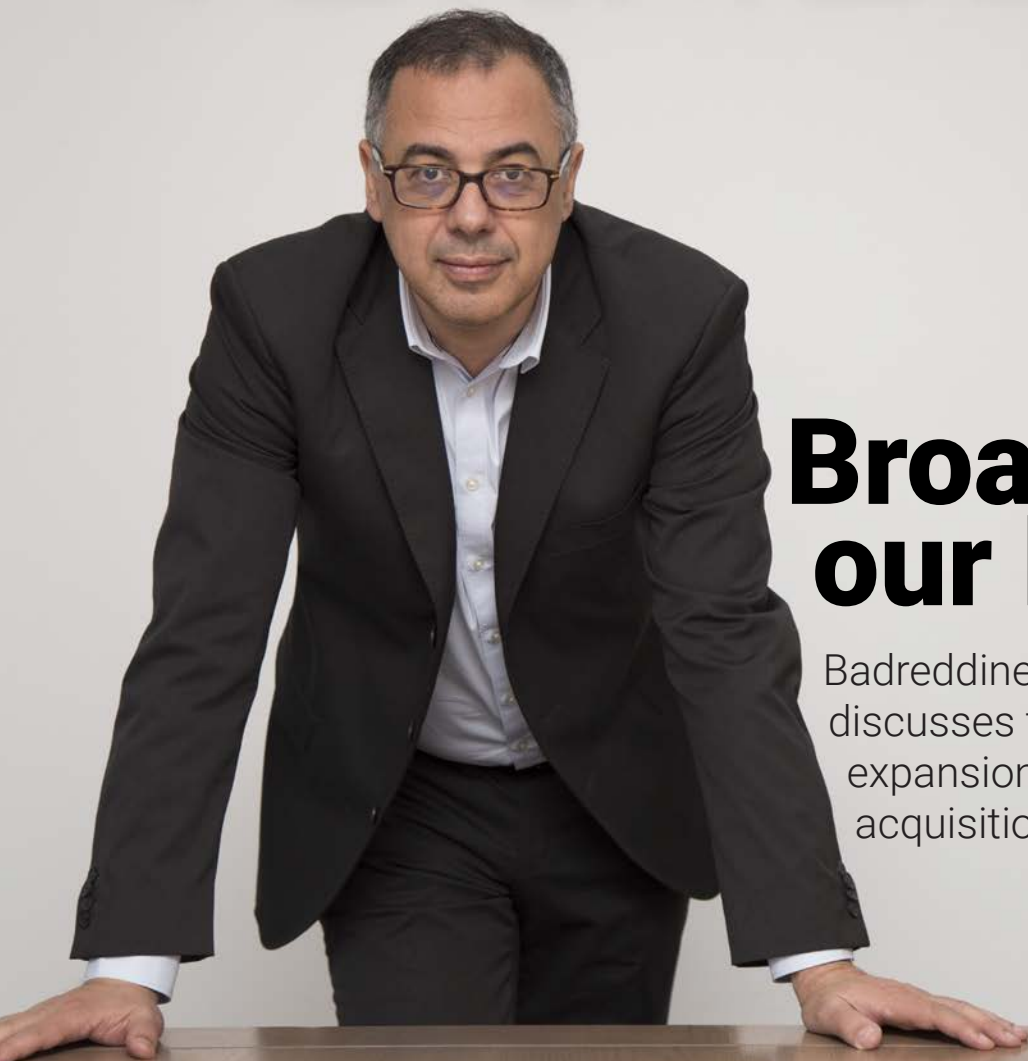


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ISSUE 215 13 November 2018

VERMEG



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Badreddine Ouali of Vermeg discusses the recent expansion following the acquisition of Lombard Risk

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Sharegain rolls out securities lending platform

Sharegain has raised a total of \$12 million to support the roll-out of its platform to private banks, online brokers and robo-advisers.

The funding, over two rounds, comes from Blumberg Capital, Target Global, Maverick Ventures Israel, Rhodium and private investors from the financial industry.

Sharegain is the first fintech to receive Financial Conduct Authority approval to offer its securities lending platform to retail investors.

The platform, according to Sharegain, will open up the opportunity of securities lending for private investors and wealth managers for the first time, with a transparent, controlled, and simple solution.

The firm is also collaborating with global financial institutions to drive best practice and a more transparent approach to securities lending.

Boaz Yaari, CEO and co-founder of Sharegain, commented: "This is a 40-year, \$2.5 trillion industry whose full potential has never been fulfilled. A performant securities lending market will not only benefit all investors in an increasingly volatile and low-yield environment, but it will be good for the market overall."

He added: "It brings greater liquidity and efficiency, ensuring the settlement of certain trades, promoting price discovery and facilitating market making."

"The old way of securities lending was complex, opaque and outdated, in a 'need to

know' system that few understood and even fewer controlled. Now, for the first time, it is effortless, effective and open to any investor. We're excited to be on-boarding investors globally and helping their wealth work harder for them."

Mike Lobanov, general partner at Target Global, said: "With a first class team, strong market fit and significant early demand from institutions and private investors, Sharegain already displays a mix of market-shaping potential and ability to execute rarely seen among startups in capital markets."

He added: "We're excited to be working with the Sharegain team as it scales-up operations and unlocks the huge potential of the securities lending category."

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Industry Update

Badreddine Ouali of Vermeg provides an insight into how the firm is looking forward to expanding its offerings

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SFTR Insight

Andy Dyson and Richard Colvill discuss steering group set up by the association to address the key areas of the implementation process

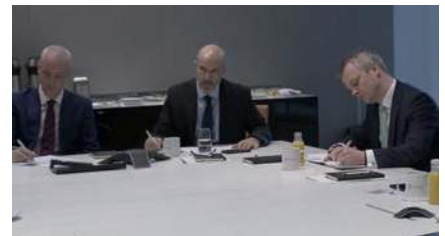
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Country Profile

Singapore has seen consistent securities lending flows, but what challenges and opportunities is the market facing?

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SFTR Roundtable

Securities Lending Times was invited to an SFTR roundtable, headed by Adrian Dale of IHS Markit and Duncan Carpenter of Pirum Systems

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Industry Partnership

Christian Ruffert and Markus Büttner discuss the agreement for Hauck & Aufhäuser to licence Comyno's securities finance enterprise platform

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Data Analysis

The run-up to the festive season should be a time of great joy for retailers, however, there seems to be little cheer so far. David Lewis of FIS explains

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Nex Group sees mixed repo results

Nex Group has achieved a 10 percent increase to its EU repo activity in October, compared to the same time last year. year-on-year for October, hitting 229.1, down from 247.5 in the same period last year.

EU repo activity reached 266.3 billion last month in October, a 1 percent decrease from September. The group also saw a 7 percent decrease to its US repo activity Last month's US repo activity saw a 1 percent increase from the previous month, up from 225.9 billion in September to 229.1 in October.

First ever blockchain securities exchange launches in Mauritius

MINDEX Holdings, GMEX Group and Hybrid Stock Exchange Corporation, have launched the HYBSE International Marketplace that will provide a blockchain exchange platform based in Mauritius.

The HYBSE International Marketplace will integrate blockchain solutions and technology with traditional financial industries.

According to GMEX, this will provide a complete and governed ecosystem that digitalises assets onto the blockchain.

This partnership will for the first time, enable institutional investors access to cryptocurrency exchange-traded funds (ETF's) and other crypto-instruments.

Asset classes including crytonised shares, cryptonised currencies, commodities, and indices will be facilitated for trade in a digital tokenised format. Forex, exchange-traded commodities, ETF's, and crypto ETFs will also be facilitated for trade in a digital tokenised format.

Small- and medium-sized enterprises will be able to use the HYBSE International Marketplace to seek capital by launching an initial blockshare offering (IBO), GMEX revealed.

As well as this, there will be a time-limited offer to purchase cryptonised-equities and



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other cryptonised-instruments, such as blockshares, from businesses registered on the HYBSE International Marketplace at special discounted rates.

The parties have chosen to set up the HYBSE International Marketplace in Mauritius following the announcement that the Financial Services Commission will create new licensable activities for the custodian of digital assets and digital asset marketplace.

It also revealed that they would provide a regulated environment for the exchange and safe custody of digital assets.

