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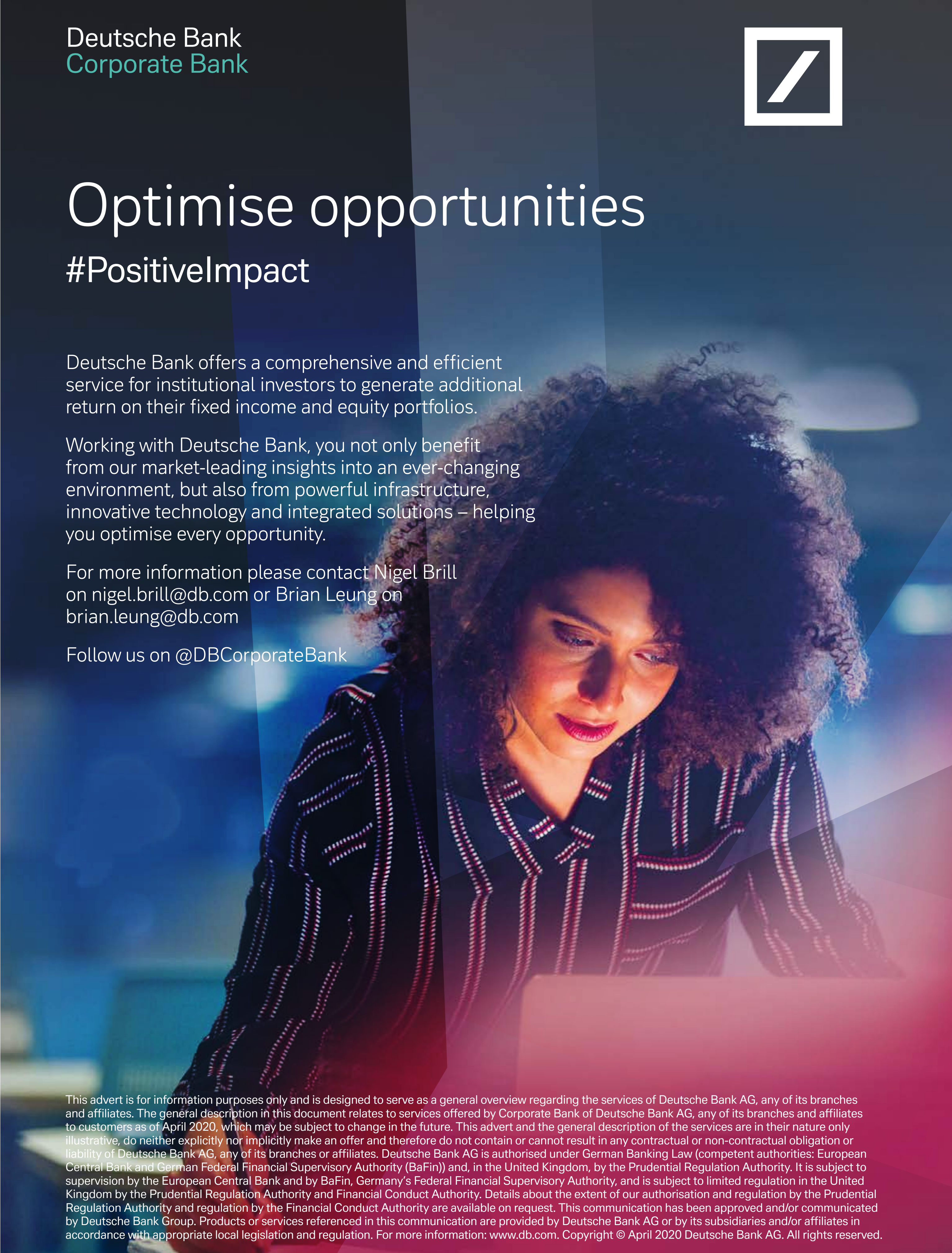
Issue 280 22 June 2021

BUILDING A BETTER FUTURE

Standard Chartered's Madeleine Senior on her ambitions for the bank's FSS division and the importance of sustainability, diversity and inclusion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State Street launches new digital finance division

State Street has launched State Street Digital, a new division focused on addressing the industry's evolving shift to digital finance.

The division will build on State Street's current digital capabilities and will expand to include crypto, central bank digital currency, blockchain, and tokenisation.

Meanwhile, State Street's proprietary GlobalLink technology platform will be an integral component of State Street Digital and will be enhanced into a digital multi-asset platform.

The objective is to evolve the platform into a multi-asset platform to support crypto assets, among other asset classes, and to support peer-to-peer ambitions by creating new liquidity venues for clients and investors worldwide.

Nadine Chakar, executive vice president at State Street, will take on the reins of leading the new division. She will report to Lou Maiuri, chief operating officer of State Street.

The move builds on State Street's acceleration within the digital servicing space. In April this year, State Street was appointed as the administrator of a planned bitcoin backed exchange-traded note (ETN) initiated by Iconic Funds.

In addition, as part of State Street's succession planning, Tony Bisegna has been appointed as head of global markets, effective 1 September 2021.

"The financial industry is transforming to a digital economy, and we see digital assets as one of the most significant forces impacting our industry over the next five years," comments Ron O'Hanley, chairman and CEO of State Street.

O'Hanley explains: "Digital assets are quickly becoming integrated into the existing framework of financial services, and it is critical we have the tools in place to provide our clients with solutions for both their traditional investment needs as well as their increased digital needs."

Chakar adds: "State Street has a major role to play in the evolution of digital market infrastructure and this new division will help us bring our expertise and resources to the conversation.

"As digital currencies and tokenisation not only gain momentum, but transform financial infrastructure and operating models, we can help our clients bridge the gap between the industry of today and the one of tomorrow."

Inside this issue

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Published by Black Knight Media Ltd

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

BlackRock links with Cassini to enhance margin analytics

BlackRock will strengthen its derivatives capability on its Aladdin platform through a partnership with Cassini Systems.

This will make Cassini's margin analytics tools available on BlackRock's investment management and operations platform, enabling traders, portfolio managers and operations specialists to assess and control margin requirements at all points in the trade lifecycle, according to the service partners.

This release, which will be available to Aladdin users from September, is the latest step in BlackRock's ongoing investment in its derivatives processing and analytics tools.

For Aladdin customers, this will reinforce their ability to analyse margin exposure and to optimise collateral and margin allocation across their trading book, while also facilitating compliance with Uncleared Margin Rules and other post-2008 financial regulations.

According to BlackRock's head of Aladdin business Sudhir Nair, the partnership will "help clients to manage their margin more efficiently by leveraging analytics at multiple points during the derivatives lifecycle".

Liam Huxley, chief executive of Cassini Systems, says: "The ability to optimise and manage margin thresholds, as well as carry costs, at pre-trade time and execute post-trade margin and collateral optimisation natively in the same platform, represents a new step forward for the industry."

