securitiesfinancetimes

The primary source of global securities finance news and analysis

Issue 277 11 May 2021

Moving the needle

WiSF collaborate with the Bank of England to introduce new best practices on DE&I to its Money Market Code

Automating Swaps Work Flow

© 2020 EquiLend Holdings LLC.

EQUILEND

Yield Verve

Lower risk. Greater returns. Eurex fixed income brings it all together. Now you can move your success forward – with one-stop-shop efficiency for a truly collaborative approach. **Discover your next bold move at eurex.com.**

Architects of trusted markets EUREX

South Korea short selling ban on major indices ends

South Korean's short selling ban was partially lifted yesterday, following tweaks over the past few months to regulations by the country's Financial Services Commission (FSC).

Following the conclusion of the 14-month ban, the short selling of KOSPI 200 and KOSDAQ 150 stocks resumed on 3 May. But the government says it will keep a close eye on the market and apply strict sanctions on any "market disturbances".

The short selling ban will hold on the remaining 2,037 smaller stock items until favourable market conditions allow for its reintroductions without disruption, the FSC said in February.

The move comes after the FSC amended the Enforcement Decree of the Financial Investment Services and Capital Markets Act in April — what the FSC calls "necessary improvements to the system" — with stricter penalties for naked short selling.

The South Korean financial regulator said the measures, designed to protect and enhance opportunities for retail investors to engage in securities lending and short selling, would come into effect on the same day large-cap short selling was allowed to resume — 3 May.

The enhanced penalties and monitoring mechanisms have introduced new penalties on illegal short sale activities, new record-keeping requirements on securities lending agreements and restrictions on short sellers' participation in capital increase.

In a boost for retail investors, the FSC says 17 securities firms will provide securities lending services worth between KRW 2 trillion (USD 1.78 billion) and KRW 3 trillion (USD 2.67 billion), up from only six prior to yesterday.

An additional 11 will join the market throughout the year, the regulator expected a total of KRW 2.4 trillion (USD 2.15 billion) in securities would become available to lend for KOSPI 200 and KOSDAQ 150 stocks by 3 May.

The FSC has placed several guardrails on the financing and short selling markets for retail investors and erected several educational barriers to entry, which the regulator hopes will protect them from "excessive loss".

continued on page 6

Inside this issue

06 *Latest News*
Fidelity launches agency lending programme

08 *Latest News*
WeMatch releases a new sales to trader workflow tool

10 *Latest News*
Global securities finance revenues increase by fifth YoY in April

14 *Regulator Hearing*
Regulators promise to think about looking into tightening short selling rules

16 *Playing Catch-up*
In the crosshairs: US hedge funds' leverage strategies to be scrutinised
The US Treasury's revived hedge fund working group will continue where it left off, says Jonah Crane

22 *Industry Appointments*
Comings and goings at CloudMargin, MUFG , BNY Mellon and more

19 *Best Practice*
BoE moves the needle on diversity and inclusion
WiSF (London Chapter) co-chairs opine on changes to the central bank's Money Market Code as post pandemic working models emerge across the industry

Publisher: Justin Lawson
Justinlawson@securitiesfinancetimes.com
+44 (0) 208 075 0929

Editor: Drew Nicol
Drewnicol@securitiesfinancetimes.com
+44 (0) 208 075 0928

Reporter: Alex Pugh
Alexpugh@securitiesfinancetimes.com
+44 (0) 208 075 0926

Reporter: Maddie Saghir
Maddiesaghir@blackknightmedialtd.com
+44 (0) 208 075 0925

Office manager: Chelsea Bowles
+44 (0) 208 075 0930

Marketing director: Steven Lafferty
design@securitiesfinancetimes.com

Published by Black Knight Media Ltd

Copyright © 2021 All rights reserved

EQUILEND SPIRE
POWERED BY STONEWAIN

For Broker Dealers,
Agent Lenders,
Collateral Managers,
Beneficial Owners &
Retail Brokers

Flexible. Modular. Customizable.
A Bespoke Technology Solution for All Your Securities Finance Business Needs

sales@equilend.com

EquiLend LLC, EquiLend Europe Limited, EquiLend Canada Corp. and EquiLend Clearing Services are subsidiaries of EquiLend Holdings LLC (collectively, "EquiLend"). EquiLend LLC and EquiLend Clearing Services are members of FINRA and SIPC. EquiLend Clearing Services is registered with the SEC and FINRA as Automated Equity Finance Markets, Inc. EquiLend Europe Limited is authorized and regulated by the Financial Conduct Authority. EquiLend Canada Corp. is authorized and regulated by IIROC. All services offered by EquiLend are offered through EquiLend LLC, EquiLend Europe Limited, EquiLend Canada Corp. and EquiLend Clearing Services. EquiLend and the EquiLend mark are protected in the United States and in countries throughout the world. © 2001-2021 EquiLend Holdings LLC. All Rights Reserved.

In the search for alpha, you need more than just a lending agent.

RETURNS

You need complexity made simple. Uncertainty made clear.
Decisions made with confidence.

MADE

Above all, you need a trusted partner like State Street.

SIMPLE

Our lending program is the most innovative in the world.[1] We give you easy access to the intelligence and lending tools you need to make the right moves and unlock growth.

STATE STREET®

statestreet.com/globalmarkets

3390559.1.1.GBL ©2021 State Street Corporation. For informational purposes only. Securities lending services are provided through State Street Global Markets, the marketing name and a registered trademark of State Street Corporation, used for its financial markets business and that of its affiliates. Products and services may not be available in all jurisdictions.

[1] *Global Investor*/ISF Survey 2020 – Securities Finance Agency Lending named Most Innovative Lender

South Korea short selling ban on major indices ends

continued from page 3

Under the new rules, investors must have securities lending agreements with their trading firms and those without an account must create one.

