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# CIBC Mellon Joint Venture Celebrates 25 years

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# Mind your language: Australian securities regulator targets activist short sellers

The Australian securities regulator has outlined best practices to promote market integrity during activist short selling campaigns.

The Australian Securities & Investments Commission (ASIC) released an information sheet — INFO 255 — on Tuesday outlining how activist short sellers can clean up their act, recommending they avoid “intemperate language” in their reports and “fact-check” with the targeted company prior to release.

Short reports should also be based on reliable information and released outside Australian trading hours but not immediately before markets open, ASIC says, and conflicts of interest should be clearly disclosed.

The guidelines follow a wave of Australian anti-short selling sentiment beginning in March 2020, that drove three of the top-five largest lenders to shutter their programmes, with senior politicians cheering them on.

ASIC’s voluntary code also provides recommendations for market operators, those targeted by such campaigns and market participants — encouraging those who witness “suspicious short selling activity” to report it to ASIC.

If a market operator becomes aware that a listed entity is the target of a new short report that has had a material price impact, ASIC says, it should immediately pause trading in the target company’s listed securities and request a detailed and comprehensive response from the targeted company to minimise trading occurring on a misinformed basis.

Although activist short sellers have exposed flawed business models, questionable business or accounting practices, insolvency and fraud, others have also unduly distorted the price of a target company’s securities, ASIC says.

Crucially, short reports are often released during trading hours for “maximum and immediate effect” on the price of the target company’s securities. The time taken to request and implement a trading halt, and for the target entity to issue a response, may result in a period of trading in those securities where the market is not fully informed. It is these campaigns that ASIC wants to address with INFO 255.

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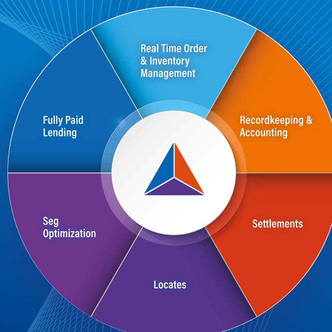


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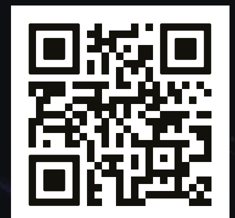

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## ESMA releases final report on market data obligations under MIFID II and MIFIR

The European Securities and Markets Authority (ESMA) has published its final report on MIFID II and MIFIR obligations relating to market data.

This lays down guidelines to help data providers meet their responsibilities, under MiFID II and MiFIR, to publish market data "on a reasonable commercial basis" and to provide access to market data free of cost 15 minutes after publication.

This final report builds on a consultation process that ESMA, the EU securities market regulator, ran from 6 November 2020 until 11 January 2021.

During this consultation, ESMA sought industry feedback on a number of draft guidelines detailed in its consultation paper and then solicited additional input through one-to-one consultations with key stakeholders, as well as advice from the Securities and Markets Stakeholders Group (SMSG).

These guidelines apply to national regulators and trading venues, as well as consolidated tape providers, systematic internalisers and approved publication arrangements (APA).

The Markets in Financial Instruments Directive II (MiFID II) and Markets in Financial Instruments Regulation (MIFIR) require that market data is made available to market participants in an "easily accessible, fair and non-discriminatory manner", while also encouraging steps to make market data available to a wider range of market participants and at lower average cost.

Many respondents to ESMA's consultation paper highlighted the current complexity of market data policies, resulting in high administrative costs for users — particularly in understanding, and comparing between, market data fees of different market data providers.

Responding to this concern, ESMA adds new guidance setting out general principles for delivering market data in a "clear and accessible manner". Guideline 1 requires market data providers to publish their market data policy, and all associated documents, in "an accessible and user-friendly way" on their website.

More broadly, these regulations demand that fees charged for market data should be based on the costs of producing and disseminating this data (although this may include the addition of a "reasonable margin"). ESMA suggested in its consultation paper that the cost methodology should identify clearly how costs are incurred when producing and disseminating market data, along with a breakdown of direct costs, joint costs and other cost elements.

A number of respondents said during the consultation process that cost methodology should not be made public since this could expose commercially-sensitive information to competitors. However, these respondents did agree to share their cost methodology with the regulatory authorities.

The guidelines also specify that market data providers must offer market data on a standalone basis without being bundled with other services. In ESMA's opinion, this unbundling of data delivery enables customers to "choose products according to their needs, without being obliged to pay for additional services which they do not make use of".

Respondents to the consultation paper largely agreed on the general need for

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unbundling of market data from other services. However, some warned that requirements to disaggregate data can be problematic, indicating that the "demand for disaggregated data is low" and the chain of data flow, including data vendors, "is not set up for disaggregation".

Under Article 13(1) of MiFIR, trading venues are required to make data available free of charge 15 minutes after publication ('delayed data'). The same obligation applies to consolidated tape providers and APAs under MiFID II.

In its consultation paper, ESMA acknowledged that there may be certain situations where it is appropriate for data providers to be paid for their provision of 'delayed data', specifically in cases of data redistribution or "value-added services". However, it specifies that charges should only be applied by the data provider when the data user "generates a direct economic benefit via the selling of that data".

The application date for these guidelines has been set for 1 January 2022.

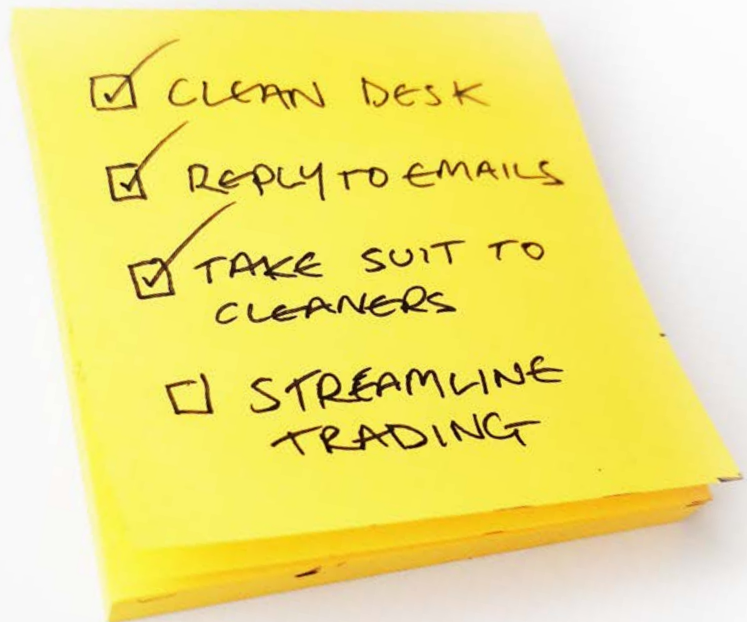
## Central clearing key to risk reduction in US Treasury Market, says DTCC

In a newly-published white paper, global post-trade market infrastructure specialist DTCC highlights risks created by fragmentation of clearing activity in the US Treasury cash market.

Clearing in US treasury securities is currently split between two processes: trades cleared centrally via the DTCC's Fixed Income Clearing Corporation (FICC) and trades cleared bilaterally.

The white paper, More Clearing, Less Risk: Increasing Centrally Cleared Activity in the U.S. Treasury Cash Market, raises concerns about the rising volume of transactions in US treasuries which are cleared bilaterally — directly between counterparties without intermediation from a central counterparty (CCP).

Prior to 2000, all outright purchases and sales of treasury securities through inter-dealer brokers (IDBs) were cleared centrally, according to DTCC. Today, up to 60 per cent of outright purchases and sales of treasuries through IDBs involve principal trading firms (PTFs) which typically do not clear trades via a CCP.

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IDBs are regularly executing trades between FICC clearing members and non-FICC members, where one side of the trade is cleared centrally and the other is bilateral, says the DTCC.

This fragmentation is creating 'contagion risk', particularly because the default of a non-FICC member firm could have wider systemic impact across the treasury market ecosystem.

DTCC's head of clearing agency services and global business operations Murray Pozmanter says: "The US Treasury market is the largest in the world and its performance is critical to the stability of the US economy. However, the bifurcation of treasury clearing activity, where part is bilaterally cleared and part is centrally cleared, is introducing greater risk into this growing market."