BoE Securities Lending Committee reflects on ESG and GameStop

The Bank of England's Securities Lending Committee reflected, in its recent quarterly meeting, on lessons that can be learnt from the GameStop and Archegos events, continuing a dialogue that commenced in its previous meeting held in February.

The Committee highlighted that some prime brokers have accepted reduced revenues, and have been willing to accept less liquid collateral or lower collateral margins, in competition to win market share in the hedge fund business. It questioned, in these circumstances, whether adequate haircut and margin levels

were being applied and whether collateral delivered by trade counterparties was adequately diversified.

Reflecting on the GameStop and Archegos developments, it highlighted that the speed with which prime brokers were able to liquidate their positions in the Archegos event had a major impact on the level of losses they sustained.

A number of prime brokers lost money when they were forced to liquidate Archegos Capital's positions after it failed to meet margin calls. Industry sources suggest that sale of stock linked with Archegos resulted in losses for Credit Suisse of more than US$3 billion, with Nomura and Morgan Stanley also substantially out of pocket.

"Speed to market was felt to be a large factor that impacted the liquidity of collateral held and should have implications for how lenders view the risk of pledge collateral versus title transfer," it says.

In drawing lessons from these events, the Committee indicated that, for certain types of trade (for example, funding leveraged equity positions), the only effective hedging mechanism for lenders may be to demand more collateral. Industry standard haircuts are insufficient for this type of risk, it suggested, where the mean shortfall for liquidating Archegos collateral was about 28 per cent.

For prime brokers, it warned that low margin trading does not provide effective compensation for tail risk, where aggregate industry losses linked to Archegos totalled more than US$10 billion.

Deliberations reflected on whether it is possible to set appropriate haircut levels in conditions of market stress across different jurisdictions. For valuations based on end of day prices in UK markets, for example, large movements in US prices, while US markets are still trading, may result in UK loans being inadequately collateralised.

Members focused on the potential benefits offered by central counterparty clearing which, they proposed, will provide standard and real-time valuations and margining, although this would do little to resolve concerns relating to time differentials.

The Committee also emphasised the need to monitor risks presented by collateral concentration. "In a situation like Archegos it

can be difficult to see how large exposure to one firm can be," said the minutes of the meeting. One proposed solution was for tri-party agents to establish limits on collateral holdings rather than just counterparty-specific limits.

Reflecting on the dynamics of securities finance markets during Q1 2021, the Committee highlighted that a general squeeze on spreads in financial markets has contributed to stronger securities lending balances as asset owners seek out additional returns. GC lending rates have contracted against the backdrop of low interest rates.

"Spreads more generally are thin and the Committee noted the securities lending market as a whole is being squeezed in terms of rates and revenue," it says.

Commenting on application of ESG principles to securities lending activity, the Committee indicated that there is still much work needed to establish effective infrastructure and market practice — particularly in promoting standardisation in ESG collateral schedules.

Members indicated that there are currently only two ESG indices and this lack of choice can be problematic when applying an ESG overlay to an investment portfolio. It is currently difficult to amend collateral schedules since this needs to be done for each individual relationship rather than at tri-party level.

On balance, the Committee proposed there is a need for a common approach to ESG collateral schedules and it would be advantageous if tri-party agents play a central role in this standardisation initiative.

The UK Money Markets Code was released on 21 April 2021 and the Bank of England highlighted the role of its Securities Lending Committee in upgrading the securities lending provisions in the Code, including updates on ESG, diversity and inclusion, remote working and "electronification of markets".

The Committee invited a number of new members to its May meeting as part of efforts to make this forum more inclusive and diverse.

Gensler spotlights SEC thinking on T+0 settlement and payment for order flow

Time equals risk in financial markets and recent events have triggered questions around whether risk can be lowered through shortening the T+2 settlement cycle, says US Securities and Exchange Commission (SEC) chair Gary Gensler.

The technology is now available to shorten settlement not only to T+1, but to same-day settlement — "to T+0 or T+evening", he said, while speaking at a global exchange and fintech conference.

Gensler has also asked his staff to review whether there are other gaps in central clearing markets that the SEC should address — for example, in netting efficiency, in moving money or collateral handling.

More widely, he has asked Commission staff to make recommendations on best execution, payment for order flow, Regulation NMS, national best bid and offer (NBBO) and minimum pricing increments, to explore areas where markets can operate more efficiently and with greater transparency.

Payment for order flow raises important questions around whether broker-dealers have inherent conflicts of interest and whether these firms are encouraging customers to trade more frequently than is in their best interests.

Some of these issues were highlighted in the SEC's enforcement action against Robinhood last December. "Certain principal trading firms seeking to attract Robinhood's order flow indicated that there was a tradeoff between payment for order flow and price improvement for customers," says Gensler.

"Robinhood explicitly offered to accept less price improvement for its customers in exchange for receiving higher payment for order flow for itself. As a result, many Robinhood customers shouldered the costs of inferior executions; these costs may have exceeded any savings they might have received through zero commission trading."

The SEC is also looking closely at requirements for best execution in the context of NBBO.

It observes public lit markets such as Nasdaq and the New York Stock Exchange accounted for about 53 per cent of trading volume in January 2021. A further 9 per cent was traded on dark pools, with the remainder (38 per cent) executed by off-exchange wholesalers.

This OTC wholesaler segment is heavily concentrated, with just seven wholesalers accounting for a major share of these transactions. One firm told the SEC it executes close to 50 per cent of all retail trade volume.

Moreover, Gensler believes these wholesalers have significant pricing advantages compared with exchange market makers. "Exchange market makers must compete with each other on an order-by-order basis to offer the best price, whereas wholesalers can price their segmented order flow by referencing the NBBO, which is a much less competitive benchmark".

The NBBO is designed to aggregate information across different trading exchanges. However, Gensler believes there are clear signs that the NBBO is "not a complete enough representation of the market".

As noted, nearly half of equities trading volume (based on January data) is conducted in dark pools or internalised by wholesalers, which are not captured in the NBBO. Also, the NBBO does include some exchange prices such as odd lots and non-displayed orders. These factors may affect the bid-ask spread.

While SEC rules dictate that the NBBO must be priced in penny increments, OTC wholesale traders have flexibility to price in sub-penny increments. "As a result, wholesalers may operate on an unlevel playing field when competing for order flow," concludes Gensler.


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ESMA releases 2020 Annual Report

The report assesses ESMA's performance against its goals of advancing investor protection and promoting stable and orderly financial markets.

The 2020 Annual Report also reflects on a year which brought amendments to the European Market Infrastructure Regulation and refinements to ESMA's governance and responsibilities under the revised ESMA regulation.

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Decentralised finance platform ADD.xyz launches low-fee crypto lending

+Earn V3 significantly reduces fees and allows users to earn the best interest rates on their lent stablecoins across multiple Decentralized Finance (DeFi) platforms.

Crypto holders select the lending protocol they wish to use and the cryptocurrency they want to deposit on the platform and the cryptocurrency automatically starts accruing interest.