Additionally, those with no investment experience must undertake mock trading programmes and educational exercises administered by the Korea Exchange and the Korea Financial Investment Association, the FSC says.

In anticipation of the ban coming to an end, the Pan Asia Securities Lending Association (PASLA) said last week: "The partial resumption of short selling in South Korea is a step in the right direction. It makes the market more accessible for global investors, many of whom have found it difficult to allocate capital to South Korea without being able to hedge their portfolios through covered short-selling.

"PASLA also welcomes the FSC's moves to facilitate wider participation in securities lending and short selling, which will add further liquidity to South Korean equities. Regulated, transparent and covered short selling results in more efficient and resilient markets, benefiting all participants and economies as a whole.

"We look forward to the full resumption of short selling soon, as we have seen in other markets that enacted temporary bans."

For securities lending market participants the resumption of short selling is expected to revive lacklustre returns for the South Korean market, which has previously provided a rich seam relative to other Asia Pacific markets.

IHS Markit data shows equity lending in South Korea only reached $237 million in 2020, a 45.6 per cent decrease compared to the year before. Lending revenue was down more than 75 per cent in each month of Q4 2020, peaking at an 81 per cent year-on-year decrease in November.

Fidelity launches agency lending programme

Fidelity Investments has launched its first agency lending product for asset managers and other institutions.

The US financial services firm will operate its lending programmes with a new platform that offers a digital toolkit offering artificial intelligence (AI)-powered loan decision functionality and "unique benchmarking and transparency" functions.

Fidelity has operated a proprietary lending programme for its mutual funds since 2019 and is currently responsible for more than $2 trillion in assets available to lend.

The launch of Fidelity Agency Lending marks this product expansion to external asset owners.

The new platform will offer infrastructure, technology, and experience to improve returns and programme customisation and transparency, Fidelity says.

Fidelity Agency Lending promises to provide a sophisticated automated lending platform that features AI functionality to help maximise opportunities and provide efficient distribution of assets.

It also boasts unique benchmarking and transparency tools designed to improve investment decisions, corporate governance, and programme oversight, as well as the ability to

Your Specialists in Securities Finance

Consulting Services
✓ Strategic Consulting
✓ Project & Program Management
✓ Business Analysis & Consulting
✓ Technical & Infrastructure Consulting
✓ Product Architecture & Design
✓ Software Development
✓ Blockchain Development

Software Solutions
► C-One Securities Finance In-house/Platform Hybrid Solution
► C-One Connectivity Standard Market Interfaces
► C-One RegReporting Solutions SFTR | CSDR | MiFID
► C-One Blockchain/DLT Platform

Efficient. Innovative. Modular. | www.comyno.com | contact@comyno.com

... to the next level.

Let Securities Lending take you...

Make idle assets work harder with Securities Lending. Behind the scenes, we generate low-risk additional revenues on your securities. The only impact on your business is enhanced performance figures, and today, every basis point counts.
We offer tailor-made agency, principal and lending solutions with remote access to suit your precise needs.
CACEIS, your comprehensive asset servicing partner.

www.munier-bbn.com

Contact:
Dan.Copin@caceis.com

www.caceis.com

caceis
INVESTOR SERVICES
solid & innovative

fully customise lending programme parameters in an automated fashion, Fidelity states.

In addition, the platform offers real-time connectivity and automated reconciliations with many of the world's largest global custodians, as well as access to Fidelity's proprietary risk models to monitor counterparty risk and exposure.

The agency lending product expands on Fidelity's established financing capabilities, which includes more than 20 years of servicing institutions and investors through its capital markets group with Fidelity Prime Services, Fully Paid Lending, and PB Optimize.

Fidelity Agency Lending is led by Justin Aldridge and supported by a team of more than 90 people across technology, operations and sales. Most recently, Fidelity gained James Curtis from State Street who joined as an equity trader in April.

A spokesperson for Fidelity says it is currently in negotiations with prospective clients and the team has capacity to service external clients in addition to maintaining the proprietary programme.

"Current market dynamics are compelling institutions to take a more active role in their securities lending programmes to find a competitive advantage," says Justin Aldridge, head of Fidelity Agency Lending. "We believe firms are looking for an agent lender with both new technology and the proven ability to serve large, complex institutions, and we're excited to offer that to the marketplace."

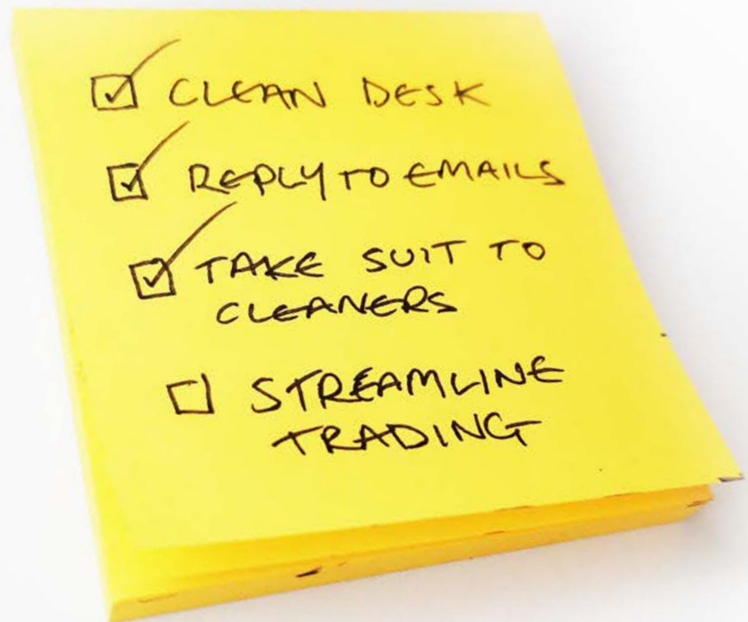
WeMatch releases a new sales to trader workflow tool

WeMatch has released a new generational sales to trader workflow which allows trading teams to communicate with their internal sales people globally.

