

GENERAL POLICY FOR IDENTIFICATION, PREVENTION AND MANAGEMENT OF CONFLICTS OF INTERESTS

SECURITIES SERVICES
COMPLIANCE - MAY 2016



BNP PARIBAS

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1 Introduction

1.1 Definitions

BNP Paribas Securities Services offers various services to its clients. When providing multiple services, conflicts of interests situations may arise, either occasionally or permanently. Financial institutions are not prohibited from being in such situations, however, the regulation requires them to prevent, identify, and to manage these conflicts of interest situations in order to safeguard the interests of their customers. (See 1.2 below)

For the purposes of this Policy and Procedure, the terms in bold below are defined as follows:

BNP Paribas Securities Services refers to BNP PARIBAS SECURITIES SERVICES SCA, its branches worldwide, and its subsidiaries, including BNP Paribas Dealing Services and France Titrisation (non-exhaustive list).

A **conflict of interests** can be defined as a situation in which, in the course of its business activities, the interests of BNP Paribas Securities Services and/or those of its employees and/or those of its clients compete, either directly or indirectly, permanently or occasionally and could prejudice the interests of its clients. This definition applies to actual, potential or apparent conflicts of interests

An “**Interest**” is the source of a benefit of any kind, whether tangible or intangible, professional, commercial, financial or personal.

The **prejudice** to the interests of the clients is a situation in which the result of a transaction performed by BNP PARIBAS SECURITIES SERVICES gives rise to a significant disadvantage for the interests of a client, and on the other hand, a significant benefit for BNP PARIBAS SECURITIES SERVICES, an Employee, another client or any associated third party.

The **Client** in this document refers to any legal entity or private individual, in a business relationship or having a financial interest with BNP Paribas Securities Services or one of its subsidiaries, and, more broadly, seeking a business relationship with BNP Paribas Securities Services or one of its subsidiaries, whether this entity is :

- A client/customer in a commercial sense
- A financial or market counterparty
- A supplier
- A service provider
- Any BNP Paribas group entity

Inside Information¹ (also known as **Material Non Public Information**) is::

- Information of a precise nature which has not been made public, relating, directly or indirectly, to one or more issuers of financial instruments or to one or more financial instruments and which, if it were made public, would be likely to have a significant effect on

¹ Article 1 of Directive 2003/6/EC of European Parliament and council and Article 7(1) to (4) of Regulation (EU) No 596/2014



- the price of those financial instruments or on the price of related derivative financial instruments.
- Information is precise if it:
 - o Indicates circumstances that exist or may reasonably be expected to come into existence or an event that has occurred or may reasonably be expected to occur; and
 - o Is specific enough to enable a conclusion to be drawn as to the possible effect of those circumstances or that event on the price of qualifying instruments or related investments.
 - For commodities derivatives, information of a precise nature which has not been made public, relating, directly or indirectly, to one or more derivative instruments of this type or relating directly to the linked spot contract on commodities, and which, if it were made public, would be likely to have a significant effect on the prices of these derivative instruments or spot contracts on commodities which are linked to them, and when it concerns information which should reasonably be made public or must be made public according to legal or regulatory requirements at European Union or national level, to market rules, contract rules, market practices, or the concerned spot markets on derivatives financial instruments or commodities.
 - For emission allowances and auctioned products based thereon, information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more such instruments, and which, if it were made public, would be likely to have a significant effect on the prices of such instruments or on the prices of related derivative financial instruments.
 - For persons in charge of the execution of orders on financial instruments, "inside information" shall also mean information conveyed by a client and concerns the client's pending orders, which is of a precise nature, which relates directly or indirectly to one or more issuers of financial instruments 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.

Confidential information is any non-public information pertaining to either BNP Paribas Securities Services, any of its subsidiaries, or an affiliate of the BNP PARIBAS Group, or information received in the course of its dealings with a client or a prospective client and which has not been publicly disclosed, such as through a press release, in a newspaper, in a published research report, in materials sent to shareholders or potential investors such as a proxy statement or prospectus, or in materials available from public information services.

Confidential Information includes Proprietary Information and Material Non-Public Information (MNPI).

1.2 Applicable Regulation

The applicable regulation concerning conflicts of interest is very broad as BNP PARIBAS SECURITIES SERVICES is:

- A credit institution, when providing banking services i.e. receiving funds and granting credits;
- An investment service provider, when providing investment services or ancillary services to investment services.



