

BNP Paribas CIB
Best Execution Policy
Asset Class Specific Appendices
Primary Appendix

BNP PARIBAS CIB GLOBAL MARKETS
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BNP PARIBAS

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1. Products in scope

This policy is an appendix to the overarching BNP Paribas CIB Order Handling and Execution Policy and should be read in conjunction with that document. Terms used in this Appendix but not otherwise defined shall have the meaning given to them in the BNP Paribas CIB Order Handling and Execution Policy.

This appendix covers all BNP Paribas ALM bond new issues (BNP Paribas' own issuance). This includes all Public new issues and private placements issued by BNP Paribas ALM. This is to ensure that we are addressing the potential conflict of interest that could arise when working with or advising our own issuer.

Primary business for all other issuers is excluded from the Best Execution requirement and therefore excluded from this appendix (out of scope). We have made this assessment on the grounds that;

- for public new issues, it is an auction process and all clients receive the same spread
- for MTNs printed from published funding grids, all investors receive the same spread which is set by the issuer
- for MTNs printed away from the published funding grids, the spread is fully agreed by the investor (and usually proposed by the investor via a reverse enquiry)

2. Services offered and associated Best Execution applicability

This section outlines when best execution is owed and applies to all products mentioned as in scope in section 1.

With respect to the Primary, we provide the following services:

- MTN Execution (from BNP Paribas grid)
- MTN Execution (off BNP Paribas grid)
- BNP Paribas Public New Issue Execution

3. Execution venue

BNP Paribas acts as the execution venue for all Primary services related to the products mentioned in section 1 (Products in scope).

BNP Paribas believes that using BNP Paribas as an execution venue for Primary services is in the best interests of its client because it offers a more efficient and cost effective execution (given lower credit risk & leverage ratio / balance sheet constraints).

4. Best execution application

For all transactions in scope, BNP Paribas is required to monitor the appropriateness and fairness of the pricing of a new issue. BNP Paribas should examine this at all stages of the pricing evolution (from initial indications to the final price). The factors in section 4.3, as well as relevant market factors, can be used to assist determination of whether pricing is considered appropriate or fair.

4.1 New Issue Spread: Public New issues / Club deals (placed to 5 or more investors)

In order to comply with best execution regulation, Origination will record the pricing rationale for all BNPP public new issues / club deals within scope.

4.2 MTNs / Private Placements

Funding grids published by BNP Paribas ALM are recorded and monitored in order to prove that BNP Paribas took all sufficient steps to provide best execution to the investor.

4.3 Typical approach to pricing

Relative value analysis can be used to deduce a benchmark level which is adjusted positively or negatively depending on certain structural features.

For a bond new issue, it would be considered normal course of business for relative value analysis to include the following factors:

- the issuer's existing curve
- prices of transactions from comparable credits
- prices of relevant recent transactions including new issue premiums

5. Monitoring

When Best Execution has been determined to be owed, BNP Paribas will check the fairness of the price proposed to the client. This will be done via a quarterly report of all traded prices for transactions in scope (and associated pricing rationale for public new issues) which will be monitored by BNP Paribas.