

# Operational Efficiency & Cost Mitigation Strategies



New York City  
January 26<sup>th</sup>, 2021

# A Snapshot of Montreal's Financial Services Sector

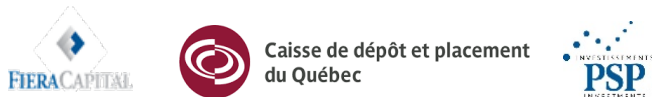
- Finance represents 7% of GDP
- 109,000 employed in FS Industry (6% growth in 2018)
  - 45,000 in banking, 47,000 in insurance, 17,000 in securities
  - Same professional designations in Montreal as in London or New York
  - 39,000 CPAs (1,300+ new CPAs annually), 2,840 CFAs, 2,300+ Certified Risk Professionals (PRMIA & GARP), 14,070 Financial Analysts, 44,755 Accountants and Auditors
- All Canadian Banks and over 200 leading foreign financial institutions operate in Montreal



- Major operations by local and foreign insurance companies



- Half of Canada's pension funds and asset managers



- The derivatives arm of the TMX Group and CDCC (Canadian Derivatives Central Clearing)



# A.I. Capabilities Take aways

## A.I. Related Talent Pool: +21,700 employees

1. Data Collection
2. Data normalization
3. Data Modeling
4. Model training / feature engineering
5. Production

## Expertise

1. NLP
2. NLG
3. Knowledge Graph
4. Machine learning (SAS, Matlab, Scala, Julia, etc.)
5. Strong research A.I. to support Model training / feature engineering phase

## Soft-landing partners

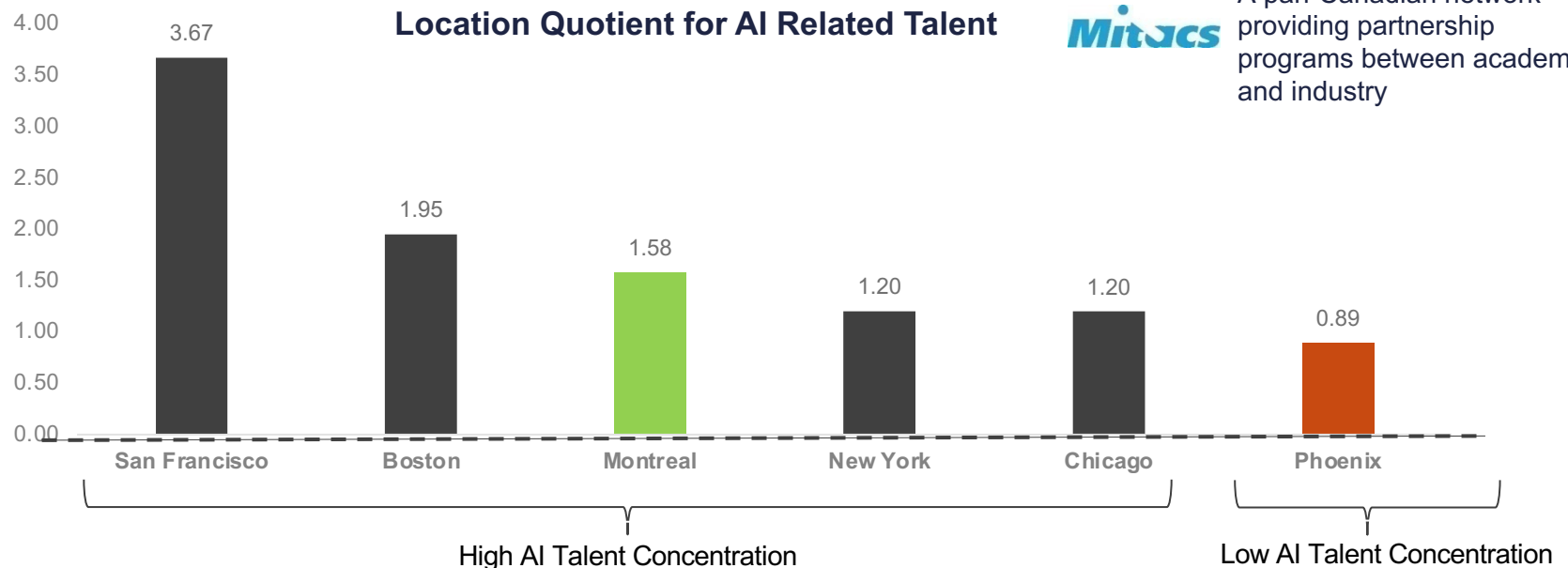
- Collaborative research and institutions to lower risk and build compelling user-cases (Soho Square, Axionable, etc.)