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ISDA releases new digital documentation platform

The platform enables market participants to access ISDA documents in electronic format.

The platform, labelled MyLibrary, has been developed through a partnership between Kinetix Trading solutions and Linklaters>Nakhoda, which were selected following a request for quotation (RFQ) conducted in June 2020.

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SEC outlines its Annual Regulatory Agenda

The US SEC regulatory programme will focus on rules governing climate risk disclosure, cybersecurity and workplace diversity, including diversity on corporate boards.

Alongside a broad rulemaking agenda, the SEC will concentrate on ensuring transparency in short sale disclosure, share buybacks and in securities lending markets.

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Eurex Repo sees Repo Market and GC Pooling decline

The integrated European market for electronic trading, clearing, collateral management and settlement of repo and securities lending transactions saw drops in monthly adjusted volumes of 46 per cent in its GC Pooling and 12 per cent in its Repo Market.

GC Pooling Market provides a liquid market for secured funding with central counterparty clearing.

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Fintech DASH enhances analytics offering

DASH has launched two new products — DASH360 Risk, which allows traders to manage their market access requirements, and DASH360 Allocations, which caters to post-trade option and equity trade allocations.

DASH co-COO Tim Miller says: "We're excited to launch two new products that address critical components of the trade lifecycle."

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BEYOND

On firm foundation: building a better future

Bob Currie reports

Standard Chartered's Madeleine Senior speaks about her ambitions for the bank's Financing and Securities Services division and the importance of sustainability, diversity and inclusion in shaping its objectives

Madeleine Senior joined Standard Chartered in June 2019 as regional head of financing and securities services (FSS) for the Americas and Europe and is based in London. Her industry career spans more than 27 years, during which she has accumulated extensive management and sales experience and has sat on a number of asset management, fund administration and securities services industry boards.

Before accepting this position, she was based in Australia as the regional managing director of a global custodian, and previously held senior management positions covering Nordic markets, where she opened a new office in Sweden, and as head of EMEA sales covering nearly 30 locations.

As a qualified English teacher she already had an established career prior to banking, however, and continues to put her communication and educational skills to use as a speaker and passionate supporter of Women in Leadership and diversity council events.

With this variegated background, SFT was keen to learn how this multi-jurisdictional, multi-disciplinary expertise led to a position at Standard

Chartered and how this would be applied to define future strategy within its FSS division.

On joining Standard Chartered, Senior says that she was particularly attracted to the organisation's market network and culture, along with the difference that the bank aims to make in countries in which it is active.

"Over the next 12 to 24 months, I expect to see FSS reinforcing its position and influence as a market leader across the 59 markets in which we operate today, supporting clients' growth ambitions through our digital solutions, market insights and domain expertise," she says.

At the same time, she believes it is important that Standard Chartered's business, and its clients' business activities, "grow well", prioritising diversity and inclusion, with environment and social considerations sitting at the heart of the way that it thinks, acts and interacts — whether that is dealing with clients, partner organisations, financial regulators or the wider market.

Coming together

The financing and securities services business goes beyond securities services to include prime brokerage and agency securities lending. But why did the bank take the decision to combine these business units? And what service benefits does this offer customers?

"Our clients want us to operate as one bank, and we recognised that we could build on the synergies between these businesses to become more efficient and interconnected internally and to offer solutions to clients across these product areas," responds Senior.

Expanding on this point, she explains that, over recent years, the organisation had been asked repeatedly by its securities services clients whether it would consider extending its service portfolio to securities lending.

Having already allocated significant investment to digitisation initiatives, to regulatory compliance projects and to delivering improvements in the client experience, however, the bank was keen to keep its attention focused on these ongoing client commitments.

"We therefore adopted a pragmatic strategy, developing a transparent and governance-led approach to securities lending at scale and at pace that would also enable clients to meet their Environmental Social and Governance (ESG) objectives," she says.

To balance these multiple priorities, Standard Chartered chose to bring new specialist expertise into its FSS team, providing the advisory services, the depth of market insight, the domain knowledge and the relationship management skills that its clients expect from the organisation.

Subsequently, after further market assessment, it appointed eSecLending as its front-to-back partner for securities lending services. "This decision was heavily influenced by eSecLending's proven track record," adds Senior. "By combining our relative strengths, we have been able to launch an end-to-end, segregated and fully indemnified securities lending programme that is customised to each client's requirements."

Success stories

Reflecting on recent business performance, Senior observes that Standard Chartered has witnessed significant growth across its FSS activities. "The prime brokerage business has grown exponentially and so too has the agency securities lending franchise, where we recently appointed a global head to focus on the expansion and development of this exciting area."

Its custody business has experienced substantial wins across all of the markets in which it operates and is now in the top three providers by assets under custody and clearing volumes in Taiwan, Kenya, Singapore, UAE and a number of other markets.

Alongside these successes, Senior believes it is a priority for the organisation to work in partnership with key agencies (with government, other financial institutions and corporates) to fulfil the UN Sustainable Development Goals, which provide a framework for sustainability efforts for national governments and multilateral agencies.

Senior is adamant that financial institutions have an important role to play in promoting economic growth that is environmentally and socially sustainable and that encourages delivery of a broader set of development goals.

For example, in October 2018, Standard Chartered and the World Bank sold the world's first sovereign blue bond for the Republic of Seychelles to help protect marine areas. It also brought together a coalition of banks to form the Illegal Wildlife Trade Financial Taskforce, which is working to mobilise the global financial system against this catastrophic environmental, social and financial crime.

Data and digitisation

It is evident from FSS' product documentation that technology innovation is at the forefront of the division's plans for business development. This identifies opportunities to deliver "customised programmes to scale through automation and digitalisation, particularly through harnessing artificial intelligence (AI) and machine learning (ML)". It also refers to development potential created by distributed ledger technology (DLT).

"For Standard Chartered, data and digitisation are transforming the industry by creating new opportunities to drive end-to-end efficient processing, greater control and transparency, more informed decisions and, ultimately, a better experience for clients," says Senior.

While some organisations are using automation and digitisation to standardise their service provision, Senior indicates that Standard Chartered is harnessing data and digital innovation to make its solutions and market insights accessible to a wider group of clients across its market footprint. "The aim is to create a consistent global experience while still accommodating market, regulatory and cultural nuances," she says.

AI and ML are important to delivering this goal, helping the organisation to digitise and automate manual processes, which is often a particular challenge in emerging markets, and to provide pre-settlement and post-settlement data analytics.

"These technologies are also contributing to our 'Here for Good' ambitions, by providing greater insights across supply chain ecosystems, and assessing and evaluating ESG metrics in a consistent way," she says.

In parallel, Standard Chartered continues to invest in DLT solutions within its own technology portfolio and in partnership with third parties. In September 2020, it announced the first cross-border live transaction on Trusple, a digital international trade and financial service platform based on AntChain (Ant Group's blockchain-based technology solution), which is integrated with the bank's Straight2Bank digital banking platform.