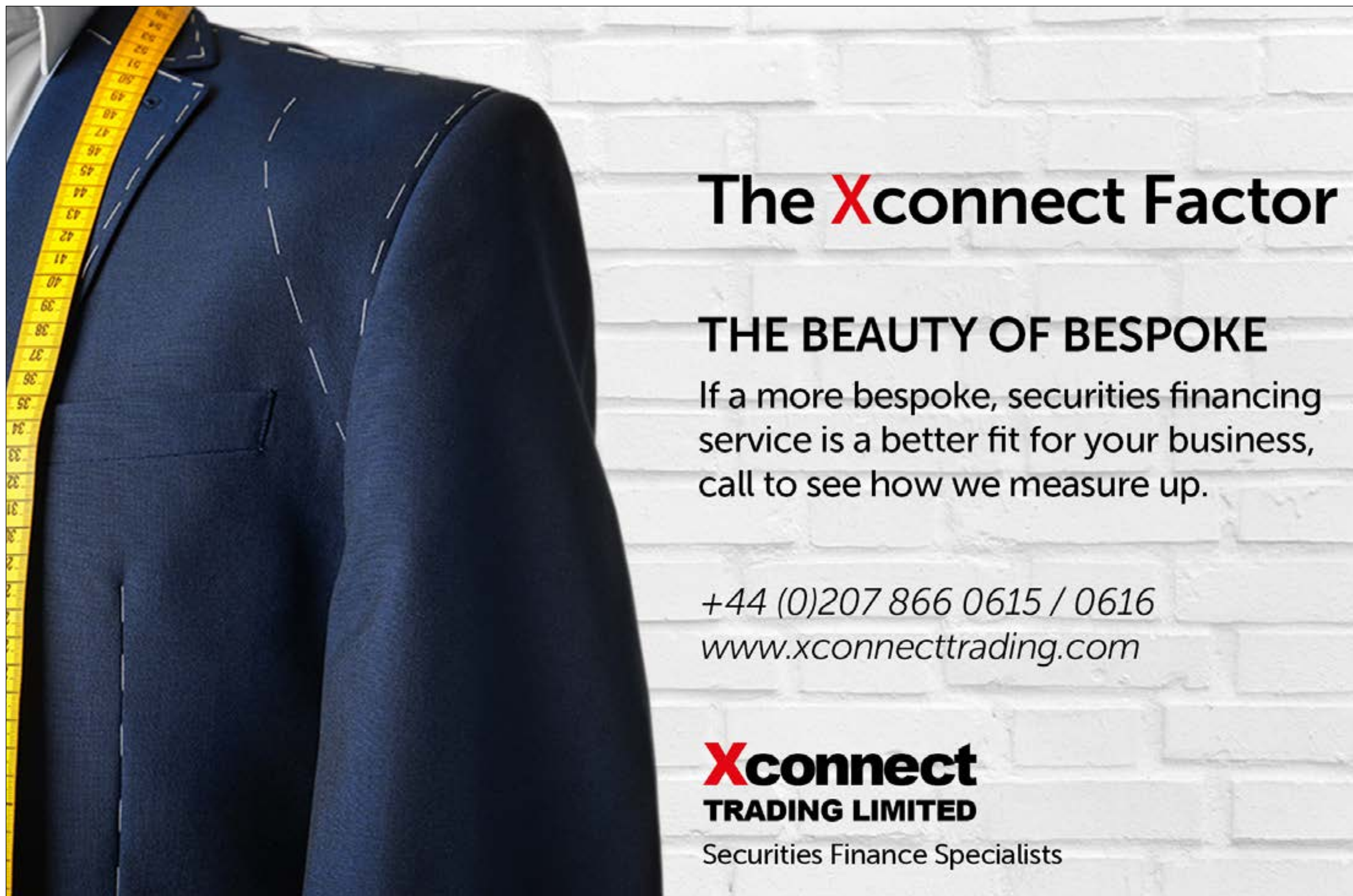
The DTCC continues to engage with the industry to encourage adoption of central clearing services. This will deliver industry-wide benefits, says the white paper, including mitigating market risk through twice-daily margin calls, and providing opportunity for trade netting, thereby reducing net settlement exposure and delivering greater balance sheet efficiency.

"Central clearing would allow greater transparency into the bilateral treasury cash market while lowering counterparty risk and systemic risk," says Pozmanter.

Some firms are unlikely to make this change without a push from market authorities. "We believe that many will not adopt this critical risk management capability unless there is a mandate from the official sector, such as a regulatory requirement for firms that make markets in US Treasury securities to centrally clear their cash activity," says Pozmanter.

## Securitize to lend digital asset funds

Securitize, a digital asset securities firm, has launched an alternative investment



manager subsidiary focusing on digital asset funds.

Securitize Capital, launched on Wednesday, will give investors exposure to cryptocurrencies and decentralized finance (DeFi) in the form of digital asset securities.

The subsidiary's two flagship funds will launch in early June, providing investors with direct exposure to Bitcoin or USD Coin. The new subsidiary will make it easier for institutional investors to access exposure to cryptocurrencies and the yields earned through blockchain DeFi strategies, Securitize says.

Securitize Capital is working with Anchorage Lending, an affiliate of Anchorage Digital Bank, a digital asset bank, and Genesis, a prime broker, for sourcing lending opportunities.

Securitize CEO Carlos Domingo says: "We see very strong demand from institutional investors for cryptocurrency exposure. Current offerings are very limited, mostly with no yields and high fees."

Anchorage digital president and co-founder Diogo Mónica says: "We're proud to enable institutions like Securitize with a compliant, safe way to lend digital assets through Anchorage Financing."

Genesis head of institutional lending Matt Ballensweig comments: "As demand for digital currencies by institutional investors increases, we're pleased to be working with Securitize. Together, we're making digital currencies and yield available to institutional investors in the form of funds they're already familiar with."

To participate in the funds, investors will need to create a Securitize ID account and shares in the fund will be issued as digital asset securities recorded on the Algorand blockchain, with Securitize as the transfer agent.

Founded in 2017, Securitize leverages the blockchain to enable companies to compliantly raise capital and enable individual investors to participate.

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## ESMA calls for lowering notification threshold of short positions

ESMA has recommended permanently lowering the notification threshold of net short positions on shares from 0.2 per cent to 0.1 per cent.

In an opinion paper submitted to the European Commission on 20 May, ESMA highlights the benefits of permanently lowering the threshold at which one must notify net short positions to national competent authorities (NCAs).

Responding to volatile market conditions linked to the Covid-19 pandemic, on 16 March 2020 the European securities markets regulator used its emergency powers to lower the reporting threshold of net short positions in shares admitted to trading on a regulated market from 0.2 per cent to 0.1 per cent of a company's issued share capital.

Introduced initially for a three month period, this new arrangement was rolled over in June, September and December and expired on 19 March of this year.

These intervention powers draw on EU Regulation No 236/2012 on short selling and certain aspects of credit default swaps, known as SSR.

These notification requirements for net short positions under SSR are intended to enable financial regulators to monitor accumulation of net short positions in specific shares, providing an early indicator of volatile or overvalued shares, and shares that may potentially suffer a 'short squeeze'.

By setting the reporting threshold for net short positions at 0.1 per cent, this data has provided NCAs with a clearer picture of net short positions at the individual, sector and market-wide level, says ESMA.

Reporting at 0.1 per cent also allowed for side-by-side comparison of the effects of short selling bans between EU countries initiated in the spring of 2020, affording ESMA the opportunity to analyse whether such bans

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trigger any displacement effects "across competent authorities, sectors or shares with different levels of liquidity", ESMA says.

Owing to the impact of the COVID-19 crisis and continuing market uncertainty, ESMA says that swift action is necessary to provide NCAs with greater visibility in conducting market surveillance. It considers that "engaging in a public consultation and a full cost-benefit analysis is disproportionate due to the particular urgency of the matter".

## US SEC appoints new trading and markets director

The US Securities and Exchange Commission (SEC) appointed David Saltiel acting director of the Division of Trading and Markets yesterday, replacing Christian Sabella.