Its web-based tools — designed to augment the dealing process of financial institutions — are based around tailored matching, smart negotiation engines, and life cycle management workflows.

The new segment of the workflow platform allows for price discovery through sophisticated request for quote modules, and allows sales to manage clients expectations and interactions with the trading teams.

WeMatch says this new segment "demonstrates our continued evolution and



Say goodbye to tedious tasks.
Say hello to potential.

Wouldn't Securities Finance be simpler with more integration and automation?
Shouldn't the day be about opportunities, not mundanities?

It's time to change the way we work.

www.tradingapps.com

J.P.Morgan

EXPERIENCE

Optimized agency securities financing

Powered by client-focused technology and transparent reporting

Delivered by a trusted partner and market leader

Put our experience to work.

Contact your J.P. Morgan representative to learn how we can help.
jpmorgan.com/securities-services

Securities lender of the year
J.P. Morgan

J.P. Morgan was named Securities lender of the year in the 2020 AsiaRisk Awards (September 2020).

J.P. Morgan was the top lender globally (unweighted) and #1 third-party lender (weighted and unweighted) in the Global Investor/ISF Beneficial Owners Survey published in February 2020.

The products and services described in this document are offered by JPMorgan Chase Bank, N.A. or its affiliates subject to applicable laws and regulations and service terms. Not all products and services are available in all locations. Eligibility for particular products and services will be determined by JPMorgan Chase Bank, N.A. and/or its affiliates.

J.P. Morgan is a marketing name for businesses of JPMorgan Chase & Co. and its subsidiaries and affiliates worldwide. The material is produced and distributed on behalf of the entities offering Corporate and Investment Banking activities including but not limited to JPMorgan Chase Bank N.A. (including through its authorized branches), J.P. Morgan AG, J.P. Morgan Bank Luxembourg S.A. (including its authorized branches), J.P Morgan Bank (Ireland) Plc, J.P. Morgan (Suisse) SA, J.P. Morgan Europe Limited and its authorized branches, J.P. Morgan Securities LLC and J.P. Morgan Securities plc. JPMorgan Chase Bank, N.A., organized under the laws of U.S.A. with limited liability, is authorized by the Office of the Comptroller of the Currency in the jurisdiction of the U.S.A. For additional regulatory disclosures regarding these entities, please consult: www.jpmorgan.com/disclosures.

© 2021 JPMorgan Chase & Co. All rights reserved.

is core to our innovation principle which is central to the values of our firm”.

WeMatch has recently attracted fresh securities lending and delta one talent while hitting a new platform balance milestone of $60 billion as of February.

Simon Picton, formerly of Morgan Stanley, and Milan Haria, from Commerzbank, both joined the coverage team with a focus on Europe, the Middle East and Africa (EMEA) in March.

In February, WeMatch appointed Shane Martin, who previously worked at JPMorgan Chase, as head of sales on securities financing.

Global securities finance revenues increase by fifth YoY in April

Global securities finance revenues for April increased 20 per cent compared to the same month last year — from $574 million to $690 million, according to DataLend.

EquiLend’s market data division also reported a 9 per cent increase from the $632 million generated for lenders in March.

Global broker-to-broker activity totalled an additional $198 million in revenue in April, a 9 per cent increase from the same month in 2020.

Due to short selling bans in the region, European equity revenue was suppressed in 2020 which led to a European equity revenue boost of 23 per cent year-over-year (YoY). In April, global equities saw an increase of 19 per cent YoY with $85 million in revenue generated.

In the fixed income market, global revenue generated from government debt increased 25 per cent, while corporate debt increased 28 per cent over 2020.

The top-five securities — which generated over $38 million in revenue in April — were Blink Charging (BLNK), Volvo AB Class B (VOLVB SS), Social Cap Hedosophia Holdings (IPOE), Futu Holdings (FUTU) and iShares iBoxx $ High Yield Corporate Bond ETF (HYG).

We clear the path

OCC has the largest centrally-cleared stock loan offering in the world with approximately $80 billion in cleared loan balances. Over the last 25 years, OCC has built an innovative and unique U.S. program for securities lending transactions where OCC steps in as the counterparty (with a two percent risk weight) and guarantees the return of stock or collateral. We continue to enhance and expand access to our stock loan program in order to offer clearing solutions and capital efficiencies for our members and the entire securities finance industry.

As the world's largest equity derivatives clearinghouse, OCC is committed to providing market participants with high quality and efficient clearing, settlement and risk management services. As a Systemically Important Financial Market Utility, we work to enhance our resiliency in order to reduce systemic risk, increase market transparency, and provide capital and collateral efficiencies for the U.S. capital markets.

OCC

THE FOUNDATION FOR SECURE MARKETS

Sanjay Shah vs SKAT: A cum-ex legal battle explainer

The Danish tax agency — Skattestyrelsen — has suffered a major defeat in its long-running campaign to recoup tax revenue from the founder of UK hedge fund Solo Capital, Sanjay Shah.

The High Court of Justice dismissed the Danish case that Shah defrauded the tax authority of €1.9 billion between 2012 to July 2015, which it has been pursuing since 2018.

Read full article online

AccessFintech & SIX to provide CSDR eligibility, reference and price data

The partnership will automate the process of correctly determining the CSDR eligibility parameters of each trade using multiple data points by using SIX-provided pertinent data on the AccessFintech platform.

It will also provide the market with the ability to identify CSDR-eligible trades and instruments, and also determine the market value in order to calculate the cash penalties.