A consortium of machine learning researchers specialized in the financial services sector

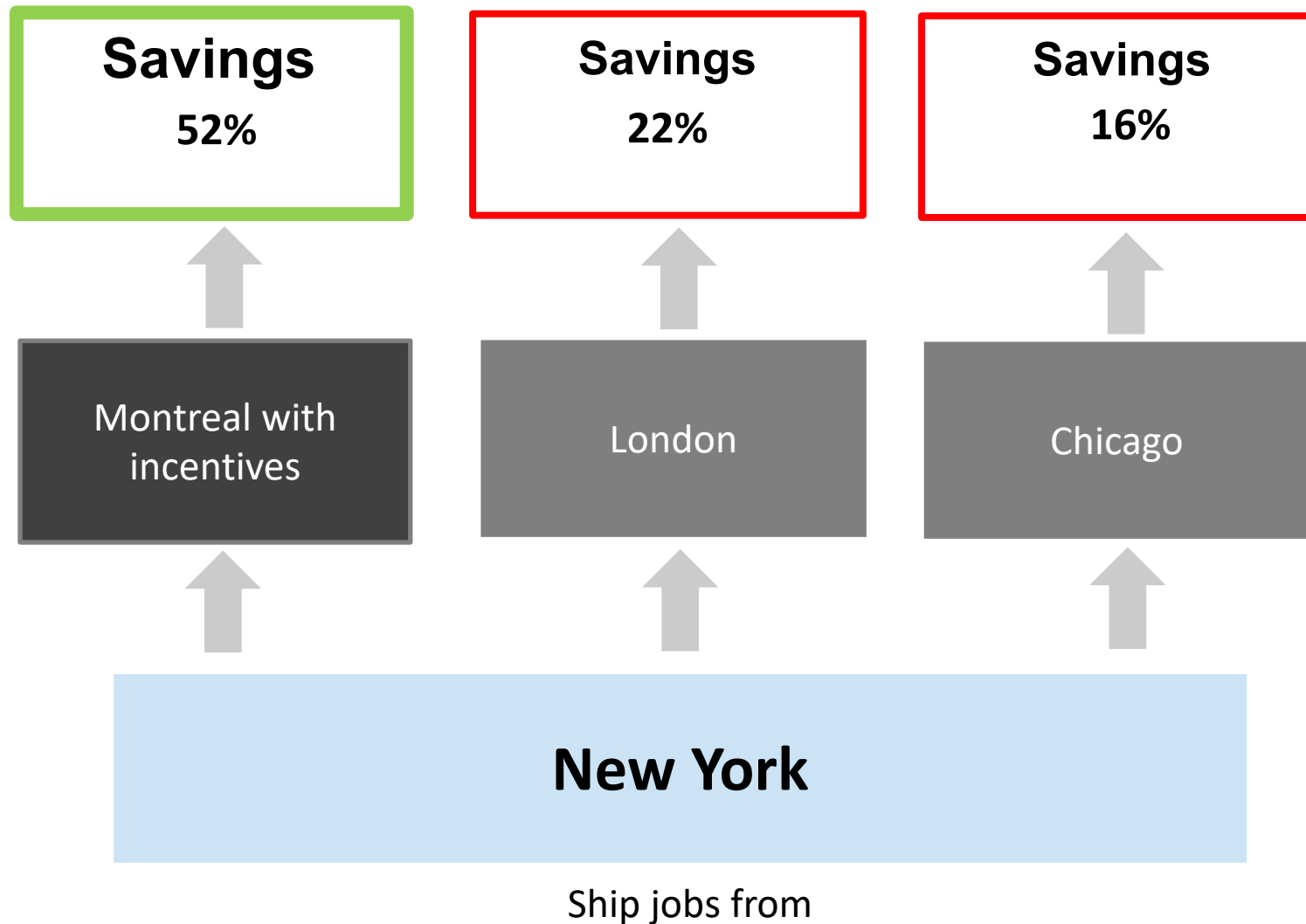


A pan-Canadian network providing partnership programs between academia and industry



AI Related Talent concentration is calculated using the ratios of the AI Data Scientist, Data Steward, Data Engineer, Software Engineer, Data Analyst, Database Administrator) to the total LinkedIn population for each metro area (data obtained on LinkedIn, July 19, 2019).