Hirander Misra, chairman of MINDEX and CEO of GMEX Group, commented: "I am delighted to announce this exciting joint venture, where HYBSE will bring its vast domain knowledge, securities to be tokenised and its blockchain-based digital exchange technology and MINDEX, supported by GMEX, will provide scalable institutional grade digital trading platforms and business and operational expertise to set up the new marketplace."

He added: "We welcome the new regulatory framework for digital assets in Mauritius and we are thrilled to be at the forefront of market development as one of the first ventures to set up under the new regime."

"We are firmly convinced that there is a massive opportunity for Mauritius to position itself as a major global hub in this dynamic space underpinned by strong governance and regulation to ensure trust."

Daniel Liu of HYBSE, said: "The new venture between the three companies will bring about an exciting new development, not only for the crypto sphere, but global capital markets as a whole."

"As we embark on a journey to pave a previous uncharted way forward, this will inevitably create an ideal prospect to move the evolution of all financial systems, light-years ahead. We must also maintain a conscious belief of the power of this evolutionary step, as not to disrupt current global markets, but to rather bolster a new way of thinking that encompasses a decentralised and truly free market entity."

NEX and CME receive CMA approval for NEX share acquisition

The boards of NEX and CME have received clearance from the UK Competition and Markets Authority (CMA) on the recommended share and cash acquisition of the entire issued and to be issued share capital of NEX.

All of the conditions relating to regulatory and antitrust approvals have now been satisfied or waived.

In March, the boards reached an agreement on the terms of the acquisition.

The acquisition is to be effected by means of a scheme of arrangement under part 26 of the Companies Act 2006, which was approved by the NEX Scheme Shareholders in May.

CME noted that the acquisition was made subject to the conditions set out in part three of its scheme document.

This includes the receipt of the relevant regulatory approvals from the Financial Conduct Authority (FCA) and regulators in the US, Germany, Italy, and Sweden.

The scheme is still subject to certain conditions including sanction by the court at the court hearing, which is expected on 1 November.

Also expected on 1 November, is the last day of dealings in, and for registration of transfers of, and disablement in CREST of NEX Shares, suspension of trading in NEX shares, and scheme record time. The effective date of the scheme was expected on 2 November. The cancellation of listing of NEX Shares on the premium segment of the Official List and the main market of the London Stock Exchange was due on 5 November.

Eurex Repo sees overall year-to-date increase

Eurex Repo saw an overall year-to-date increase of 30.8 percent in average outstanding volume in the repo market in comparison to the same period last year.

Meanwhile, Eurex Exchange experienced a strong October as it saw an 83 percent increase in European equity index derivatives. European equity derivatives increased from 83 percent to 96.2 million traded contracts from 52.2 million in October last year.

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According to Eurex, demand was particularly high for European equity derivatives, an increase of 58 percent with 28.4 million traded contracts, which compares with 19.2 million during the same period last year.

Additionally, the European Energy Exchange (EEX) also saw a significant increase in trading volumes in power and emissions. Volumes on EEX Group's power derivatives markets increased by 48 percent in October this year.

NCCPL updates National Clearing and Settlement System procedures

Rehan Saif, head of product development, marketing and customer support at National Clearing Company of Pakistan (NCCPL) has issued a notice referring to an update in NCCPL regulations and National Clearing and Settlement System (NCSS) procedures.

The Securities and Exchange Commission of Pakistan (SEC) has approved certain amendments in NCCPL regulations.

Updates have been made in order to align NCCPL regulations with the provisions stipulated under Securities Act, 2015, and the Clearing House Regulations 2016 in August this year. NCCPL has amended the NCSS procedures to align with the same amended NCCPL regulations.

The updates have been made in procedures including eligibility criteria of settling banks, trade for trade settlement mechanism, and

deletion of business-to-business mechanism on account of the integration of stock exchanges.

Additionally, balance order client-level settlement and capital gains tax-related provisions on account of various amendments incorporated in NCCPL regulations have been updated.

As well as this, financial institution risk management system updates, deletion of an irrevocable undertaking as acceptable collateral, and audit of clearing members have also been updated.

The Field Effect releases Common Domain Model guidance

The Field Effect has released a common domain model (CDM) document, which explains and clarifies what a CDM may be, as well as its possible uses to the securities finance sector.

This follows the recent initiative from the International Swaps and Derivatives Association (ISDA) to develop and codify a CDM.

Impact analysis conducted by The Field Effect indicated that a CDM model could have a wide-reaching business benefit across many business functions within securities finance.

In the document, The Field Effect has recommended that any new CDW model utilising industry best practices across securities borrowing and lending, repo and prime brokerage (margin lending) would be designed utilising the ISDA CDM framework.

For the initial stages, The Field Effect has advised that an analysis of the current industry participant process, systems, and data models be carried out across the in-scope asset classes.

Once complete, a SecFin CDM model will align with the derivatives model and will allow improved efficiencies for banks, The Field Effect revealed.

Meanwhile, the outcome is expected to be a best-fit minimal delta between current industry participant processes, systems, and data and the new CDM model.

Julian Eyre, business development at The Field Effect, commented: "Many bank process and systems are approaching legacy status. The never ending wave of regulation has increased bank costs significantly since 2010."

"A tactical approach to solving the business imperatives means there is often a challenge to design and drive a strategic agenda. At The Field Effect, we have been examining a range of industry initiatives and evaluating the opportunity to drive significant transformation on a cost-effective global basis."

"After gaining insight into the ISDA CDM initiative we feel this is potentially a good model to review and assess suitability for use in adjacent sectors and leverage the benefits a CDM model could bring."

Eyre added: "The CDM FAQ paper aims to drive a preliminary discussion and explanation of a CDM and trigger meaningful dialogue about the



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direction and strategic change, across banks in general and securities finance in particular.”

“The forthcoming SFTR will place demanding obligations on financial sector securities finance operations and we feel there may be an opportunity to create a strategic digital foundation and unlock the benefits of a CDM model.”

CIBC Mellon sees mixed results for Q3

The median return of the BNY Mellon Canadian (CIBC) Master Trust was 0.42 percent for Q3 2018.

The result marks 10 consecutive quarters of positive results for CIBC. The one-year median return was 7.37 percent, while the median 10-year annualised return was 8.22 percent.

Median returns for Canadian plans over \$1 billion outperformed the median return of the BNY Mellon Canadian Master Trust Universe by seven basis points for Q3 2018. Equity segment returns were mixed for Q3, displaying both negative and positive performance.

Canadian Equity posted a quarterly median return of -0.14 percent. The US equity median quarterly return was strong at 4.69 percent.

CIBC found international equity and non-Canadian equity returns stood at -0.39 percent and 1.77 percent.

Emerging markets equity posted a negative median return for the quarter of -3.02 percent.

The fixed income median return was -1.29 percent in Q3.

Private equity reported a median return of 2.36 percent, followed by real estate at 1.55 percent, and hedge funds at -1.11 percent for the quarter.

The trust is designed to provide peer comparisons by plan type and size, and it comprises 81 Canadian corporate, public and university pension plans.

The results are based on \$235.7 billion worth of investment assets in Canadian investment plans, with the average plan size of \$2.9 billion.

OCC clears record monthly volume

OCC, the world's largest equity derivatives clearing organisation, revealed a record 567,833,544 total contracts cleared in October.

October volume was up 48.9 percent compared to the same period last year, where the volume was 381,467,272.

OCC's year-to-date average daily cleared contract volume is up 21.3 percent, with 20,698,059 contracts compared to 17,070,435 contracts last year. Meanwhile, OCC's securities lending CCP activity was up 25.7 percent in new loans from October last year with 129,863 transactions last month.

Year-to-date stock loan activity increased 20.1 percent in new loans from 2017 with 1,155,291 new loan transactions this year.

It was also noted by the OCC that the average daily loan value at OCC in October was \$82,134,436,585.

Futures cleared by OCC reached 12,204,713 contracts in October, which was up 17 percent from the same month last year.

OCC's year-to-date average daily cleared futures volume is 421,033 contracts, which is 24.5 percent less than last year.

Overall, exchange-listed options volume reached 555,628,831 contracts in October, up 49.7 percent from October 2017.

John Davidson, OCC president and COO, commented: “OCC cleared record volume in October, providing high-quality and efficient clearance and settlement of exchange-traded options and futures as we continue to work to meet the heightened regulatory requirements expected of us as a systemically important financial market utility.”

He added: “This achievement is a tribute to the hard work of many people across OCC and a demonstration of our commitment to serve as the foundation for secure markets.”