As director of the Division of Trading and Markets, Saltiel will provide oversight of US securities exchanges, securities firms, self-regulatory organisations including the Financial Industry Regulatory Authority, clearing agencies that help facilitate trade settlement and transfer agents.

Saltiel joined the SEC in 2016, heading up the Office of Analytics and Research in the Division of Trading and Markets, which conducts quantitative research and data analysis to inform the SEC's policies on markets and market structure.

Before joining the SEC, Saltiel was chief economist at the Municipal Securities Rulemaking Board, a self-regulatory organisation.

Under the leadership of the Biden administration, the SEC has begun to flex its regulatory muscles. In May, the SEC approved the registration of DTCC Data Repository, its first security-based swap data repository.

At the time, SEC chair Gary Gensler said the move fulfils an "important mandate" under the Dodd-Frank Act. "A centralised database of security-based swap transactions is an essential reform to better understand these markets, for surveillance and for enforcement."

## Global securities lending revenues climb 25 per cent YoY to $845 million

The global securities finance industry delivered $845 million in revenue for beneficial owners during May 2021, according to data from DataLend, the market data division of EquiLend, representing a 23 per cent increase month-on-month.

Additionally, global broker-to-broker activity contributed a further $258 million in revenue over the month.

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## IHS Markit releases securities lending compliance tool

The compliance check tool enables asset owners to conduct independent monitoring of their lending activity in order to verify that lending activity on their loan portfolios complies with lending parameters.

The tool analyses trade data to identify transactions that are in breach of lending criteria across a wide range of trading considerations, including asset class, counterparty, and trade/collateral type.

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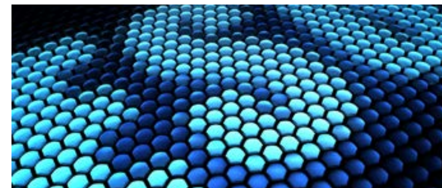

## PASLA and RMA launch global ESG securities lending framework

The industry associations have developed an ESG framework which allows global asset managers to take a more hands-on approach to ESG principles in their securities finance programmes.

The Global Framework for ESG and Securities Lending focuses on "six main touchpoints" between securities finance and ESG principles.

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## ESMA responds to European Commission's Review of CSDR

ESMA highlights a need to strengthen the capacity of T2S CSDs to manage risks that derive from outsourcing settlement activities to the T2S platform.

T2S is currently monitored through provisions defined in the Principles for Financial Market Infrastructures in the ECB Oversight Framework, and not through provisions embedded in CSDR.

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## Saudi investment firm RIC joins ISLA

Raidah Investment Company, set up in 2007, manages the entire investment portfolio of Saudia Arabia's Public Pension Agency, which pays the country's civil and military pensioners and retired employees, and is set up to invest locally and globally across asset classes.

ISLA announced that it is "delighted to welcome" Raidah Investment Company as a new member of the Association.

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## ESMA firms up guidelines for SFT position calculation by trade repositories

The guidelines are intended to promote a consistent approach to position calculation across trade repositories, focusing particularly on the scope of data used in position calculations, the timing of calculations and data preparation.

ESMA's goal is also to ensure that a uniform methodology for position calculation is applied under EMIR and STFR, while meeting the specific demands of SFT reporting.

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# CIBC Mellon Joint Venture Celebrates 25 years

*Rob Ferguson, CIBC Mellon's chief capital markets officer, reflects on the origins of the JV and how this has combined Canadian expertise with global strength in technology and service innovation*

**Joint ventures are often short-term business collaborations for a project or specific purpose, but CIBC Mellon has thrived for 25 years despite being 50:50 owned by two banks based in two different countries. What makes your JV special?**

In 2021, CIBC Mellon is celebrating its twenty-fifth year of delivering asset servicing in the Canadian marketplace. Founded in 1996, CIBC Mellon is 50:50 jointly owned by The Bank of New York Mellon (BNY Mellon) and Canadian Imperial Bank of Commerce (CIBC).

For a quarter century, CIBC Mellon has continued to recognise the

importance of our business to the smooth operation of Canada's capital markets and we have continued to grow with our clients. I joined this company in 1996 from a securities lending technology provider and I would agree that the enterprise has been remarkably resilient and sustainable. The central thesis of the CIBC Mellon joint venture is actually a remarkably simple idea: local expertise, global capability.

CIBC Mellon launched with $100 million in assets under administration amid a crowded Canadian field. Over this period, we have won, acquired, lifted out or out-competed an array of market players to become a market leader with more than CAD $2.3 trillion in assets under administration. We've evolved our business, added new solutions, grown into new segments, but the "best of both worlds" thesis that lies at our core — local Canadian expertise, combined with global technology and capabilities — remains true a quarter century later.

## What were the drivers for forming the JV? With the business changing, do the parents bring different things to the table?

If I rewind to 1996, two Canadian market participants had complementary challenges. Mellon Bank had sophisticated and powerful custody technology, but very limited presence in Canada. There were a lot of providers in Canada back then, 10 or 15 of them, and while Mellon had a great brand in the US and other markets they weren't making inroads in Canada.

CIBC, conversely, had teams with strong understanding of the local Canadian market and enjoyed the client trust accorded to one of Canada's "big five" banks. They were a narrow business line, however, and they didn't have the scale or market capitalisation to make the enormous investment into technology that custody and securities finance required. CIBC had expertise: traders that understood our securities finance markets; operational experts who understood the needs of Canadian institutional investors.

Both companies looked at their core strengths, assessed their gaps and decided they were better together. The two joined forces to form CIBC Mellon. Twenty-five years later, the asset servicing and securities finance industries have transformed enormously through innovation, they have weathered market disruptions and expanded to provide a growing array of services as clients seek to access scale and new capabilities.

Some of our growth is certainly rooted in Canada's own strong global brand. Market participants continue to take confidence from Canada's stable financial sector and the country remains an investment destination of choice for many global financial institutions. Canada maintains one of the few remaining triple-A ratings for sovereign debt and continues to attract global investors with its robust market infrastructure, efficient settlement mechanisms and effective regulatory environment.

Global investors into Canada and Canadian financial institutions can look to CIBC Mellon to provide outstanding service, dependable execution and knowledgeable insights to help them navigate the complexities of the Canadian marketplace.

## Can you share some of the key milestones, challenges you have overcome, and lessons learnt along the way — the current pandemic, the 2008 market crisis, for example?

From an array of challenges, up to and including today's global pandemic, CIBC Mellon has remained resilient. As one of our clients wryly observed, amid challenges one should always "reserve the right to get smarter along the way". This theme of continuous improvement has helped CIBC Mellon to position itself to mitigate risks and prepare for future challenges. As a Canadian asset servicing leader, we have spent a quarter century establishing a strong foundation.

Over the years, CIBC Mellon also navigated a number of potential disruptions — for example, the 2010 G20 Summit in Toronto temporarily rendered CIBC Mellon's headquarters inaccessible, major winter storms have disrupted transport links and prevented employees from reaching offices in cities across Canada, while in 2017 a flood made CIBC Mellon's largest office unusable for a full week. These challenging events, together with regular annual drills, table top exercises and a robust approach to business continuity, all helped to prepare CIBC Mellon and its employees for rapid business continuity response.

Business leaders across the joint venture have also worked to refine CIBC Mellon's operations — for example, exiting the issuer services business while expanding our unitholder recordkeeping capability.

On a more positive note, CIBC Mellon and BNY Mellon merged their securities lending activities in 2013, creating one of the world's largest securities lending programmes with offices in Toronto, New York, Pittsburgh, London and Hong Kong. As a leading global lending agent, BNY Mellon has the resources to design securities lending solutions to help support organisations pursuing incremental revenue.

I think this was a good example of how we have evolved as a global enterprise. This merger made BNY Mellon's global markets expertise available to CIBC Mellon clients, providing new opportunities for incremental revenue in markets around the world while simultaneously making CIBC Mellon's deep expertise in the Canadian market available to BNY Mellon clients and providing the potential for improved returns on Canadian securities. Again, this represents the best of both worlds.

Last year, 2020, was a year of unprecedented change, with industry stakeholders forced to stay connected even while remaining apart amid the coronavirus pandemic. As Canada and the rest of the world recover from this pandemic and its economic impact, we continue to assess how best to support our clients. We've earned a lot of positive recognition regarding our operational performance through the pandemic. That will be particularly important as clients assess their providers and operating models going forward.

