



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, DC 20551

FEB 18 2016

Mr. Bruno D'Illiers
Deputy Chief Executive Officer and Chief Operating Officer
BNP Paribas North America
787 Seventh Avenue
New York, New York 10019

Mr. Thomas Mahoney
Managing Director and IHC Program Manager
BNP Paribas North America
787 Seventh Avenue
New York, New York 10019

Dear Messrs. D'Illiers and Mahoney:

This letter is in response to your request, dated October 22, 2014, that the Board permit BNP Paribas ("BNP"), Paris, France, to hold its ownership interest in six U.S. subsidiaries outside of the intermediate holding company ("IHC") established by BNP for purposes of compliance with Regulation YY.

Regulation YY requires a foreign banking organization with \$50 billion or more in total U.S. non-branch assets to establish an IHC and to transfer its ownership interest in its U.S. subsidiaries to the IHC.¹ Under Regulation YY, the Board may permit the foreign banking organization to hold its interest in a U.S. subsidiary outside of its IHC if circumstances warrant an exception based on the foreign banking organization's activities, scope of operations, structure, or similar considerations.² BNP is a foreign banking organization with [REDACTED] in total U.S. non-branch assets as of June 30, 2015. Accordingly, BNP is required to establish an IHC under Regulation YY.

¹ 12 CFR 252.152. U.S. non-branch assets are measured as an average of the amount reported for the four most recent consecutive quarters, as reported to the Board on the FR Y-7Q.

² 12 CFR 252.153(c)(1)-(2).

BNP has requested an exemption from the requirement to transfer its ownership interest in six indirectly controlled U.S. subsidiaries to its IHC. BNP controls two of the subsidiaries through its interest in a French joint venture, Verner Investissements SAS (“Verner JV”), and four of the subsidiaries through its interest in a publicly traded British asset management company, Impax Asset Management Group plc (“Impax”).

Verner JV provides research, brokerage, and asset management services predominantly offshore through its French subsidiary, Exane S.A. (“Exane”). BNP owns 50 percent of the equity and 40 percent of the voting rights in Verner JV, and the other partners are the officers and managers of Exane. Exane has two U.S. subsidiaries, Exane Inc. and Exane Options, Inc. (together, the “Verner JV U.S. Subsidiaries”). Exane Inc. is a broker-dealer registered with the U.S. Securities and Exchange Commission that conducts research, brokerage, asset management, derivative sales and trading, and structured products activities in the United States. Exane Options, Inc., is inactive. The assets of the Verner JV U.S. Subsidiaries are [REDACTED], collectively, as of June 30, 2015. The Verner JV U.S. Subsidiaries represent [REDACTED] of BNP’s pro-forma IHC assets (as reported in BNP’s implementation plan, dated December 19, 2014).

BNP has a 25.2 percent equity and voting interest in Impax.³ Impax has four U.S. subsidiaries, including (i) Impax Asset Management (US) LLC, which provides sales and marketing and other administrative support to the global asset-management operations of the parent; (ii) two investment funds, Impax Fundamental Long-Term Opportunities in Water Fund LP and Impax Global Resource Optimization Fund LP; and (iii) Kern USA, Inc., an inactive corporation (collectively, the “Impax U.S. Subsidiaries” and, together with the Verner JV U.S. Subsidiaries, the “Verner JV and Impax U.S. Subsidiaries”). The assets of the Impax U.S. Subsidiaries are [REDACTED], collectively, as of June 30, 2015. The Impax U.S. Subsidiaries represent less than [REDACTED] of BNP’s pro-forma IHC assets (as reported in BNP’s implementation plan).