Jeroen Bakker launches new consultancy firm

Jeroen Bakker, who has held various positions in the financial sector, has launched Ampalo, which provides consultancy services, as well as interim management and network leverage services.



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Bakker has more than 20 years of experience on both the buy side and sell side in securities finance. He was most recently responsible for the supply side of HSBC's prime finance desk.

In this role, Bakker ensured sufficient supply for securities-based lending/prime desk as well as the finance and collateral treasury desk. Prior to HSBC, Bakker served as European head of securities borrowing and lending trading at RBC Dexia, based both in London and Amsterdam, responsible for Europe, the Middle East and Africa.

Bakker commented: "I am very much looking forward to using my experience in assisting my clients to achieve their securities finance objectives."

"I think that Amsterdam will benefit greatly as a financial centre from the move of financial institutions to the continent due to Brexit

contingency plans. My move from London to Amsterdam was partly triggered by this trend."

NEX Markets connects with Eurex

NEX Markets has connected with Eurex to launch a new clearing solution for BrokerTec Europe customers.

The new clearing solution will be live by the end of the year and it will allow BrokerTec clients to select to clear their repo transactions via Eurex Clearing.

It will allow market participants to consolidate their European repo and corresponding over-the-counter and listed derivatives business under the single risk framework of Eurex Clearing, via the BrokerTec platform.

BrokerTec customers who choose to clear repo transactions will be able to optimise cross-asset portfolios more efficiently. Enabling

competitive markets to adapt to fundamental changes is becoming increasingly important. This includes, for example, the UK's departure from the EU and the European securities settlement engine, T2S.

Working together will allow BrokerTec and Eurex Clearing to target new clients and reach additional liquidity pools for its central counterparty clearing.

Matthias Graulich, member of the executive board, Eurex Clearing, stated: "In the future, the scale and scope of our cleared markets will provide unique capital and balance-sheet netting opportunities for clients across repo and derivatives."

John Edwards, managing director, BrokerTec Europe, said: "As the leading dealer to dealer trading venue for both Euro and Sterling denominated repos, there are emerging opportunities in a post-Brexit world, as



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well as a desire to extend and diversify the clearing choices that our customers have when trading repo.”

Shorted US equities deliver alpha

This October has been the best month of the year so far for short interest, according to Samuel Pierson, director at IHS Markit.

In an article, recently published by IHS Markit, Pierson indicated “after a challenging spring and summer for short sellers, the return of alpha in the short interest factors in September and October has been most welcome”.

Pierson explained that October delivered the largest relative return for shorting the most shorted stocks since October last year, which was itself the best return since the October proceeding the 2016 election. Concerning these results, Pierson said: “That is exactly when short alpha is most crucial, providing

long-short portfolio managers with income and the opportunity to add to long positions in a sell-off.”

The -12.3 percent average return for the most shorted stocks is the lowest absolute return since January of 2016, when the most shorted returned -13.8 percent.

He added: “Both events in 2016 were followed shortly thereafter by significant pain for short sellers, with February, March and November 2016 seeing significant outperformance of the most shorted US equities.”

The most shorted stocks saw less of an increase in shorting on average, though Pierson explained “that likely stems from a combination of reticence toward shorting heavily shorted stocks at the lows, combined with challenges in sourcing additional borrows for the more crowded stocks”.

While overall short balances were down, there was an uptick in borrow costs, driving a small increase in borrows with a balance greater than 500bps, which had previously been trending down all year.

The balances increased from \$5.4 billion in September to \$6.3 billion in October, the highest level since July. Pierson also found demand for warm stocks declined in October, but that came largely as the result of activity in Tesla, where balances declined in the early part of the month and the fee moved below the threshold toward the end of the month.

He concluded: “It has been a solid couple of months for US equity short sellers, after a brutal run this summer, specifically in early June and August. Short sellers did not increase positions by enough to offset the decline in market valuations, however, there was a selective addition to some positions amid a volatile earnings season.”

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J.P. Morgan partner with Wematch

Wematch Interest Rates has been selected to join J.P. Morgan's In-Residence fintech programme and will collaborate with the bank to explore ways of applying its technology at scale.

The In-Residence programme has been created by J.P. Morgan to help start-ups looking to commercialise ideas that solve real-world challenges in financial services. Wematch.live will gain access to J.P. Morgan's resources and expertise to better understand the growing requirements that dealers face at many levels of their daily operations.

Wematch.live's technology brings a new way of thinking to the dealer-to-dealer interest rate market as it applies a previously unseen level of automation to a trader's workflow. It does this via a user-friendly interface that is underpinned by a matching and negotiation engine.

Additionally, the Wematch.live platform is based on a subscription model, which sets it apart from traditional interdealer brokers, J.P. Morgan stated.

David Raccat, CEO and founder of WeMatch SecuritiesFinancing, noted: "We have just created a new entity at Wematch, which is called Wematch Interest Rates. It is going to focus exclusively on the interest rates market, and that entity has just integrated the J.P. Morgan InResidence programme."

"The objective of the project with J.P. Morgan is to come up with a new platform of interest rates swaps and swaptions, which will be released to the market H1 next year. The platform is going to be pushed to the market and to all dealers."

"It is going to be a new platform added to the Wematch satellites including today securities financing, equity exotics, and delta one."

Elie Slama, CTO at Wematch.live, said: "It is a fantastic opportunity for our company. We are confident that working with J.P. Morgan will help us improve our technology at every level. We are dedicated to bringing the benefits of this partnership to all our users." [SLT](#)



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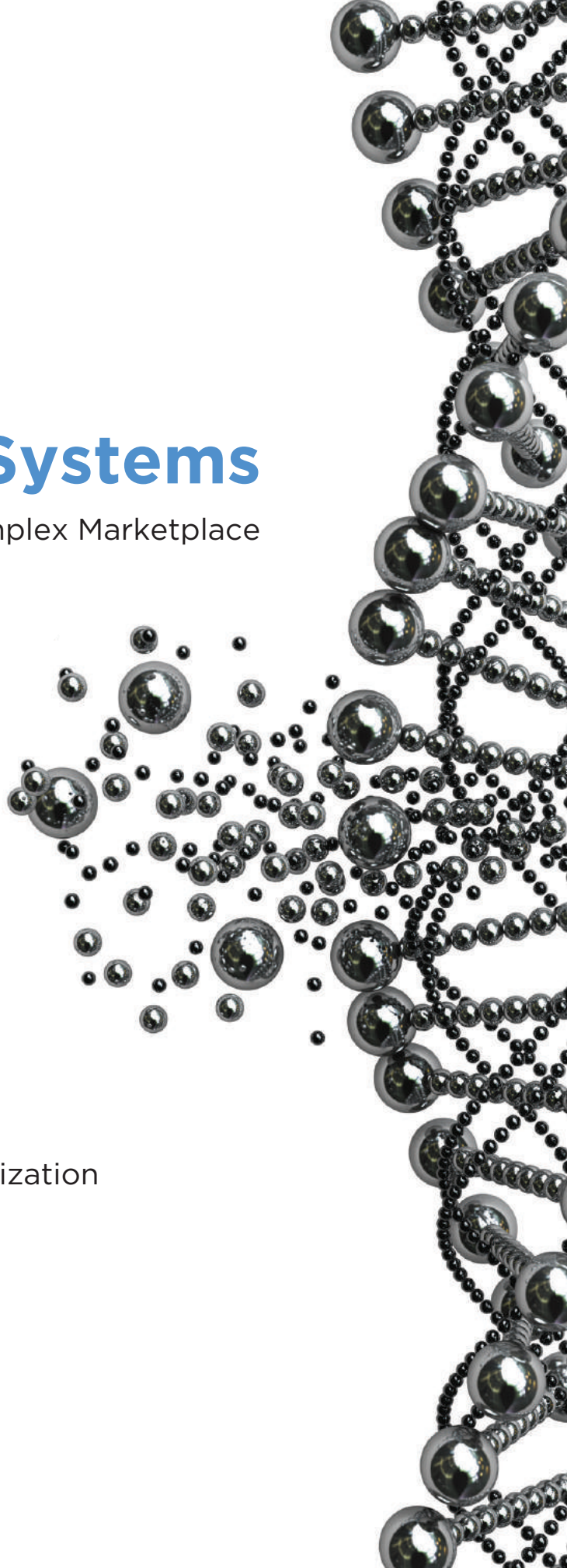
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Broadening our horizons

After Vermeg's recent acquisition of Lombard Risk, its chairman Badreddine Ouali provides an insight into how the firm is looking forward to expanding its offerings

Jenna Lomax reports

What is the reasoning behind Vermeg's acquisition of Lombard Risk?