Investment services are defined by the MIF² directive, and for which BNP PARIBAS SECURITIES SERVICES (or its subsidiaries) has an accreditation:

- Receipt and transmission of orders on behalf of third parties,
- Execution of orders on behalf of clients
- Own-account trading,
- Portfolio management on behalf of third parties³,
- Underwriting of financial instruments,
- Placing of financial instruments on a firm commitment basis,
- Placing of financial instruments without a firm commitment.

The MIF directive also defines ancillary services to investment services operated by BNP PARIBAS SECURITIES SERVICES such as:

- Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management
- Foreign exchange services when they are connected to the provision of investment services provided

Moreover when BNP PARIBAS SECURITIES SERVICES acts as a depositary bank for Collective Investment Schemes⁴, the European Directive AIFM⁵ and UCITS⁶ transposed into French national law are applicable and establish obligations for depositary banks in terms of conflicts of interest.

Finally this policy also considers the U.S. Volcker Rule provisions (“Volcker Rule”) which prohibits any transaction, class of transactions or activity involving or resulting in a material conflict of interest between BNP PARIBAS SECURITIES SERVICES and its clients, customers or counterparties, unless any material adverse effect on the client 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.

Thus, Volcker rule prohibits any employee, trading desk or *business unit* from engaging in any transaction, class of transactions or activity that would otherwise be permissible, which constitutes own-account activity (“Proprietary trading”) or involves participations in hedge funds or investment capital funds (“covered funds”) if such transaction, class of transactions or activity would lead to a violation of the Volcker Rule restrictions.

This Policy shall apply to the identification and management of the specific conflicts of interest prohibited by the Volcker Rule noted above.

Therefore the duties of BNP PARIBAS SECURITIES SERVICES related to the conflicts of interest should be analysed with reference to its different roles:

² Directive 2004/39/CE of European Parliament and of the council of the 21 April 2004 relating to Markets in Financial Instruments

³ For France Titrisation only

⁴ UCITS Undertakings for Collective Investment in Transferable Securities and AIF Alternative Investment Fund

⁵ Directive 2011/61/EU of European Parliament and of the council of 8 June 2011 on Alternative Investment Fund Managers

⁶ Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions



Roles	Applicable texts (⁷)
Credit Institution	Decree of November 3rd, 2014 relating to internal control of banking sector, payment service and investment service entities regulated by the ACPR “Autorité de contrôle prudentiel et de resolution”
Investment service provider	MIF Directive transposed in French national law by article L.533-10 and following of French Monetary & Financial Code, completed by the General Rule of French Market Authority articles 313-18 and following
Collective Investment Scheme Depository / Custodian	<p>AIFM Directive (article 21.10) transposed in French national law articles L.214-24-3 and L.214-24-6 of the French Monetary and Financial code.</p> <p>UCITS V Directive (article 25) transposed in French national law article L.214-10-2 of the French Monetary and Financial code</p> <p>Article 323-9 of the General Rule of the French Market Authority</p>

Pursuant to the regulations listed above, BNP Paribas Securities Services:

- when acting as a credit institution, defines procedures enabling the prevention of conflicts of interest,
- when acting as investment service provider, takes all reasonable measures to prevent conflicts of interests from prejudicing the interests of its customers,
- when acting as depository of Collective Investment Schemes, cannot perform business activities which relate to a collective investment scheme or the investment management company acting on its behalf, which would be likely to generate conflicts of interest between the Collective investment scheme, its unit holders or shareholders, the investment management company and BNP Paribas Securities Services, unless BNP Paribas Securities Services separates the execution of its duties as depository from its other duties both functionally and hierarchically, and appropriately identifies, monitors and discloses to unitholders or shareholders potential conflicts of interests.

⇒ **BNP Paribas Securities Services must identify the potential and actual situations of conflicts of interest, and take the necessary measures to manage such situations in order to avoid prejudice to the interests of its clients**

⁷ MIF, AIFM and UCITS Directives are European directives applicable to Member States of the European Union



2 Scope of application of the procedure

The current general policy relating to conflicts of interest (“the Policy”) falls within the framework of the Global Policy on protecting Market Integrity of BNP PARIBAS Group⁸, which is already applicable to BNP PARIBAS SECURITIES SERVICES. By virtue of its affiliation to the BNP PARIBAS Group⁹, BNP PARIBAS SECURITIES SERVICES applies the norms and policies issued by the Group.

