

14 November 2014



**BNP PARIBAS**

**NOTICE**

**Notice to Holders of:**

**Issue of EUR 30,000,000 Credit Linked Certificates due 2016**

**ISIN Code: FR0119171199**

**(the "Certificates")**

**issued by BNP Paribas (the "Issuer")**

**pursuant to the Warrant and Certificate Programme (the "Programme")**

Holders of the Certificates are hereby informed that BNP Paribas has prepared a communication in respect of certain of its credit linked securities. A copy of this communication is attached and forms part of this notice. As a holder of the above credit linked securities which are affected by this communication, please read the communication carefully.

Please note that all terms and conditions of the Certificates remain unchanged.

Nothing in this notice shall be construed as a waiver of any rights the issuer may have with respect to the Certificates.

Copies of the Notice may be obtained, free of charge, during normal office hours, from BNP Paribas Securities Services, Luxembourg Branch, 33 rue de Gasperich, Howald Hesperange, L-2085 Luxembourg.

Signed on behalf of BNP Paribas

As Issuer:

By:

A handwritten signature in black ink, consisting of a large, stylized 'B' followed by a series of loops and a long horizontal stroke.

Duly authorised



## **The 2014 ISDA Credit Derivatives Definitions**

### **What do they mean for holders of BNP Paribas credit linked securities?**

*November 2014*

You have been sent this memorandum because you have purchased either (i) credit linked notes issued by BNP Paribas under its Euro Medium Term Note Programme, the latest Base Prospectus of which was dated 5 June 2014 (the “**EMTN Programme**”) or (ii) credit linked certificates issued by BNP Paribas Arbitrage Issuance BV under either (A) the Note, Warrant and Certificate Programme, the latest Base Prospectus of which was also dated 5 June 2014 (the “**NWC Programme**”) or (B) the Warrant and Certificate Programme, the latest Base Prospectus of which was dated 6 June 2014 (the “**WC Programme**”, and together with the EMTN Programme and the NWC Programme, the “**Issuance Programmes**”).

Recent market developments arising particularly out of the global financial crisis have highlighted some shortcomings in the 2003 ISDA CDS Definitions, especially in relation to government intervention action (“bail-ins”). In February 2014 therefore the International Swaps and Derivatives Association (“**ISDA**”) published new credit derivatives definitions (the “**2014 ISDA CDS Definitions**”) to attempt to take account of such developments. The 2014 ISDA CDS Definitions are intended as an update and upgrade to the previous credit derivatives definitions (the “**2003 ISDA CDS Definitions**”). As regards credit default swap transactions entered into prior to 6 October 2014, ISDA also published a Protocol (the “**Protocol**”) which has been adhered to by a vast majority of participants in the credit derivatives market. The Protocol had the effect of migrating most legacy credit default swap transactions between adherents to the Protocol to the 2014 ISDA CDS Definitions from 6 October 2014. However, some credit default swap transactions on certain Reference Entities (including certain sovereign and financial Reference Entities) were excluded from the Protocol because the economic impact of upgrading existing trades to those new trading terms was determined to be too great. Those credit default swap transactions will remain governed by the 2003 ISDA CDS Definitions. The full list of excluded Reference Entities can be found by following this link: <http://www2.isda.org/asset-classes/credit-derivatives/2014-isda-credit-derivatives-definitions/credit-derivatives-definitions-protocol-and-related-documents/>). Otherwise the economic changes to legacy credit default swap transactions were determined to be sufficiently neutral as to avoid discouraging adherence to the Protocol, and indeed, the fact that the vast majority of participants in the Credit Derivatives market adhered to the Protocol is evidence that the market also viewed the changes as essentially neutral.

The terms and conditions of the notes and certificates issued under the Issuance Programmes allow the Calculation Agent (BNPP Paribas or an affiliate) to make changes to the terms and conditions of the notes and certificates to "ensure consistency with prevailing market standards or market trading conventions" that may impact transactions the issuer has entered into to hedge such notes and certificates<sup>1</sup>. This term is also highlighted in the Risk Factors of the Issuance Programmes. Therefore, consistent with this provision, to the extent the Protocol upgraded the terms of the credit default swap(s) the issuer has entered into in order to hedge the note(s) or certificate(s) you hold, the Calculation Agent's intention is to similarly upgrade the terms governing your note(s) or certificate(s) in order to maintain the equivalence of the provisions of your note(s) or certificate(s) and those of the issuer's hedges.

However, the terms of the note(s) or certificate(s) you hold will only be upgraded for reference entities where the changes introduced by the 2014 ISDA CDS Definitions were regarded by the market as being sufficiently economically neutral to migrate legacy credit default swaps, including the issuers' hedges, to the new terms. The terms and conditions of any element of the note(s) or certificate(s) you hold which the issuer hedged with credit default swap(s) which were not upgraded by the Protocol, due to the greater potential economic impact such changes may have had, will not be migrated to the new terms.

On or after 5 December 2014 the Calculation Agent intends to send a further communication attaching new terms and conditions applicable to the relevant note(s) or certificate(s) you hold which will upgrade the existing "Additional Terms and Conditions for Credit Linked Notes" or "Additional Terms and Conditions for Credit Securities" for your note(s) or certificate(s). The effect of this will be that the terms and conditions of the note(s) or certificate(s) you hold will be updated to terms consistent with the 2014 ISDA CDS Definitions. The terms and conditions of the note(s) or certificate(s) you hold will remain unchanged unless and until we send such a formal notice to you. Any delay in exercising this discretion by us will not constitute a waiver thereof.

You should read the material we have included with this memorandum, as well as the information published by ISDA, to give you an understanding of the changes which have been effected for market standard CDS transactions, and will be effected in due course for the relevant note(s) and certificate(s) you hold, as a result of the process described in this memorandum. The most significant changes in the 2014 ISDA CDS Definitions relate to new transactions with sovereign or financial Reference Entities, which is one of the reasons why these transactions were excluded from the Protocol. However, there are other more minor changes introduced by the 2014 ISDA CDS Definitions and the Protocol, which may apply to notes and certificates you hold, with which you should make yourselves familiar. You should also consider taking your own legal advice as to the impact of the new 2014 ISDA CDS Definitions on your investment and/or trading positions.

We encourage you to follow the link below to an article describing the key changes brought in by the 2014 ISDA CDS Definitions from the international law firm Linklaters. Of particular relevance are sections 4-12 (inclusive) of the article which summarise the changes applied to legacy CDS transactions by the Protocol:

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<sup>1</sup> Condition 9.2 of the Credit Linked Conditions in the EMTN Programme (Condition 9(b) of the Credit Linked Conditions in the versions of the EMTN Programme before 2013) and Condition 9(b) of the Additional Terms and Conditions for Credit Securities in the NWC Programme and WC Programme

[http://www.linklaters.com/pdfs/publications/Asia\\_CapMkts\\_Bulletin/Credit-Supernova-ISDA-publishes-2014-Credit-Derivatives-Definitions.pdf](http://www.linklaters.com/pdfs/publications/Asia_CapMkts_Bulletin/Credit-Supernova-ISDA-publishes-2014-Credit-Derivatives-Definitions.pdf)

Additional information on the 2014 ISDA CDS Definitions, including a document detailing ISDA's answers to some Frequently Asked Questions, is also available on ISDA's website through the following link:

<http://www2.isda.org/asset-classes/credit-derivatives/2014-isda-credit-derivatives-definitions>.

If you have any questions or comments on this memorandum please get in touch with your usual BNP Paribas contact or the party through or from whom you purchased the securities before 5 December 2014.