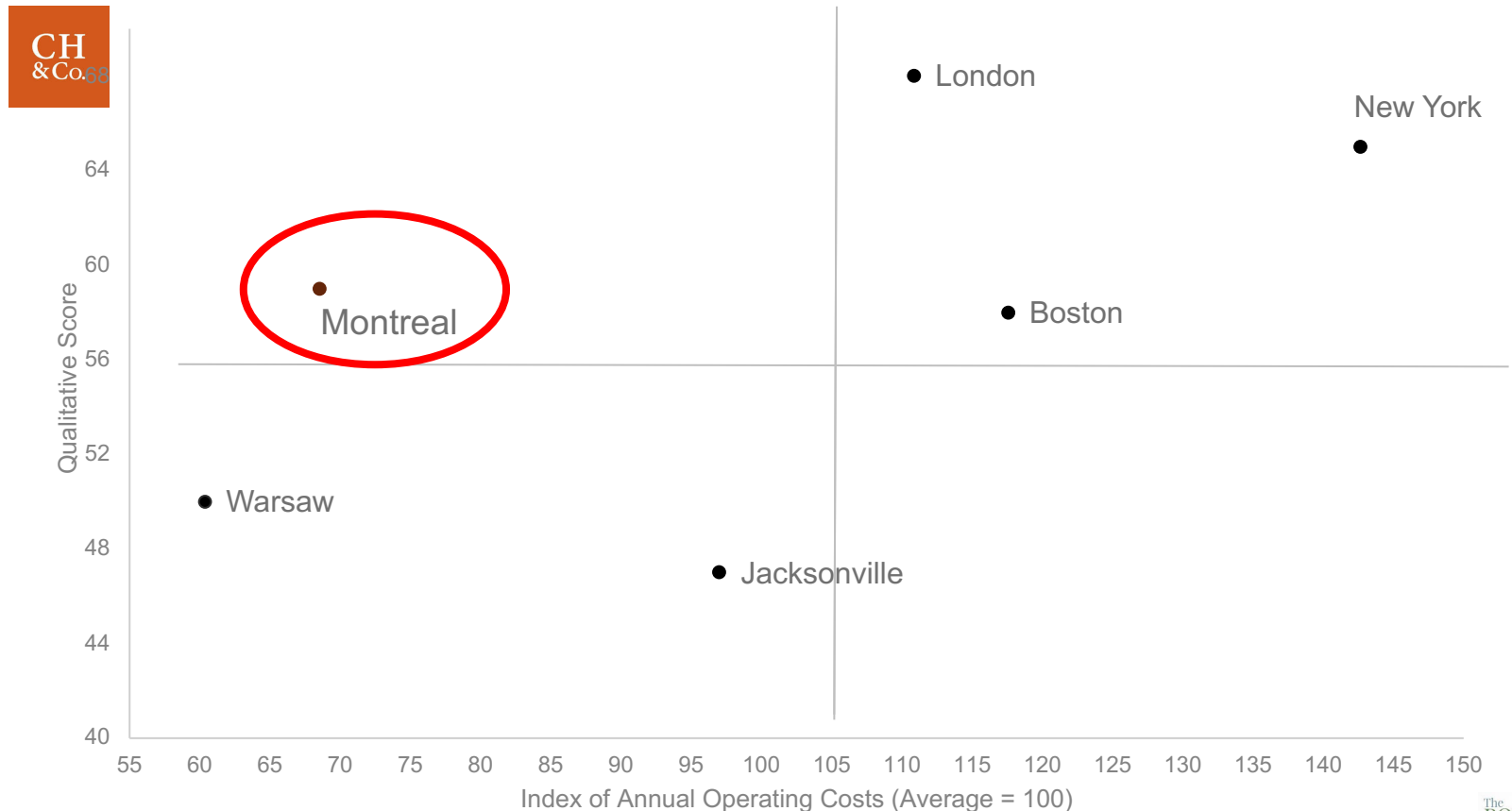
# Comparative Savings From Onshoring From Dublin



Sources: The Boyd Company (2020). (1) Costs based on variable operating costs scaled to an Operations center in the Financial Services industry employing 50 workers and occupying 10,000 sq. feet of Class B space.



# Achieving cost savings objectives without compromising on quality



Boyd: Costs are based on a 30,000 sq. ft. Class-B suburban office space with a mix of 150 representative financial services support positions. The Qualitative Score (CH&C) consists of 12 indicators: Availability of workers, competitiveness, transports, reputation, liveability, legal environment, regulatory environment, national security, housing, health, consumer goods and corporate tax regime.