## How are client requirements changing? In which direction are they taking you as a service provider?

We expect a continued focus on technology innovation and automation across industry participants. We believe the remote pandemic-driven environment has accelerated long-term trends related to digitisation, remote working, and the streamlining of operating models as organisations concentrate on the areas where they can deliver most core value to clients. At the same time, they are looking to outsource non-core activities to providers that can offer the necessary scale, technology and expertise to deliver success.

Global investors and market participants in Canada continue to focus on new technology and modern architecture as securities lending continues to evolve. The market will inevitably be reshaped by regulation, as much as by pure demand and supply forces. Market participants are looking for specific assets to address their changing regulatory requirements.

I think our global enterprise has also seen clients looking for more integrated capabilities across our parent companies — bringing in global data solutions, or local market correspondent banking for example, and helping clients access markets.

## So there will be a heavy focus on technology?

The application of technology to automate securities financing transactions has been an ongoing development in the marketplace. Participants are looking for more automation, greater transparency in investment activities, and flexible and timely access to data — all responding to a rapid rise in complexity in regulation and market practice.

The impact of greater automation and technological innovation is consistent with a number of broader themes: more efficient, effective and transparent investment operations, and ultimately for clients. From the first straight-through processing to today's data-driven investment operations, these themes have been running for decades, although I do think the pandemic-driven remote environment has accelerated them further.

## You must be one of the longer-serving employees. Are there any other names or long-serving team members that have been along for the journey?

I'm proud to be one of the dozen or so 'day one' employees who are still with the company. We have a lot of people who have very long tenures with CIBC Mellon. It's not uncommon to see 10,15, 25 years of service.

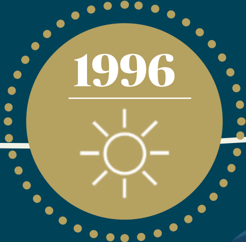
It is no surprise that my long-time colleague James Slater, one of the two CIBC employees charged with founding the joint venture in 1996, today leads global client coverage for BNY Mellon, the world's largest asset servicing provider. In his 24 years with BNY Mellon and CIBC Mellon, he has held leadership roles in securities finance, liquidity and segregation, product and business solutions. James' longstanding position in our joint venture is illustrative of our global commitment to improving outcomes for our clients in Canada and around the world.

## What messages do you have for SFT readers as you look to the future of the JV?

Long term predictions are often difficult, but a number of themes are likely to remain consistent as we look ahead to the next 25 years. These are a commitment to technology, continuous improvement, innovation and, of course, ongoing effort by the CIBC Mellon team to strengthen relationships and build solutions that will bring the best of both worlds to clients: local expertise, global capabilities. Our employees put clients at the centre of all that we do and continue to act with diligence, commitment and care in delivering solutions. We are all excited to support our clients for the next 25 years.

“For a quarter century, CIBC Mellon has continued to recognise the importance of our business to the smooth operation of Canada’s capital markets and we have continued to grow with our clients”

Joint Venture Created



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BNY Mellon and CIBC Mellon merge securities lending programs

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2021
25th
Anniversary

# Securities lending and the Common Domain Model

Bob Currie reports

*Following completion of its securities lending CDM pilot in November, ISLA plans to finish coding of its CDM minimum viable product for mid-June as part of a wider set of standardisation initiatives*

The Common Domain Model — or CDM — provides a common data representation of transaction events, offering a common template or set of fields that the industry will use to share trade information and other key data.

This should reduce the burden of reconciliation and lower the risk of mismatches or settlement failure caused by inconsistency in how data fields are used.

For close to three years, the International Swaps and Derivatives Association (ISDA) has been active in the OTC derivatives market in promoting a common digital representation of the steps, or 'lifecycle events', associated with a derivatives transaction.

Subsequently, ISLA has been working with ISDA and the International Capital Markets Association (ICMA) to apply a CDM to securities lending transactions.

With this objective, it completed a pilot with REGnosys, its technology vendor for the CDM project, in November 2020. This securities lending CDM pilot concluded last year with a showcase event that highlighted a cross section of the benefits that can be realised through the adoption of a CDM for securities lending markets.

The pilot advanced at an aggressive pace, according to ISLA director of market infrastructure and technology David Shone, and this was possible, in part, as a result of the pre-existing

foundation that ISLA was working with, developed initially through ISDA's CDM programme.

The ISLA pilot project demonstrated the reusability of this model, meaning the ISDA CDM for derivatives transactions can be reapplied, with some refinement, to securities lending. "The design principles of re-usability and composability meant that we are able to construct product and event models quickly, re-using some components and augmenting them for our purposes," says Shone.

As an active participant in the ISLA pilot study, FIS' director of securities finance and collateral solutions Ted Allen says that the CDM pilot project delivered a "meaningful proof of concept in a compressed time frame" and was a fine example of how diverse players in the market can come together with a common purpose.

The primary aim of the pilot, notes Allen, was to model the allocation process as applied by an agent lender during a trade execution. To ensure the scope was achievable, this modelled a cash DvP trade from its inception and also focused on settlement actions and collateral provision. By the end of the pilot, the working group agreed on a set of core concepts for trade execution and allocations that are modelled into the CDM.

It was noteworthy, according to Allen, how often the pilot group identified aspects of the business that are not understood as well as they should be. "For example, block trades, where an execution has multiple allocations associated to it, came under scrutiny in relation to the actual terms of the agreement and practical implementation."

ISLA's Shone explains that adoption of an agile methodology for the CDM project created a fertile environment in which ISLA, REGnosys and subject-matter experts from the association's membership were able to conceptualise, model and code quickly and effectively. "The goal was to create a model that could be used by member firms in the showcase event at the end of the pilot period," he says. "This approach also provided flexibility to move faster in some stages than others, to re-prioritise as necessary while still enforcing scope boundaries."

Key to the success of this pilot, Shone observes, was the ability to access data samples from ISLA's membership, data that could be used for validating the CDM model. "Data transfer requests can be prolonged at times, so we ensured during our follow-on work this year that members of our working group were aware of data sample requirements in advance, thereby reducing delays in receiving those samples."

According to Sharegain founder and CEO Boaz Yaari, the CDM pilot has shown how much appetite there is in the industry for greater collaboration, especially on the fundamentals. "It's taken a huge effort from ISLA to get us to this point. But their determination and focus has paid off: with the CDM, we now have a clear path forward for the industry."

With this framework in place, Yaari says that there's no room in 2021 for any part of the capital markets to have diverging data structures. "We need a unified approach that can be applied across the entire securities lending ecosystem," he says. "Look at PSD2 [the second Payments Services Directive] and open banking. As soon as you standardise those foundations of an industry, you pave the way for a wave of innovation. It's already happened in payments and current accounts, now it's happening in securities lending."

Laura Allen, managing director at Trading Apps, reinforces these sentiments, stating that the CDM will provide a common language for market participants, ensuring they are using data fields in a consistent way and accelerating moves towards process automation.

This is important to improving connectivity between market participants, reducing the cost and complexity of communicating information across the SFT transaction value chain and strengthening opportunities to develop 'plug and play' solutions. "As a technology house that has pushed strongly for improved connectivity and automation across the transaction lifecycle, we look forward to the CDM being open sourced so that we can adopt it, contribute to it and provide support for the CDM framework within our products," says Allen.

## Minimum viable product

ISLA's objective is to set in place the central elements of the CDM model, a 'minimum viable product' (MVP), for adoption by market participants by mid-2021. ISLA's Shone says that this objective is actually close at hand. The MVP approach has built on the pilot, focusing on returns, re-allocations, non-cash collateral and billing. The working group itself has expanded significantly, enlisting further Tier 1 borrowers and lenders, but also one large institutional beneficial owner, one further market infrastructure firm and firms at the leading edge of fintech in the securities finance industry. "Development of the MVP and a chance to be part of it has resulted directly in new ISLA members," says Shone.