Vermeg is mainly based in western Europe and the US, and with Lombard Risk, we are now active in almost every continent.

When you make software, you want to distribute it to the widest market possible, covering as many geographies as you can, so your product can become more competitive and access more clients.

Even though we are in the digital age, we still like to have close contact and face-to face customer relations. So, as Lombard Risk and Vermeg

work in the same fields within the financial services industry, we both have very complimentary geographies.

From a UK perspective, we are very happy to be in London; after all, it is one of the world's leading financial centers. We should've had a presence there a long time ago and we're delighted that through this acquisition we now have a London base.

What will the integration of Lombard Risk into Vermeg mean for clients and staff?

For the clients, we will be able to offer access to a wider range of regulatory risk, collateral management and back-office monitoring and management tools. Our staff will benefit from being part of a larger business with a truly global outlook. The opportunities for them will grow.

On the acquisition of Lombard Risk, you said "we will further develop our offering". What are your global ambitions for the future with this statement in mind?

Lombard Risk has a market leading collateral management service for commercial banks and Vermeg has a great collateral offering for central banks, so together that makes Vermeg and Lombard Risk one of the world leaders in the collateral management field. At the same time, Vermeg has fantastic software for investment securities and Lombard Risk has outstanding solutions for regulatory reporting.

We will be able to offer a comprehensive offering to clients in the financial services industry and we'll also be able to share our research and development knowledge.

You cannot manage asset management without taking into account all the constraints that regulators have put in place. Together, Vermeg and Lombard Risk will cover the whole spectrum of investment, supporting decision making and supervisory activity.

Can you tell me about Vermeg's collateral offering and the trends you have seen within collateral in the last 12 months?

For Vermeg, the offer of collateral management has a destination—central banks. Currently, we service some of the largest European central banks on agileREPORTER.

Following the 2008 Financial Crisis, banks are starting to grow again but governments and authorities do not want to pay for such an event again. Today, you cannot enter any market without demonstrating adequate collateral.

Authorities are keen to check your collateral is valid. Even if another financial crisis did occur, they want to be sure that banks can still honour their commitments so there is no risk the taxpayer has to pay. Collateral is crucial to keeping the markets safe. This trend is set to continue and define financial management.

How does agileREPORTER carry out Vermeg's commitment to regulatory reporting? What is its unique selling point?

We have deep knowledge and understanding of regulatory reporting and the underlying business of collateral. As we are experts in collateral markets, it is crucial we support our clients in their compliance processes. As capital markets become more sophisticated, you cannot be blind to what is going on when reporting to a regulator and you need to know much more. That's how it is in the financial services today.



We will be able to offer a comprehensive offering to clients in the financial services industry and we'll also be able to share our research and development knowledge



You have offices all over the world. How did Vermeg start out? How is the business outlook different today, compared to when you first started out?

First, we served global markets from one country, and from there we began to export our expertise to other regions.

We quickly realised that clients wanted us to be more present and have a regional base. Now, with Lombard Risk, we truly have a global footprint.

We've moved from being a regional player to a global player and now we have greater means to invest because we have that global reach. This is key for us and our clients. We want to take our best in-market offering and become a truly global leader in regulatory reporting, collateral management and investment securities software. **SLT**

A steer in the right direction

Andy Dyson and Richard Colvill of ISLA discuss the cross-industry steering group set up by the association to address key areas of the implementation process

How is the association assisting with the industry with the challenges of SFTR?

Andrew Dyson: The Securities Financing Transaction Regulation (SFTR) is the single most important piece of mandatory reporting ever seen in our industry, and we believe that it is vitally important that the industry works together to ensure a smooth and coordinated implementation process as possible. Set against that backdrop, I believe the role of International Securities Lending Association (ISLA) is to work with the various industry stakeholders to ensure, wherever possible, a consistency of approach around the key elements of the reporting regime. Lead by Richard Colvill, we have set up a cross-industry steering group to address key areas of the implementation process.

Tell us about the working groups and who is involved?

Richard Colvill: A Steer Committee has been carefully constructed and consists primarily of tier-1 participants who represent an important demographic in the industry. We have targeted individuals who have historically been most active in this space and who are known to ISLA for their continued work and interest in SFTR. This group has a mix of lenders and borrowers, agency, principal, direct and third-party, broker-dealers and international central securities depository. This will be the group that decides the industry standard for delivery and they will be invited to disclose and share all of the work that they have completed so far, to prevent a duplication of efforts, to be transparent and effectively 'open-source'.

Where individuals are unable to attend for any reason, then they will be invited to delegate to a proxy. It is understood that some members may on occasions chose to send more than one representative;

in this scenario, ISLA reserves the right to govern this accordingly and/or ensure that such instances are only represented once in a boardroom vote.

Beneath the Steer Committee, we have created various other sub-working groups; namely the triparty collateral agents, vendors and service providers and trade repositories.

It is envisaged that all progress made by the Steer Committee will propagate down to the benefit of these groups and, conversely, any issues requiring escalation can be addressed by the board.

What are the main challenges your members face around SFTR?

Dyson: The main challenges I see around SFTR for our members are somewhat varied.

The first issue I foresee will be the collection of data, as the information required to meet the reporting obligation is likely to sit in disparate internal systems. Furthermore, it's not just the initial position that needs to be reported, but all lifecycle events during the duration of the transaction.

The next point is the specific reporting timelines that need to be met by both sides of the market. In particular, collateral reporting will be a challenge given the level of granularity set by the obligation.

Let's not forget that borrowers are relying on lenders for circa 25 percent of the data they need to meet their reporting obligation. This is further compounded as we estimate 60 percent of all open securities lending transactions originate from lenders outside of Europe, for example, who fall outside of the reporting obligation.



SFTR is the single most important piece of mandatory reporting ever seen in our industry



Andy Dyson
CEO
ISLA



How is the association assisting with peoples' understanding of SFTR?

Dyson: Our primary mechanism has been the long-standing working group that ISLA has chaired. However, this topic has been integral to much of our communication for the past 12 to 18 months through the conferences, roundtables and other mediums such as the securities lending market report, where we have featured relevant thought leadership.

RC: The steering group is playing a key role in furthering the industry's understanding of the regulation, as the very nature of the detailed discussions allows the industry to explore every aspect of the legislation.

How have other regulations helped to prepare for SFTR? Are there any similarities?

Dyson: SFTR is a piece of reporting legislation the like of which we have never seen before. Having said that the recent implementation of the Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation has introduced the concept of more

broadly-based reporting to many of our member firms. However, these regulations have predominantly impacted the banks and therefore our borrowers are perhaps better prepared to comply with these big reporting regimes. Conversely, the level of reporting will be a new concept for many of the lenders, notably institutional investors.

Do you feel this will be too much of a burden for the industry?

Dyson: I believe that there will be casualties along the way, however, we should embrace the transparency objectives set by the regulators. There is no doubt that the burden of the reporting obligation will favour those institutions that have scale within the industry.

Will it keep getting delayed and end up watered down?

Dyson: Notwithstanding the differences between the European Securities and Markets Authority and the European Commission, the commission has made it very clear that adoption of the technical standards will take place, and that will be by the end of the year. **SLT**



The steering group is playing a key role in furthering the industry's understanding of the regulation



Richard Colvill
SFTR analyst
ISLA



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UNLOCKING THE VALUE

Singapore has seen consistent securities lending flows over the last five years, and although there are opportunities to be had, the challenges continue

Maddie Saghir reports



Over the last five years, the Singapore market has been very consistent in terms of securities lending flows, focusing on shipping, transportation, agriculture, and commodity-plays, Pan Asia Securities Lending Association (PASLA) cited. But how is the securities lending market faring in Singapore now?

Despite its consistency in securities lending flows, PASLA notes that it is still a relatively smaller market in terms of on loan balances compared to several others in the region such as Japan, Hong Kong, Australia, South Korea, and Taiwan.

Indeed, statistics from DataLend revealed that average industry on loan balances (equities and fixed income) over the past 12 months in Singapore has been \$2.8 billion versus Japan with \$110 billion, Hong Kong with \$35 billion, Australia with \$32 billion, South Korea with \$15 billion, and Taiwan with \$9 billion.

