rule noted above.



Annex A:

For internal use only

3/20/2015

March, 20th, 2015

Market Integrity

Etienne Valence

As a financial institution, BNP Paribas covers a wide scope of businesses. As a consequence of the numerous deals it may be interested in or party to, as well as of the number of mandates it may obtain, the BNPP Group may potentially be in a situation of conflict of interest. Such situations should always be considered globally taking account of their whole complexity since the interests of the Bank and/or those of its clients may be in competition, directly or indirectly. These general principles do not cover the specific situation of conflicts which are related to BNPP's employees because of their roles or positions at the firm. This situation is covered by the Outside Business Interest "OBI" policy.

1. Definition of a Conflict of Interest and its stakeholders

The following situations may generally be classified as potential conflicts:

- o between the interest of the Bank (for its own stake) and the interest of the client,
- o between the different roles and positions that the Bank is taking on behalf of its clients which may be in opposition (e.g. lender and advisor),
- o between the interests of different clients of the Bank which are competitors for the same target or have opposite interests in a given transaction for a specific reason at a specific time.

Most of the businesses triggering such situations belong to the private side. In addition to Coverage (in CIB and in the Domestic Markets or in International Retail Banking), some specialised activities can typically be stakeholders as well (this list is not exhaustive):

- o Corporate Finance : M&A mandate and ECM as necessary
- o "Integrated Sectors" ("CCFA" -- - CIB)
- o Financing métiers
- o Corporate Banking within CIB but also within the Domestic Markets or the International Retail

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Banking Network (BDDF, BNL, BNPP Fortis, BGL, TEB, BNPP Polska....)

- o Debt Capital Market

- o Strategic Equity

- o Value Preservation Group

Certain activities on the public side such as Principal Investments may also be involved (investment in public companies and in private equity).

Certain situations must be absolutely avoided such as having an M&A mandate and a Debt Advisory mandate on two different candidates competing for the same target. However, the periodic renewal of current lines of credit for corporate clients are not subject to this rule.

2. Managing conflicts of interest

When a situation of conflict is arising within a given business line, the solution can usually be found through the use of standard Chinese Wall and Information Barriers arrangements whereby care is taken to ensure that the different private side deal teams involved and recipients of MNPI are physically (and electronically) separated strictly to enforce the “need to know principle”.

Whenever a situation of conflict arises with regards to clients with similar competing positions in a proposed transaction but involving different métiers, or with opposite positions involving different métiers, the situation must be systematically submitted to Compliance. Based on their assessment of the importance of the matter, the compliance officers and the métiers concerned will decide on the level at which the decision process must take place to rule on the conflict

- o When a conflict occurs between clients or between different BNPP roles and when the situation cannot be properly managed by the Information Barriers and Chinese wall arrangements, a Conflict of Interest Committee must be held in order to make the necessary arbitrage pertaining to the choice of clients and/or positioning of BNP PARIBAS.

- o Any situation requiring “trees” arrangement (when feasible - Financing métiers) when BNP PARIBAS has an advisory role, is subject to the pre-approval of the Conflict of Interest Committee.



o Any request from a party for an exclusivity agreement is subject to a conflict check by the Committee as well.

o The convening of the Conflict of Interest Committee may be requested by (i) the Chairman of the Executive Management Board of CCFA EMEA, by (ii) by the management of the business or client lines of CCFA EMEA, (iii) by the Market Integrity Mission of Group Compliance, responsible for the Control Room of the BNP PARIBAS Group, (iv) by the Compliance officers of the Métier/Country or (v) by a Country Head.

In response to a conflict of interest, the Committee decides with which client BNPP will be positioned.

3 - Composition of the Conflict of Interest Committee

- o Chairman: Thierry Varène,
- o Group Compliance -- - Market Integrity (Etienne Valence or one of his representatives)
- o The Compliance Officer(s) of the métier(s) or Region/Country if necessary,
- o The Senior Banker(s) or the Relationship Manager(s) in charge of the client(s) if necessary,
- o The Head(s) of the business or of the client line(s), or one of his/her/their representatives,
- o The Head of Domestic Markets or IRB or one of his representatives if necessary,
- o Any other party on the request of the Chairman.

The full process must be documented in a formalized minutes in particular the way the conflict was addressed.

Compliance will store these minutes in the conflict register of the Group Control Room.