After consideration of all relevant facts, including BNP’s activities, scope of operations, structure, and similar considerations, the Board has granted BNP’s request for an exemption to hold its ownership interest in the Verner JV and Impax U.S. Subsidiaries outside of the BNP IHC. Both Verner JV and Impax are foreign companies without a banking presence in the United States, and the vast majority of their operations are conducted outside of the United States. Without a majority ownership interest, BNP does not have the power to force either Verner JV or Impax to divest the Verner JV and Impax U.S. Subsidiaries or to transfer the Verner JV and Impax U.S. Subsidiaries to the BNP IHC. Further, none of the other Verner JV partners or controlling shareholders of Impax are required to establish an IHC; thus, these parties are not compelled to facilitate the restructuring of BNP’s investment required by Regulation YY.


³ BNP has no employees or directors on the board of directors of Impax.

Further, the Verner JV and Impax U.S. Subsidiaries are very small, with aggregate assets of approximately [REDACTED] as of June 30, 2015. Exclusion of the Verner JV and Impax U.S. Subsidiaries will not have a material impact on the regulatory capital or liquidity requirements of the BNP IHC, and the Verner JV and Impax U.S. Subsidiaries pose no discernable systemic risk. In order to limit BNP's ownership interest in the Verner JV and Impax U.S. Subsidiaries and the size and systemic footprint of the Verner JV and Impax U.S. Subsidiaries going forward, BNP has entered into the commitments listed in Attachment A.⁴

For the reasons stated above, the Board has granted BNP's request for an exemption from Regulation YY's requirement to transfer its ownership interest in certain U.S. subsidiaries to its IHC. This action is based on all the facts of record and on all the representations and commitments made by BNP in its submissions to the Board in connection with the request, including the commitments listed in Attachment A. These representations and commitments constitute conditions imposed in writing in connection with the findings and decisions herein and, as such, may be enforced in proceedings under applicable law. Any material change in those facts or representations could affect this approval and should be communicated promptly to Board staff.

Very truly yours,

(signed) **Margaret McCloskey Shanks**



Margaret McCloskey Shanks
Deputy Secretary of the Board

cc: Mr. S. Michael Koh
Federal Reserve Bank of New York

⁴ BNP has committed that it will not, without the prior approval of the Board, directly or indirectly, increase its ownership interest in Verner JV or Impax to greater than 50 percent. BNP has also committed that it will provide written notice to the Board within 60 days of the end of the calendar quarter in which the total assets of the Verner JV and Impax U.S. Subsidiaries, individually or collectively, exceed \$1 billion or 1 percent of the total consolidated assets of BNP's IHC, whichever is smaller.

Attachment A
Commitments by BNP Paribas
to the Board of Governors of the Federal Reserve System

In connection with the request, dated October 22, 2014, to the Board of Governors of the Federal Reserve System (the “Board”) for the Board’s approval under section 252.153(c) of the Board’s Regulation YY for an exemption from Regulation YY’s requirement that BNP Paribas (“BNP”), Paris, France, transfer its ownership interest in two U.S. subsidiaries owned by Verner Investissements SAS (“Verner JV”), Exane, Inc., and Exane Options, Inc. (together, the “Verner JV U.S. Subsidiaries”), and in four U.S. subsidiaries owned by Impax Asset Management Group plc (“Impax”), Impax Asset Management (US) LLC (“Impax U.S.”), Impax Fundamental Long-Term Opportunities in Water Fund LP, Impax Global Resource Optimization Fund LP, and Kern USA, Inc. (collectively, the “Impax U.S. Subsidiaries” and, together with the Verner JV U.S. Subsidiaries, the “Verner JV and Impax U.S. Subsidiaries”), to an intermediate holding company established by BNP for purposes of compliance with Regulation YY, BNP makes the following commitments to the Board:

1. BNP will not, without the prior approval of the Board, directly or indirectly, increase its ownership interest in Verner JV or Impax to greater than 50 percent; and
2. BNP will provide written notice to the Board within 60 days of the end of the calendar quarter in which the total assets of the Verner JV and Impax U.S. Subsidiaries, individually or collectively, exceed \$1 billion or 1 percent of the total consolidated assets of BNP’s intermediate holding company, whichever is smaller.

BNP agrees that the foregoing commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decisions on BNP’s request, and as such, may be enforced in proceedings under applicable law.