In December 2020, its innovation and ventures unit, SC Ventures, announced an agreement with Northern Trust to launch Zodia Custody, aiming to combine the traditional custody expertise of a bank with the agility of a fintech company to provide institutional investors with custody solutions for cryptocurrency assets.

In the past few weeks, it has also unveiled a joint venture between SC Ventures and BC Group, a Hong Kong-based digital asset firm which manages the crypto exchange OSL. This will provide traders with access to cryptocurrencies and other digital assets and will, it believes, position it as a market leader and the only bank among the major institutional crypto exchanges.

Future direction

Reflecting on opportunities for future expansion, Madeleine Senior observes that there has been considerable interest in Standard Chartered's agency securities lending solution in developed markets where securities lending is well-established, including Asian markets such as Singapore and Hong Kong, and in emerging markets.

"Clients are keen to leverage our presence, solutions and insights across our footprint in Asia, Africa and the Middle East to explore new opportunities," she says. "Saudi Arabia, Indonesia and China are among the markets where we anticipate significant growth in securities lending."

In China, for example, Standard Chartered was one of the first foreign banks to be awarded a licence to provide services for Qualified Foreign Institutional Investors (QFII), as well as QFII "B" Shares cash clearing services, interbank bond market settlement agent services, master custody services for trust and insurance companies, and custody and clearing services.

Standard Chartered is also experiencing continued cross-border investment interest in India, both via foreign portfolio investments (FPI) and foreign direct investments (FDI). "US investor clients, in particular, are keen to access FPI via National Stock Exchange of India (NSE) listed futures, options and to access securities lending activity there. Others prefer the FDI route into infrastructure, real estate or distressed debt," says Senior.

"As the regulatory environment in China and other markets in Asia, Africa and the Middle East continues to evolve, we anticipate that a growing number of institutional investors and asset managers will seek to partner with Standard Chartered, recognising our unique ability to provide financing and securities services across the markets in which our clients invest," concludes Senior.

European securities lending panel: a meeting of minds

What impact has market volatility, driven by the global pandemic, had on securities lending revenues over the past 12 months?

Dan Copin: The past 12 months were marked by significant liquidity injections from most central banks. Global equities markets have also risen across the board. Securities lending activity has massively reduced, however, and revenues on 'specials', particularly in the US, have shrunk. This was balanced out by a rise in corporate action activity in 2021 where companies raised capital on financial markets via convertible bonds, corporate bonds and rights issues.

Over the past year, we have seen a considerable rise in ETF lending activity where utilisation rates and revenues generated have continually set new records. Cash inflows into the system have also influenced market players' preferences in terms of collateral. In short, where European collateral is principally held in instruments other than cash, we have seen a major shift towards cash.

Maurice Leo: In my view, there has been a noteworthy structural change in buy side evaluation of the hierarchy between securities lending/repo as a liquidity management tool and its traditional use case as a source of revenue.

This has been particularly evident amongst asset owners such as pension funds and some sovereign investors over the past year. For asset owners, the main catalyst was the volatility in market valuations during March and April 2020 that translated into a dramatic increase in the requirement for cash to meet margin calls on their derivatives positions. For sovereign investors, funding demands arose from a sudden and dramatic contraction in the fiscal position of economies that were highly exposed to the impact of Covid-19.

We have witnessed a considerable increase in enquiries from asset owners and sovereign investors regarding how to harness cash collateral raised within their agency programmes — to meet the demand for margin calls in unrelated products or as an alternative source of funding to asset disposals.

Importantly, these clients are often seeking funding assurance through balance sheet-backed commitments from the agent to immunise against potential liquidity disruption resulting from lower bank intermediation in repo markets over key accounting dates or other periods of market stress.

This hierarchical approach to collateral allocation is likely to become more prevalent with implementation of the remaining phases of Uncleared Margin Rules (UMR) over the coming 18 months and will have performance implications for parts of our industry.

Demand for government debt has remained resilient throughout the past 18 months, with balances up 20 per cent in YoY terms. There has also been a meaningful contraction in spreads.

Importantly, as central bank intervention has continued at a pace and scale not previously witnessed, the securities lending facilities of the ECB, and its peers, have continued to serve as an effective backstop, supporting bond and repo market liquidity without unduly curtailing normal repo market activity. These facilities continue to be an important liquidity pillar when market tensions emerge.

Stephen Kiely: The second half of 2020 was challenging. Cash reinvestment returns dropped off as the yield curve flattened and guidance from central banks indicates no rate hikes are likely until 2023.

IPO activity, which has traditionally represented an important driver for generating lending revenue, has come under challenge from Special Purpose Acquisition Companies (SPACs) — companies with no commercial operations formed to raise capital with the purpose of acquiring a public company. SPAC issuance attained record highs during 2020 and then pushed on further with another major surge in early 2021.

Last year also saw large scale capital raising as companies raised money cheaply and built reserves to weather the pandemic storm. Subsequently, 2021 has seen the return of dividends, albeit at slightly reduced levels.

January 2021 saw the meme stocks burst into the picture, with several hedge funds losing substantial sums on GameStop as retail investors battled the hedge funds who held short-interest positions in those securities. This saw a major de-leveraging as hedge funds sold longs to cover losses and closed out additional shorts due to contagion fears.

In APAC the short sale ban in Korea was extended to May 2021, although Malaysia has become attractive to some short-interest traders through shorts focused on PPE manufacturers such as Top Glove.

Demand for ETFs increased, especially in the high-yield space with names such as HYG seeing the largest increases.

Andrew Geggus: Market activity was shaken in the early stages of the pandemic, with some industry participants withdrawing their assets from the securities lending market and multiple jurisdictions implementing short selling bans. This initial contraction was quickly replaced by an injection of liquidity into the market as many central banks implemented emergency asset purchase programmes in response to the pandemic. Balances in high quality liquid assets (HQLA) remained buoyant throughout the pandemic, as has been the trend in recent years.

The coordinated central bank action, providing large injections of liquidity, have resulted globally in yield compression across the financial markets. The combination of interest rate reductions, a surge in issuance and massive liquidity intervention have posed challenges for the industry.

These challenges continue today as cash collateral lenders seek yield opportunities, enticing participants to expand their collateral and tenor restrictions to maintain their lending strategies. However, lenders must proceed with caution, ensuring that assets and tenors align with the risk profile and mandate of a lending programme.

Marcus Rudler: The global pandemic sent most countries across the world into lockdown, effectively closing down economies as governments fought to curb infection rates. Financial markets experienced a period of significant volatility as key participants took time to digest longer term direction. This presented both opportunities and challenges to agent lenders. For example, the travel and retail sectors were hit particularly hard and, into the second half of the year, there were more specials and corporate events as companies took steps to restructure their balance sheets.

On the flip side, balances dipped as quant-driven strategies began to deleverage due to the increased volatility. While global revenue (according to DataLend) was up across both equities and fixed-income asset classes by over 20 per cent YoY, the trajectory was choppy through this period.

