

CEOS' POINT OF VIEW

EPISODE #3 SECURITIES SERVICES

How to lead Securities Services activities at BNP Paribas?

Interview transcription of "CEOs' Point of View" between Jokariz, a content creator, and Claudine Callagher, CEO of Securities Services.

Marc: Hello everyone and welcome to "CEOs' Point of View". "CEOs' Point of View" is a completely unique format in which I interview the CEOs of the key businesses of the leader in banking and financial services in Europe, BNP Paribas. These leaders are responsible for several thousands of people and serve thousands or even millions of clients. We're going to try to understand what their life is like, their daily life, the challenges of the business they run, how they make their decisions and how they manage their work-life balance. I am very pleased to offer you this new content, produced in partnership with BNP Paribas, which plunges us into the heart of the vision and personality of their leaders to discover their careers, their challenges and their values. Hello Claudine, welcome to "CEOs' Point of View". Can you start by explaining to us simply what your role is today at BNP Paribas?

Claudine: Hello Marc, I oversee the Securities business at BNP Paribas, also known as Securities Services. Maybe you've also heard the English terms "Custodian" or "Global Custodian", that's it too, and that's us. Our role is to safeguard and administer our clients' assets around the world. Securities Services at BNP Paribas is the first custodian in Europe and the fifth custodian in the world. We have more than 14 trillion euros in assets under custody, more than 3 trillion euros in assets under administration, and we administer over 10,000 funds.

Jokariz: So, you took up your position at the head of the Securities Services business line only a few months ago. What are your first impressions, perhaps concerning the differences in culture, management, and client relations?

Claudine: It's interesting because I was in the business before and I left the business for seven or eight years. So, since a few months, as you say, I've resumed - already it's a relearning phase. In a way, everything surprises me. But within BNP Paribas, the business has grown so much in seven or eight years. In terms of clients, what I see is that there is a richness in the client franchise that we didn't necessarily have before. Today we have top names in each segment: we have top global banks, top asset and fund managers, and around the world. And what's amazing is that we have clients in every segment of the financial industry, which I think is also our strength. At team level, I'm impressed by the richness of our teams, in terms of the diversity of our teams. We have collaborators all over the world. I think we represent more than 100 or 120 nationalities. So culturally, it's diverse, it's rich, it's extraordinary. But even in terms of expertise, the scope of skills we cover is impressive.

Jokariz: So, precisely, you were talking about diversity of nationalities, and I understand that you have a

rather atypical background. You studied literature at the Sorbonne and then you went to UMASS, so the University of Massachusetts. Then you moved into finance with experience in the United States in finance and human resources and finally, back in Europe. How did all this prepare you for the challenges you now have in front of you at Securities Services?

Claudine: First of all, I think there is no perfect path that allows someone to prepare perfectly for the next challenge. I think it's true: I did a lot of different things. What I take away from it is that every role I've had in my career has left me with something, a portable skill. Portable for the next role. I find that one of the most portable skills that I have been able to build with my experiences is everything related to risk management: identifying different types of risks, understanding what questions to ask. So I think that any experience, even a bad one, ultimately prepares us for what follows.

Jokariz: Yes, it's interesting what you say about risk management, because it's perhaps the common point between all businesses in banking.

Claudine: Yes.

Jokariz: So precisely, for someone who doesn't know the business at all, how would you explain concretely what Securities Services does?

Claudine: I'm going to use an image that I use for my family. Because my mother thinks I work at the counter when I say I work at the bank. I try to explain to her, and I really like architecture, that it's like a house. So, when you enter a house, you look at the rooms, the finishes. And we tell ourselves that it's a great house but we don't talk or think about everything that's in the walls, the pipes, the electricity, the foundation. Is the foundation solid? And so somewhere, all these things, the plumbing, the electricity, the foundation of the house: that's Securities Services. That is to say that the entire financial industry, when it comes to trading or trading rooms, is based on an infrastructure that must be very solid. When you buy a security, you must make sure that the payment for this security is done correctly, that the security arrives in your account. If it's a share, there's a dividend that goes off, and the dividend is paid. And that's what we do. We ensure the movement of securities and cash, and we make sure that they arrive in the right accounts. And once in the accounts, we back up and protect these assets.

Jokariz: So do you have a concrete example to show how Securities Services serves the real economy?

