



BNP PARIBAS

The bank
for a changing
world

**GENERAL POLICY FOR IDENTIFICATION,
PREVENTION AND MANAGEMENT OF
CONFLICTS OF INTEREST**

SECURITIES SERVICES

COMPLIANCE – MAY 2020



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INTRODUCTION

1 INTRODUCTION

1.1 Definitions

According to relevant European Union regulation, BNP Paribas Securities Services must establish, implement and maintain an effective conflicts of interest policy set out in writing and appropriate to its size and organization and the nature, scale and complexity of its business.

BNP Paribas Securities Services offers various investment services and activities and ancillary services to its clients. When providing multiple services, conflicts of interests situations may arise, either permanently or potentially. Financial institutions are not prohibited from being in such situations, however, the regulation requires them to take all appropriate steps 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, 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 France Titrisation (non-exhaustive list).

A **conflict of interest** 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 disadvantage for the interests of a client, and on the other hand, a 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

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 MIF¹ directive, and for which BNP Paribas Securities Services (or its subsidiaries) has an accreditation:

- Reception and transmission of orders in relation to one or more financial instruments,
- Execution of orders on behalf of clients,
- Dealing on own-account,
- Portfolio management²,
- Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis,
- Placing of financial instruments without a firm commitment basis.

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 and excluding maintaining securities accounts at the top tier level
- 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 Schemes³, the European Directive AIFM⁴ and UCITS⁵ transposed into French national law are applicable and establish obligations for depositary banks in terms of conflicts of interest.

Pursuant to the regulations 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 appropriate steps to prevent, identify and manage conflicts of interest from prejudicing the interests of its customers,
- when acting as depositary 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 depositary 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.

¹ Directive 2014/65/CE of European Parliament and of the Council of 15 May 2014 on Markets in Financial Instruments and Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive


² For France Titrisation only

³ UCITS Undertakings for Collective Investment in Transferable Securities and AIF Alternative Investment Fund

⁴ Directive 2011/61/EU of European Parliament and of the council of 8 June 2011 on Alternative Investment Fund Managers

⁵ 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



The background features two large, stylized numbers. A dark green '0' is on the left, and a light green '2' is on the right. The text is centered between them.

SCOPE OF APPLICATION OF THE PROCEDURE

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 Policies on protecting Market Integrity and protecting the interest of clients of BNP PARIBAS Group, which are already applicable to BNP Paribas Securities Services. By virtue of its affiliation to the BNP PARIBAS Group⁶, 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 demanding⁷.

⁶ BNP Paribas Securities Services is a wholly owned subsidiary of BNP PARIBAS SA

⁷ 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 notable 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).





CLASSIFICATION OF CONFLICTS OF INTEREST

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.

BNP Paribas Securities Services maintains and implements specific arrangements for preventing some situations of conflicts of interest. There are for example "watch lists" (transactions concerning these securities are subject to thorough examination) and lists of employees classified as "sensitive" or "insiders"⁸ (whose transactions are subject to specific monitoring).

Also, BNP Paribas Securities Services maintains lists of directorships held, in a personal or professional capacity, by employees of the group.

BNP Paribas Securities Services maintains lists of outside activities and gifts received by employees of the group.

Such conflicts of interest are dealt with in dedicated policies.

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 interest may arise:

- Acting in multiple capacities vis-à-vis a Client, such as a Collective Investment Scheme fund valuator 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;
- 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 another company).

⁸ Global policy of Group procedures of Watch lists management, restrictions and insiders





MANAGEMENT OF CONFLICTS OF INTEREST

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 conflicts of interest 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 detecting, 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, such as:

- An effective procedure to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more clients;
- The separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to, clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the firm;
- The removal of any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by, different relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities;
- Measures to prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out investment or ancillary services or activities;
- Measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate investment or ancillary services or activities where such involvement may impair the proper management of conflicts of interest.

4.1.3 Training

The global compliance training policy, as issued by the compliance function of BNP Paribas Securities Services provides that all employees have access to periodic, regular and specific training notably on the identification and management of conflicts of interest.

4.1.4 Separation to ensure independence

In some permanent or potential conflicts of interest situations, BNP Paribas Securities Services may, so far as reasonably practicable, segregate the related transactions or activities so that they are performed independently from the other transactions or activities with which conflicts of interest issues could arise.

Separation is based on organisational arrangements such as:

- **Segregation of duties** of the various teams including precisely defined and limited roles,



- **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 senior management level, i.e. only a member of the Business 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. operating through different subsidiaries).

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.

4.2 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 departments (“business departments”) and the support functions are responsible for diligently and continuously detecting actual or potential situations of conflicts of interest.