In response to the pandemic, major central banks stepped in with measures to alleviate stress in the system. They created an ultra-accommodating framework that continues to oversupply liquidity into the market, most notably through quantitative easing. This has driven interesting changes across flow and funding and cash reinvestment. For instance, equity loan balances have grown steadily which can be attributed to up-marks as investors, buoyed by liquidity and a central bank backstop, have driven equity market prices to record levels.

“Financial markets experienced a period of significant volatility as key participants took time to digest longer term direction”

Marcus Rudler
Executive director, EMEA head of agency securities lending trading
J.P. Morgan

Borrower behaviour continues to evolve too, as more thematic and sectoral plays come into focus over specific shorts. We have also seen a rise in demand for ETFs to gain macro exposure and growth in General Collateral (GC) balances across equities and corporate bonds.

Sharing the same ecosphere, the funding markets, including credit, have experienced the same issue of oversupply. Collateral upgrades for instance — where historically the dollar currency basis drove borrowers to pay a premium for cross-currency funding against their non-dollar assets — has slowly collapsed over the last year, prompting a shift in balances and rates.

Even on the 'non-traditional' collateral side (for example, versus equity in reverse repo, which has seen a rise in demand in recent years) the market has become overcrowded with cash holders chasing the same collateral. There was some respite as borrowers moved to optimise balance sheet usage, enabling agent lenders to benefit from a noticeable demand for cash or assets from capital efficient clients.

In summary, securities lending has benefitted and been challenged by the volatility and overfunded landscape brought about by the pandemic and the subsequent response. Overall, balances and revenue are up. However, at the margins mounting headwinds continue to compress spreads to tighter and tighter levels.

This now raises deeper questions around traditional risk-reward payoffs as agent lenders look ahead and evaluate opportunities. It is now more important than ever that businesses seek diversified revenue drivers and rely less on traditional sources.

Sunil Daswani: Typically, volatility is good for securities lending, but the combination of volatility and economic uncertainty we have witnessed recently has had a negative impact on revenues. Loan demand has reduced, with hedge funds deleveraging and short selling bans being applied in some markets. Pandemic 'specials' initially gained some traction, but this has subsided.

However, we have not seen the chaotic days of the global financial crisis (GFC) of 2008-9. Lenders have generally taken a calm approach to managing risks arising from Covid-19 and adjusted their securities lending programmes accordingly. One big change since the GFC is the increased transparency in securities lending programmes, so beneficial owners have a better understanding of their programme and the risk parameters.

Back in early 2020, the industry was optimistic about the potential opportunities in new markets created through regulatory change, including the Philippines, Saudi Arabia, Indonesia, and most significantly, China. Subsequent events have naturally slowed progress in opening up securities lending markets. However, as we go through 2021, emerging markets continue to be an attractive sector, with relatively low levels of lendable supply and additional operational requirements leading to higher returns for lenders, particularly early market entrants.

As we have seen in countries such as South Korea, Taiwan, Malaysia, and more recently, Russia, initial demand often outstrips supply as new markets open up. We are likely to see the same in the coming year in China and other newly-emerging markets for securities lending.

Matthew Neville: At the portfolio level, State Street saw an increase in loan balances across all asset classes over the past 12 months. This can be attributed to enhanced connectivity with our borrowers across our electronic distribution platforms, as well as expansion in our collateral financing capabilities. Despite the increase in balances, there have been revenue challenges.

On the equities side, there has been a distinct lack of corporate activity, so revenue from hard-to-borrow and specials activity, relative to total revenue, has been much lower than in previous years. We also experienced reduced seasonal demand, partly as a result of central bank recommendations and companies shoring-up their balance sheets during the pandemic, but also due to a reduction in the availability of low-dividend supply in some markets, as tax treaty harmonisation continues to reduce differences in withholding rates among beneficial owners.

On the fixed-income side, unprecedented central bank operations in the open market squeezed spreads across the collateral spectrum. However, demand has remained strong and balances are outperforming previous years.

In terms of borrower requirements, we have seen a significant increase in demand for Global Master Securities Lending Agreement (GMSLA) Security Interest (Pledge), largely replacing that for central counterparty clearing houses (CCPs) as a faster route to market.

Borrowers are also more prescriptive about the type of lending client they want to face, placing more value on certain client types over others. This is mostly driven by the need to deploy their financial resources more efficiently as the capital treatment varies considerably depending on who they transact with.

This has led to borrowers asking us to group clients into ‘smart buckets’ of their choice — for example, low-risk weighted assets (RWA) clients only. We see this trend continuing to play out as they consider other factors, such as position stability from clients following Environmental Social & Governance (ESG) strategies, or when facing other financial resource constraints such as the Net Stable Funding Ratio (NSFR).

Major regulatory projects such as the Securities Finance Transaction Regulation (SFTR) have prompted the industry to reflect on its operational practices, but many non-standard processes remain. What are the implications?

Kiely: SFTR has required that a number of firms review their operational practices, especially around data management. In some cases, whole databases have been built to facilitate this regulation and this exercise has been largely useful in standardising programme parameters.

This will aid the International Securities Lending Association (ISLA) in its efforts to lead the market in providing data vendors with standard data and programme parameters, allowing beneficial owners to compare performance in a more meaningful way with greater accuracy. There is always a tradeoff between scale and standardisation, and bespoke practices and processes, but the increased synergy within firms arising from some of these projects will benefit the beneficial owner in the medium and long term.

Copin: From an operational perspective, regulation could definitely play a part in clarifying the complexity inherent in products such as bank loans or the management of transaction events like those in an agency lending programme. There is also scope for clarifying the difference in interpretation between the ISLA and the European Securities and Markets Association (ESMA) recommendations within the framework of SFTR.

In particular, it would be preferable to have greater flexibility around the timing permitted to report the transactions. It would also be useful to have some reduction in these obligations for medium and smaller-sized market participants — these present a financial barrier that may shut them out of securities lending and repo markets or force them to take an expensive outsourcing route.

Neville: There are robust legal frameworks in place today across the

“There is also scope for clarifying the difference in interpretation between ISLA and ESMA recommendations within the framework of SFTR”

Dan Copin
Group head securities finance and repo
CACEIS

globe to support securities lending transactions and these have stood up to the test through times of counterparty default.

The SFTR regulation focused the market on collecting, holding and reporting lifecycle events on securities finance transactions, and although SFTR is a European regulation, it reached all aspects of the business and clients globally.

Both SFTR and the pending Central Securities Depositories Regulation (CSDR) are encouraging parties to improve efficiencies, including reconciliation of positions, pre-matching, and maintenance of Standard Settlement Instructions (SSI). This will ultimately lead to standardisation as participants look to drive down and manage costs.

Another key development for securities finance has been to align with ISDA to work towards the development of a common domain model (CDM). This will drive further standardisation of contracts and trading practices. While this is not following an explicit regulatory requirement, it will enable the industry to operate more effectively in accordance with the regulatory regimes already being implemented.