The  
BOYD  
COMPANY Inc.

FINANCE  
MONTREAL

# **BNP PARIBAS** **IN CANADA**

## **AN OVERVIEW**



# OUR VISION AND OFFER

“ BNP Paribas in Canada, located in Toronto and Montreal, is a global financial solutions provider to large Canadian Financial Institutions and Corporates with international needs across the world, and non-Canadian Corporate clients of the Bank for their operations in Canada.

We also aim to be the preferred service provider to the Americas region and the Group, providing innovative and smart solutions, while leveraging the local ecosystem.

Having built a credible track record over the past years, the Platform aims to leverage on the America’s location strategy and further accelerate its industrialization through a multi pronged approach.”

**FRONT OFFICE**  
**6%**

**IT**  
**36%**

**OPERATIONS +USD**  
Clearing  
**28%**

**FINANCE + EDM**  
**16%**

**CIB FUNCTIONS**  
**8%**

**GROUP FUNCTIONS**  
**6%**



**2**

**Strategic sites**  
Montréal and Toronto



**1119**

**EMPLOYEES**

Staff numbers as of December 31<sup>th</sup>, 2020



**70+**

**NATIONALITIES**

Reinforce People  
Strategy to attract,  
develop & retain  
talent

Diversify our offer to  
facilitate the location  
strategy of the  
Americas

Optimise processes,  
current organization  
and costs

Create a COE for smart  
solutions by leveraging  
the depth of our local  
ecosystem



# AMBITION

All key assets (maturity, expertise, talent pool and ecosystem) to capture growth and to develop a leading innovative center of excellence.

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## CENTER OF CLIENT EXCELLENCE

Added value activities on critical processes

Expertise - SMEs

Agile and innovative mindset

Boost to productivity and improved customer experience

Further costs efficiencies because of the knowledge



## INNOVATION

Strong ecosystem in Montreal (Artificial Intelligence, Cybersecurity, Digital, Robotics)

Member of the Fintech forum board and strong relationship with local partners

Tax incentives (SRED – Scientific Research and Experimental Development – up to 29% of qualified expenditures )

Connect the pipeline



## MEASURABLE AND TRANSPARENT OBJECTIVES

Define overall measurable objectives and key KPIs/KRIs

Connect to enhanced individual objectives

Support via strong talent management, career development and mobility



# A STRATEGIC LOCATION FOR THE GROUP

In order to sustain the Transformation Plan from the Group and the CIB plan, the Canada platform can play a key role with a twofold objective : additional savings thanks to the near/off-shoring of activities to Montreal and acceleration of the Transformation plan through digital and AI initiatives given our maturity, expertise, talent pool and ecosystem. Montreal is considered to be amongst the largest Artificial Intelligence hubs in the world (largest academic concentration in the world with +250 researchers, \$100 M grant from Quebec government to build an AI cluster in Montreal)



## STRATEGIC LOCATION

Proximity to major US cities on the East Coast

1hour flight from New York & Jersey City

Ranked 20th on the 2019 Global Financial Centres Index



## TALENT POOL

Best Student city in the Americas  
11 University institutions and 60 colleges

320 K Post secondary students

Leading Digital transformation /  
Data / AI Capabilities



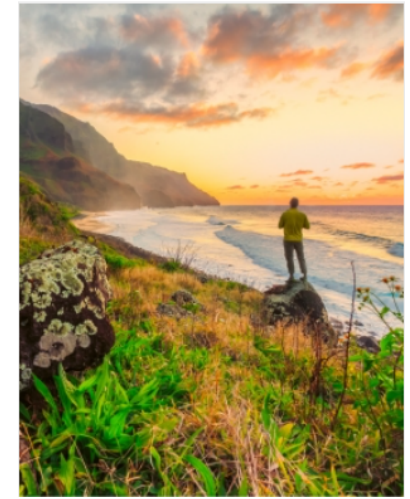
## ECOSYSTEM

**Bilingual** environment

Mature financial services industry (100,000+ HC)

