



Minimum Fee Threshold

Some beneficial owner lenders, especially Mutual Funds implement their securities lending program with minimum spreads. Minimum Spread is the minimum fee (or minimum cash spread in the case of cash collateral loans) a security can be lend at. This means a loan trade can only be executed if it is either equal to or greater than the specified fee threshold.

Example: If a client has a minimum fee threshold set at 50 Bps, then no loans can be initiated at a fee level < 50 Bps.

This is a practice by beneficial owners who want to limit the volume of loans but capture fee income only where the level is above the minimum fee. Often such beneficial owners are classified as intrinsic value lenders.

Until now the Peer Group could not be filtered to only include transactions with a fee threshold equal or greater than the beneficial owners' threshold so that they can accurately compare the performance of their programme. This resulted in the inability to undertake proper SL performance measurement and identify areas of opportunity.

IHS Markit has made a ground breaking enhancement to its Performance Measurement functionality in April 2020 whereby users can now filter the peer group to only include transactions that are greater than their minimum fee threshold and thereby provide a better matched peer group for performance measurement and identify areas of opportunity revenue.

Case Study

Client Lendable - \$ 150 billion

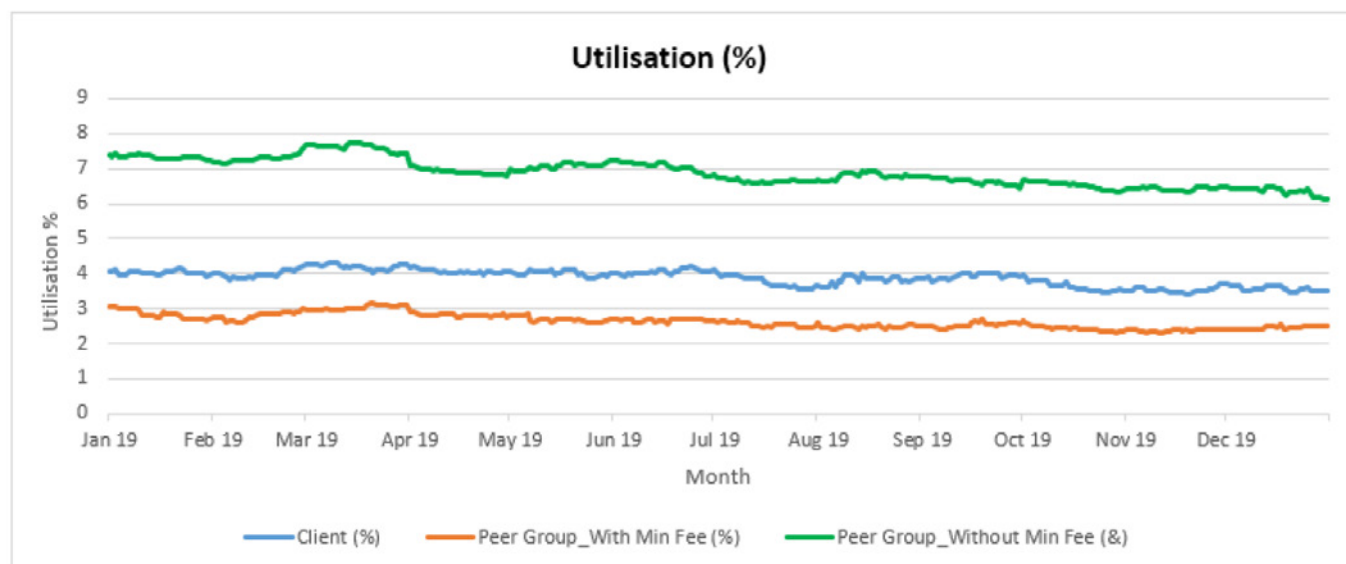
Asset class coverage: All Securities

Time period of analysis – Jan 2019 - Dec 2019

Min Fee threshold- Only include transactions > = 15 Basis points

Peer Group: IHS Markit Benchmark

- Exclude funds in the client filter and weight group to client lendable
- Exclude group funds which don't match the main client dividend in each market
- Exclude group funds with minimal trading
- Characteristics set: Agency only