Owing to the similarities between securities lending, derivatives and repo products, FIS' Allen observes that it is becoming increasingly

straightforward to describe contracts with a common terminology. The work being done by the Clause Library and Taxonomy Working Groups is building upon this foundation, actively defining a standard language that can be used across the market.

More broadly, their work is aligning legal documentation and contracts with the definitions in the CDM. Among other benefits, this establishes the conditions for users of the CDM to enter into electronic contracts. “Digitalisation of agreements like the Global Master Securities Lending Agreement (GMSLA) will enable document negotiation and execution to be performed without any human intervention, providing greater alignment between contracts and hence improving risk management,” says Ted Allen.

## Widening CDM application

The evolution of the CDM will not stop at the advances outlined above. Inter alia, discussions are ongoing across trade associations about the prospect of modelling repo products and around standardisation of collateral schedules within the CDM.

What’s exciting about the CDM, says Sharegain’s Yaari, is that every part of the market will benefit from having a standardised base of activity. Each step in the securities lending lifecycle, from onboarding and contractual negotiations, through to collateral management and corporate actions, will experience benefits from that standardisation. Across the board, there is unnecessary complexity that the CDM can start to address.

According to ISLA’s Shone, this year has brought a renewed sense of collaboration between ISLA and other industry associations in furthering the goal of a truly common CDM covering multiple asset classes and markets. “The future should allow an equity swaps desk to hedge a short swap, selling short in the market, borrowing the stock to cover [the exposure], while treasury finances the whole thing through repos, managing interest rate risk through rate derivatives, all in the same code base!”

The common components, re-used across products, are likely to deliver major advantages to enterprise risk, finance and product control, as well as streamlining collateral optimisation by allowing an easily accessible common view across the entire firm.

“While clearly being some way away from this point, we will effectively have delivered the base securities lending functionality into the CDM

## Digitisation pipeline

*ISLA director of market infrastructure and technology David Shone updates SFT readers on ongoing work on the CDM MVP and the GMSLA Clause Library.*

The MVP coding is due for completion in mid-June, with contribution of the code back into the full CDM shortly afterwards. This will make the ability to execute, allocate, reallocate, settle and return a trade publicly available to CDM users, whether the trade is cash or non-cash collateralised, and to bill for that.

The code contributed back to the full CDM will be three times the size of that contributed from the pilot in April 2021, not only including securities finance-specific components but also enhancements to existing code related to derivatives and some fundamental building blocks for future iterations of the CDM — for example, the ability to associate more than one legal agreement with a transaction (e.g. a Master Agreement such as a GMSLA, as well as an independent collateral agreement, say with a triparty custodian).

In tandem with the MVP work, we have been progressing our Clause Library initiative with our partners D2 Legal Technology. This has involved distilling the multiple variants of GMSLA language used by our members into discrete business outcomes and variables. Like the CDM work, our membership has made a major contribution to this with approximately 50 firms contributing to this effort. This initiative will conclude in August with the Clause Library being published for use shortly afterwards. It has been a pleasure to have not only one but two major initiatives on track to schedule successfully.

Ultimately, the Clause Library will need to undergo a digitisation effort that integrates it with the CDM, forming legal agreements that inform functional behaviour in the CDM, such as the outcome of a default event or a corporate action, on a particular transaction. There are multiple considerations regarding how to go about this and the right methodology to adopt. We will communicate further on this later in the year when that deliberation is complete.

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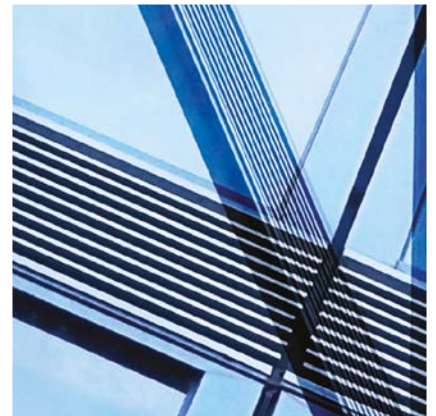

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within a year," says Shone. "This rapid progress highlights how the CDM is now in a state where ongoing contributions can be applied quickly to multiple product systems and entities."

As the model keeps improving, says FIS' Allen, so do the benefits it can offer. From recent experience, the industry is aware how much effort was invested in the ongoing Securities Financing Transactions Regulation (SFTR) and Central Securities Depository Regulation (CSDR) initiatives and the cost impact has been significant in a time of tightening spreads and declining revenues.

"Had the CDM already been adopted, the effort and cost of SFTR and CSDR would have been significantly lower," says Ted Allen. "This has been demonstrated by ISDA's use of the CDM as a tool to help validate new regulations and we support the International Capital Markets Association's (ICMA's) efforts progressing CDM for repo."

ISLA's David Shone concludes that this strong foundation should result in the CDM becoming more attractive in the short term to any firm looking to re-develop their existing technology stacks. It should also appeal to firms wanting to make their service offering 'plug and play' across multiple counterparties by building to a standard that will be used by all.

ICMA is also developing the CDM to incorporate repurchase agreements (repo). "We continue to collaborate very closely on planning, working groups and common touch points," says Shone. "Similar to our experience, we expect their model to benefit from some mutual uplift as ISLA's work did from ISDA's previous contributions." All three associations are continuing to work towards a single common goal and towards an open-source model of contribution.

As noted, there are further potential benefits through standardisation of collateral schedules based on CDM. A major industry focus on ESG considerations, and the application of Uncleared Margin Rules (UMR) for derivatives transactions, have been important in driving attention to collateral optimisation and ensuring collateral meets expected ESG standards. ISLA, and its members have been working with ISDA's collateral standardisation working groups on the CDM representation of a standard eligibility architecture.

This will improve the scope for optimisation of inventory and collateral across cleared, triparty and bilateral relationships for securities lending, repo and derivatives.

## Concluding thoughts

Alongside these initiatives, Goldman Sachs recently announced the launch of a data management and governance platform, known as Legend, which is hosted in the public cloud on infrastructure maintained by the Fintech Open Source Foundation (Finos).

A number of other investment banks, including Deutsche Bank, Morgan Stanley and RBC Capital Markets, were involved in a six-month pilot to support data standardisation and collaborative data modelling, again building on the ISDA CDM model, using a shared version of the Legend platform. Now, with the Legend code available as open source, other organisations or individuals can operate their own implementations of the platform.

For FIS' Allen, CDM will lower costs and help remove redundant processes such as reconciliations, break resolutions and fails management. The structures defined by CDM will also facilitate the use of blockchain in securities finance, given that distributed ledger technology (DLT) relies upon a backbone of consistent and standardised data and processes that are needed for smart contracts. "Without the common starting point provided by CDM, it will be more problematic for the industry to move to a DLT-based future," he says.

Realistically, the marketplace may not see huge benefits from CDM for a year or two. Expectations for CDM are running high, but it will take time to model the complexities of the business and to gain adoption. "The three year headstart that we have due to the work already done by ISDA means that initial forays into the usage of the CDM can be undertaken internally, and here at FIS we are prioritising our approach for utilisation of the model for the future," says Ted Allen. "It's a long-term investment, and one that we are happy to make."

Sharegain has an advantage that it started as an agent lender six years ago with a blank canvas, says the company founder and CEO Yaari. Consequently, it does not have legacy data structures to contend with. "The real value that I think the CDM will bring to securities lending is that we'll be competing on the strength of our products, not on the underlying data or processes," says Yaari.

"Securities lending is one of the last bastions of old tech in capital markets. The CDM is rolling down the drawbridge: it's a foundation that will enable everyone to compete on the same playing field," he concludes.

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**Camille McKelvey**
head of post-trade STP business development
MarketAxess

# Driving post-trade automation

*Camille McKelvey, head of post-trade STP business development at MarketAxess, tells Justin Lawson about the company's advances in US repo markets, recent acquisitions and industry-level initiatives to promote diversity and inclusion*

## You lead the straight-through processing (STP) business development team, focusing on delivering post-trade efficiency across the fixed income cash and repo markets. What has been the biggest challenge over the past year?

What a year! We have all come across new challenges in the last 12 months, particularly when faced with working from home. We had to set up 10,000 users remotely in a very short time. It hasn't been easy, but it is great to see what we have achieved as an industry.