Big Players and Startups

Finance Montreal  
Montreal International



## ATTRACTIVE COST

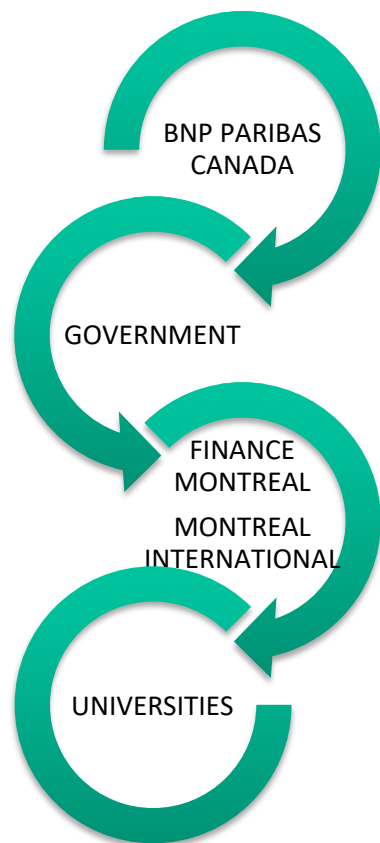
Tailor made incentives and government support

Most competitive operating costs in NA for IT Business

Lowest cost of living among US and Canada, and 2nd best city in the world to live in (*The Economist*)

# ECOSYSTEM AND COMPETITORS

## PARTNERING & CONTRIBUTION TO MONTREAL'S ECOSYSTEM



### BNPP PARTNERS WITH LOCAL UNIVERSITIES

- Hire graduates
- Organizing events and participating in career fairs

### GOVERNMENT SUPPORT IS KEY

- Tax incentives
- Supporting universities to develop new programs

### BNPP PARTNERS WITH FINANCE MONTREAL AND MONTREAL INTERNATIONAL

- Guide us in our ambitious growth initiatives by promoting Montreal to our foreign stakeholders and sharing case studies
- Connects us with other financial institutions
- Keeps us informed about the latest changes at government level (immigration, tax incentives, ...)

### BNPP HELPS CREATE VALUE IN MONTREAL

- Head office based in Montreal
- Increase Montreal's global financial market exposure
- New positions such AI, Cybersecurity and Front Office activities create a dynamism about the range of careers offered
- **Widen the scope of Montreal's talent pool**
- **300 Recruited** in the past 2 years

## COMPETITORS SERVICE CENTER PRESENCE



### SOCIETE GENERALE

600 employees in middle and back-office support (Operations, Technology, Risk and Finance)

