



# OLIVIER OSTY

## Agenda

*BNP Paribas' head of global markets tells Danielle Myles about its recent management shake-up, the crux of its US strategy and the upside of MiFID II.*

**BACK IN THE EARLY 1990S**, Olivier Osty was part of a legion of bankers and traders to cut their teeth in Tokyo. The four or so years he spent with BNP Paribas' Japanese equity platform saw him train in what was then of the world's biggest derivatives markets. Those formative years appear to have set the course for much of his career.

Over the next two decades, Mr Osty – alongside BNP Paribas' Yann Gérardin, now head of corporate and institutional banking (CIB) – built the French firm's market-leading equity derivatives business before taking on increasing responsibility in the bank's global markets business, a division he now oversees.

### GLOBAL MARKETS 2.0

Mr Osty took the helm of global markets soon after it was created by the merger of the bank's equities and fixed-income businesses in 2014. Earlier in 2018, he instigated the second iteration of global markets by selecting a leaner leadership team. After three years of creating a truly unified division, he has fixed his attention firmly on business outcomes.

"The business was being run based on consensus, to make sure people really worked together by cross-selling and leveraging the global markets platform," he says. "Now that's happening, I've shifted the exco [executive committee] so that we are more focused on performance."

The March reshuffle largely did away with co-heads, which saw the exco shrink from about 24 people to just 12 or 13. Key changes saw Arne Groes – formerly co-head of GIO rates and prime services and financing – appointed as global head of primary and credit markets, and Pascal Fischer head up global markets for the Asia-Pacific region. But Mr Osty's changes go beyond a more streamlined hierarchy. He has also identified the tenets that underpin his global markets strategy, and enshrined them by bolstering a handful of subject-specific boards.

Top of the list is ethics and governance. He has reinvigorated the conduct board by chairing it alongside Stéphanie Maarek, who was recently appointed to a new chief conduct and control officer role. In taking charge of this board, Mr Osty demonstrates there is no room for compromise when it comes to conduct. "I want to make clear that these are serious matters. In a way, it's our licence to do business," he says.

### FROM PRODUCT TO CLIENT

Another tenet of Mr Osty's strategy is a renewed focus on clients. To help facilitate this, Martin Egan has moved from co-head of primary and credit markets to vice-chair of the newly cre-

ated Global Markets Client Board, and been given a mandate to promote global markets services to its most strategic customers.

The rationale is simple; Mr Osty is charged with growing revenues by 5% each year from 2016 to 2020. "We won't hit that by taking risk, but by growing the client franchise. That's the only way we can do it, so we are focusing 80% of our strategy on clients," he says. "In the past I think we were widely regarded as a product house. I want us to be seen as more of a client house."

Another way Mr Osty is prioritising clients is by expanding the digital board to incorporate end-to-end processes. The newly named 'digital and industrials board' aims to ensure that sales and trading's resources and priorities align with other related teams within the bank. "It's about making sure the IT of our back office is fully connected to our digital front office," says Mr Osty. "When you interface with clients via a multi-dealer platform or algo, for instance, you must make sure the entire chain functions well."

Once again, he is leading by example, heading the board alongside the CIB's head of IT.

### A TECH GATEWAY

The digital and industrial board's mandate is consistent with the €3bn being invested in the bank's digital technology between 2017 and 2020, and global markets's various innovation initiatives. Global markets is expanding its use of Symphony, the cloud-based messaging system that has become a rival to Bloomberg. It is recognised for its market-leading Smart Derivatives platform, which offers clients electronic access to structured equity products. It also continues to partner with fintech firms including Digital Reasoning – which uses artificial intelligence to transform data and messages about employees, clients and competitors into actionable insights – and electronic market



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maker Global Trading Systems (GTS).