The Policy is in addition to the framework of the BNP PARIBAS Group and is applicable to BNP PARIBAS SECURITIES SERVICES, including its branches and subsidiaries worldwide, and to all its activities.

If necessary, the Policy is adapted locally as a local conflicts of interest policy, in order to comply with local regulation and market practice, subject to the “higher norm” rule, which dictates that the Policy prevails over local rules if the latter are less strict or demanding.¹⁰

3 Classification of conflicts of interest

Conflicts of interest can be classified depending on the stakeholders of the situations of conflict of interests, notably:

- Conflicts of interest between the BNP Paribas Securities Services and one or more Clients;
- Conflicts of interest between Clients;
- Conflicts of interest between Employees of BNP Paribas Securities Services and one or more Clients;
- Conflicts of interest between BNP Paribas Securities Services and the private interests of its Employees;
- Conflicts of interest internal to the Bank.

The Policy covers all the conflicts of interest listed above. However, due to their specificity, conflicts of interest between Employees & BNP Paribas Securities Services, and between Employees of BNP Paribas Securities Services & customers are also covered by other dedicated procedures¹¹.

In the same way, BNP Paribas Securities Services maintains and implements specific arrangements for preventing some situations of conflict of interests. There are for example “watch lists” (transactions concerning these securities are subject to thorough examination) and lists of employees classified as “sensitive” or “insiders”¹² (whose transactions are subject to specific monitoring).

⁸ Global policy on protection of Market Integrity

⁹ BNP PARIBAS SECURITIES SERVICES is a 100% subsidiary of BNP PARIBAS SA

¹⁰ It should be noted that if the applicable local regulations as regards to conflicts of interests are generally the ones enacted by the regulating authorities of the relevant country, there are noticeable exceptions, such as the member states of the European Union, in which the regulations, in this domain, applicable to the local entities of BNP Paribas Securities Services are that of the “home country” regulatory authorities, i.e. the French regulator (French Financial Markets Authority - AMF).

¹¹ Gifts and Invitation Policy & Procedure for reporting mandates in external capacity

¹² Procedure for the application of group procedures covering maintenance of watch lists



Considering in particular the changing regulatory environment and a constantly evolving service offer, the Policy's objective is not to establish the exhaustive list of situations of conflicts of interest, but rather to describe the arrangements put in place to properly manage such situations.

Here are some examples of situations in which conflicts of interests may arise:

- Acting in multiple capacities vis-à-vis a Client, such as fund valuer of a Collective Investment Scheme on behalf of the investment management company, and acting as depositary bank for the same Collective Investment Scheme, or being both principal counterparty and agent for the same securities lending transaction,
- Acting as agent on behalf of a Client in a transaction in which the counterparty is a subsidiary of BNP PARIBAS SECURITIES SERVICES or an entity of the BNP PARIBAS Group ("Affiliate entity"),
- Providing a service as part of a global commercial offer proposed by an Affiliate entity,
- Acting as both Client and service provider for a third party custodian,
- Granting incentives or special payments for the sale of certain products or services (e.g. determining part of the remuneration of the sales team purely based on the sales volumes to Clients);
- Extending or receiving gifts or invitations of significant value to/from Clients
- Being solicited by two Clients in competition on the same transaction,
- Having, as an Employee, a privileged relationship with a Client or a provider (for example, having a personal mandate or participation in the another company)

4 Management of conflicts of interest

4.1 Prevention of situations of conflicts of interest

BNP PARIBAS SECURITIES SERVICES has the following permanent measures in place to prevent situations of conflicts of interest:

4.1.1 General Principles

Integrity, fairness, impartiality, and primacy of Clients' interests are of utmost importance in the rules of conduct of BNP PARIBAS SECURITIES SERVICES. All BNP PARIBAS SECURITIES SERVICES employees must comply with the rules of conduct, of which management of conflict of interests is an important component. All Employees must receive appropriate information, training and guidelines for this purpose.