PASLA suggests: "The biggest changes in the past have been surrounding operational cut-off times from a delivery-versus-payment perspective that remains a relative challenge for the securities lending industry."

Meanwhile, back in 2016, a panellist at a PASLA/Risk Management Association conference in Singapore, argued that the way Asia has grown as a region, by relying heavily on international funding, has created an environment where small Asian firms are not being given a seat at the table by the big institutional banks, but is this still true two years on?

Responding to this, PASLA comments: "The great thing about securities lending is that there are global standards and global documentation that means that everyone is able to operate on a level playing field."

"PASLA has member firms across the globe and across Asia and we are happy to help educate any and all new market entrants who wish to consider securities lending as a business."

In terms of regulation, it is worth noting that the Monetary Authority of Singapore focused on derivatives at the start of 2017 and announced a new wave of amendments aimed at bolstering existing regulation. The year prior, MAS consulted on proposed amendments to the Securities and Futures Regulation, regulating to the derivatives reporting regime.

Discussing important current regulations for securities lending in the Asia Pacific, PASLA says: "There are multiple global regulations that directly or indirectly affect many market counterparts across Asia, although single counterparty credit limit is one that many participants are watching very carefully, which could have significant ramifications of the securities lending industry."

"The Securities Financing Transaction Regulation (SFTR), while not an Asian regulation per se, is also going to be a major focus

for all global firms in the securities lending business in the next 12 to 18 months."

Concerns and challenges

The top concerns for beneficial owners based in Singapore this year are similar to other beneficial owners, and PASLA highlighted that the risk remains paramount to many lending clients.

PASLA explains that greater transparency into their lending programmes and adherence to upcoming global regulations, such as SFTR, is another priority for a majority of global lending clients.

"For large global asset managers, fee compression is a major concern, particularly for active managers, and they are looking at various ways to offset this. As a result securities lending is gaining more relevance to combat declining margins", the spokesperson for PASLA says.

Andrew Geggus, head of securities lending trading, Hong Kong, also reflected on the top concerns that beneficial owners based in Singapore have faced so far this year, and he noted that the global themes that Northern Trust see emerging across the broader beneficial owner community are applicable to those in Singapore too.

Geggus says: "The drive to enhance performance amidst rising cost pressures is helping to grow momentum in the securities lending space with respect to both asset owners and asset managers. Securities lending is increasingly being looked at as an integrated investment vehicle to complement the suite of front office activities in pursuit of meeting performance objectives."

"In this regard, beneficial owners are looking for ways to ensure their securities lending programmes are being optimised within a prescribed level of risk tolerance, keeping agent lenders focused on investment in innovation and technology."

Geggus adds: "This is markedly different to the days of securities lending sitting in the back office as an engine to merely offset costs. We see this trend continuing."

In terms of challenges facing the securities lending industry in Singapore, PASLA explained that the proposed change from T+3 to T+2 settlement cycle will reduce the settlement and recall window for industry participants.

PASLA cites: "Similarly, the two new proposals of clearing alternatives for participants (batch mode, real-time gross settlement) will require market coordination and alignment, which will need to be addressed by participants by December. Costs of the settlement remain a hindrance for scalability, especially for high-frequency traders/institutions."

From Northern Trust's perspective on the T+2 settlement cycle, Geggus comments: "In December of this year, Singapore will be moving to a T+2 market consistent with the direction of travel across other Asia Pacific and global markets. With the move from T+3 to T+2, there will be resultant operational changes that will need to be adapted to deal with the new shorter settlement cycles, while ensuring risks are managed effectively."

Opportunities on the horizon

Asia is booming in the technology space, and Singapore is particularly enjoying the technological benefits as it continues to provide opportunities for industry participants in the securities lending space.

Highlighting this, Geggus comments: "Advances in technological capabilities continue to transform not only the securities lending industry in Singapore but across financial markets globally. At Northern Trust, we view advancements in technology as an opportunity to enhance everything from trading strategies, through to operational efficiencies."

He explains: "We are focused on investing in those areas we believe will unlock value for our clients. We've already seen significant investment across the industry into trading technology which at Northern Trust has allowed for greater automation of the trading function, allowing trading teams to focus on those opportunities that derive the most value for clients."

"We are working with new technologies such as machine learning and robotics as well as developing our data analysis capabilities. Our expectation is that the practical application of these technologies will help drive competitive advantage in delivering greater efficiencies, optimising performance and enhancing the client experience."

A spokesperson from PASLA also discusses the opportunities that can be found in the technology space: "Within the auto-borrow platforms that exist today, similar to other markets, Singapore benefits from the scale and efficiencies that technological advances are bringing to securities lending."

Other opportunities in the securities lending industry in Singapore, include an expansion of Singapore Exchange's (SGX) domestic securities-based lending.

PASLA elaborates: "SGX is looking to expand its domestic SBL system this December, aiming to widen participation and other commercial terms of lending by onshore institutions."

Discussing opportunities in the securities lending industry more broadly, Northern Trust hailed advancements in technology as a key opportunity across the securities lending industry.

Geggus notes that they see the emergence of capitally efficient routes to market as a key opportunity for the industry.

He continues: "Particularly as the borrower community continues to look for ways to reduce their capital footprint and optimise the scarcity of available balance sheets."

"There continues to be a focus on regulatory efficient structures such as central counterparties (CCPs) and more recently collateral pledge."



SGX is looking to expand its domestic SBL system this December, aiming to widen participation and other commercial terms of lending by onshore institutions



"The pledge model not only allows for the potential reduction in the cost of capital for borrowers but potentially allows for increased spreads and haircut for lenders able to subscribe to the framework. At Northern Trust, we remain engaged with our clients to ensure ongoing education in this regard, allowing them to make informed decisions on the extent to which these structures represent appropriate opportunities from a risk-reward perspective."

"Elsewhere the growth of fixed income demand in Asia continues to be a key opportunity. Northern Trust's fixed income offering includes trading capabilities out of Hong Kong and Sydney, enabling us to improve the efficiency of trading global fixed income assets across all regions, which has in the past typically been limited to North America or Europe, the Middle East and Africa."

Looking to the future, PASLA expects operating costs to continue to be expensive relative to other markets in the securities lending landscape in Singapore over the next five years, which could be an ongoing challenge for Singapore.

PASLA explains: "If SGX can continue to develop as a viable CCP with flexible and commercial terms, this could be additive to the region alongside Japan, South Korea and Taiwan." **SLT**



An industry reset, not just a deadline to be met

Securities Lending Times was invited to an SFTR roundtable, headed by Adrian Dale of IHS Markit and Duncan Carpenter of Pirum Systems

Jenna Lomax reports

The Securities Financing Transactions Regulation (SFTR) threatens to affect firms across the board, including banks, investment firms, central counterparties (CCPs), central securities depositories (CSDs), insurance, reinsurance, undertakings, pension funds, UCITS, alternative investment funds (AIFs), and non-financial counterparties (NFCs).

Firms must prepare for SFTR as it closes in—as early as Q1 2020—to keep up with the regulation’s reporting requirements and avoid being left behind.

SFTR will require financial counterparties and NFCs to report their SFTs to an approved registered EU trade repository. Structurally, it is the same as reporting under the European Market Infrastructure Regulation (EMIR), requiring two-sided T+1 reporting. However,

Panel participants

Adrian Dale

Product manager
IHS Markit

Duncan Carpenter

Head of SFTR
Pirum Systems

Harpreet Bains

Global product head for agent lending
J.P. Morgan

Paul Bradford

Director of financial markets, global securities finance
ING

Craig Laird

Vice president of regulatory operations
Morgan Stanley

Simon Nottage

Managing director, European head of securities finance product management
State Street

Jasper Dikker Hupkes

Managing director, head of global markets UK and head of securities finance UK
ABN AMRO

SFTR also asks that firms disclose requirements to investors and collateral reuse obligations.

Two of SFTR's three pillars are already live. The first being disclosure requirement, which means funds must disclose the usage of SFTs and total return swaps. The second pillar mandates collateral reuse with the permission of the collateral provider. The third pillar is the SFT transaction reporting requirement. This covers repos, buy-sell backs, margin lending, and securities and commodities lending.

There are more than 150 reporting fields, spread across four tables, 80 of which apply to repo, marking a shakeup for the repo market.

Participants from across the securities lending industry were invited to the offices of IHS Markit in London to discuss how best to approach SFTR. The roundtable saw attendees highlight the hurdles and opportunities of technical standards while also providing an insight into their firm's plan of action for Brexit.