Read full article online

Cowen reveals record Q1 2021 financial results

Cowen experienced a record brokerage performance with strong growth in cash and electronic trading, prime services and securities finance in Q1 2021.

The American multinational investment bank's Q1 2021 brokerage revenues increased $32.4 million to $173.7 million, which it partly attributes to a rise in its institutional services, particularly its securities finance and prime brokerage services.

Read full article online

Dymon Asia expands Hazeltree relationship

Hazeltree helps Dymon's asian treasury team manage operational risks, strengthening its cash management controls, driving efficiencies and optimising excess cash.

Dymon Asia implemented Hazeltree Cash Manager to enable centralised aggregation and monitoring of cash balances across a multitude of banks, broker dealers, and other counterparties.

Read full article online

Canadian DB plans post modest losses, observes RBC I&TS

RBC I&TS reveals that the loss followed on the heels of a Q4 2020 return of 5.4 per cent and an annual 2020 return of 9.2 per cent.

As projections pointed to higher expected growth, investors readied themselves for mounting inflationary pressure, causing bond yields to move up sharply and fixed income securities to lose ground.

Read full article online

MarketAxess

More industry news

RRH deal adds to MarketAxess' strong Q1 earnings

MarketAxess, the electronic trading platform provider, saw revenue generated by the recently-acquired Regulatory Reporting Hub continue to perform in Q1 and contribute to a double-digit revenue uplift.

The reporting business was acquired by MarketAxess' wholly-owned Dutch subsidiary, Trax, in Q4 2020, and is understood to have earned the German stock exchange group between €10 million and €50 million.

Read full article online

Investor &
Treasury Services

Optimizing portfolio performance

For over 35 years, RBC Investor & Treasury Services' industry-leading securities finance program has been helping clients generate incremental returns through our trusted market expertise and established risk management framework.

#1 Custodial lender in the Americas*

To find out how our team of specialists can deliver a securities finance program that meets your risk and return objectives, visit rbcits.com.

*Global Investor/ISF Beneficial Owners Survey Unweighted, 2020

© Copyright Royal Bank of Canada 2021. RBC Investor & Treasury Services™ is a global brand name and is part of Royal Bank of Canada. RBC Investor & Treasury Services operates primarily through the following companies: Royal Bank of Canada, RBC Investor Services Trust and RBC Investor Services Bank S.A., and their branches and affiliates. In Luxembourg, RBC Investor Services Bank S.A. is authorized, supervised and regulated by the Commission de Surveillance du Secteur Financier (CSSF), and jointly supervised by the European Central Bank (ECB). In the United Kingdom (UK), RBC Investor & Treasury Services operates through RBC Investor Services Trust, London Branch and Royal Bank of Canada, London Branch, authorized and regulated by the Office of the Superintendent of Financial Institutions of Canada. Authorized by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available on request. RBC Investor & Treasury Services UK also operates through RBC Europe Limited, authorized by the Prudential Regulation Authority, and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Additionally, RBC Investor & Treasury Services' trustee and depositary services are provided through RBC Investor Services Bank S.A., London Branch, authorized by the CSSF and ECB, and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Details about the extent of our regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available on request. RBC Investor Services Bank S.A. maintains a representative office supervised by the Federal Reserve Bank of New York. RBC Investor Services Trust (Australian Branch) is licensed and regulated by the Australian Securities and Investment Commission, Australian Financial Services licence number 295018. Details about the extent of our regulation by the Australian Securities and Investment Commission are available on request. RBC Investor Services Trust Singapore Limited is licensed by the Monetary Authority of Singapore (MAS) as a Licensed Trust Company under the Trust Companies Act and approved by MAS to act as a trustee of collective investment schemes authorized under S286 of the Securities and Futures Act. RBC Investor Services Trust Singapore Limited is also a Capital Markets Services Licence Holder issued by MAS under the Securities and Futures Act in connection with its activities of acting as a custodian. RBC Offshore Fund Managers Limited is regulated by the Guernsey Financial Services Commission in the conduct of investment business. Registered company number 8494. RBC Fund Administration (CI) Limited is regulated by the Jersey Financial Services Commission in the conduct of fund services and trust company business in Jersey. Registered company number 52624. RBC Investor Services Bank S.A. is a restricted license bank authorized by the Hong Kong Monetary Authority to carry on certain banking business in Hong Kong. RBC Investor Services Trust Hong Kong Limited is regulated by the Mandatory Provident Fund Schemes Authority as an approved trustee. Royal Bank of Canada, Hong Kong Branch, is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission. This material provides information on the services and capabilities of RBC Investor & Treasury Services. It does not constitute an offer, invitation or inducement with respect to any service or financial instrument. RBC Investor & Treasury Services' services are only offered in the jurisdictions where they may be lawfully offered and are subject to the terms of applicable agreements. This material is for general information only and does not constitute financial, tax, legal or accounting advice, and should not be relied upon in that regard. ® / ™ Trademarks of Royal Bank of Canada. Used under licence.

Regulators promise to think about looking into tightening short selling rules

Alex Pugh reports

The US House Committee on Financial Services convened its third hearing last Thursday on the GameStop saga, examining whether new legislation around short selling was needed to protect retail investors from themselves

First came the hedge funds and trading apps. Then the academics and retail brokers. Now it was the turn of the regulators. The US House Committee on Financial Services convened its third hearing last Thursday on the GameStop saga, examining whether new legislation around short selling was needed to protect retail investors from themselves.

'Game Stopped? Who Wins and Loses When Short Sellers, Social Media, and Retail Investors Collide, Part III' heard testimony from representatives at the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), and the Depository Trust and Clearing Corporation (DTCC).

Committee chair Maxine Waters, who called the trilogy of hearings to address "predatory short selling" by hedge funds, in the wake of the ongoing GameStop saga said: "It is critical for our cops on the block at the SEC to protect investors and ensure that our markets are transparent and fair."