4.1.2 Compliance Function

The Compliance Function of BNP PARIBAS SECURITIES SERVICES is in charge of controlling the framework for preventing and managing conflicts of interest. The definition of Compliance adopted by the BNP Paribas Group is "the respect of legislative and regulatory provisions, of professional and ethics policies, as well as the directives of the Board of Directors and the instructions of the Executive management of the Group". This definition of compliance includes the respect of provisions and directives related to conflicts of interests.



4.1.3 Training

The Global Training policy, as issued by the Compliance function of BNP PARIBAS SECURITIES SERVICES provides that all employees have access to periodic, regular and specific trainings notably on the identification and management of conflicts of interest.

4.2 Detecting situations of conflicts of interest

In order to prevent conflicts of interest damaging the interests of its Clients, BNP PARIBAS SECURITIES SERVICES has identified the main situations in which conflicts of interest may arise.

With the support of the Compliance function, the different Business lines (“Business Lines”) and the Support Functions (“Functions”) are responsible for diligently and continuously detecting actual or potential situations of conflict of interests.

The detection is implemented via the following internal tools:

4.2.1 Global mapping and local register of the situations of conflicts of interest

The **Global mapping** lists, for all BNP PARIBAS SECURITIES SERVICES entities and in all the territories where BNP PARIBAS SECURITIES SERVICES operates, all the situations of conflict of interests which BNP Paribas Securities Services can encounter in the course of its activities. The mapping lists the involved teams, the products concerned and establishes an inventory of all the permanent measures established by BNP Paribas Securities Services to continuously ensure the protection of the interests of its Clients.

The situations of conflict of interests listed in the global mapping can be:

- Potential, when they are likely to occur but whose trigger did not take place yet,
- Actual, when they effectively exist, in a continuous way

This global mapping is supplemented, if necessary, by a register of the conflicts of interest held locally in each territory where BNP PARIBAS SECURITIES SERVICES operates, identifying the actual situations of conflict of interest in this territory (studied on a case-by-case basis). The register lists the involved teams and establishes an inventory of the prevention measures. The register is specific to each territory in which BNP PARIBAS SECURITIES SERVICES operates and is not intended to be consolidated.

4.2.2 Framework for the validation of exceptional transactions and new activities/products

The committees for the validation of new products, activities or exceptional transactions, known as Transaction Acceptance Committee and New Activities Committee, are dedicated committees during which all the potential risks of new products, activities or exceptional transactions are studied, including the risk of non-compliance and the situations of conflict of interests. On this occasion, if the exceptional transaction or the new product/activity creates a new situation of conflict of interests, it will be reported in the global conflict of interests mapping.



4.3 Management of situations of conflicts of interest

In order to preserve the interests of its Clients, after having detected the situations of conflicts of interest, BNP Paribas Securities Services has adopted the following permanent measures for the prevention and management of conflicts of interests.

4.3.1 Separation to ensure independence

Separation is based on organisational arrangements such as:

- **Segregation of duties** of the various teams whose roles are precisely defined and limited,
- **Segregation of reporting lines** of the teams to ensure the independence of one team from another. In this case, the hierarchical segregation has to be at the BNP PARIBAS SECURITIES SERVICES Executive Board level , i.e. only a member of the Executive committee can combine different positions,
- **Physical segregation of the teams**, for example restricted access to the premises of a specific team, in order to limit the transmission of information from one team to another ,
- **Segregation of access rights to information systems (logical segregation)**, for example granting differentiated access rights to data
- **Legal segregation**, (e.g. subsidiarisation)

These organisational arrangements together form a system of information barriers known as “Chinese walls” or “Firewalls” or “barriers to circulation of information”, depending on the local practices.

4.3.2 Disclosure to Client and refusal to act

In certain situations of conflict of interests considered to be critical, or if the permanent measures for the prevention and management of these conflicts of interest are not sufficient to avoid the risk of prejudice to the Client’s interests, BNP Paribas Securities Services:

- Clearly informs the Client involved, prior to the transaction, of the general nature or the source of the conflict of interests, in order to obtain, if necessary, an exemption or consent from the Client, being given that this information does not exempt BNP Paribas Securities Services from its obligation to take all reasonable measures to prevent conflicts of interests from damaging the interests of its clients¹³;
- Refrains from undertaking (or withdraws from) the transaction or one of the transactions generating the conflict of interests

¹³ Article L.533-10 French Monetary & Financial code