Rudler: Efforts over recent years to promote consistent approaches to regulation have been useful, and it is important for regulators to continue their work in this area to ensure consistency of application and to bring other jurisdictions into the current framework. For example, regulators should ensure that requirements around use of legal entity identifiers (LEIs) are applied consistently.

Daswani: Digitisation will be key to regulatory and market endeavours to drive standardisation and efficiency. We are already seeing positive developments from the European Commission and national regulators. However, these efforts are typically a little behind evolving market practice. For example, securities lending is already advanced in the use of technology, with more than 90 per cent of securities lending trading volume now done through automated lending platforms, a shift that few would have anticipated 20 years ago.

The CDM also appears to be gaining traction within the industry. Standard Chartered remains committed to supporting this initiative as ISLA drives this forward.

Leo: There is a need for greater convergence in regulatory approaches towards ESG investment. This would be appreciated by all securities lending market participants globally. The more harmonisation we can establish around eligible ESG collateral constituents, the better. This is important to avoid marginalising supply and liquidity.

On the other hand, I think regulatory divergence will increase as the UK government continues to evaluate existing and new financial services regulation against the backdrop of the reinforced sovereign integrity evident since January 2021.

As an industry, I believe we have a good track record in promoting standardisation practices — I think of the significant improvements in daily performance, counterparty and collateral exposure reporting for example. These were initiated by the ETF sector during the last decade and have been adopted more broadly by other regulated products over time.

In a similar vein of self-improvement, we support ISLA's continued promotion of a CDM in the securities finance industry. Through industry collaboration, we can accomplish a substantive transformation in how we negotiate documentation and manage transactions through greater standardisation.

Which regulatory projects will have the most impact on your business in the coming 12 months?

Daswani: Regulators recognise that securities lending has become increasingly integral to financial markets as a source of liquidity and financing, as well as efficient price discovery. Their focus now is to promote transparency and alignment between market participants to reduce market risk and increase efficiency.

Data is key to this, as we have seen with implementation of SFTR reporting that took effect in 2020. In addition, the CSDR, which aims to harmonise timing and standards of conduct in the European securities settlement industry, will also have an impact. But with implementation delayed to February 2022, the effects are not yet clear.

Neville: SFTR will continue to develop as booking processes are harmonised across the industry and participants improve their pairing and matching, reducing the number of breaks that require support and investigation.

CSDR is approaching at speed. Borrowers and lenders have a shared interest to increase settlement rates and reduce fails and penalties.

However, the expectations members place on each other will differ depending on the infrastructure they have in place and their ability to connect with the central securities depositories (CSDs) and post-trade service providers.

State Street is working to ensure we shift the balance of operational support from post-settlement to pre-settlement to minimise fail rates. SFTR has prepared the groundwork for this and connectivity with post-trade vendors will help to identify those trades with the highest potential risk of penalties.

Additionally, SFDR has introduced specific requirements for our lending clients which will help to develop the framework for ESG.

Rudler: There doesn't appear to be any let up in the regulatory timetable over the coming 12 months. The ESG agenda is clearly going to dominate – with the remainder of the Sustainable Finance Disclosure Regulation (SFDR) still to implement, coupled with updates and amendments that will add an 'ESG overlay' to existing regulations such as UCITS, AIFMD and MIFID. In addition, the roll out will start for the EU Taxonomy Regulation.

It is also worth noting that a number of 'milestone' regulations – such as AIFMD, UCITS, MIFID and SFTR – are all scheduled for review over the coming 18 months.

Copin: The CSDR will be the major topic for us, requiring major effort from all market participants but, at the same time, increasing the safety and efficiency of securities settlement in the EU. Nevertheless, we have a good handle on the situation and are confident that we will have everything in place to ensure our activities are in full compliance by the deadline.

Geggus: Likewise, CSDR is the regulatory project that is the main focus currently. There is still an element of ambiguity around which exact elements of CSDR will be going into effect in February 2022. Many industry participants have responded to the European Commission consultation requesting that buy-ins become voluntary and that their implementation is delayed. Despite the uncertainty around the final structure of CSDR, we are approaching the implementation in the same way we handled SFTR. A dedicated team is responsible for monitoring the regulation and ensuring each business is adequately prepared to address the variety of challenges presented.

As part of our preparations, our agency lending team plans to use internal resources within the bank to mitigate settlement fails. For

example, utilising our affiliate counterparty network and the fail coverage programme offered by our affiliate BNP Paribas entities could help our clients comply with CSDR.

We are monitoring the developments around CSDR extremely closely and are preparing for the implementation. Our active involvement in industry associations such as ISLA and the Risk Management Association (RMA) provides a forum for us to work with the appropriate regulatory bodies.

The role of the agent lender is being pushed upstream in buy-side decision-making processes. Data and insights from securities lending are becoming more integral to investment decision-making — particularly as firms apply ESG overlays to their investment strategies. How does this affect your business ?

Geggus: The securities financing industry continues to play an intricate role in the performance of a beneficial owner's investment portfolio. The securities lending agent is now viewed by many prominent beneficial owners as an extension of their asset management vendor list. Agent lenders have welcomed this change in mindset as agents continue to deliver unique solutions addressing the needs of a beneficial owner.

Whether generating liquidity, offering solutions to invest excess liquidity or utilising the numerous networks of counterparties and vendors to share market intelligence, beneficial owners are leveraging the experience and market expertise of their lending agents.

ESG is a prime example of the ever closer relationship between an agent and beneficial owner to implement the portfolio management strategies of a beneficial owner. Access to ESG data, either proprietary or through a vendor, continues to strengthen the connection between an agent and beneficial owner while highlighting the importance of an engaged, sophisticated lending agent.

Kiely: As suggested, securities lending has been getting closer to the investment decision making process for years, but this has accelerated with the focus on ESG investment strategies and decisions. A firm is only as effective or compliant as its weakest spot. Therefore, any extra intelligence or information that the securities lending market can provide to the investment decision makers is a welcome addition to the process. As the source of ESG compliance is the investment decision, this drives all other downstream businesses and events. As you suggest, the closer businesses are, the easier it is to overlay a strategy.

A second point is that we have been in a low interest rate, low yield environment for so long. Therefore, any extra revenue that can be derived from securities lending is attractive to the fund manager — especially if this assists them in achieving or beating a benchmark. The more an agent lender can understand a client's investment choices and form a two-way relationship, the greater the securities lending revenue potential.

Copin: We do not entirely agree with the question's premise because in our experience with clients, buy-side decision-making does not take securities lending data or insight into account that much. We actually see it occurring the other way around, where the lending programme is adapted to the clients' potential decisions.

Portfolio managers want to make their decisions without having to integrate securities lending considerations because in their opinion such activity ought to be transparent for the fund. As far as ESG is concerned, we generally observe that lending activity must comply with the firm's internal practices such as recalling securities for a General Assembly or excluding certain specific types of collateral. The agent lender definitely provides some data and insight to clients to help them understand where they ought to be cautious and, if necessary, to adapt their lending programme.