But short sellers seemed to quietly slip off the committee's radar, as a whole range of issues — including gamification of trading apps, payment for order flow and system-wide risks — were also on the agenda.

Giving his testimony, newly minted SEC chair Gary Gensler said he thinks the events of January — the GameStop saga and associated trading of meme stocks — are part of a larger story about the intersection of finance and technology.

"These forces have had a symbiotic relationship since antiquity. One thing that I've come to believe is that technology can bring greater access to our capital markets," Gensler stated.

But regulatory hawk Gensler also testified that new technologies can "change the face of finance" and when it does, "how do we continue to achieve our core public policy goals and ensure that markets work for everyday investors?"

Despite Gensler touching on several areas in his testimony, he said that at its core, January's events were driven by the significant short selling of a number of meme stocks. "While FINRA and the exchanges currently publish or make available certain short sale data, Congress directed the SEC under the Dodd-Frank Act to publish rules on monthly aggregate short sale disclosures," Gensler said, and that Dodd-Frank provided authority to the SEC to increase transparency in the stock loan market.

Gensler is referring to dormant sections of the 2011 Dodd-Frank Wall Street Reform and Consumer Protection Act, brought in after the financial crisis, which would oblige firms to record and publicly disclose short selling data at a minimum of once a month.

The SEC was meant to revisit the requirement after Dodd-Frank but the reporting rules were instead left to gather dust.

"I've directed SEC staff to prepare recommendations for the Commission's consideration on these issues," Gensler added.

Gensler also touched on Archegos, particularly the significant losses incurred by several global financial institutions that provided prime brokerage services to the beleaguered asset management firm. Significantly, it was Archegos' use of total return swaps based on underlying stocks, Gensler said, and "the significant exposure the prime brokers had to the family office" that caused the firm to implode.

Referring again to Dodd-Frank, Gensler explained congress gave the SEC rulemaking authority to extend beneficial ownership reporting requirements to total return swaps and other security-based swaps. "Among other things, I've asked staff to consider recommendations for

the Commission about whether to include total return swaps and other security-based swaps under new disclosure requirements, and if so how."

DTCC CEO Michael Bodson said that extreme market volatility and "short squeeze" events are not new phenomena. "What was unusual was that activity in the volatile meme securities was more concentrated in the portfolios of firms that primarily support individual investors," Bodson said.

Bodson went on to say that the concentrated retail interest in purchasing "meme securities" and the related spike in the prices of those securities was a substantial factor in generating the near-peak aggregate clearing fund requirements at NSCC earlier this year on 28 January.

"The impact of that increase was more concentrated in the clearing members whose clients drove that activity. The impact of the March 2020 market volatility and the related increase in NSCC clearing fund requirements, by contrast, was more evenly distributed across clearing members," Bodson explained.

FINRA's Robert Cook noted that in light of January's events, the brokerage firm and exchange market regulator is considering whether its rules should be updated to better support the overall approach established by the Commission. "For example, the Commission has primary responsibility for establishing rules relating to short selling — Regulation SHO — as well as the transparency around short selling and the stock lending market that supports it," Bodson commented. FINRA rules require periodic reporting by its members of open short interest.

"We are considering potential enhancements to our short interest reporting rules, particularly around the frequency and content of reporting [and we] would also welcome the opportunity to explore with the SEC the potential for greater transparency for regulators and, potentially, the public with respect to the securities lending markets," Bodson concluded.

Although there was much to discuss outside of short selling, many house members wanted to query the regulatory bigwigs on whether rules around short selling need to be tightened.

California representative Brad Sherman argued that there was a need to look at short sale disclosures. "Right now, disclosures are filed with the SEC quarterly — that is so 1977." Sherman said that one would expect reports to be filed far more often. "And we have to discuss what reports should be made public."

Meanwhile, Florida representative Bill Posey suggested that some people believe current short selling practices drive down share prices below fundamentals. "What does your experience tell you and what should we or could we do about it?" he asked Gensler.

Gensler highlighted that short selling has been part of the market structure for many decades, "even before the securities laws," and economists have conducted many studies and had many debates on short selling. Gensler went on to say that although shorting a stock may mean that individual securities are not aligned with fundamentals, it's important to remember that the SEC's "remit is to ensure that the markets are fair, orderly and efficient and that they're free of fraud, manipulation", but Gensler added, "we do think that there's a need for greater transparency in the short selling side".

South Carolina representative William Timmons asked Gensler whether increased short selling disclosures would constitute regulatory overreach.

"Congress anticipated and gave authority to the SEC to require aggregate short selling information on a monthly basis," Gensler said, referring to the moribund Dodd-Frank legislation that would require enhanced short selling disclosures. "FINRA publishes some information on a bi-weekly basis", Gensler added, "and I think that amount of transparency is positive to markets". Gensler said that had instructed staff at the SEC to consider enhanced disclosures. "We're gonna lean in and follow Congress' mandate from 12 years ago."

Timmons then asked whether Gensler believes short sellers play a role in creating fair, orderly and efficient capital markets.

Commenting on this, Gensler concluded: "Short selling is as old as capital markets and does play a role in capital markets and price formation — the important tenet for the SEC is to make sure the market is free of fraud and there is the appropriate transparency."

In the crosshairs: US hedge funds' leverage strategies to be scrutinised

Alex Pugh reports

The US Treasury's revived hedge fund working group will continue where it left off, says Jonah Crane, who led the group in 2016, after the pandemic focused minds from both sides of the political aisle on market stressors

The new head of the US Treasury has revived a dedicated committee to scrutinise the role hedge funds play in amplifying market stresses.

