

THE WORLD'S BEST BANK FOR SECURITIES SERVICES

BNP PARIBAS

The French bank has made steady progress in this business over the last decade and last year was a strong period of new mandates and client expansion

Securities services, the stable business that banks love for how it counteracts the volatility of their investment banking units, is even more valuable in a high interest rate environment, particularly for US firms. But for its commitment over the much longer term, BNP Paribas is our pick this year as the world's best bank for securities services.

Revenues at BNPP's securities services division rose 4% in 2023 to €2.7 billion, a new high for the business. It has seen a steady progression over the last 10 years, with revenues nearly doubling over that time. Assets under custody rose 11% in 2023, to €12.4 billion.

For BNPP, it has been a particularly strong period for new mandates. These included triparty collateral management services for the global trading activity of UniSuper, one of the biggest superannuation funds in Australia, building on the bank's existing custody services work for the fund.

A big selling point for that mandate was the efficiencies possible from using BNPP for other services – UniSuper cited the appeal of combining the roles of custodian, collateral manager and a securities lending agent in one institution, as well as the potential to access trading services and liquidity from the bank if needed.

The bank was also selected by the German government and KfW Capital, the venture capital investing arm of Germany's state-owned development bank, to provide depositary and global custody services for the €1 billion Growth Fund Germany, a fund of funds that invests in European VC funds. KfW cited BNPP's special expertise in private capital assets when announcing the mandate.

In Latin America, meanwhile, the bank was appointed as agent lender to the \$1.3 billion portfolio of regional development bank Corporación Andina de Fomento (CAF), giving the institution access to more than 100 counterparties through BNPP and increasing the revenues they can generate from the portfolio.

The business mix of BNPP's securities services is a little different to many other players in the industry, with a more diversified spread of client segments across the buy and sell sides. Its annual revenues are split roughly equally between asset managers, asset owners and sell-side firms.

Patrick Colle, head of securities services and chairman of financial institutions coverage at BNPP, says: "I see clients asking more and more for combined or integrated solutions, not just custody on a standalone basis, for instance. And it's more than the usual bundles of custody and financing. A very relevant example at the moment – because it helps with T+1 settlement – is integrated electronic execution and settlement, where the client trades and then we take care of the whole chain of instructions through to settlement."

Doing that obviously shortens the processing cycle, very helpful given the T+1 settlement environment that now exists for securities trading in the US market, introduced on May 28, 2024. But the broader trend to bundled solutions and a partnership approach was already coming to the fore in 2023.



"I see clients asking more and more for combined or integrated solutions, not just custody on a standalone basis"

Patrick Colle, BNP Paribas

Also shortlisted

CITI

STATE STREET

"We see clients engaging with this like never before," says Colle. "But for this to be successful, you need three things. You need a large and diverse global footprint to be able to accompany them across markets. You have to have the right mindset, and the underpinning of everything that we do at BNP Paribas is that we are a relationship bank.

"And the third thing – where I think we are probably better than anyone in the world – is that you need a long-term view and commitment. We are the anti 'stop-and-go' firm."

This has been a longstanding message in all areas of the bank, which over the years has often celebrated its cautious decision-making, followed by a definitive decades-long commitment once a decision has been reached.

Securities services is one franchise where this is particularly important, since generating a return on investment might well take at least 10 years. Colle, who has been running the unit for 15 years, thinks that kind of commitment is what has allowed it to have double-digit growth every year in the Asia-Pacific securities services business, for instance.

BNPP offers local custody in 27 markets, and the bank's global custody scope covers 100 markets, so expanding the geographical footprint is not a priority at the moment. But it is trying to add more depth to its solutions for clients, and is pushing strongly with its biggest customers to appoint the bank in additional markets.

Every two years, the bank surveys hundreds of its securities services clients, and in the latest has reached for the first time an average rating of above 4 out of 5.

"We have a very quality-conducive operating model," adds Colle. "We also always have two primary servicing sites for a client – one of our three international operating centres of excellence, plus a local service centre, so that every client is covered both locally and globally."

A North American client would be covered out of the bank's main US service centre outside Philadelphia but also its European hub in Lisbon, giving BNPP a 17-hour service period. Again, the shift to T+1 in the US makes this all the more important.

The client expansion efforts in 2023 and earlier are paying off. At the start of 2024, BNPP was mandated by Indeval, the Mexican Central Securities Depository, to be its local custodian in the US market, for some \$60 billion of assets. The appointment followed a competitive process that saw the mandate switch from Citi.