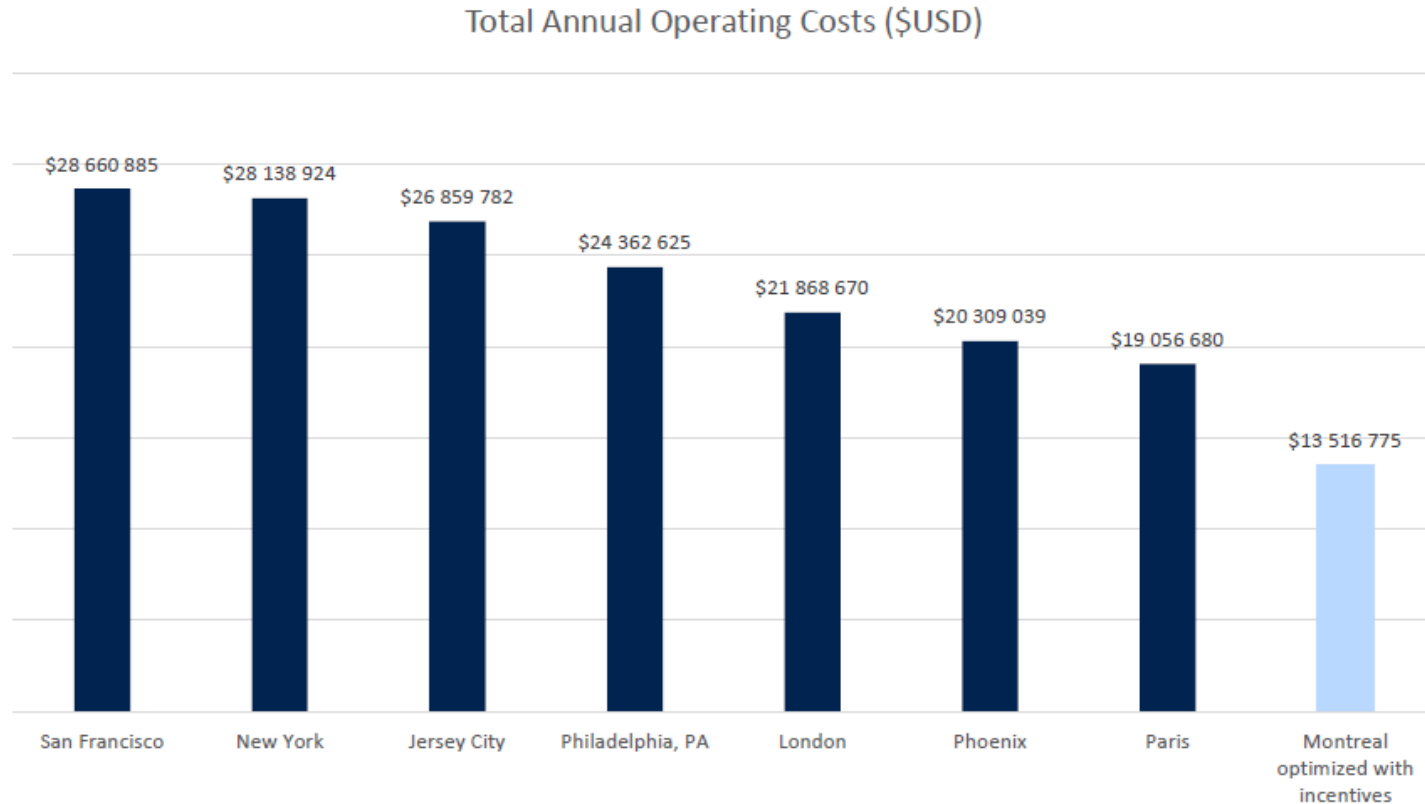
### MORGAN STANLEY

1700 employees in technology center developing tech solutions to support business lines including low-latency and electronic trading, cloud engineering, cybersecurity, AI / Machine learning and end-user technologies

Our Shared Service Center in Montreal strengthens the local ecosystem with high added value activities and generates a positive Impact on the Québec economy

# MONTREAL PROVIDES BIGGER COST SAVINGS THAN OTHER COMPETING NORTH AMERICAN CITIES

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*Note: Based on a model of a 150 FTE financial services back office in a 30,000 square feet Class B office space*

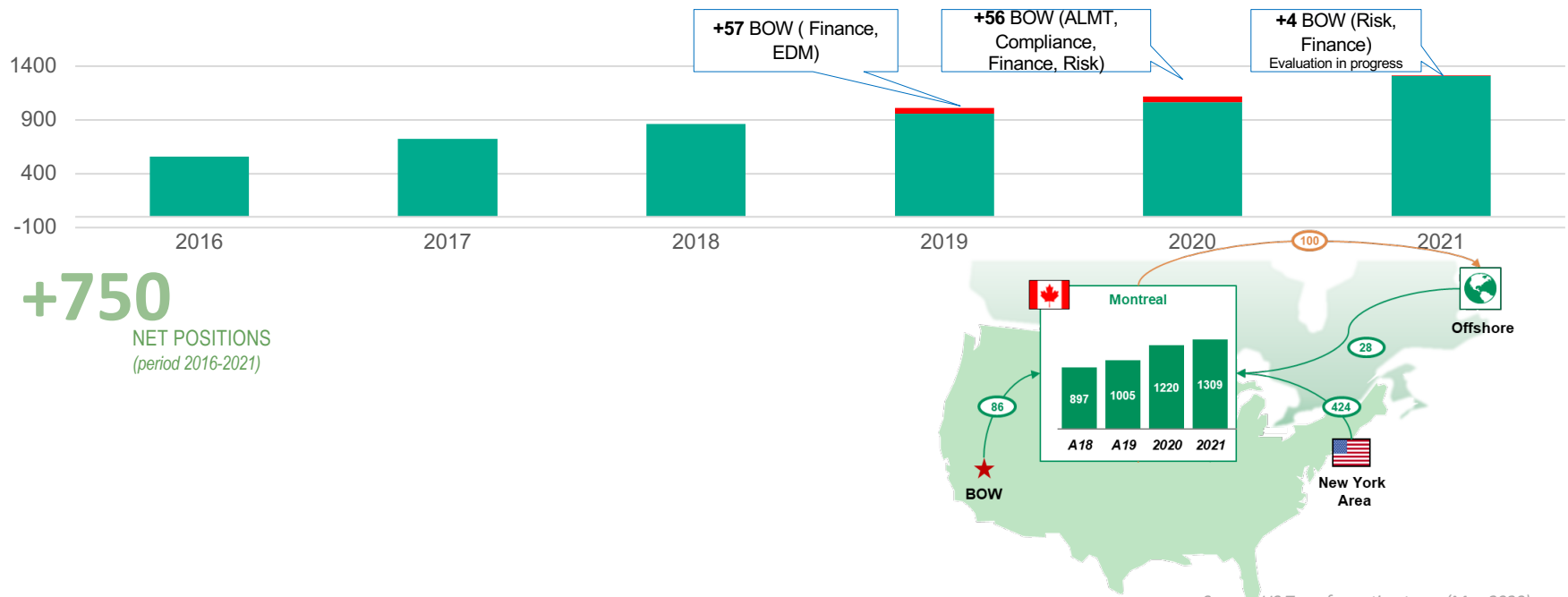
U.S. dollars = 1.32 Canadian dollar; .758 Pound