What data and tools are you providing to buy-side firms to support their front-office investment decisions and help them fulfil their responsibilities as shareholders?

Geggus: There are a variety of clients in the BNP Paribas securities lending programme, each with a unique strategy and risk profile. We work closely with our clients to customise their programme in accordance with their goals, whether that be from a risk and returns perspective or in relation to a particular focus such as ESG. Our role is to understand their objective and have an open dialogue to demonstrate the impact of ESG within their securities lending strategy.

We are cognisant of all factors throughout this process so our clients can decide the best course of action, accounting for the impact on their programme as they proceed in this journey. We provide detailed analysis to prospects, highlighting the result from the implementation of restrictions on programme loan balance, borrower demand and ultimately revenue.

Part of our analysis highlights the economic benefits of lending in this ESG-focused environment. We want to ensure that clients recognise the economic benefits so they are armed with the necessary information to conduct a proper cost-benefit analysis throughout the process.

This is delivered through our dedicated reporting suite, as well as customised information on request from our front office and market specialists. Having access to the whole BNP group allows us to tap into areas of knowledge and tools that we have within the bank that perhaps aren't directly part of our agency lending business.

Kiely: We have recently updated our reporting suite and are currently rolling it out to all clients. We have developed a reporting dashboard which allows clients to understand quickly and intuitively where the concentration and exposures are within their programme — through visuals and heat maps which show the makeup of collateral, borrowers, asset classes on loan, and so on. Using this dashboard, a risk-reward snapshot is immediately available. As risk committees and front office teams take a greater interest in securities lending, this provides them with an immediate insight into the programme.

Daswani: There are several indices already available to support investment decision-making around ESG, such as MSCI UK IMI Low Carbon SRI Leaders Select index which tracks small and mid-cap UK entities with high ESG scores. However, there is still a long way to go in establishing a consistent way of measuring and comparing fund performance at an industry level.

One challenge is that investors have different ESG priorities. Some investors will prioritise carbon emissions, while others will look at issues such as energy consumption, pollution, corporate governance, and diversity and inclusion. This creates an enormous demand for a wide range of data, which needs to be monitored and tracked over time.

However, we are seeing various initiatives emerge to develop ESG measurement and comparison tools, both amongst individual providers and at a wider industry level. One of the most promising is the Global Principles for Sustainable Securities Lending (Global PSSL) initiative. This aims to create a global ESG market standard for owners, lenders, borrowers and impact creators.

"One of the most promising is the Global Principles for Sustainable Securities Lending initiative. This aims to create a global ESG market standard"

Sunil Daswani
Global head of securities lending, financial markets
Standard Chartered

ESG considerations extend beyond stock selection. For example, asset managers also need to apply the same ESG criteria to their collateral. Where cash or some fixed income securities are posted as collateral, this may not be a significant issue. However, where equities are used for collateral, we provide a collateral filtering and ongoing monitoring service to give asset managers the assurance that their investors' ESG priorities are reflected from end to end through the securities lending process.

Given that an investor cannot participate in shareholder votes (typically via proxy) when they have lent a security, they may decide to recall a security to allow them to do so. This issue resonates specifically for ESG-driven investment, where institutional shareholders may play an important role in defining a company's ESG strategy. Our configurable, automated share recall service enables clients to make informed decisions on whether to recall securities or leave them on loan. This service helps reduce the opportunity cost by limiting the frequency of recall, and the time period for which securities are removed from the lending programme, whilst enabling investors to engage on key strategic issues.

Neville: ESG continues to be a hot topic for discussion with clients. State Street recently launched an ESG-aware cash reinvestment vehicle for certain customers and we are working on setting up a foundational ESG non-cash collateral index.

For clients wanting to actively shape management decisions in the companies in which they invest, State Street can manage client portfolios around key dates, such as Annual General Meetings (AGMs), by restricting or recalling securities should clients want to proxy vote on important issues.

State Street also offers research and data analytics through State Street Associates, and recently published a white paper commissioned by the RMA entitled, "Integrating ESG Considerations into Securities Lending," which proposes several best practices to help agent lenders and asset owners align lending programmes with their ESG objectives.

Rudler: Client experience is at the heart of the business strategy and the focus is on making client interaction as seamless as possible with the use of innovative technology solutions. We continue to digitise the client experience, with particular focus around the ability of clients to control their lending programmes efficiently. JPM clients are able to view and adjust programme parameters electronically.

Additionally, clients are requiring more real-time visibility in their securities lending programmes and access to data is key. JPM has real-time API connectivity where clients can either push or pull data around their programmes and feed this into their systems to get detailed understanding of their programme performance and key risk oversight.

Another focus has been to give clients greater visibility into how changes that are being proposed could affect their programme. JPM has designed a "What-if" scenario analyser tool, which is accessed via J.P. Morgan Markets, which allows clients to model potential revenue impact resulting from changes they make to their lending parameters. This tool enables clients to make informed risk-adjusted decisions within their programme.

Copin: As custodian, we provide an extensive set of activity reports that cover transactions, collateral received, billing and many others. All these files are available for download via the web or can be sent out at the frequency the client requests. We also generate performance reports (benchmark reports) so clients can verify that their agent lender is truly optimising their portfolio. Finally, we hold periodic reviews with clients to run through the latest OTC market trends and potential strategies to increase the programme's performance.

Beyond what we have already discussed, what are the key issues for the securities finance community in driving ESG integration across the transaction value chain? What obstacles exist to advancing this agenda?

Copin: As ESG rises in importance, harmonisation of ESG guidelines for securities lending becomes essential both to ensure players benefit from sufficient clarity for operation, but also to give comfort to market participants that may otherwise decide to cease the activity.

It is important to avoid the issues triggered by stock recall en masse at AGMs, which causes liquidity issues that could be very damaging for the industry itself. Obviously, IT tools play a key role in ensuring compliance with all identified ESG strategies, including fine-tuning of security exclusions, integration of essential market data to optimally monitor all AGMs and other such tasks.

Daswani: We've already discussed issues such as ESG metrics and monitoring, collateral and share recalls and proxy voting, which for many borrowers and lenders remain the challenges to incorporating ESG values from end-to-end. However, with our data-led approach to share recalls and the ability to define collateral rules, these issues should no longer pose obstacles.

Leo: We are harnessing our investment and collaboration with third-party specialists to enhance the servicing of shareholder events and to mitigate the financial and reputational exposures associated with settlement delays.

Consider our consortia investment in Proximity, a platform that delivers transparency and timeliness benefits in the circulation of investor communications and electronic proxy voting. These issues are at the core of the Shareholder Rights Directive II and affect both our securities lending and asset-servicing clients.

Data and automation are also being used to address operational efficiencies in the securities finance market and play a critical role in enhancing trading and post-trade efficiencies. In this context, our adoption of the Elastic Stack will enable our clients to identify in-flight security transactions at risk of settlement delay, thereby supporting compliance with CSDR requirements and reducing the potential costs of penalties and buy-ins for late settlement.