Kicking off the roundtable, Adrian Dale, product manager at IHS Markit, remarked on how participants of the discussion represented a range of SFTR groups, including The International Capital Market Association (ICMA), The International Securities Lending Association (ISLA), and The Association for Financial Markets in Europe (AFME).

Dale said this showed a "fantastic amount of collaboration going on in the marketplace".

"At the same time, there are a lot of issues that have been identified and we have come across many instances where the technical standards don't match up with market practice." He warned: "We need to talk about how that is impacting the underlying platforms used by the industry in the run-up to SFTR."

Dale asked those in attendance how their firms were going to address technical standards in terms of build versus buy.

In response, Harpreet Bains, global product head for agent lending at J.P. Morgan, explained that there were four key questions firms should be asking when designing their SFTR models.

She said that, firstly, firms should question whether they are steering towards a single reporting model across [their] products and businesses", or looking at "multiple solutions".

Secondly, firms should be questioning in what capacity they are performing their reporting, according to Bains. Thirdly, Bains said firms should question whether they are trying to design an operating model that aims to only achieve minimum compliance, or do they aim to go beyond?





Finally, Bains explained that firms should be looking into how effective their technology and data is.

“There are key decisions around technology that need to be made—build or buy and are you looking to future proof your reporting arrangements,” she reflected.

Firms must also ask themselves if SFTR will act as “a catalyst to getting rid of all, or a part, of their manual processes”, she said.

“It sounds cliché, but it’s about deciding if you’re planning to dig up the road on the journey of compliance, which requires commitment.”

Paul Bradford, director of financial markets, global securities finance at ING, agreed but considered that smaller firms, through lack of resource, may not have the capital to achieve this kind of reset.

“I think that is a direction only the bigger firms will be able to afford,” he stated.

Simon Nottage, European head of securities finance product management at State Street, asserted SFTR will encourage agent lenders, in particular, to look at upgrading their legacy custody platforms in the face of these new reporting requirements.

Nottage noted that compared to European Market Infrastructure Regulation (EMIR), Dodd-Frank, and Markets in Financial Instruments Directive (MiFID II), SFTR is enforcing “real” change in the securities finance industry.

Association input

The roundtable then went on to discuss the involvement of the European Securities and Markets Authority (ESMA) and how the authority is looking at regulating transaction reporting.

Bradford questioned: “What does ESMA do if you’re only getting a 10 percent hit rate on your matching, what is going to be the consequences of that happening?”

He explained that this question would mean the difference between SFTR “forcing people into just complying” or “really making [SFTR] future proof”.

He noted that this might be left unknown until reporting has started.

Attendees then discussed the uncertainty caused by incorrect matching rates that were seen with EMIR and the lessons to be learned from it.

Participants compared SFTR to previous regulations and the external dependency on fulfilling the internal obligation and how that relates to the securities lending sector.

In terms of how to solution for securities lending and how you solution for your vendor, Craig Laird, vice president of regulatory operations at Morgan Stanley, said: “There is a critical mass of the markets going through vendors and that can take away a big part of that strain, but there is inevitably a part that remains bilateral.”

He continued: “Clients have already come to us and said that they don’t always have the capacity to create unique trade identifiers or take on board and ingest data.”

“How you can help them do that is largely a question of technology. It’s important that bigger firms, in particular, should consider having bespoke solutions for each client.”

On this point, Bains considered that working together as an industry is fundamental in managing the breadth of SFTR and that continued leadership from industry associations, vendors and providers, and communication amongst the same, is crucial. Bradford stated: “There is a huge swell of support from associations such as ICMA and ISLA to implement best practice guidelines that match each other as far as they possibly can.”

But Bradford indicated that ICMA and ISLA do not have a fundamental mandate to implement anything so decisions will have to still have to be taken by each individual firm and following those guidelines will be key.

Defined consequences

Duncan Carpenter, head of SFTR at Pirum Systems, asked the roundtable if it would be easier to make decisions if there were defined consequences from regulators and national competent authorities (NCAs).

He questioned: “In two to three years time, what will ESMA and the NCAs do with SFTR? Would it be useful to have more clarity when deciding where to focus resource?”

Nottage said: “Industry bodies are going to have to be very prescriptive and act accordingly regarding the outstanding issues that are not going to be addressed so that when fields don’t match or have a low match rate, the challenges should be reported to ESMA in advance so they know why match rates on certain fields are low.”

Jasper Dikker Hupkes, managing director, head of global markets UK and head of securities finance UK at ABN AMRO, stated: “The industry has given enough soundbites towards regulators, and the expectation is that the matching rates will get better. But what happens if we lack clarity in some of these fields? We need to know the expectation.”

A question of fines

The group then moved on to discuss the effects that excessive fines could have on the market.





Nottage said: “If you look at previous penalties and fines from regulators, they have focused on firm’s reporting efforts. The regulators can identify where firms have a focused resource to develop reporting infrastructure and complete data checks on what they are sending.”

Attendees discussed how in order not to lose revenue or counterparties, [firms] should not just look at regulators penalties, but look at fines from the perspective of potential business loss.

To this end, Bradford debated: “Fundamentally, the market doesn’t understand that yet. From a cost perspective, we don’t really know the full costs involved, and whether some trades can actually support them.”

Concerns about disclosure

Carpenter then asked, from an agent lender perspective: “Is there still a significant part of your client base concerned about non-disclosure, knowing the additional transparency requirements that SFTR will bring?”

Bradford stated: “We can only do what we can do from our side with the information that we have. If the lender decides that they are not going to give us the information, we have to ask ourselves whether we can continue to trade with them, and as a consequence, the answer will probably be no, as we still have the obligation to report.”

Laird added that borrowers, “are going to have significant reference data challenges”. He said: “Fundamentally, I don’t think that the market is getting serious enough about this.”

Attendees then debated the responsibility on the vendors to provide as much information as possible and the information that is collected externally.

They agreed that there is an element of fudging, whereby, in order to get match rates high, records may not match in some cases, because people can forget to book trades.

But now every transaction will cost something and every mistake will now be scrutinised with a cost associated with it, and refusing to use electronic means does cause mistakes.

Bradford expressed that the forthcoming ISLA and ICMA best practice guidelines will detail what should go into which field, and as a result, practitioners would together gauge an understanding of ways to record booking practices so they won’t necessarily have to be changed.

There are, however, some fundamental booking differences that will need to be addressed between firms here pre the go-live date.

Brexit

Dale and Carpenter then asked the group how Brexit might affect SFTR.

The attendees agreed that across the industry they had heard the opinion that if a deal is not reached by March 2019, when the UK is expected to leave the EU, that SFTR might be frozen or tossed aside. All agreed this would be very unlikely.

Laird added: "Where I see the impact for SFTR, regulation will apply either way, whether the UK is in the EU, or out of it."

What should we do now?

Concluding the roundtable, Dale asked how firms should prepare themselves.

Carpenter predicted there could be a "major upheaval in upstream processes systems" come the SFTR deadline, he added he had encouraged Pirum clients to "begin testing by the end of the year if possible".

Laird noted there would be lots of focus in preparation for the go-live, and outcomes of system testing would give more indication of where technology challenges will lie.

Dikker Hupkes stated: "The benefit of forums are very beneficial, I would suggest taking notes from their standardisation and guidance."

He added: "There's safety in numbers too. The more ownership you have of your business, the more you will progress, and that's the way we want to progress as an industry, together."

Bradford stated that SFTR needs to be treated as a technological solution for most of the market, throwing extra resource at it in terms of headcount cannot be a long-term solution.

"The securities lending industry has in the past been slow to adapt to new technology, but now firms could really fall by the wayside if they don't keep up," he said.

He reiterated that solutions do however need to take into account those with smaller budgets as the smaller firms often do not have the same resources and capital as bigger firms.

Bains advised: "Question what you're gaining from [SFTR], look at it deeper. You need the commitment from the outset."

"Think about your SFTR compliance model fitting into your longer-term business model, not just as a deadline to meet." **SLT**





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A natural fit

Christian Ruffert and Markus Büttner discuss the recent agreement for Hauck & Aufhäuser to licence Comyno's C-One securities finance enterprise platform as part of their strategic decision to expand their securities finance activities

Becky Butcher reports

What is happening in the securities finance space at Hauck & Aufhäuser?