Janet Yellen, President Biden's new pick to head up the US Treasury, revived the working group — put on hiatus under the Trump administration — to look into vulnerabilities in non-bank financial intermediation.

The working group will look at the way that leverage strategies of some hedge funds can amplify the sort of market stresses the economy faced during the pandemic.

Addressing her first Financial Stability Oversight Council (FSOC) meeting as chair in April, Yellen said the re-establishment of the working group means "that we can better share data, identify risks, and work to strengthen our financial system".

Jonah Crane, who led the original hedge fund working group, is now a partner at law firm Klaros Group in Washington, DC. Here he provides some insights into what the revived group may be focusing on and what challenges it may face.

You led the hedge fund working group under the Obama administration — in what way do you think the concerns of the group in 2021 will be different from back then, or similar?

The concerns are likely to be similar. Recent events, including the apparent role that leveraged hedge funds played in the March 2020 market disruptions that led to unprecedented Fed intervention, were precisely what we suggested might occur. Other recent events, such as the Archegos meltdown, may cause regulators to look at a slightly broader set of leveraged strategies than we were initially focused on.
At the time, the vast majority of leverage was focused in highly liquid markets. Archegos is a reminder regulators should scan for leverage more broadly, although the remedy for Archegos may be narrower — it appears to have been more of a lapse of risk management at the prime brokers, and therefore an issue that lends itself to supervisory attention.

Was it a proactive decision to nix the hedge fund working group, or was it simply a case of the Trump administration not being able to populate the federal government with Trump acolytes?

It was mostly a matter of priorities, and a general view by those taking over the relevant roles that they didn't want to pursue most of the work our administration had been focused on and they seemed to downgrade the role of the FSOC generally. Ideologically, people like Randy Quarles — a Republican and vice chair for supervision of the Federal Reserve Board of Governors — have warned for years about the potential of systemic risk posed by leveraged hedge funds, going back to the aftermath of the Long Term Capital Management blowup. And, post-March 2020, Quarles has led work at the Financial Stability Board looking at the role of non-bank financial institutions. So I don't think it was a broadly ideological decision.

Calls to create enhanced oversight of and transparency in the US hedge fund space have been made repeatedly over the years, often immediately following a market downturn or period of volatility. Do you think this time around will be different?

I hope so. When we were examining hedge fund risks, the Long Term Capital Management episode was nearly 20 years old and there was perhaps a lack of a sense of urgency. I think the events of March 2020, while not solely a hedge fund phenomenon, impaired market functioning to the point the Fed had to step in, and that appears to have focused people's minds. Now-Secretary Yellen was Fed chair when the HFWG began its work, and she highlighted that work in the aftermath of last March.

Shouldn't efforts be made proactively, not reactively? How would you see that working?

Yes, indeed that's the point of the HFWG, and FSOC in general. The precise solution here has not yet been identified, but a few ideas that should clearly be on the table are: More comprehensive, timely, and useful reporting by hedge funds so regulators have a better sense of where risks might lie; enhanced supervision over the intermediaries providing leverage; improvements to market infrastructure, such as increased use of central clearing in various Treasury markets; and minimum haircuts on repo transactions. FSOC has unfortunately lost four years during which it could have been identifying and refining ideas.

Are these ideas you wanted to pursue or tried to pursue when you were leading the group, or are these things you think the current group will be pursuing or should be pursuing?

Both, in short. The report from the HFWG that I delivered to FSOC at an open meeting in 2016 lays out the state of play at that time and is focused mostly on data. The other ideas have not, to my knowledge, been formally considered by the HFWG — but should be. Central clearing for treasuries has been discussed in other contexts, but not by HFWG.

So beyond data these are mostly my ideas for solutions HFWG should consider — some of which were discussed in the group previously but, outside of data, not part of the formal recommendations of the working group.

Yellen may find significant public and political support for any proposal seen to be cracking down on what is perceived to be an under-regulated market demographic — do you think that is justified?

As I mentioned, Randy Quarles has identified the need to protect against systemic risk coming from hedge funds, so it's not a partisan issue. There will be pushback from the industry, and it's not a high-salience issue with the public, so I am not sure which way 'politics' cuts here. I think Secretary Yellen will want to get to the right answer, and get ahead of potential future market disruptions.

I should note that we had constructive engagement with the industry, particularly in the area of making hedge fund disclosures more meaningful and more focused on actual risk, rather than check-the-box reporting that is burdensome for the industry to report and at the same time not useful to regulators.

The HFWG will look into vulnerabilities in nonbank financial intermediation — how much support for this will Yellen get, do you think?

I think she will have a willing partner at the US Securities and Exchange Commission (SEC) in chairman Gensler, which will help. The Fed is also focused on addressing this and other vulnerabilities that have contributed to several episodes of market volatility. We don't know who will lead the Commodity Futures Trading Commission yet, but I would be surprised if they are not also supportive. If you have those regulators, you have plenty of critical mass.

Has the HFWG ever authored anything that has had a lasting impact?

In the past the HFWG has identified several areas which have required further analysis, starting with the data available to federal regulators. That work now appears poised to continue after a considerable four-year pause.

When it comes to hedge funds, what are the current rules for leverage and what are the reporting rules for leverage—and what rules would you change?

There are no limits per se. Hedge funds of a certain size are required to report quarterly to the SEC, but it's not very timely or useful. The shortcomings of that reporting is covered extensively in the report from the HFWG.

FIS Securities Finance Suite

To prosper in today's fast-paced global securities finance world, you need all the efficiencies you can get. Disparate groups of repo and securities lending teams split across regions, operating without an integrated collateral management unit, only add to the pressure.

FIS' Securities Finance Suite levels the siloes and eliminates redundant, inefficient processes so you can **maximize top-line returns.** It's a global platform that gives you a **real-time view**, so you can efficiently utilize inventory across the firm and make better trading decisions.