Source: The Boyd Company, Site Location Group, Princeton NJ (2020)

# GRADUAL AND SYSTEMATIC RAMP-UP

*That should allow the platform to reach +1,300 HC by 2021*

- To date, the platform which has an excellent track record since 2013 has demonstrated its ability to execute the nearshoring plan with the Region and the Group.
- **+560** positions created in Montreal between 2016 and 2020. Activities such as Finance, IT Production, Global markets, Global Banking and Client Management are since performed from Montreal to serve the region. Those domains represent 60% of Total HC, as end of December 2020.
- Montreal has steadily grown with strong foundations (talent, Management, process, tools) , onboarding key activities serving now both CIB and BOW partners (e.g. Risk, Compliance, ALMT, Finance, EDM)
- Montreal could reach **+1,300** total HC by 2021, depending on location strategy plans, with an increase of Group functions footprint in the coming years with positions to be created for RISK, Audit and Compliance.
- Very competitive & attractive environment through tax incentives (~**USD 23m** collected over the past 5 years thanks to efforts made by the platform and proximity with strategic partners.)

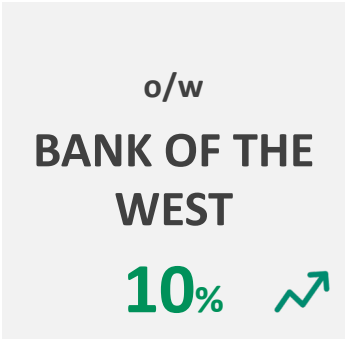
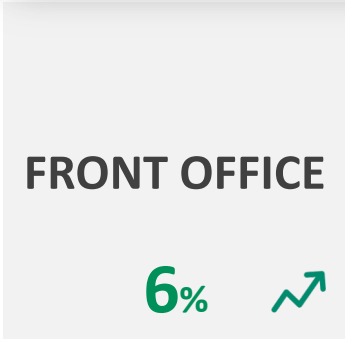
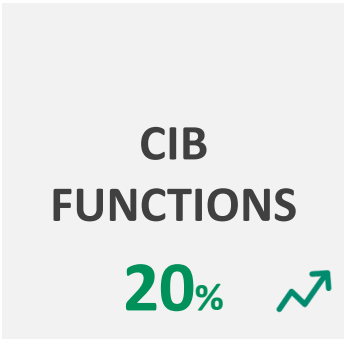
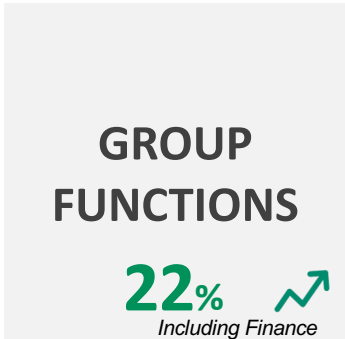
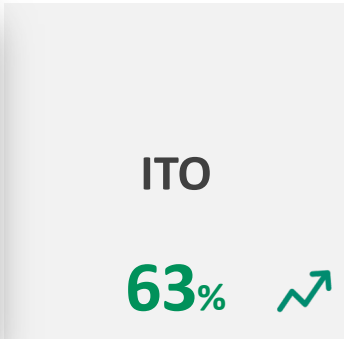


■ Nearshoring to Montreal  
■ Offshoring from Montreal



# DIVERSIFIED PORTFOLIO OF ACTIVITIES

Activities such as Global banking Front Office support activities, Risks, Compliance, activities from Bank Of the West are in the process of being transferred leading to a more diversified portfolio of activities.



# CORE ACTIVITIES OF THE PLATFORM

Our Montreal platform offers expertise across various métiers for the Americas Region and is well positioned to take on additional activities.