Christian Ruffert: In the past, Hauck & Aufhäuser used the repo and securities lending market irregularly with a very limited group of bilateral counterparties. The markets were only tapped for liquidity management purposes and not seen as an instrument for generating additional value for the bank and its clients.

We started a strategic initiative one year ago to ramp up our securities finance business for various reasons:

- Hauck & Aufhäuser is set to broaden its service level in the asset servicing space by offering securities lending to its institutional clients.
- We see huge benefits in establishing ourselves as the central liquidity hub throughout the company by bringing current activities such as foreign exchange (FX) trading, an expanding securities lending and repo business as well as collateral management closer together.

- The result is a centralised collateral optimisation programme and can be developed into a liquidity platform for Fosun related companies in the Eurozone.

What has Comyno got to do with this?

Markus Büttner: Hauck & Aufhäuser appointed us to manage the change process and to provide additional resources as well as strategic advice. We accompanied the team around Ruffert since the beginning of the project with strategic and business consulting expertise.

We are working for Hauck & Aufhäuser Frankfurt and Luxembourg on this initiative across various departments and business lines of the bank and their asset management by defining the target operating model, detailing the business processes as well as transferring further securities lending, repo and collateral management know-how to the involved staff. It was and still is very exciting to work with such a professional team at Hauck & Aufhäuser and see them grow to become a respected market player in that field.

How far are you down the road with your initiative?

Ruffert: We've made very good progress in all areas. We were already able to grow our counterparty and client base alongside our business volume.

Additionally, a lot of infrastructural work has been done and with the start of the implementation of Comyno's C-One platform, another major milestone has been reached.

Why did you select Comyno as your consulting and software partner?

Ruffert: We partnered with them on advisory and IT implementation because of their unique knowledge in the securities finance space, covering the complete value chain.

The analytical request for proposal, which has been conducted by our in-house consulting team here at Hauck & Aufhäuser in Frankfurt, strongly suggested to go with the most modern and innovative IT Platform to support our strategic goals inside and outside of the group, both from an IT perspective as well as a business functionality point of view.

How have you been able to gain this advantage? Could you tell us more about C-One Enterprise?

Büttner: Clearly our advantage is our integrated but modular approach of combining our trading and collateral management functionality with our proven set of connectivity solutions. We bundled all this in our integrated digital platform, Comyno C-One Enterprise.

As a 'one-stop-shop' securities finance platform, C-One Enterprise also has made the Securities Financing Transactions Regulation (SFTR) requirements a key part of its data model to make regulatory compliance a no-brainer. Also, we are working with innovative pricing and servicing options to perfectly fit our customers' strategies.

Ruffert: I couldn't agree more—those have been important points for our decision. We are convinced that the focus on the entire value and process chain holds a lot of potential for us and is a key advantage to manage all securities finance and liquidity management related businesses from a single source across all asset classes.

Hauck & Aufhäuser established a platform which is key for the automation of business processes, the digitisation of internal processes, the development of digital products and services, the cooperation with innovative partners and the assessment of investments in fintechs with Fosun.

In other words, ticking all these boxes was a major requirement during the selection process for a state of the art IT platform including data delivery from one single source without raising the risk of being inflexible to react on new requirements.

Therefore, much of the decision was made in favour of Comyno's team and C-One Enterprise because it was the only platform which could fulfil our internal requirements.

In addition to that, some other factors tipped the scales towards Comyno and C-One Enterprise. As mentioned before, we need to further increase the service levels and product base for our clients. With C-One we can offer a white-labelled routing facility directly to them. We haven't seen this great functionality anywhere else and it not only fits perfectly to our securities finance initiative but also to our automation strategy.

Comyno are also working in Luxembourg on the asset management side. What's your current geographic footprint?

Büttner: We see ourselves as a European provider and advisor of securities finance products and strategies. Being in the market since 2006, we've always been active in the DACH countries and the EU. However, the current demand for our new C-One Enterprise platform is starting to grow inside and even outside of the EU. I'm sure we will very soon expand to other regions such as North America as well.

Ruffert: For Hauck & Aufhäuser, a German Bank, Comyno is a natural fit, since we have the 'guys' around the corner for all consulting and software requirements we might have now and also going forward. **SLT**



Christmas cheer, or Christmas fear?

The run-up to the festive season should be a time of great joy for retailers, however, there seems to be little cheer on the high street so far. David Lewis of FIS explains more

Internet shopping and home delivery have long been playing the role of the Ghost of Christmas Future to bricks and mortar retailers, but, perhaps this year, they are the Ghost of Christmas Present. The run-up to the festive season should be a time of great joy for retailers, especially those at the upper end of the price range as people prepare to splash out on presents. However, there seems to be little cheer on the high street so far.

Arguably a flagship name, on UK streets at least, is the John Lewis Partnership, the operator of department stores and supermarkets under its Waitrose brand. A private partnership means there are no share prices to quote, but the previously resilient operator, where employees shared in the company's profits, posted a 99 percent drop in half-year profits for 2018, which is as near to saying the firm made no money as it could be. With profits dropping from £95 million to just £1.2 million, John Lewis struggled to cope with upholding its "never knowingly undersold" maxim, forcing it to match lower cost competitors. The rush to the bottom with regard to pricing is affecting other brands too.

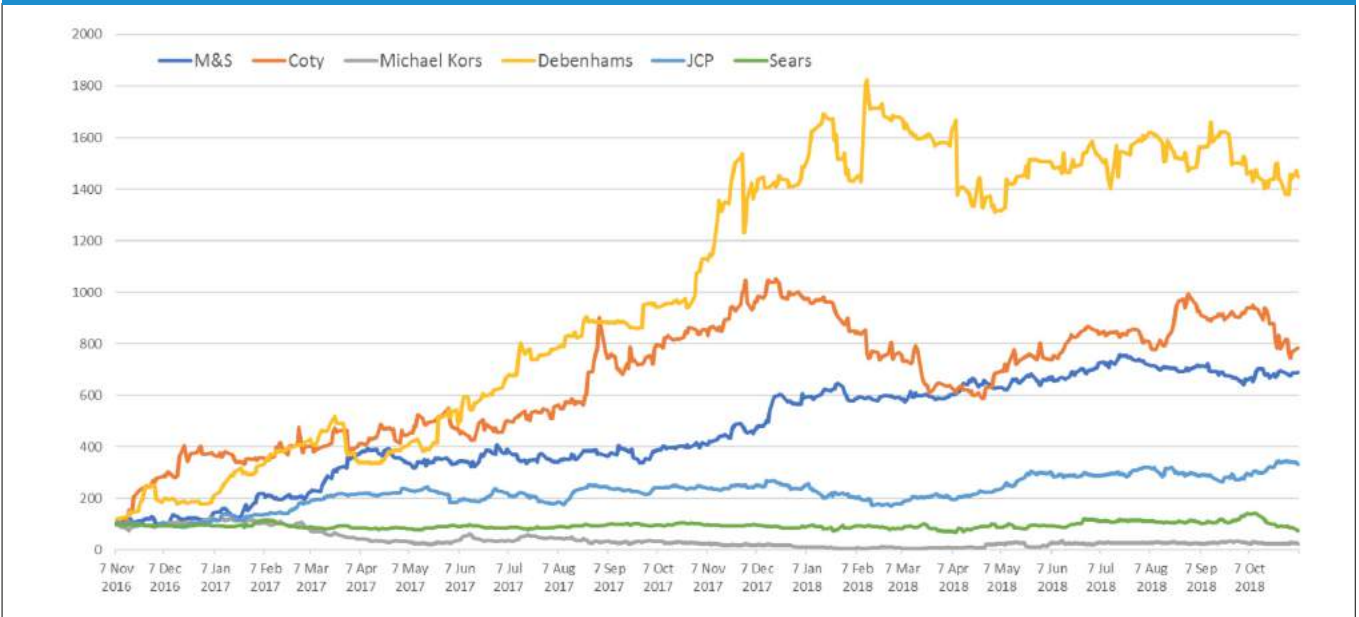
Marks & Spencer (M&S) is the other high street name, often used as a retail market bellwether, especially in the UK. In a market update today, M&S reported like for like sales down 2.2 percent, for the six months to September, with food sales down 2.9 percent and home sales sliding 1.1 percent. Revenues were down some 3.1 percent to £4.96 billion, but this disappointment was tempered by a 2 percent

gain in pre-tax profits, rising to £223.5 million. Again, like John Lewis, much has been blamed on discounting, having "lowered its prices on hundreds of food items".