Leverage the know-how of **one trusted partner** to maximize your growth.

FIS — the world's leading securities finance technology vendor. FISGLOBAL.COM

Bank of England moves the needle on diversity and inclusion

Having collaborated with the BoE in amending the UK Money Markets Code with new standards on diversity, equity and inclusion, the co-chairs of the Women in Securities Finance London Chapter, Harpreet Bains and Ina Budh-Raja now share their thoughts on the significance of these changes as we begin to see new post pandemic working models emerge across the industry

First launched in April 2017, the UK Money Markets Code (MMC), written and owned by the market and endorsed by the Bank of England (BoE), continues to be central for promoting the integrity, fair and effective functioning of the deposit, repo and securities lending markets in the UK. It provides UK market participants with a clear framework of principles and best practices which serve to promote a high standard of conduct and trust, when transacting across these markets. Whilst the code remains voluntary, since launch it has established itself widely across the market, with over 220 institutions signed up currently, and as the industry continues to evolve, the code has been revised to reflect updated best practice.

As part of this revision announced on 21 April 2021, the UK money markets, including repo and securities lending, are now presented with a new highlight that recognises the promotion of diversity and inclusion (D&I) as a best practice and acknowledges the benefits of a diverse and inclusive workforce. Key to achieving this, the code highlights the role of flexible/remote working as an enabler, and importantly, in doing so, the BoE sets its expectation on consistent standards of inclusion wherever staff are located, whether in office or at home.

The significance of inclusion as it relates to flexible working

The acknowledgement of D&I as a best practice is something many are now familiar with and it is indeed a welcome addition to the 2021 Code and compliments the BoE's ongoing initiative to increase the diversity of the membership of its committees.

Nina Moylett, chair of the BoE securities lending committee (SLC), comments: "I am delighted with the progress that has been made in improving the diversity and gender balance of the committee make-up. This is fundamental in ensuring the views and experiences of a diverse range of market participants are heard and can shape and inform the evolution of the industry as a whole."

In parallel with the BoE's focus on this topic, we are also seeing greater emphasis from the UK Financial Conduct Authority (FCA), who as recently as March this year, indicated D&I as an area where we can expect greater scrutiny and where necessary, potential future use of enforcement powers to hold firms to account. Notably, the FCA have again recognised the updated code as an industry standard.

Equally, flexible working is recognised as valuable in enabling access to a wider range of roles by a broader talent pool of candidates from diverse backgrounds, bringing greater diversity of skills and lived experiences to the industry. During the past 12 months, the industry has proven that remote working can be achieved successfully and as the code states, it is now commonplace.

Therefore, as hybrid working models begin to rise to the surface in the post-pandemic world, there is an increased need for firms to remain intentional around inclusion. This includes staying alert to unconscious bias, specifically the risk of proximity bias, which exists today, but could become exacerbated in the future environment, if we don't safeguard against it.

Essentially, the code highlights to the market the need to remain mindful of the interrelationship between inclusion and flexible working, in order to drive hybrid working as a successful lever for D&I.

What is proximity bias and why is it important to address now?

Proximity bias can, at its simplest, be defined as unconsciously favouring those physically closest to us, whilst overlooking those in remote locations. It's a well-recognised unconscious bias that pre-dates the pandemic, however, deserves greater attention than ever before, as firms begin to move out of the egalitarian state that many have been in for over a year, with the majority of employees working at home. As firms shift from this level playing field to a hybrid model, action is called for now, to avoid the risk of proximity bias becoming an unintended inherent trait of the new working environment.

To avoid an unwinding of the positive D&I momentum made so far, there is a need to prevent the creation of unintended in-group and out-of-group dynamics and the forming of a dual culture. An 'out of sight, out of mind' mentality creates a two-tier system which will negatively impact everyone in the workplace. As flexible roles have historically been taken up by a greater proportion of women, through necessity, due to the caregiving roles they perform, they could be disproportionately disadvantaged. The experience of the pandemic has brought transparency to the fact that caregiving roles and the domestic burden more often than not still fall upon women. The increased flexibility that the pandemic has introduced has been a game changer in levelling the playing field, by enabling

women to access roles that would otherwise be closed to them due to role conflict.

“As a full time working mum of two young children, an industry that is inclusive and supports flexible working is not only critical to retaining talent within the securities lending market it will be key in attracting the next generation of talent which is vital to the growth and success of the industry,” says Moylett.

But, at the same time, we run the risk of undoing these tremendous gains, if we don’t consciously protect against this bias as working away from the office becomes more prevalent.

In summary, failing to address from the outset, could be to the detriment of the positive progress made on D&I in recent years. Getting this right, on the other hand, is at the heart of a culture of equitable inclusion and can deliver long-term benefits to this industry across an entire workforce comprising employees of all backgrounds and to society more broadly.

Moving from the why to the how

Adherence to the code and embedding this essential element is an important step forward in taking positive action. Intentionality will be critical and there are many practical measures firms can consider adopting to optimise this opportunity to create impact on D&I, through embracing inclusive hybrid working models. For example, these may include:

- Use of tools and technology to support all employees, maintaining heightened levels of communication and collaboration
- Creating remote working role models at all levels of leadership as well as examining gender distribution at home and in the office to ensure fair levels of hybrid access for everyone
- Promoting awareness on bias and proactively stamping out prior stigmas and stereotypical views associated with flexible working, supported by positive tone from the top

In conclusion, there is a real opportunity now to use hybrid working to successfully drive a more diverse workplace, however, in parallel, it is crucial that we continually embed inclusive practices, consistent for all employees, agnostic to location. The revision to the code is an essential reminder to this industry that this will require deliberate thought and action, in order to keep the dial moving on D&I.

