



**PROFESSIONAL ETHICS: GENERAL POLICY**  
**Procedure for assessing professional knowledge**

***"This procedure should be transposed by every Entity in the BNP Paribas Group, including BNP Paribas S.A., in strict compliance with the applicable local laws."***

Issuer	Group Compliance
Business line	Professional Ethics
Level	2
Type	Policy
Scope of application	BNP Paribas Group <sup>1</sup> , all Entities <sup>2</sup>
Access	All Employees <sup>3</sup>
Area	Compliance
Subject	Professional Ethics
Author	Group Compliance
Approved by	Jean Clamon
Approved on	30 September 2011
Effective date	3 October 2011
Next level procedure	<ul style="list-style-type: none"><li>• Group Code of Conduct (18 March 2008)</li></ul>
Main related procedures	<ul style="list-style-type: none"><li>• Group procedure on management of reputation risks – CG0061</li><li>• Procedure relating to the rules governing product sales and client services – CG0075</li></ul>
Main regulatory references	<ul style="list-style-type: none"><li>• Articles 313-7 and 313-29 of the General Regulations of the French securities regulator (<i>AMF – Autorité des Marchés Financiers</i>)</li><li>• All regulatory texts requiring certification or assessment of knowledge for the exercise of a function relating to financial instruments</li></ul>

<sup>1</sup> **BNP Paribas** or the **"Bank"** or the **"Group"** means BNP Paribas SA and all its direct or indirect subsidiaries that can be fully or proportionally consolidated, and all its organisational, operational or functional entities, jointly or separately.

<sup>2</sup> An **"Entity"** is a Core Business, a Function, a Business Line, a Territory, a branch or a subsidiary of BNP Paribas. For the application of this procedure, the term **"Entity"** also means one or more of its operational or functional units. All **"Retail Banking"** activities are considered to be Core Businesses.

<sup>3</sup> An **"Employee"** is a natural person who works within the Bank in France, on a permanent or temporary basis, within the scope of an employment contract, secondment, loan of personnel or corporate office, or works within the Bank in another country in equivalent circumstances. For the application of this policy, interns and auxiliary staff are considered to be employees. However, temporary staff and employees of third parties must have had the professional knowledge they may need to use in performance of their duties validated by their employer.

**Introduction**

In order to best serve its clients' interests in every territory in which it operates, the BNP Paribas Group aims to provide an exemplary service through the skills and expertise of its people and the quality of the services provided.

**Within this framework, the purpose of this procedure is to:**

- Remind all concerned of the importance of client-service quality and provide our Employees with sufficient training to enable them to acquire the necessary expertise for their functions, notably when client relations are concerned;
- Specify the positions for which knowledge verification is essential if the following objectives are to be met:
  - achieve commercial development
  - preserve the reputation and image of the BNP Paribas Group
  - comply with laws and regulations, thereby avoiding civil, administrative and criminal sanctions
  - comply with Group procedures, and notably with the Code of Conduct.
- Define the general framework applying to the assessment of knowledge, which must take full account of the law, of specific local conditions and/or of the particular characteristics of the relevant positions.

**I) – The importance of high-quality client service**

The Bank must ensure that the information it provides to its clients, including information of a promotional nature, irrespective of its form, whether written or oral, complies with the principles set out in the procedure relating to the "Rules governing product sales and client services" and the applicable local regulations, to which Employees should refer, and gives the client all the key facts necessary to make a decision. The minimal appropriate information to be provided to a client will depend on his category, experience, financial profile and legal status, and on the nature of his business relationship with the Bank.

In order to do that the Employees concerned must be given appropriate training concerning both the products that they may need to present to their clients or prospects and also the legal, regulatory and fiscal environments within they evolve.

This is of course particularly true for Employees advising clients and engaging in the direct sale of financial products and investment services.