This is a pivotal time. The introduction of SFTR and upcoming implementation of CSDR are driving even more changes. But where there is a challenge, there is also an opportunity! Especially when it comes to embracing technology and reviewing existing processes, now is the time to start being more visionary and to rethink traditional ways of operating.

## Citadel and J.P. Morgan led the way in the US by extending their existing use of MarketAxess' trade confirmation engine outside of Europe. How do you rate your efforts to take on the US market ?

Building a community is never easy, but the US repo market was crying out for more post-trade automation!

Having a core group of early adopters has absolutely been key to our success and we now see a significant amount of US-centric volume through the platform. The majority of US Treasuries sent in are for same-day settlement, so having a real-time confirmation layer is key to mitigating fails that lead to costly Treasury Market Practice Group (TMPG) charges.

We continue to add global clients to our ever-growing community and expect this trend to continue throughout 2021 and beyond. There is still a lot to do to automate this market!

## Daily volumes on your post-trade repo platform have risen significantly. What is your key to success?

Firms have spent years discussing operating challenges and the opportunity to automate, but limited resources often constrain this. Last year, 2020, was effectively a live technology experiment — it forced change. The combination of the pandemic and the pressure of regulatory change has contributed to increased automation — MarketAxess Repo matched trade average daily volumes increased 94 per cent YoY to $110 billion in Q1 2021.

## MarketAxess acquired the Regulatory Reporting Hub, the regulatory reporting business of Deutsche Börse Group, at the end of last year. How has the integration of this business unit gone?

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It's an exciting time. The acquisition is a firm demonstration of our long-term commitment to building our regulatory reporting infrastructure across Europe and we're working closely with these clients to support them through the transition to MarketAxess services. Over the next 12 months, we will continue to extend the full front-to-back trade lifecycle services that we offer, from trading and data through to matching and regulatory compliance.

## Regulation seems never-ending. What regulations are posing the biggest challenges for the industry and giving clients sleepless nights?

New regulation is often seen as a positive force for change — despite sometimes challenging periods of transition. The Securities Financing Transactions Regulation (SFTR) and the Central Securities Depository Regulation (CSDR) are raising

the profile of risks associated with not having an efficient trade confirmation solution — but there is still work to do to prevent sleepless nights!

The biggest focus for firms in the next few months must be to review existing processes. Getting under the skin of current settlement efficiency rates is vital. There is time to close gaps and address potential weaknesses now ahead of the regulation going live.

## Tell us about the scope of the CSDR Settlement Discipline Regime. Who is in scope with this and what is the main objective for the regulation?

CSDR is all about improving settlement rates, but contrary to its naming convention it is not just a regulation for CSDs. The potential impact will reach every single participant executing securities across fixed income, repo and equity transactions that settle in a European depository. That is a significant number.

Settlement penalties are due to be introduced in February 2022. This will have a global impact for any party failing to settle a transaction in a European CSD, irrespective of where the trading party is domiciled. Unlike some of its predecessors like MiFID II, where the location was the driver to inclusion in scope, this is about where the trade settles. If this happens to be a European depository, then no matter where you are you will be impacted. So, if you're in Asia trading with an entity in Australia, but trading a security that settles in Europe, you are in scope.

## What steps should organisations take to become more efficient in the lead up to implementation of the CSDR settlement discipline regime? How can they get ahead?

Ahead of the February 2022 implementation, we urge firms to put measures in place today that will help improve efficiency — and there needs to be a focus on post-trade processes. The most important preparatory step is to come together as an industry. The whole world settles securities trades in European depositories, and with less than nine months to go, there is still a lot of work to do.

Settlement penalties will drive a change in behaviour, but we all have a responsibility. Engage with trade associations. Speak to clients. Share experiences with counterparties. And agree on best practice without delay.

> *Settlement penalties are due to be introduced in February 2022. This will have a global impact for any party failing to settle a transaction in a European CSD*

## Please update us on the important work you have been doing on the steering committee of the ICMA Women's Network.

The ICMA Women's Network now has more than 2000 members — something I am very proud of. This is a big change compared to where we started. We now have regional hubs around Europe and we're looking to expand further.

The network acknowledges that, although things are improving, we have work to do as an industry. Men must also be a part of this conversation. MarketAxess is a great champion of initiatives to drive change in this area.

Everyone, regardless of background, should see a career in financial services as a realistic possibility. At the start of my career, I had to get used to being the only female voice in the room. It's great to see change happening. Our latest intern programme is 50 per cent female. This demonstrates that there has been a tangible shift.

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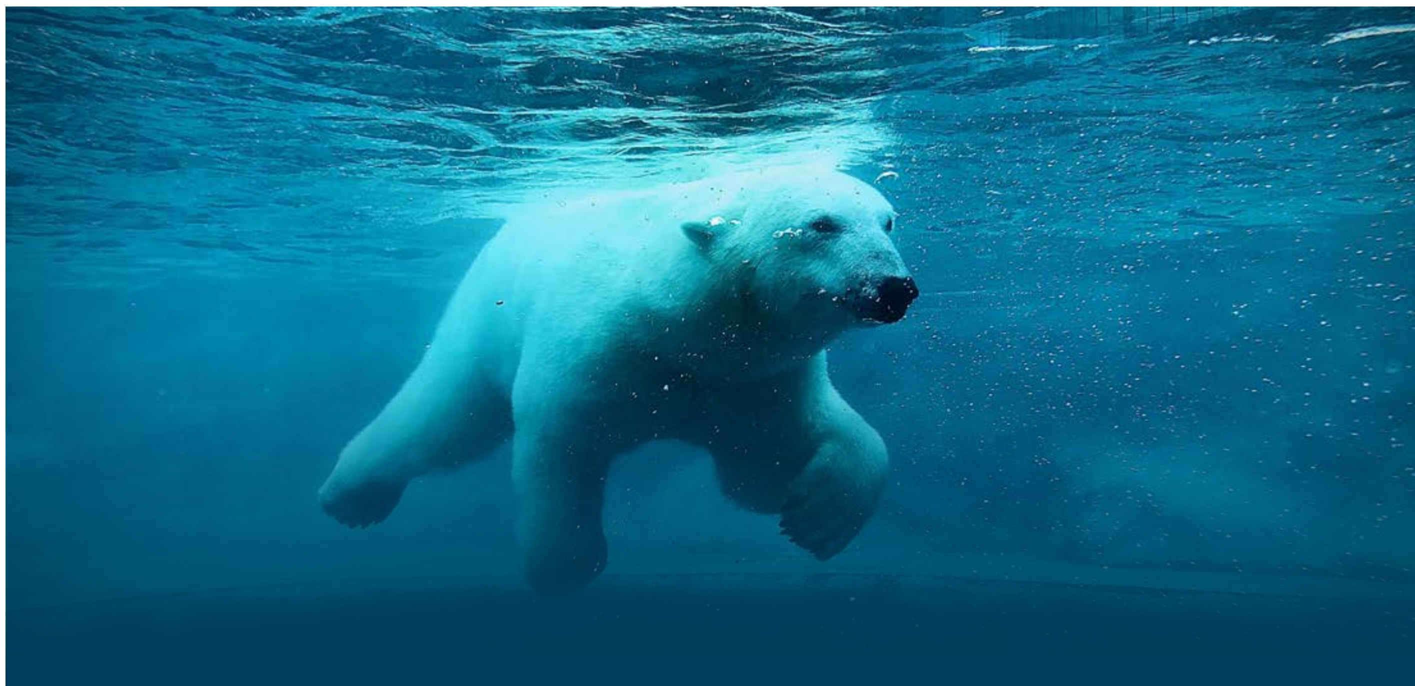

# Saving the planet, one SFT at a time

*Alex Pugh reports*

*The Global Framework for ESG and Securities Lending draws on invaluable insights unearthed by the Pan Asia Securities Lending Association and the Risk Management Association*

Integrating environmental, social and governance (ESG) factors into securities lending will form an important contribution that finance needs to make to realise the United Nations' Sustainable Development Goals.

This is why the Pan Asia Securities Lending Association (PASLA) and Risk Management Association (RMA) launched the Global Framework for ESG and Securities Lending (GFESL).