Ina Budh-Raja
EMEA head of product and strategy, securities finance and markets, ESG
BNY Mellon

Harpreet Bains
Global head of product - agency securities lending
J.P. Morgan

Comings and goings at CloudMargin, MUFG , BNY Mellon and more

CloudMargin, the creator of the world's first and only collateral and margin management solution native to the cloud, has appointed Martin Heraghty as sales director for DACH, a region comprising Germany, Austria and Switzerland and Central Europe.

He will operate out of London, reporting to David White, chief commercial officer.

Heraghty arrives at CloudMargin after seven years serving as sales director at Corvil, a real-time trading analytics and machine intelligence solution provider, which was acquired by Pico in 2019.

CloudMargin says it is seeking to leverage Heraghty's more than 20 years of industry experience, including over 15 years selling trading technology solutions, as well as his "extensive relationships throughout Europe and a deep understanding of the collateral management space".

Heraghty's CV includes several years at Lombard Risk, now VERMEG, where he was responsible for sales in the European territories of the firm's collateral management and risk solutions, starting in 2011.

Heraghty was also sales director at SunGard (now FIS) from 2009 to 2011.

Before that, he served as business development manager at Misys, now Finastra, a global strategic partner of CloudMargin.

LJ Jhangiani moves from BMO to MUTB amidst agency lending deal

LJ Jhangiani has joined banking conglomerate Mitsubishi UFJ Trust and Banking Corporation's (MUTB) securities lending team from Bank of Montreal (BMO).

Earlier this month, MUTB inked a deal with BMO to take on its entire book of clients under its agency securities lending programme in a move designed to significantly enhance its North American footprint.

Most of BMO's securities lending team were not expected to be taken on by MUTB, but Jhangiani has made the cut.

The role, based in Chicago, will see Jhangiani head up the firm's securities lending automated processing division, where, according to Jhangiani, he will "help bring the MUTB platform to a whole new level focusing on areas such as automation, data analytics and artificial intelligence".

Jhangiani joined BMO in 2013 and most recently served as head of securities lending trading, managing assets worth $12 billion in securities lending, repo, and short-term cash/liquidity portfolios for multiple clients across all lendable asset classes.

Prior to BMO, Jhangiani worked at Allstate Investments in Northbrook, Illinois, where he co-managed over $10 billion internal short-term cash/securities lending/government portfolios.

At MUTB, Jhangiani will be working for Tom Ryan, who joined the firm earlier this month from Deutsche Bank, as head of asset and liability management for the Americas and head of trading.

Flexibility.
Reliability.
Durability.

There's No Substitute for Certainty.

certainty-bnymellon.com

Ravi Kotecha has moved from financial giant Bloomberg to the investment banking division of BCS Global Markets, assuming the head of treasury position in London.

Kotecha has more than 12 years global front office trading experience in developed and emerging markets at banking institutions in London, Zurich and Moscow.

Prior to BCS Global Market, he was at Bloomberg for a year, responsible for enhancing existing and prospective clients' workflows in fixed income and interest rate derivative markets.

Before then, Kotecha spent six years at Sberbank, starting in 2013, managing and pricing liquidity risk within the global markets business as well as the build out and trading of flow securities financing with non-Russian counterparts.

Commenting on his role switch on LinkedIn, Kotecha says: "[Bloomberg has been] a very rewarding experience and I am grateful to have had the opportunity to apply myself in many new areas and disciplines, as well as to witness the true collaborative and agile working culture at Bloomberg."

BCS Global Markets is the global markets and investment banking division of BCS Financial Group.

The latter was launched to build an institutional business on existing strengths in the Russian markets, and since June 2012, offers prime services, global markets business lines, prime brokerage and investment banking services for institutions, corporates and high-net-worth individuals in Russia and internationally.

Daron Pearce departs BNY Mellon

Daron Pearce, CEO and head of BNY Mellon asset servicing for Europe, the Middle East and Africa (EMEA), has left the bank after 20 years.

Pearce, who had served as head of asset servicing EMEA where he led a period of sustained growth in the region by improving revenue, profitability and client satisfaction, had only transitioned into the role in June 2020, reporting to James Slater, global head of business solutions.

BNY Mellon appointed Pearce to the newly-created global role as head of asset servicing strategic growth with the idea of identifying and accelerating both inorganic and new market entry opportunities.

At the time of this move, Roman Regelman, head of asset servicing and digital at BNY Mellon, said: "Daron Pearce is known, trusted and respected by our clients and the industry. That and his deep expertise make him ideally suited for this critical new role."

Speaking about his exit, Pearce tells AST: "After more than 20 years with BNY Mellon, my final day has arrived and it is time to say goodbye. Before I leave an organisation to which I've devoted half a working lifetime, it is only right and proper that I acknowledge my good fortune.

"My time at BNY Mellon has been amazing, challenging and exciting. I have worked with and learned from genuine pioneers of our industry. I have been honoured to be part of and to have led incredibly talented teams and worked with some amazing people. I hope that I've played my part too in paying that forward, mentoring colleagues and developing talent, building a strong bench of future industry leaders."

Commenting on the future, Pearce says his next role will be as an advocate for institutional investors, "enabling them to unlock the full value in their partnerships with service providers".

HQLA[X]

Accelerating Collateral Mobility

Frictionless ownership transfers of assets

At precise moments in time

Without cross custodian settlement movements

Delivery vs. Delivery ("DvD")

Capital cost savings

MARKETPLACE — EUREX

DIGITAL COLLATERAL REGISTRY — HQLA[X]

TRUSTED THIRD PARTY — DEUTSCHE BÖRSE GROUP

(BNY Mellon Triparty, BNP Paribas Securities Services, Citi - Custodian connecting in 2021)

www.hqla-x.com

HQLA[X]

Empowering Change in Securities Finance

consololtd.co.uk