



**BNP PARIBAS**  
SECURITIES SERVICES

The bank for a changing world

# Insurance Custodian of the Year

For many insurance companies, Solvency II represents regulatory burden, unwelcome IT spend, and the bottom-line drag of increased capital provisioning. Not so for [BNP Paribas Securities Services](#). Mark Nicholls reports

"With any big regulatory change, in the run-up to the deadline, the focus is on what you need to do to comply," says Felix Schachter, head of insurance business development in the UK at BNP Paribas Securities Services, which was named insurance custodian of the year in this year's *Custody Risk* European Awards. "This is only the first part. The bigger question is, what happens the day after the deadline?"

"The industry has spent a lot of time and money trying to understand the issues around Solvency II. What we're trying to do is to see how we can use this investment to benefit our clients," he explains. "For example, while Solvency II is a regulatory move, it has also pushed the industry to clean its data. The opportunities presented by this clean-data environment are huge."

Of course, the pressing issue for insurers as they seek to meet the requirements of Solvency II is determining and reporting their Solvency Capital Requirement (SCR). The BNP Paribas offering in this regard captures data from insurers themselves and from their affiliated and third-party fund managers. This 'look-through' capacity enables BNP Paribas to evaluate assets and accurately measure capital consumption, therefore reducing SCR capital charges.

BNP Paribas also provides clients with the tools to collect and present Solvency II data. Its market-leading web-based Data Navigation Analytics tool provides an interactive and customisable data visualisation platform, offering high-level summary views and the ability to drill-down into portfolio data.

"But Solvency II is not only about data and SCR," explains Maxime Gibault, global head of the insurance client segment at BNP Paribas Securities Services. "The biggest impact is on the strategy side, helping insurance companies better understand where the risk is and where they need to invest."

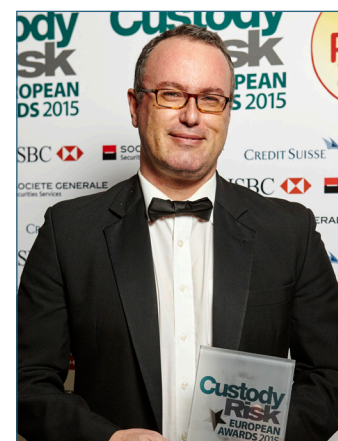
"It is the breadth of risk analysis and management solutions that a bank such as BNP Paribas can leverage which is giving it an edge in the market," he says. "For example, the bank offers a suite of market risk analysis tools, allowing clients to understand the different components of market risk, including value-at-risk, ex-ante risk analysis and interactive stress testing."

"Market risk is only part of the story: insurance companies have to consider operational risk, counterparty risk and reputational risks. For each of these, we have a proven solution that has been sold to insurance companies," he says.

BNP Paribas is also looking at how the SCR calculation can be used dynamically to help insurance companies combine their regulatory obligations with active risk management, says Schachter. "The SCR represents a static set of information about risks at one point in time," he says. "But, given the high level of uncertainty in capital markets, how useful is the SCR in reflecting reality going forward?"

BNP Paribas' research function is examining how the SCR could become a more flexible indicator, taking into account 'what if' scenarios to assess how the portfolio may fit in with the client's risk profile or risk/return implications.

"You're going from a static process to a dynamic process: we know the



Maxime Gibault, global head of the insurance client segment (left), and Felix Schachter, head of insurance business development, UK (right), BNP Paribas Securities Services

underlying assets, we know the underlying key performance indicator[s], the SCR, and we're trying to fit that into a moving investment universe – and looking at how the SCR might be impacted by changing the mixture of assets," Schachter says.

"This provides a more dynamic and value-enhancing solution to the client – you're moving from providing a product, to providing a solution," he says. "It goes to the ethos of BNP Securities Services, of being a real partner and understanding our clients' needs."

The entry into force of Solvency II in January is the culmination of years of work within the sector, by regulatory authorities and service providers to the industry. But, Gibault says, it only represents a small part of BNP Paribas' insurance services offering.

"We haven't become the market leader for insurance companies in Europe only because of Solvency II. The real value that we bring to the sector is deep expertise, an understanding of its context and constraints, and the solutions to help insurance companies address them." In addition to the bank's Solvency II solution, he cites multi-custody services for international insurers, operational process rationalisation services, insurance accounting services and providing middle-office functions.

"This is clearly what makes us the market leader. Our clients are coming to us for help to become more efficient, while focusing on the core areas of their business where they can add the most value."

BNP Paribas Securities services was also named Fund-of-Fund Administrator of the Year in the *Custody Risk* European Awards 2015