The GFESL, based on extensive market research, focuses on what the two industry associations consider to be "six main touchpoints" between securities finance and Environmental, Social and Governance (ESG) principles.

Rather than a prescriptive set of guidelines, the GFESL is a practical tool for market practitioners — particularly beneficial owners — in developing their own approach. It lays out best practices, standardised options and essential background information and covers voting rights, transparency in the lending chain, collateral and cash reinvestment, lending over record date, the short side of the market and rehypothecation of non-cash collateral.

The framework was partly born out of a consultation process PASLA conducted across the Asia Pacific region during Q4 2020, which attracted feedback from 150 senior industry professionals. This found that asset owners and managers want to take responsibility for managing ESG factors when lending securities, with 85 per cent seeking controls to address concerns over the compatibility of ESG principles with securities lending.

Additionally, insights gleaned from an RMA paper published in October 2020 also fed into the framework. Importantly, the paper highlighted that 95 per cent of global asset owners and managers

surveyed believed securities lending and ESG could peacefully coexist. However, only 18 per cent always applied ESG principles to their securities lending programmes.

It was out of this research that the industry associations developed the first edition of the GFESL. Future iterations will be designed for other stakeholders in securities finance, such as exchanges and regulators.

The GFESL was welcomed by the International Securities Lending Association (ISLA). ISLA'S CEO Andrew Dyson says: "We are delighted to see the publication of these ESG guidelines for the investment community from PASLA and the RMA.

"Recognising that regional variances especially from a regulatory perspective will drive different outcomes, at least in the short term, it is vital that associations lead the way on defining best practice to fully align securities lending within an ESG investment framework across their various regions."

Channelling this research into action via the GFESL, PASLA and RMA believe that transparency around ESG factors in securities lending can be significantly enhanced. A clear and widely-accepted decision-making framework should enable lenders to better define their approach, align it with corporate-level objectives, communicate it to other participants in the value chain and monitor its impact. "We see this initial framework as an important starting point but believe there is great potential to refine and iterate the GFESL in future," the report states.

**Regarding voting rights, the GFESL suggests that institutional investors that lend securities should consider developing a policy for recalling loaned securities based on ESG considerations in their proxy voting framework.**

In the PASLA consultation, beneficial owners identified 'exercising voting rights' as the most important factor for securities lending from an ESG perspective. The majority suggested leveraging existing mechanisms to enforce the recall of loaned securities in order to fulfil their 'stewardship' responsibility. However, only 11 per cent of respondents believed that loaned securities should always be recalled ahead of an investee company's Annual General meeting or Extraordinary General Meeting.

Under GFESL's key recommendations for voting rights, lenders should develop an ESG-focused recall policy in their proxy voting framework and identify the types of resolutions on which lenders want to vote by company and by issue. They should also set out parameters that would trigger a recall or restrict further lending.

## To boost transparency, institutional investors should implement minimum standards throughout the lending chain that reflect their sustainability framework.

Respondents to the PASLA consultation highlighted transparency in the lending chain as the second most important ESG factor, with 54 per cent of respondents suggesting that lenders should define acceptable or unacceptable borrowers. The GFESL recommendations advise that lenders should, in the short-term, implement effective minimum standards for counterparty selection, apply an ESG lens when selecting their direct counterparties and consider lending chain restrictions based on activity rather than the identity of end users.

In the longer-term, lenders should continue to improve their levels of education around transparency requirements and support industry initiatives to develop technology that delivers visibility over the onward lending of securities.

## When they lend securities, investors should apply the same ESG standards to non-cash collateral as they do to their investment portfolio.

Interviews during the PASLA consultation reflected the view that lenders should apply restrictions to the types of collateral they accept, in the same way they apply ESG principles to portfolio management. Many market participants believed that there should be ESG considerations for reinvestment of cash received as collateral.

The GFESL's recommendations suggest lenders should harmonise ESG standards applied to non-cash collateral they will accept in securities lending transactions and ESG criteria applied to their portfolio investment activity. These advise considering standardised ESG collateral sets as a core option, with customised overlay where necessary, setting clear parameters when communicating with agent lenders.

## When lending over a record date, investors should establish a clear policy on lending securities and communicate this with agent lenders. It also recommends monitoring counterparty exposure to weed out unusual activity.

Many market participants surveyed made it clear that structuring a securities lending transaction for the purpose of benefiting from a tax differential was not ESG compatible. Nonetheless, brokers have an obligation to create dividends according to the after-tax dividend entitlements that the lender would have received had the securities remained in their custody.

The GFESL framework recommends that lenders establish a clear policy for lending over record dates and communicate with agent lenders to ensure compliance. In doing so, they should monitor counterparty exposure to identify any unusual activity.

## Regulated and transparent short-selling is widely considered a crucial component of high-quality capital markets. It supports price discovery, creates liquidity and can help to act as a potential red flag against poor corporate governance or even fraud.

Although concerns were raised about the compatibility of short-selling with ESG principles, market participants and organisations widely believed that short-selling can be instrumental in achieving positive ESG outcomes.

More broadly, the GFESL advises that lenders should identify areas in which they see a conflict between their ESG considerations and short-selling and develop a short-selling policy that sets out the circumstances under which they will or will not lend.

## Lenders should determine whether the known and potential implications of rehypothecation are compatible with their corporate-level ESG commitments, especially with regard to governance.

Although rehypothecation can enhance market liquidity and increase returns for lenders, some believe that rehypothecation enhances systemic risk. The GFESL advises that lenders, brokers and end users should incorporate clear guidelines on rehypothecation into their programmes, based on whether they consider the practice to be responsible and compatible with their ESG principles.

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# ESMA responds to European Commission's Review of CSDR

*Bob Currie reports*

*EU securities market regulator calls for reform of T2S supervision framework and third-country CSD recognition regime*

The European Securities and Markets Authority (ESMA) has responded to the European Commission's review of the Central Securities Depository Regulation (CSDR).

This recommends amendments to the regulation in a number of areas, including arrangements for the supervision of T2S and to the third-country CSD recognition regime.

T2S is the central settlement platform for EU securities settlement operated by the Eurosystem and launched through a phased release from 2015.

At the forefront of its recommendations, ESMA highlights a need to strengthen the capacity of T2S CSDs to manage risks that derive from outsourcing settlement activities to the T2S platform.

ESMA notes in its letter that T2S is currently monitored under a "light approach", through provisions defined in the Principles for Financial Market Infrastructures (PFMIs) in the ECB Oversight Framework, and not through provisions directly embedded in CSDR.

Given the centrality of T2S to settlement operations across EU member states, ESMA believes it is "not appropriate" to exclude such a systemically-important settlement platform completely from the scope of CSDR.

Commenting on its rationale, an ESMA spokesperson tells SFT: "Whereas T2S is a systemically important common platform, providing settlement services in central bank money for the majority of EEA CSDs, it is currently entirely out of scope of CSDR. Clarifying the status of T2S under CSDR would ensure that T2S is subject to a legally-binding framework, instead of a subset of the PFMIs."

Reflecting on ESMA's proposals to the European Commission, Tony Freeman, an industry consultant specialising in post-trade and middle office, indicates that a number of the recommendations in the ESMA letter are appropriate and well intentioned. "It is illogical to have oversight of T2S, as a systemically-important settlement platform, excluded from the scope of CSDR," he says.

The ESMA letter also advises that CSDR should be amended to enable better cooperation between key participants involved in oversight of T2S settlement activities — specifically, national regulators, along with the European Central Bank as lead overseer of the T2S platform, and ESMA in providing a "supervisory convergence" role, ensuring cooperation and consistency in financial supervision across EU Member States.

"CSDR should provide for a cooperative arrangement in respect of the supervision/oversight of T2S, with clear roles for the participating authorities (competent authorities of CSDs that outsource services to T2S, central banks, the ECB as lead overseer, and ESMA with a supervisory convergence role)," said an ESMA spokesperson. "This cooperative arrangement would replace the existing voluntary one and would include the same authorities as those that are currently represented. It could take the form of a college of supervisors under Article 21 of Regulation (EU) No 1095/2010 (ESMA Regulation)."