**The relevant Employees must be able to:**

- Fully understand the range of products and services that they are authorised to sell.
- Evaluate the appropriateness of the sales offering in the light of the client's financial profile, objectives and appetite for risk.
- Present the financial products to the client in a simple, comprehensive, understandable and fair way, taking care not to obscure certain key elements, declarations or warnings.
- Ensure that the client fully understands all the risks inherent in the products presented.
- When applicable, fully understand the various tools used to provide advice and make sales.
- Familiarise themselves with the internal instructions relating to the sales process, including those that concern storage and archiving. This is particularly important when the Employee is likely to provide clients with investment advice during the sales process, since regulations may require traceability of provided advice.
- Fully understand recourse and claim procedures, so as to be in a position to present them to the client where applicable.

**Group Compliance**

## Level 2 procedure

**The Employees who are directly concerned** are those who exercise the following functions, as defined below: “*sales persons, asset managers, heads of financial instrument clearing, clearers of financial instruments, heads of post-trade services, traders, investment analysts, investment services compliance officers*”.

**This approach is not new.** Training for sales staff already encompasses these components, and has always been viewed as one of the keys to ensure client satisfaction, and thereby optimize business activity and commercial development.

**What is new** is that, for a large part of the Group, these Group good practices are now enshrined in regulations covering the protection of clients’ interests (most of which were introduced in the European Markets in Financial Instruments Directive (MiFID)), imposing formal, mandatory knowledge assessment for certain categories of employee. This has resulted in a need for better formal records of the Group’s procedures and systems and also for a generalised implementation.

**II) – Employees affected by knowledge assessment - Definitions**

This policy applies not only to the Bank’s Employees, as defined in the footnote on page one, but also to individuals not employed by the Bank who exercise any of the functions defined below on behalf of the Bank. Whenever the term “Employee” is used below, it should be understood to also refer to these third parties.

**The employees whose knowledge needs to be assessed include at least those exercising the following functions:**

**Sales person:**

“A sales person is any Employee responsible for informing or advising clients in connection with conducting transactions in financial instruments.”

With regard to knowledge assessments, Employees whose tasks do not include the receipt or transmission of orders in financial instruments or the execution of transactions in financial instruments are not deemed to be sales persons. This is the case, in particular, for people whose tasks are to welcome clients, to deliver pre-established documentation on financial instruments as well as to communicate non-personalised information on financial instruments to retail clients.

However, any person providing financial advice who engages in Equity Capital Market activities or investment services (attendance at road shows or involvement in primary investments) is subject to the knowledge assessment procedures.

**Asset manager:**

“An asset manager is any Employee authorised to take investment decisions in connection with an individual investment mandate or with the management of one or more collective investment undertakings.”

**Head of financial instrument clearing:**

“A head of financial instrument clearing is an Employee representing the Bank before clearing houses with respect to transaction registration, risk organisation and management, and the related financial instrument clearing functions.”

**Clearer of financial instruments:**

*“Clearers of financial instruments are Employees authorised to commit the Bank vis-à-vis a clearing house.”*

**Trader of financial instruments:**

*“Traders of financial instruments are Employees authorised to commit the Bank in proprietary trading transactions or transactions in financial instruments on behalf of third parties.”*

**Investment analyst:**

*“Investment analysts are Employees assigned to the task of producing general investment recommendations.”*

**Compliance and permanent control officer**

*This is any Employee responsible for Compliance and permanent control in an Entity as it is defined in footnote <sup>(1)</sup>.*

**Head of post-trade services**

*“A head of post-trade services is an Employee who assumes direct responsibility for custody account keeping, settlement-delivery, depositary functions, securities management or securities services for issuers.”*

This list of functions, the most important of which are the sales persons, constitutes a minimum list of those Employees whose knowledge must be formally assessed in accordance with this Group Policy, even if local regulations do not provide for any such mandatory knowledge assessments.

Depending on local practice and local regulations, this list may, when relevant, be extended to include Employees with other functions. If the local regulations do not cover all the activities listed above, the Entity should extend the scope of its knowledge assessments as defined in accordance with the local regulations to include all these seven functions, and in particular the sales persons.

Note the special exception for Employees occupying their current position since 1 July 2010 (see V below).

**III) – Procedure for the implementation of knowledge assessment**

It is important to:

- ensure that Employees have the appropriate qualifications and expertise;
- check that they have the minimal degree of knowledge defined by the Business Line managers concerned or, as the case may be, required by the local regulations, if any.