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 generic situations of conflicts of interest 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 conflicts of interest 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 conflicts 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 conflicts of interest. On this occasion, if the exceptional transaction or the new product/activity creates a new situation of conflicts of interest, it will be reflected in the global conflicts of interest mapping.

4.2.3 Case for inducements

The receipt of inducements paid by a third party or the payment to a third party may create conflicts of interest, which have to be identified. Inducements can only be received when they enhance the quality of the relevant service to the



Client and when they do not impair the obligation of BNP Paribas Securities Services to act honestly, fairly and professionally in accordance with the best interest of the Client.

BNP Paribas Securities services can only pay or receive an inducement (i.e. a fee, commission or any non-monetary benefit in connection with the provision of a service to the Client) if this inducement enhances the quality of the service to the Client and if this inducement:

- is justified by the provision of an additional or higher level service to the relevant Client, proportional to the level of inducements received;
- does not directly benefit the recipient firm, its shareholders or Staff without tangible benefit to the relevant Client;
- is justified by the provision of an on-going benefit to the relevant Client in relation to an on-going inducement.

The inducements must not bias or distort the service provided to the Client.

BNP Paribas Securities Services must keep records to demonstrate the respect of the above requirements.

BNP Paribas Securities Services shall disclose the inducements and minor non-monetary benefits paid or received prior to the provision of the service, and if ongoing service is provided, the actual amount received or paid shall be disclosed to each client at least once a year. Minor non-monetary benefit may be disclosed in a generic way.

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 interest.

4.3.1 Steps taken to mitigate risk of damage to client

When it comes to handling conflicts, BNP Paribas Securities Services will manage situations of conflicts of interest, potential or actual, based on:

- A global control mechanism established for each of the activities, designed for ensuring the prevention of conflicts of interest and the readiness of the corrective measures to be taken;
- The segregation of certain business departments or certain functions. Where permanent situations of potential conflicts of interest may arise, BNP Paribas Securities Services will set-up measures for isolating teams and/or operations. These measures aim at ensuring that these operations are carried out independently of any other operations likely to generate conflicts of interest;
- Internal procedures which enforce the above;
- Appropriate escalations : Once a conflict of interest has been identified, all the appropriate and relevant mechanisms and procedures are implemented in order to ensure that the conflicts are properly managed and, if necessary, escalated to the correct persons (including Senior management);
- Local and/or Global committees can be involved in the processes to address adequately the conflicts and also to make sure that the appropriate measures to prevent conflicts of interest are taken;
- The decisions taken during these committees are archived and formally reported to the business departments when deemed necessary;
- Actual conflicts of interest detected or likely to occur and the corrective measures implemented, on activities or parties linked to or on behalf of BNP Paribas Securities Services, are recorded in a register.

4.3.2 Record keeping of conflicts of interest situations

BNP Paribas Securities services must keep and regularly update a record of the kinds of investment or ancillary service or investment activities carried out by or on behalf of the BNP Paribas Securities services in which a conflict of interest



entailing a risk of damage to the interest of one or more Clients has arisen or, in the case of an ongoing service or activity, may arise.

The local conflicts of interest registers are an integral element of this record-keeping requirement for certain conflicts of interest. It integrates and records all relevant information. A conflict of interest can be registered "after the fact" if necessary (in order to keep an audit trail for competent authorities).

4.3.3 Annual report to the General Management

The General Management of BNP Paribas Securities Services is involved in the resolution of conflicts of interest in order to conduct effective oversight. The General Management receives on a frequent basis, and at least annually, written reports on situations giving rise to conflicts of interest.

4.3.4 Disclosure to client in last resort and/or refusal to act

Where organisational and administrative arrangements are not sufficient to prevent conflicts of interest, BNP Paribas Securities Services must, as a last resort:

- Clearly explain to the Client the general nature and/or sources of conflicts of interest, as well as the risks to the client that arise as a result of the conflict and the steps undertaken to mitigate these risks;
- Include a specific description of the conflicts of interest in question;
- Clearly state that the organisational and administrative arrangements are not sufficient to prevent the risks of damage to the client interests;
- And/or refrains from undertaking (or withdraws from) the transaction or one of the transactions generating the conflicts of interest.

Disclosure must:

- Be made in a durable medium ;
- Include sufficient detail, taking into account the nature of the client, to enable the client to take an informed decision with respect to the service in the context of which the conflict of interest arises.

4.3.5 Annual review of policy

BNP Paribas Securities Services assesses and periodically reviews - at least annually - the conflicts of interest policy to take all appropriate measures to address any deficiencies.



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