Claudine: Yes, so maybe we should start with who are our clients? As I said, our clients are institutions, professionals in the financial industry. So they are banks, asset managers, fund managers, it can be insurance companies. So behind them, there are clients like you and me. And so, if I think, for example, about my retirement account, with all my savings, for me, it's important that these assets are well preserved and well protected.

Jokariz: Secured.

Claudine: Secured, exactly! That's how we contribute to the economy, because behind all our institutional clients, there are millions of people like you and me who rely on the operational resilience of our processes, our systems, etc.

Jokariz: So if I schematize, all your clients are professionals, institutions, even if behind them there are individuals and you secure their transactions.

Claudine: Yes.

Jokariz: So, in this sector, how does BNP Paribas stand out from the competition?

Claudine: I think there are several ways, and I think we are lucky to be part of a bank like BNP Paribas, because we operate in what is called the "Integrated Bank Model". In fact, what it allows or what it means is that, across the businesses, we collaborate, we all work together to have a complete view of our clients. This means that when we are customer-facing, we are not just trying to sell a product or individual products. We are really trying to create end-to-end solutions for our clients. And I think that we already do this very well between BNP Paribas' businesses. Firstly, and secondly, not all banks do this with their clients. So, I find that a client with us has a much more complete experience, much more tailor-made than what they can find elsewhere. Within the Securities Services business, in particular within Securities Services, I find that one of the advantages we have is really the scope of our business. We cover more than 90 countries around the world, but in more than thirty countries, we have people in the country that are experts in the local markets, and I find that this brings expertise, far beyond our competitors, for our clients. And then there is of course the resilience, the strength of our systems, our platforms, as you said, to secure our clients' assets, which is very important.

Jokariz: It's already the third episode of "CEOs' Point of View", and we're starting to get a bit of an overview of different businesses. We had an episode on Wealth Management with Vincent Lecomte, and we had one with Renaud-Franck Falce on Global Markets. Can you explain to us how Securities Services works with the other CIB (Corporate and Institutional Banking) businesses and more generally with the BNP Paribas group?

Claudine: First of all, it must be said that the other banking businesses are our biggest clients. We are safekeeping assets for the other businesses of the Bank. So that's very important because they are our colleagues and are also our clients. But then we work with them, as I said earlier, to present ourselves as a united force vis-à-vis our clients. We often arrive at the client's site with the other banking businesses to offer solutions. So, for example, we have a product that we developed with Global Markets that allows a client who wants to do their execution, their trading with Global Markets. To do the execution and then to have all the post-trade flows automated. Securities Services can then make the settlement of the transaction and then the custody of these securities while in automated flow. This means that the clients no longer need to do anything — send instructions — and in addition the client will automatically receive the reporting to confirm that everything went well, etc. And this whole chain, this value chain, is completely automated and everything that happens behind it is transparent to the clients. And that's a service that we created hand in hand with Global Markets.

Jokariz: That's a real strength for BNP Paribas to be able to offer the entire value chain. Because, sometimes, the client may have to deal with a front office, a trading room, but the custodian bank is not at all with this trading room. So, if there are problems behind, they can just follow up with their service provider. But they don't have control over it.

Claudine: That's right.

Jokariz: And on top of that, it allows us to follow the flow, to follow the whole chain to make sure that there are no problems.

Claudine: That's exactly right.

Jokariz: So, well, I'm obviously talking to you about the big topic of the moment: AI and new technologies. In general, how do new technologies impact you in your offer, in your services and in the management of your clients?

Claudine: First of all, I'm going to say that I think that having this role today, right now with these new technologies, is great because I think we're in a period where there are a lot of transitions, transformations. I bet that in three or four years, the industry is really going to look very different from what we have today. As you say, there is AI. IA?

Jokariz: IA in French.

Claudine: That's right, IA in French. But there's also everything that's blockchain and digital assets and both come at the same time and together to really transform things. But I would say that it's starting to transform all aspects of our work, very basic tasks, things we do on a daily basis. Having artificial intelligence on our workstations, it's extraordinary! It impacts us to write emails, to make recaps, documents, etc. And it gives us a lot more time to be with clients and to reflect, to think about the future. But it will also have a huge impact on all our value chains, all our processes. Of course, it will continue to automate it. So, there will be synergies, but well beyond that, it will allow us, for example, to identify possible problems in the chain to avoid them. It will allow us to collect information, trends, and movements on the market that we can't get today because we have so many operations, so many transactions, it's difficult to see trends. So, I think it's even going to open up all kinds of new product possibilities for our clients.