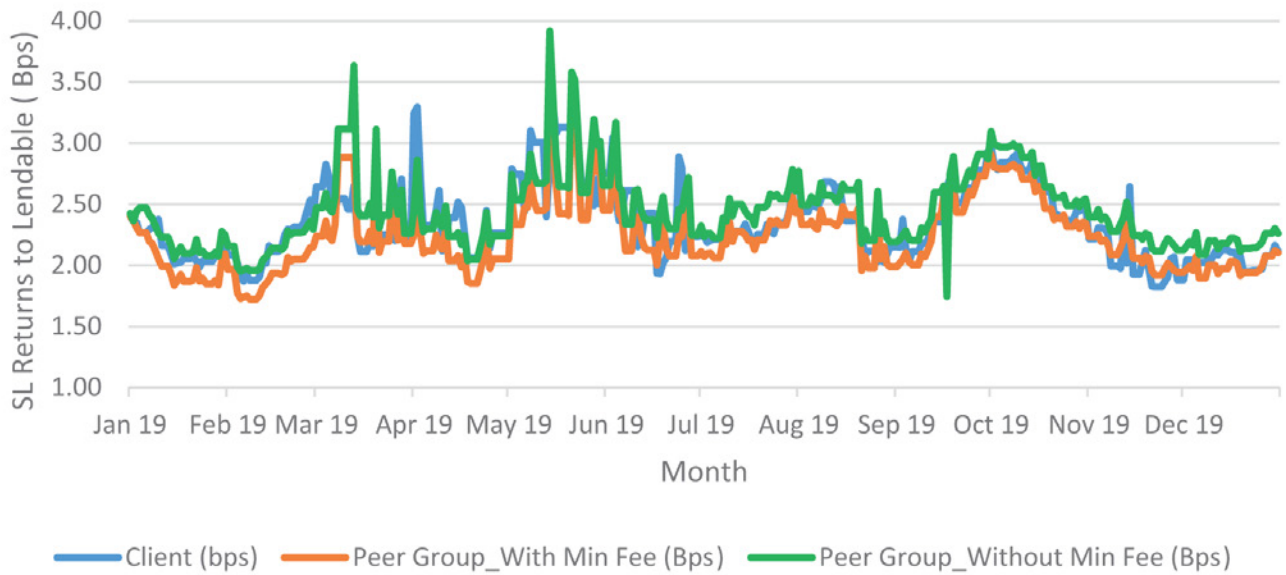


Client 3.89%

Peer Group_With Min Fee 2.64%

Peer Group_Without Min Fee 6.89%

SL Returns to Lendable (Bps)



Client
2.35 Basis points

Peer Group without Min Fee
2.66 Basis points

Peer Group with Min Fee
2.16 Basis points

Utilisation of the peer group has gone down from average 6.9% to 2.6% when it is filtered to only include transactions that are greater than or equal to 15 basis points. Average Fees (VWAF) of the peer group have increased from 35 bps to 86 Bps

This has resulted in the SL returns to lendable of peer group move from 2.66 Bps to 2.16 Bps. The client is outperforming the peer group when only including transactions greater than their minimum threshold owing to outperformance in both fees and utilisation however previously they were massively underperforming in utilisation.

