

# BNP Paribas

## Change of governance in the CIB division



- Last week, BNP Paribas (BNPP) announced a new governance for its CIB division, now called "Corporate and Institutional Banking" versus "Corporate and Investment Banking" previously. This short research aims at analyzing the rationale behind this change and the potential impact on the bank's rating.
- **The objective of the new governance is for the bank to smooth the implementation of the division's strategy in the context of the 2014-2016 business development plan, announced in March 2014.** To be fair, a lot of the changes announced last week were more or less ingrained in the development plan. In particular the growing emphasis on the institutional client base, the increasing cooperation between BNP Paribas Securities Services and the bank's derivatives business, and the development of the financial institutions client franchise. As a result, we can only underline the consistency of the new governance with what the bank had announced before.
- **CIB – what's in a name.** The renaming of the CIB division from Corporate & Investment Banking to Corporate & Institutional Banking is, in our view, an evolution rather than a real change in strategy. BNPP's label change is in line with UBS's, which has renamed part of its investment banking "Investor Client Service". But we would warn against reading too much into the BNPP name change, since the bank has not made any major strategic shift. The governance change of BNPP is a reallocation of resources, assets and legal entities within the group, and it reflects an increased focus on institutional investors.
- **What is changing?** First, the division is experiencing a change in management. There is a clear change of generation within the division which we welcome, but at the same time we can only pay tribute to the remarkably consistent and relatively stable financial performance of the CIB business of BNP Paribas since 2000. Second, the CIB division is reorganized. There are still two major pillars, Corporate Banking & Institutional Banking, but their composition is changing slightly. "Corporate Banking EMEA" will still include the corporate financing solutions of the bank, but the advisory business (M&A and Equity Capital markets) will be transferred to the Corporate Banking pillar. This is consistent with the strategy consisting in aligning the products of the bank to its clients, and therefore simplifying overall the BNP Paribas offer.  
"Institutional Banking" is divided in three components:  
**(1) Global Markets** – which will provide an offer across all asset classes and across all regions; **(2) BNP Paribas Securities Services (BNPSS)**, which will continue to offer its current spectrum of solutions and which will remain a separate legal entity with its own commercial and operational autonomy – BNPPSS is transferred from the Investment Solutions division –

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the idea behind this transfer is to offer a seamless service in financial instruments' trading, from execution to clearing to settlement; and **(3) Financial Institutions coverage**, which will offer global coverage for all CIB and other group businesses across all institutional clients segments. This group will gather all commercial teams covering financial institutions, insurance companies, traditional asset managers and hedge funds.

- **One obvious negative: more restatements.** The new governance is leading to a change of perimeter in BNPP's CIB (with BNPPSS now included). This means that it will require a new restatement of historical accounts (after 4Q14 release which will be on the same scope) to evaluate the performance of the division against its 2016 targets, since the perimeter of the division has changed.
- **Corporate Banking outside EMEA?** Lastly, BNPP's press release is not completely clear as to what the status of the Corporate Banking business outside EMEA will be. We note that BNPP has also announced the creation of two new regions (EMEA and Americas) in addition to the existing APAC region.
- **Overall, no impact on rating.** With this change in governance, BNPP has just made the 2016 development plan easier to implement, with a reshuffling of people, of assets and of legal entities. The strategy is not changing therefore we expect the impact of the new governance to have no consequential impact on the bank's rating.



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