## Third-country CSDs

With Europe's financial services industry still adjusting to the impact of Brexit, ESMA has called for the recognition regime for "third-country CSDs" (TC-CSDs) to be extended, requiring third-country CSDs to notify ESMA of all services that they provide in the European Economic Area (EEA).

This provision relates to the activities of non-EU CSDs that provide services into the EEA.

It notes that, under current arrangements, there is no information available on the activities of TC-CSDs, either at EEA level or at national level to regulatory authorities, unless this is provided on a voluntary basis by those CSDs.

Significantly, the current TC-CSD recognition regime does not cover the provision of settlement services in the EEA. Rather, it only applies to two out of the three CSDR core services, specifically notary and central maintenance activities.

As a result, "the provision of settlement services remains invisible to the EEA supervisors," says ESMA. This only allows for "a very late and partial view of the activities of TC-CSDs in the EEA" and creates "an unlevel playing field" between third-country CSDs and EEA CSDs.

To address this point, ESMA indicates that the TC-CSD recognition regime should be extended to cover settlement services alongside notary and central maintenance services.

Tony Freeman observes that ESMA's recommendations related to the TC-CSD recognition regime appear, at least in part, to be triggered by Brexit. ESMA has called for changes to CSDR to promote a level playing field between TC-CSDs and EEA CSDs, along with more detailed reporting requirements that will provide the market authorities with greater transparency over the activities of TC-CSDs with activities in the EEA.

With regard to Brexit, an ESMA spokesperson told SFT: "Given the UK has already announced a departure from the EEA with respect to settlement discipline, the EEA should have the means to control settlement activity in respect of EEA financial instruments performed by the UK CSD."

## Settlement discipline

Perhaps surprisingly, there was little mention in the ESMA letter of its views on the CSDR settlement discipline regime, particularly the mandatory buy-in component, which is timetabled for February 2022 and has been subject to intensive industry scrutiny.

The reason for this omission is unclear. Does this imply that the settlement discipline provisions of CSDR (including mandatory buy-ins) do not require further amendment prior to implementation? Or is ESMA engaged with the European Commission in review of these mandatory buy-in provisions through other channels?

"This is a topic with political implications, whereas ESMA's role is of a technical nature," responded an ESMA spokesperson. "We are discussing the technical aspects related to the application of settlement discipline under CSDR with the CSD competent authorities and with the European Commission on an ongoing basis."

Freeman recommends two changes to mandatory buy-in provisions under CSDR that he believes will make them more acceptable to the industry. One is the inclusion of *optionality*, providing greater flexibility to policymakers in EU member states regarding how the regulation is implemented at member state level. A second is the inclusion of *thresholds*, dictating that mandatory buy-ins will not apply to securities transactions below a specified de minimis amount — for example €500 or below.

It is noteworthy that the settlement discipline regime in CSDR has been included as Level 1 text (ie 'Basic Acts'), whereas, for Freeman, it would have been more appropriate to include this as Level 2 or Level 3 measures (e.g. delegating acts, implementing acts). "This would allow financial supervisors to calibrate the rules to reflect market conditions and avoid unintended consequences," he says.

ESMA's recommendations to the European Commission are likely to form part of an important test case regarding how Level 1 regulations and directives can be amended after implementation. Potentially, this will establish a framework that may be applied for future review of Level 1 text.

Prior to this submission, forwarded to the European Commission on 20 May, ESMA has already provided input to the Commission through two reports, one on CSD cross-border services and the other on internalised settlement, which were published in November 2020.

In coming months, it will provide additional recommendations in two further reports, one relating to technical innovation by CSDs and a second on banking-type ancillary services.

# Comings and goings at Northern Trust and AccessFintech, and more

## Brett Weiss has joined Clearwater Analytics as enterprise sales leader.

Weiss joined the Software-as-a-Service fintech firm from S3 Partners on 17 May, and will work in the company's New York office. Weiss previously served as director of business development at S3 for three years. Prior to that, he worked as an equity derivatives broker for a year at WallachBeth Capital, a firm that provides financing software to global banks, broker-dealers and other financial institutions.

Weiss' longest stint was at Commerzbank as director, where for more than eight years he managed the domestic and international stock loan desks, overseeing a team of three traders and was responsible for all internal trading groups, collateral management and financing activity, including tri-party and treasuries and new business development.

## Robert Schumaker has joined Israeli risk management firm Vesttoo.

The former State Street and Credit Suisse executive will lead the company's efforts to provide investors with long-term, sustainable alpha generated by a security-based collateral programme.

As vice president of capital markets, Schumaker will look to build Vesttoo's $1 billion Insurance-Linked Program (ILP) which provides asset managers and pension schemes with the opportunity to earn alpha by pledging securities to support short and mid-term insurance alternative risk transfer transactions.

## Northern Trust names Angelo Calvitto APAC head

Angelo Calvitto has been hired to head up Northern Trust's Asia-Pacific asset servicing business

Based in Melbourne, Calvitto will lead the expansion and development of Northern Trust's asset servicing business serving institutional clients across central banks, sovereign wealth funds, public pension funds, government agencies, investment management firms and other large global institutions.

Calvitto has more than 30 years of global custody services experience with prior roles in operations, investment administration, fund services, relationship management and sales in both Australian and UK markets, working for ANZ Custodian Services and State Street.

Calvitto, who has been with Northern Trust since 2008, was previously country head for Northern Trust in Australia. His new role will build on the work of William Mak, who, from Singapore, spearheaded the expansion of Northern Trust's footprint across the Asia-Pacific region. Today the company has 11 offices across the region, including Hong Kong, Manila, Seoul, Sydney and Tokyo.

Northern Trust's president of corporate and institutional services Peter Cherecwich says: "The Asia-Pacific region is a leading centre for technology innovation, with Singapore as a key hub, particularly for our blockchain initiatives. More broadly, we continue to see significant demand for our entire range of asset servicing solutions across the region.

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According to Vesttoo, “investors will benefit from BB spread with AA uncorrelated risk by using existing securities inventory, corporate bonds, government bonds, with a significant global deal pipeline targeting a total assets under management of $1 billion within 12 months”.

Vesttoo CEO Yaniv Bertele says: “We are very excited to have Mr. Schumaker on board, and are looking forward to scaling Vesttoo’s Insurance-Linked Program with the help of his expertise. The ILP program is an integral part of the company’s effort to bridge the funding gap in the reinsurance market, providing sorely needed alternative capital to the reinsurance industry as well as exceptional return on risk for investors.”

## Chris Bujakowski has joined AccessFintech as chief financial officer.

Prior to AccessFintech, Bujakowski has more than 20 years of finance and operations experience in the technology sector, having worked as chief financial officer at cloud-based banking platform provider Thought Machine and chief operating officer at SMG Group.

Starting in 2006, Bujakowski also spent six-and-a-half years as head of international finance and operations at NetSuite, where he oversaw international revenues increase to more than $100 million.

As AccessFintech CFO, Bujakowski will lead the fintech firm’s global finance organisation, responsible for financial strategy, management and reporting including investor relations and treasury.

AccessFintech CEO Roy Saadon comments: “This is an important step for us as a business as it signals our intention to capitalise on our recent momentum and scale further.”

Bujakowski’s hire will help support the increasing adoption of the company’s Synergy Network collaboration software, the firm says.

## BCS Global Markets has appointed Evgeny Pavlovsky as its new head of business management and development.

Pavlovsky, who has 20 years of finance and consulting experience, will work across all BCS Global Markets’ (BCS GM) branches. He will be at the helm of a variety of business management, business analysis and cross-functional projects, as well as conducting performance reviews of the broker’s multiple desks.

Before BCS GM, Pavlovksy was global head of equities business management at Russian financial conglomerate VTB Group, and between 2011 and 2018, he headed the corporate and institutional banking business management division of European subsidiaries within VTB Bank in Vienna.

Prior to this, he oversaw high-net-worth individual product management at corporate investment banking firm Aton, and for three years until 2010, was senior project manager in the business technologies team at Renaissance Capital, a Russian emerging markets investment bank.

BCS GM COO Vadim Kotov comments on the hire: “In light of BCS Global Markets’ complex organisational structure and broad geography, efficient business management is becoming increasingly critical to building a well-functioning portfolio of projects and initiatives, as well as to coordinating shared efforts by different units.

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