Jokariz: What you say speaks to me quite a bit. For seven years, I was working in sales, well on paper my title was "sales", and I spent quite little time with my clients. You've talked a lot about AI, about "digital assets", can you explain a little what that is?

Claudine: Yes. When you see assets, if you take a share and go back in time, there was a time when the share was a piece of paper, then it became dematerialised. A share was represented in the account by a digital entry. And now, indeed, this same asset will be recorded on the blockchain, on a "digital ledger" that is shared by all the players in the industry. This will allow, I think, a certain fluidity in the financial markets. Soon we will be able to move securities between the different players in the industry 24 hours a day, 7 days a week. That's why I say it's quite possible that in five or ten years, the market will look very different.

Jokariz: So, I'm moving on to a more personal note now. How would you describe your management style? And I'd also like to know if anyone has particularly inspired you?

Claudine: I like that people come to me with ideas, but also problems and obstacles, because I see the role of a head of business, or CEO, as someone who has the obligation and responsibility to remove obstacles for teams and make sure that they have everything they need to do their job as smoothly as possible. So, for me, it's really an "open door" policy, to "speak up" or "speak out" when things are not going well. In terms of what inspired me, I think my whole career I've been really lucky because I've always had managers who gave me confidence, who have opened opportunities for me; who have given me opportunities to learn more, and more new things. But I would say that I was really lucky when I started my career at JP Morgan. And the entity I was in was led by a woman. And in fact, at the time, I wasn't particularly impressed that it was a woman who directed. But years later, I understood how lucky I was to have seen this woman in action and in such a senior position. Because in fact, throughout my career, I've never asked myself the questions: I'm a woman, is it going to be more difficult? Will I have barriers? Should I act or behave differently because I'm a woman? And I think in a way, having had this model very early in my career allowed me to

move forward without being weighed down with all these worries and questions. Now, 30 years later, I'm grateful to have had this opportunity. Grateful to this woman who was really a model, even if at the time I didn't realise it.

Jokariz: You realise afterwards, yes. But I'm also getting back to what you said at the beginning in your answer. It's true that being a manager is about managing people.

Claudine: What you just said, I think is the key. It's that everyone, there are thousands of people in Securities Services, and everyone is better than me technically, it's absolutely clear.

Jokariz: We're a kind of conductor with only better musicians than us.

Claudine: Exactly, absolutely. And that's it, we try to bring harmony.

Jokariz: So, I'll continue on the personal side, and I'd like to know a little bit about what you're doing outside of the office. I know that in American culture, "give back" is very present. Now that you've returned to France, do you continue to give personal time to follow impact projects?

Claudine: In the few months since I've been back, I haven't yet started anything in France, but in the United States, with my family, we are very active in the Multiple Sclerosis (MS) Association. My sister has this disease, she was affected at a very young age, when she was in her thirties. Now she is in her fifties, and she can no longer walk. With my family, we try to do everything we can to raise a lot of awareness around this organisation, because it's the largest organisation in the United States that pushes research against this disease.

Jokariz: Do you see how the research is progressing? Do they publish where they are in the research?

Claudine: That's why I say that we are very personally involved because thanks to this research and experimental treatment, my sister will benefit from one of the treatments at the beginning of next year.

Jokariz: So, I'll ask you the ritual question of this show: What advice you would give to the Claudine who is 20 to 25 years younger and starting her career and who would like to have a bit of the same trajectory as you?

Claudine: I would say that it's important to be curious, not to be afraid to go and meet colleagues, even colleagues with whom you don't necessarily work every day, but to go and see what the bank does, what the bank has to offer. Because when you are in a bank like BNP Paribas, now I realise that you can have many different careers.

I would say to young talent, be curious, go talk to people, discuss, learn what other people are doing because there are so many things, it's really super interesting and exciting.

Jokariz: It's a great piece of advice, it's true that sometimes in the bank, you're on a desk and you don't understand anything about what your neighbour is doing. A neighbour does something completely different and right next door, you can learn a lot of things. Claudine, thank you very much.

Claudine: Thank you Marc.