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OPERATIONS / CLM

- **Global Market Operations** : Product Control (Trade Support, PnL, Documentation, Loan Trading) , Collateral Management, Back Office Settlement (FI, FX, ALM), Transversal Controls
- **Global Banking Operations** : Trade & Commodities Operations, Structured Credit including Syndicated Loans
- **Client Management** : Regional services across all the Business Lines including KYC Due diligence, Client on boarding, L1 & L2 Client services

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IT PRODUCTION

Support services (Technical and Operational) on application infrastructure & security for CIB & IFS in collaboration with other regions (AMER & EMEA and APAC)

- Infrastructure
- Application support
- Security

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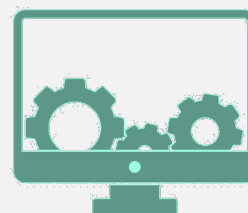


FINANCE AND TAX

Services the Americas Region (CFO, Local Finance teams, Client Service teams, Finance Project Office), Head Office and Bank of the West

Financial Accounting reporting, Local Finance, Regional Tax, Accounts Payable, Performance Reporting for CIB and BOW, Regulatory reporting, Controls & Reconciliation , Finance Project Office

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IT DEVELOPMENT

Supports Regional functions by enhancing existing applications and developing new applications for North America and LatAm

- Program Management Data & Controls
- Digital transformation, HR Function
- Non-Financial Risk & RC IT
- Finance CCAR, Liquidity & Risk

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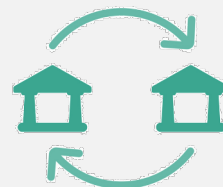


RISK

Services the Americas Region for CIB and Bank of the West as well as the Group as COE for ORC ICT

- ERA
- RISK Corporate
- RISK ORC
- RISK ORC ICT COE
- RISK-I2S
- RISK IRC
- Risk GM
- RISK ORC ICT

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USD CLEARING AND PAYMENTS

Responsible for all Payment Services, Check Processing and Investigations for the U.S. and Canadian operations processed on the Regional platform

- Payments and clearing solutions
- Clearing and payments oversight
- Wire Payments
- OFAC Sanction Scanning

# A ROBUST GOVERNANCE

## Leveraging on the current North America Governance for Regional Platform

### ⇒ **TERRITORY EXECUTIVE COMMITTEE** *(chaired by the CEO Canada – monthly)*

Discussion around governance, business and platform challenges and best practices

### ⇒ **COO EXECUTIVE COMMITTEE** *(Chaired by the COO Canada – every 2 weeks )*

Discussion on key challenges, issues and best practices.

### ⇒ **CANADA-US FORUM** *(Chaired by the CEO Canada and COO CIB Americas – every 2 months)*

Forum built around 3 strategic pillars: communication and engagement, efficiency and human capital management with a main objective to encourage communication between sites and entities (**CIB, BoW**).

### ⇒ **ICC CANADA** *(Operational Risk Control Committee chaired by the CEO Canada – quarterly)*

Discussion around business and operation risks with members from the platform, Compliance, IG, Legal Risk, TTS as well as representatives of functions (Finance, ORC, ORC ICT)

➤ With **BOW**, a governance has been defined in each domain to ensure visibility, transparency and good coordination between all partners. Progress still needs to be made in some domains but very good start to enable a very good collaboration.



Regular meetings

Regular meetings (monthly , quarterly) organized between the Montreal platform and BOW to provide full transparency on activities performed from Montreal

- Progress, challenges and follow-ups on open items and to review service levels, reporting requirements.
- Overall picture of budget, resources, quality of services rendered and feedback from partners
- Voice of the customer to ensure client satisfaction to the highest level
- Precise KPIs on productivity and resource utilization

# CLOSE MONITORING OF OUR INDICATORS

*to ensure smooth and constant evolution of the platform while mitigating risks*

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## INDICATORS REGULARLY REVIEWED AND ACTIONS IMPLEMENTED

- Headcount increased by approximately 100% over the last 4 years with an average growth of 20% per year.
- Staff attrition has increased since 2018 due to several factors.
- Cost per FTE has decreased by 10% over the past 3 years (optimisation of Tax credit and recruitment of junior profiles)
- Significant savings for the US platform from 2016 to 2020, due to nearshoring efforts to Montreal.
- Good governance and control framework giving confidence to our stakeholders.



# Conclusion

## **You will find, learn and gain in Montreal:**

1. Short Term: world-class talent, reasonable costs, incentives
2. Mid Term: business and technological synergies to sustain your target operating model
3. Long Term: a working environment made for the long term (productive workforce, low staff turnover) thanks to family oriented public policies, multiculturalism, variety of lifestyles, etc.

**Thank you !**

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