



MiFID II – Product Governance Fact Sheet

Background

Directive 2014/65/EU of European Parliament and Council of 15th May 2014 and the Commission Delegated Directive 2017/593 of 7/04/2016 on markets in financial instruments ('MiFID II') sets out new requirements relating to Product Governance. The new rules govern the framework for manufacturing, offering and recommending Financial Instruments, Structured Deposits and Services.

In the context of Product Governance, BNP Paribas Global Markets ('BNP Paribas') can act as manufacturer, distributor or both. When acting as manufacturer and/or distributor, BNP Paribas has put in place the following arrangements.

1. Governance Processes

BNP Paribas has put in place an extensive governance process to review all Investment Products that are sold to Clients either directly or via third party distributors.

Approvals will be managed by internal approval committees in line with the existing BNP Paribas governance framework.

2. Target Market Identification

When launching an Investment Product, BNP Paribas will identify the Target Market for the Product. Clients for whom the Product is not compatible will also be identified ('Negative Target Market').

In line with regulatory guidance, the Target Market for each Investment Product will be assessed based on the following:

- Client type
- Knowledge and experience
- Financial capacity
- Risk tolerance
- Client objective and needs

When acting as a distributor, BNP Paribas will ensure that the Investment Product is sold in line with the Target Market analysis and that the Investment Product is compatible with the profile of the Client.

3. Conflicts of Interest

In accordance with the BNP Paribas Group Code of Conduct, BNP Paribas has procedures in place to identify and manage conflicts of interest (refer to <https://cib.bnpparibas.com/MIFID>). In the context of Product Governance this will be particularly relevant when BNP Paribas is acting as both manufacturer and distributor. Any identified conflicts will be reviewed via the relevant approval processes.

4. Distribution Strategy

BNP Paribas will also define a distribution strategy that is consistent with the identified Target Market. In particular with respect to the use of third party distributors, BNP Paribas has a governance process in place to ensure that a third party distributing a BNP Paribas Investment Product has the required expertise..

Distributors should define their own Target Market on a more concrete level and should take into account:

- the type of clients they provide investment services to;
- the characteristics of the Investment Product; and
- the type of investment services they provide.

5. Information to distributors

BNP Paribas will provide the distributor with adequate information in order to understand the Investment Product. The type of information that may be provided to the distributor will include:

- Target Market
- Marketing material
- Scenario Analysis as part of the KID for Packaged Retail and Insurance-based Investment Products ('PRIIPS')
- Term Sheet

6. On-going Monitoring

When acting as a manufacturer, BNP Paribas will regularly review Investment Products under the established governance framework. The review will include feedback from distributors as well as an assessment of how the Investment Product is performing and whether it continues to meet the needs of the identified Target Market. Management information will be collected from distributors in accordance with agreed industry standards. The following information may be required by the manufacturer:

- reports of any decisions taken to broaden the Target Market/distribution strategy including the proportion of sales made outside the Target Market (including within the Negative Target Market)
- summary information on the types of client
- summary of any complaints received
- information that may indicate a distributor has wrongly identified a Target Market or that a Investment Product no longer meets the needs of the identified Target Market

Further Questions

If you have any other comments or questions, please contact the MiFID II clients' requests team: regreform.eu@uk.bnpparibas.com or your usual relationship or sales contact.

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