Minimum Fee Threshold parameters

New Minimum Fee threshold buckets are as follows

Fee Bucket thresholds
(Exclude fees lower than)

Fee Bucket thresholds
(Exclude fees lower than)

< 5 Basis points

< 10 Basis points

< 15 Basis points

< 20 Basis points

< 25 Basis points

< 30 Basis points

< 35 Basis points

< 40 Basis points

< 45 Basis points

< 50 Basis points

< 60 Basis points

< 70 Basis points

< 80 Basis points

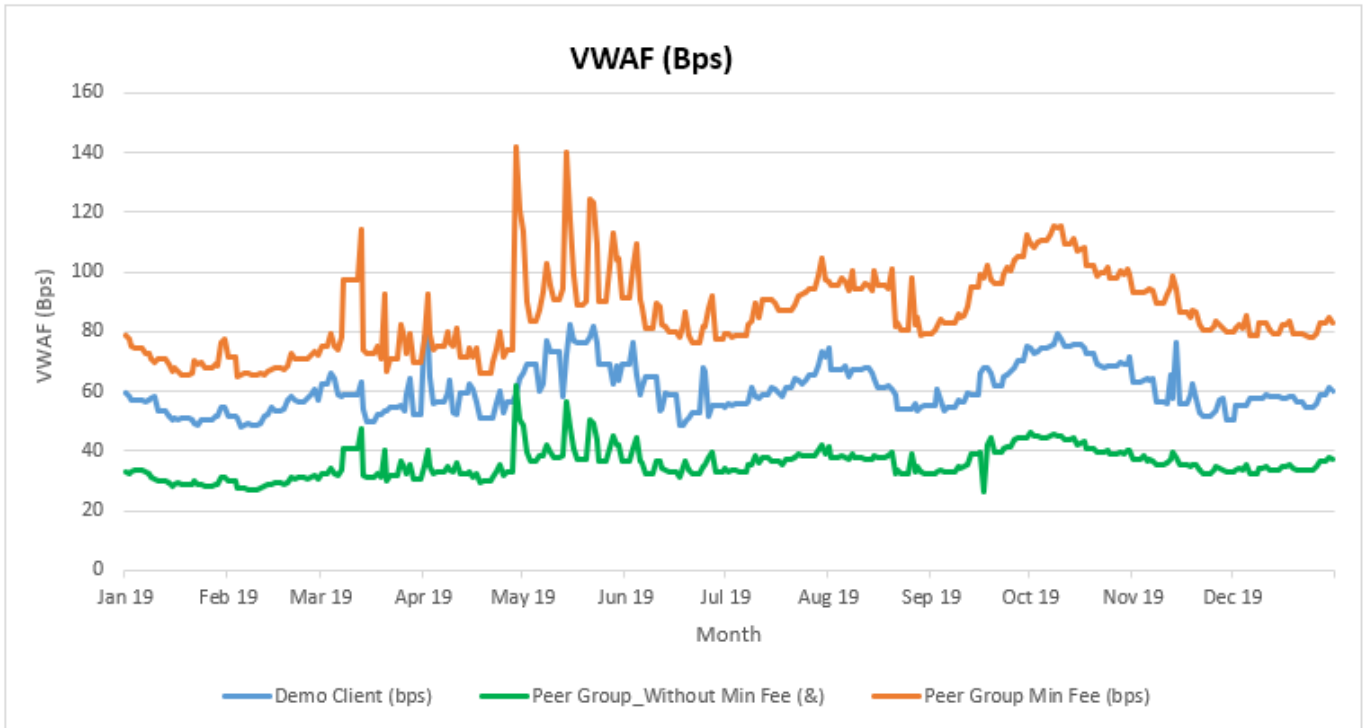
< 90 Basis points

< 100 Basis points

< 125 Basis points

<150 Basis points

< 200 Basis points



Client 61 Bps

Peer Group_With Min Fee 86 Bps

Peer Group_Without Min Fee 35 Bps

Minimum Fee Threshold

Available at Group Filter only

Users have the flexibility to select their minimum fee threshold at Asset class level (Level; 4 or 5 of the asset class hierarchy depending on classifications) from new market breakdown dropdown list

Min Fee spread filter can be used in conjunction with all other available filters in Group Filter

Users can run up to 5 years of historical analysis both in portal and Excel Add-in Toolkit/API

