



Game changers

Adapting to new digital and ESG frontiers

Neven Graillat and Geoffrey Rodrigue of [BNP Paribas Global Markets](#) discuss the evolution of structured products in a new digital era, and how the rise of responsible investments marries a growing awareness of social and environmental responsibility to financial success



Neven Graillat

What are 'responsible investments', and how has demand for them changed in recent years?

Neven Graillat: Responsible investments allow investors to align their financial objectives with their sustainability goals. The uptake for these products has been exceptional in recent years, which is evidence of the growing importance of environmental, social and governance (ESG) factors in our clients' decision-making. Clients of all kinds are focusing more and more on ESG in

every aspect of their business.

The investment products covered by this umbrella term can take a number of forms, presenting a wide range of opportunities for investors. These range from green bonds, offered by a range of issuer types, to some really advanced and innovative equity index and equity-linked solutions.

For example, at BNP Paribas Global Markets we orientate our sustainable and responsible investment range around three main products:

- Green bonds, for which demand has grown incredibly in recent years, to the extent that we have lead-managed over €12 billion in issuance to date, including more than €1 billion in equity-linked and sustainable development bonds
- Ethical investment indices, through which we help institutional investors channel funds into responsible investments, and provide insight and advice on solutions that integrate ESG criteria
- Equity-linked bonds, which offer a very exciting structured investment opportunity for institutional and retail investors.

The equity-linked green bond products are particularly exciting, and have seen us partner with supranational agencies to generate significant financing for sustainable projects. For example, Tera Neva was a climate awareness bond from the European Investment Bank, linked to the Ethical Europe Climate Care Equity Index, which raised €500 million for sustainable projects from institutional investors ahead of the 2015 UN Climate Change Conference. We also partnered with the World Bank to raise finance through distribution of green growth bonds via retail networks, which offered a potential return at maturity from the equity component, at the same time allowing retail investors unprecedented access to AAA rated supranational debt.

The next exciting development on this front is the new equity range of indices we have been licensed by Solactive to address the UN's sustainable development goals.



Geoffrey Rodrigue

As the structured products market has grown, how have digital platforms had to evolve?

Geoffrey Rodrigue: The changing orientation of the market around digital platforms has enabled investors to access structured products with ever-increasing efficiency and speed, as well as opening up easier access to new products and investment strategies. At the same time, regulation is driving standardisation and transparency of the market, which adds to the momentum behind digital development.

The trend is undeniable; we have seen the dramatic shift towards digital play out on our own platform, SMART Derivatives. In 2010, 80% of our structured products secondary market business was conducted by voice and 20% electronically, and by 2016 the proportions had been exactly reversed: 20% by voice, 80% electronically.

There is still a healthy demand for voice transactions, and servicing the market for unique and customised products is an essential part of our business. But with a fully fledged digital platform working in unison with our voice-trading capability, we can serve client needs across the whole spectrum of structured products.

We believe that, going forward, clients will seek out platforms with a superior user experience that can provide straight-through processing via multiple channels, for example, by seamlessly combining voice and e-trading, depending on the complexity of the product and its liquidity.

Investors are naturally calling for an ever-improved digital experience to maximise the opportunity presented by e-trading of structured products, which has driven us to invest a great deal in our digital platform. Our aim has been to develop a set of advanced tools that we could place in our clients' hands, equipping them directly with sophisticated, customised market access. SMART Derivatives is a platform created to design, analyse, price and trade structured products with a full combination of marketing, primary and secondary trading services.

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