The latter has become an important weapon in global markets' US growth strategy. Since BNP Paribas started using GTS technology to improve its secondary market pricing of US treasuries, the bank has grown its market share from 1.5% to 3%. The goal is to reach 5% by the end of 2018. While it is not the most profitable asset class, US investors consider it a standard offering of any reputable sell-side firm, meaning it opens doors to other types of business. As Mr Osty observes: "If you want to do US rates, you must be visible in US treasuries."

Unlike many European banks, BNP Paribas has opted to grow its US markets business organically. This attention to rates products follows its establishment of a strong equity derivatives business (one of the CIB's core specialities). The next step is high yield, a business it will pursue alongside other parts of CIB. As Mr Osty notes, a strong credit offering requires a corporate bank and markets business that are aligned. "There is a push to develop our corporate franchise in the US – mainly in high yield – and we want to help our corporate bankers by providing secondary markets in trading and sales," he says.

For global banks, a strong US franchise is more important than ever. Its economy is steaming ahead, its central bank is raising interest rates, and volatility has staged a comeback with the VIX index, hitting a six-and-a-half-year high earlier in 2018. In such an environment, having a business that is biased towards euros reflects on the bottom line. Global markets' 2017 revenues were down 1.2% year on year, but up 0.8% once exchange rates and other business changes are excluded. In a year when European markets' businesses performed poorly, it is a respectable outcome, and all things being equal, a global markets business more heavily weighted towards the US would have generated better numbers.

Results aside, Mr Osty believes a strong US platform is essential to becoming a bigger player in its home market. "To be meaningful in Europe you must be in the US, as

that's where the main asset managers and hedge funds are headquartered," he says.

#### MIFID II: FLIGHT TO QUALITY

Like all markets bosses with a sizeable European presence, gearing up for the second iteration of the EU's Markets in Financial Instruments Directive (MiFID II) has been a major preoccupation in recent years for Mr Osty. But while many in the trading industry detest it as an ill-thought-out reform that forces fixed-income markets to act in an unnatural way, he is sanguine about the long-term consequences, believing the greater transparency MiFID II brings to the market will raise the bar to doing fixed income business, just as the first directive did.

"I saw this transformation happen 15 years ago in equities. People were afraid of transparency, but at the end of the day the ones that remained were the those that provide the best service and pricing," says Mr Osty. "It's been tough to get ready for MiFID II, but in the long run it could be a good thing for the larger banks."

Another silver lining is a rationalised research industry. MiFID II has banned brokers from providing analyst reports alongside trading services for a single fee, a practice that was ubiquitous throughout the market. It's led to job losses, but Mr Osty believes the paper research market was too crowded and that the reforms have prompted a flight to quality – not just in terms of analysts, but also how research is delivered. "Many analysts writing and sending the same paper to every client doesn't add a lot of value," he says. "Clients favour interaction, so we've replaced much of the written material with face-to-face meetings, conference calls and roadshows."

#### A STABLE MERITOCRACY

In the same vein as Mr Osty's focus on governance and accountability, global markets is a key component of BNP Paribas CEO Jean-Laurent Bonnafé's commitment to the UN's HeForShe movement, which aims to improve gender parity in, inter alia, employment. As a traditionally male-dominated field, global markets has committed to having women account for more than 40% of its graduates and increase by 40% the number of female senior managers over the next few years.

Based on its graduate intake, Mr Osty seems confident that the new generation of global markets will be balanced. It would only enhance a corporate culture founded on stability, and robust and tested leadership. "[The bank] endured the crisis well because it has stable management and people trust each other," he says. "That is particularly key in markets." **TB**

#### Career history

*Olivier Osty*

- 2018** Head of global markets, BNP Paribas
- 2016** Executive head of global markets, BNP Paribas
- 2014** Head of sales and trading, BNP Paribas
- 2010** Deputy head of global equities and commodity derivatives, BNP Paribas
- 2007** Deputy head of equity derivatives, BNP Paribas
- 2004** Global head of trading, research and structuring, BNP Paribas
- 2000** Global head of options trading for equity derivatives, BNP Paribas