Dropping prices cannot be a long-term solution to what is a long-term problem. With shop leases averaging 20 years, the retailer has its hands tied with regard to rushing into closing unprofitable stores, at least not cheaply. Getting clients back in through the doors and reversing the longer term downward trend in clothing sales, which is not affecting its previously slightly more resilient food division, will depend on bringing the M&S magic back.

Slashing prices is not the only issue affecting retailers. The higher price bracket shops are also feeling the pinch. Europe has been a poor performing market for overseas brands as well. Both Coty, the US cosmetics company, and Michael Kors, the US fashion apparel company, are blaming poor European sales performance dragging down the company's overall performance. For Michael Kors, buying the famous shoe brand Jimmy Choo last year helped boost group revenues by 9 percent to \$1.3 billion, but at a purchase cost of some \$900 million. The Kors brand, which makes the bulk of the group's profits, saw European sales slide 10 percent and profits slump 37 percent for the three months to September, compared to the same period last year. In contrast to M&S and John Lewis, Michael Kors blamed some of this failure on trying to move more upmarket and raise prices.

Figure One: Short interest indexed to 100 as of 7 November 2016



Coty, the cosmetics firm that owns brands such as Hugo Boss, Calvin Klein, Max Factor and Rimmel, blamed its “consumer beauty” segment (read: their lower-priced items) for its 9 percent drop in revenues, pushing it into a loss of \$12.1 million for the last quarter, on sales of \$2 billion. The shares dropped 20 percent on the news, completing a fall of some 50 percent over the last year.

Debenhams has not escaped either. The last five years have not been kind to the high-street department store, which has seen its shares fall from over £1 to just £0.08. Short sellers have long been targeting the high streets across the world, acting as the likes of Amazon chipped away at their sales, profiting from the inaction or inability of those stores to react to the threat surrounding them. Figure one shows the volume of shares borrowed, taken as a proxy for short interest, for the retailers covered above, indexed to 24 months ago, showing the dramatic rise in shorting activity as the companies faltered. Only Michael

Kors appeared to have escaped the analysts’ slide rule, as volumes and utilisation remained very low.

Looking at the US market, J. C. Penney and Sears have long been in decline, ravaged by the likes of Amazon and other market disruptors. The last five years have seen both J. C. Penney’s and Sears’ shares fall 83 percent and 99.5 percent, respectively, as the bricks and mortar operators fail to react effectively to the internet stores. Sears shares have fallen from over \$43 to just over \$0.20, delivering significant pain to those holding long positions over the last five years.

Figure One shows a relatively flat trajectory for short interest over the last two years, compared with the others, but it should be noted that utilisation levels were already standing at 69 percent and 98 percent for J. C. Penney and Sears, respectively. Their story, perhaps as Ghosts of Christmas Past, should send a shiver down the spine of European stores this Christmas. [SLT](#)

“The higher price bracket shops are also feeling the pinch. Europe has been a poor performing market for overseas brands as well”



David Lewis
Senior director
FIS





Comings and goings at Citi, Saxo Bank, EquiLend and more

Citi has appointed Stuart Jarvis as head of agency lending for Europe, the Middle East and Africa (EMEA).

Jarvis will begin transitioning to his new role in December and will formally join agency lending at the start of January.

He has 17 years of experience in the prime brokerage business, serving in various roles at Goldman Sachs, Barclays Capital and Citi.

At Citi, Jarvis has run both trading and sales trading teams within Citi's prime and delta one businesses.

He will continue to manage the prime and delta one sales trading team until his transition begins but will hand over management of the trading function, with immediate effect.

Matt Glennon will assume responsibility for stock loan trading, reporting into Richard North.

In his new role, Jarvis will be reporting to David Martocci as global head of agency lending and Simon Kempton.

According to Citi, Jarvis's appointment is part of the bank's ongoing focus on business growth and innovation.

Saxo Bank has made two changes to its board of management.

Søren Kyhl has been promoted to deputy CEO while he continues in his role as COO.

Damian Bunce has been appointed a member of the board of management with the new title of chief commercial officer.

The board of management now consists of CEO Kim Fournais; deputy CEO and COO Søren Kyhl; chief financial and risk officer, Steen Blaafoak and chief client officer, Damian Bunce.

The changes strengthen its leadership and accountability in the board of management in relation to clients, shareholders, the board of directors, regulators and employees.

Members of the board of management are appointed by the board of directors.

The executive team will continue to be the global executive leadership team in Saxo Bank.

The board of management also consists of CIO Ashok Kalyanswamy and chief human resources officer, Stig Christensen.

Commenting on the board reshuffle, Fournais said: "I am proud and satisfied that Søren Kyhl has been appointed deputy CEO and that Damian Bunce will join our board of management."

"The appointments reflect their excellent skills, knowledge, attitude, motivation and high importance to the bank and our future growth journey."

He added: "Kyhl is a very natural and competent deputy CEO that I trust to run certain important strategic priorities. These changes will further strengthen and professionalise Saxo and I am proud to be leading such a unique team."

"This is therefore not a retirement plan for me but an upgrade of our leadership capabilities, better supporting our fiduciary duties as well as creating a natural deputy function for me and Saxo going forward."

Michael O'Neill, Citi's chairman of the board of directors, will retire on 1 January 2019.

John Dugan, Citi director, will succeed O'Neill as chairman on that same date.

O'Neill joined the board in 2009 and has served as Citi's chairman since April 2012. Dugan joined the board in October 2017.

Before his current service as a Citi director, Dugan was a partner for nearly seven years at Covington & Burling LLP, where he had previously advised on financial institution regulatory matters from 1993 to 2005.

In his most recent role, Dugan chaired Covington's Financial Institutions Group, where he counselled financial services firms and provided independent advice to boards of directors, including Citi's Board, which he advised from 2015 until he retired from Covington in September 2017.

Following O'Neill's retirement, the Citi board will consist of 16 directors.

Michael Corbat, Citi CEO, said, "Citi has undergone significant structural and cultural changes in recent years to become an indisputably strong and stable institution. O'Neill's leadership and counsel were invaluable throughout that transformation."

He added: "Michael O'Neill's tenure as chairman reflects the results of his unrelenting focus on improving shareholder returns, ethics and culture, strong governance, and enhancing both the expertise and the diversity of our board."

"Over the last several years, I have enjoyed working with John Dugan, whose deep knowledge of the banking industry has served us well, and I am looking forward to working with him in the years to come."

Commenting on his retirement, O'Neill said: "While it is hard to overstate the progress Citi has made since I joined the board in 2009, the true value of Citi's restructuring and enhanced focus is only just beginning to emerge. I'm confident Dugan will do an exceptional job in advising management and leading our outstanding board."

"Under Michael Corbat's leadership, and through his partnership with John Dugan and the board, I'm confident Citi will continue to improve its returns and realise further benefits from its investments and much-improved execution."

Mina Kinsey has joined Leonteq as head of securities finance in the rank of an executive director.

Based in Zurich, Kinsey will report to Benjamin Reid, head of treasury. Most recently, Kinsey served as equity finance trader at Citi, after joining in July last year.

Prior to Citi, Kinsey was in the securities finance sales for Europe, the Middle East and Africa team at EquiLend from February 2016 to June 2017.

Kinsey has also served at IHS Markit and Merrill Lynch.

Jonathan Hodder has left his role as director, global head of sales and marketing at EquiLend to "explore new opportunities".

Hodder had served in the role since April 2011.

Commenting on the departure, an EquiLend spokesperson said: "Jonathan Hodder has been with the organisation for nearly eight years, during which time he has contributed significantly to the development of the business in his role as global head of sales and marketing."

"We wish Hodder the very best for the future and thank him for all he has contributed during his time at EquiLend."

Lynden Howie has joined Cantor Prime as managing director, head of European equity finance.

Howie will be responsible for European equity financing and swaps business reporting to Jon Yalmokas, head of Cantor Prime Services, globally and to Angelo Sofocleous, CEO of Cantor Fitzgerald Europe, locally, in Europe.

Howie will play a key role in expanding Cantor Prime's swap product offering globally, first in Europe, then into Asia Pacific. He brings 20 years of trading and product management experience in international equity financing, swaps and prime brokerage.

Before Cantor Prime, Howie served at State Street Global, where he was head of prime brokerage and enhanced custody in Europe. **SLT**

Do you have an industry appointment we should cover?

Contact us at:
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