These Employees must acquire the relevant basic knowledge to perform their duties as quickly as possible, i.e. within the timeframe set out by the Business Line managers and, as the case may be, by no later than the deadline set by local regulations, where such exist. In any event, it would appear reasonable to require that all Employees gain the necessary knowledge within six months of taking up their posts, as a general rule.

**Group Compliance**

## Level 2 procedure

Therefore, any Employee who receives the requisite training must have assimilated the minimal mandatory knowledge needed for his function and have performed satisfactorily at the professional knowledge tests within the abovementioned timeframe. If this is not the case he must either be offered additional training, followed by a new test, or be offered another function within the Bank, in compliance with the applicable rules of the labour law.

**The Entities concerned must:**

- Determine which of their Employees are to be responsible for organising and following up on the knowledge tests for the relevant Employees. In the event the local regulations require in addition that the Compliance officer verifies the integrity and professional experience of the relevant Employees and / or issues a professional licence if required by any regulatory authority, the Compliance officer will manage directly or indirectly (under his supervision) the whole process for assessing the professional knowledge of the relevant Employees.

This must be managed:

- in a manner that is compatible with the overall organisation of training within any given Entity;
- with impartiality and rigour, so that the acquisition of the minimal requisite knowledge can be effectively verified.

- Identify the Employees concerned by the knowledge assessment.

- For each Entity in which Employees exercise the abovementioned functions, determine whether the Employees should be segmented by function so that knowledge levels can be adapted to the functions performed.

Accordingly, one or more minimal levels of knowledge – ranging from basic to highly competent - could be defined, corresponding to a scale of qualitative and hierarchical positions in terms of client service.

In that case, a precise range of products and services that each category of Employee would be allowed to sell could be defined, on the basis of their expertise, experience and professional qualifications.

- Define the appropriate minimum knowledge content required for each category of Employee (see section II above);

When a minimal level of knowledge has been defined by a Regulator <sup>4</sup>, professional bodies or the local market authorities, this definition will be used as a benchmark. Depending on specific local or functional characteristics of the Entity, additional requirements may be defined.

- Define the mode of acquisition of the above-mentioned necessary knowledge (e.g. existing training programme - through e-learning, external or internal seminars, etc. -, reference books, professional practice), and specify the organization selected to integrate newly recruited employees as well as to up-date their knowledge periodically. Note that this training may be incorporated in broader sessions or through continuing professional development.

- Define the timeframe within which Employees must obtain a pass level in the knowledge assessment pertaining to their particular functions;

- Define the practical aspects of the knowledge assessments, for instance:

- in-house assessments, via a multiple-choice questionnaire with a minimum score to be obtained,
- if appropriate, external assessments to obtain a certification approved by the Regulator.

---

<sup>4</sup> The Regulator is the independent local public agency responsible for regulating and overseeing the financial markets

**Group Compliance**  
Level 2 procedure

The method used will have to guarantee the anonymity of the candidate to ensure the impartiality of the assessor. It would be advisable to specify, if need be, the professional diplomas or certificates that exempt their holders from the knowledge assessments.

- Define the follow-up and recording guidelines of this minimum and mandatory training. For all cases each employee will have to be registered in a file which will have to be provided to the Regulators if requested (for example in a personnel training file). All Achieved knowledge tests results will also need to be recorded in the employee's personal training file and kept under the Human Resources responsibility.

**IV) – Implementation lead times**

Depending on the Business Lines concerned, technical and administrative factors may dictate minimal lead times for the implementation of this new organization.

This will be the case, notably, where a large number of Employees are concerned by knowledge assessment.

The AMF has decided that knowledge assessment shall not be mandatory for Employees in France who were already exercising their functions as defined in paragraph II above on 1 July 2010 (so-called "grandfather clause"). The Group has adopted this principle. Accordingly, for the application of this policy, Employees who were already exercising their functions as defined in paragraph II above on 1 July 2010 may be exempted from the mandatory and formal assessment of their knowledge, unless local regulations require otherwise.

**V) - Permanent Control**

The control points designed to ensure compliance with the procedure for assessing the professional knowledge of Employees exercising the relevant functions are defined in the procedure called "Control Plan – Professional Ethics".

Jean Clamon  
Head of Group Compliance