In terms of investor governance, beneficial owners now widely characterise securities lending as an investment product.

This has increased scrutiny around the quality and uniformity of the data underpinning independent performance measurement tools and the presentation of outputs in a transparent and consistent manner. Increasingly this is translating into adoption of performance measures that are customary in the investment management arena. In this context, a word of credit to the ISLA Securities Lending Performance Measurement Working Group, chaired by Scott Baker of ADIA, for the publication in late 2020 of industry standards and best practice guidelines in respect of data aggregation and calibration.

Increasingly we are facilitating direct access for buy-side clients to these detailed performance diagnostics, enabling them to measure revenue attribution and opportunity costs associated with different programme parameters such as security restrictions and collateral parameters.

It is encouraging that securities lending industry data is now used by a diverse series of financial services participants such as cash traders and transition management desks accessing aggregated data to measure the liquidity characteristics of individual securities. Buy-side portfolio managers commonly use the data to inform portfolio construction

“Data and automation are being used to address operational efficiencies in the securities finance market and play a critical role in enhancing trading”

Maurice Leo
Director, agency securities lending
Deutsche Bank

decisions, coupling the securities lending returns alongside low-yielding HQLA holding to establish the total value associated with ownership.

Buys-side investors also find value in securities lending data as a proxy for short selling interest, enabling them to evaluate negative market sentiment towards sectors or individual names.

Neville: One of the main challenges is that each asset owner/asset manager has their own interpretation of ESG, ranging from those companies in which they are willing to invest, to the individual collateral securities they are willing to accept.

This presents challenges to lenders when we think about how we would manage collateral, as you could, in theory, have different collateral eligibility criteria for every client in the programme. This would also have a knock-on effect for borrowers, potentially increasing the number of Required Values (RQVs) to collateralise as well as reducing the pool of inventory they are able to deploy. As the ESG agenda evolves, I envisage the market will adopt a range of ESG collateral indices to which lending clients would enroll, enabling some level of standardisation across lenders, borrowers and the tri-party agents.

Geggus: We believe there needs to be a clear distinction between the ESG elements affecting the securities lending and financing market participants, and those of our beneficial owners. There is some fantastic work being done by many industry bodies, as well as industry participants themselves, in looking for how to best incorporate important ESG factors into their service offers and their business more broadly.

We are proud of what the bank is doing to be a leader in this space. When it comes to our beneficial owners, we are of the view that we, as an agent, are there to work with them as a trusted partner and help them shape their programmes around their ESG goals. It is not for us to tell them what to do, but to work with them to come up with solutions to achieve their aims.

The main obstacle to all of this is that there is no “one size fits all” solution when it comes to ESG. This really is a matter of managing the customisation of the lending programme, the idea being to apply ESG parameters while retaining as much revenue as possible from the activity.

Rudler: There is a need to dispel the reservations that securities lending is a barrier to effective shareholder engagement, or that securities lending is incompatible with ESG investing. We firmly believe that the two can co-exist and investors can engage in a securities lending programme without impeding responsible voting and stewardship criteria.

As mentioned, ESG means different objectives to different people (regional divergences, different investment strategies, variances by client type). Therefore standardisation is unrealistic, especially in relation to collateral and lending. Customised approaches will add complexity and friction to the operational process. The key will be to find solutions that enable the industry to balance customisation with efficiency and scale. In our experience, while ESG clearly remains a widely discussed topic, we are not yet seeing it come through from clients in their decision making, outside of voting.

A plethora of data providers, but no harmonised criteria or consistent interpretation with respect to ESG data and ratings, makes it very challenging to assess data for quality and to ensure reliability. This is an important point given how critical a role data vendors play in the ESG ecosystem.

Kiely: Regulatory requirements on ESG are evolving rapidly but are not yet fully drafted and vary across regions, so we are likely to see significant changes over the next 12 to 18 months. At present lenders do not have clarity on what will be required of them. SFDR is a good example of market confusion on definitions owing to lack of clear regulatory technical standards (RTS).

Importantly, securities lending desks are not setting the ESG policies, they are consuming policies coming through from their enterprise ESG — and their enterprise ESG policies, in turn, are not yet at a full stage of maturity and do not take into consideration factors like collateral for securities lending. The result is that these adopt a broad brush approach, applying their ESG policies across everything, including collateral, despite there being no voting rights in the collateral, no legal ownership of pledge and no regulatory requirement to do so at present. For many companies, this strategy is driven largely by a desire to minimise reputational risk.

Beyond what we have discussed, what are your strategic priorities as a global agent lender for the 12 months ahead?

Rudler: Securities lending is an industry which, for most, has altered little in over 40 years, with actors fulfilling the same unchanging roles in a linear value chain. At the same time, clients' financing requirements have experienced rapid structural change as their businesses (and the constraints they encounter) evolve. These trends have challenged the status quo and raised the potential for innovative synergies across the entire secured financing landscape.

We believe alternative financing will continue to grow within the securities lending landscape. We will continue to invest in our dedicated alternative financing team, whose product set expands beyond the traditional securities lending services, and to provide the infrastructure to facilitate all aspects of a client's evolving financing requirements. This includes supporting long and short cash trading requirements, enabling lender-directed lending transactions of any kind, and through our Agency Prime platform, supporting loans to non-traditional counterparties such as qualifying hedge funds, or indeed any other peer-to-peer transactions.

Leo: In addition to our established agency product that delivers tailored risk-adjusted returns to our clients, we will continue to reinforce the relevance and sustainability of the business across Deutsche Bank's Corporate Bank by harnessing the opportunity to provide liquidity solutions to treasurers operating on behalf of asset owners or corporates.

Regulatory changes, such as the expiry of Supplemental Leverage Ratio reliefs in the US in Q1, have resulted in a significant displacement of cash into money market funds and repo — established investment options that are widely used within our existing agency securities lending business. We expect to witness continued momentum in our outsourced liquidity solutions activities as investors optimise liquidity management and contingency frameworks and de-couple these from the safekeeping and settlement services of traditional securities services providers.

Copin: As always, our priority is to assist our clients with their business development objectives, to help them to grow and take advantage of new market opportunities. It is essential that we maintain sufficient flexibility, to constantly adapt our ways of working to ensure we generate optimal performance during the Covid-19 pandemic and in its aftermath.

Neville: Meeting our regulatory obligations and looking for solutions in the ESG space are permanent fixtures on our priority list. In addition, with Basel III in sight, developing solutions to

"From a connectivity perspective, we continue to explore and adopt new platforms to expand our distribution capabilities"

Matthew Neville
Managing director and head of agency lending trading, EMEA
State Street Global Markets

manage our financial resources efficiently, as well as those of our borrowers, will be a key focus over the year ahead. The trend for borrowers requiring the GMSLA Pledge is gathering pace and we intend to ensure coverage across all our tri-party providers, enabling borrowers to retain control of their liquidity at their venues of choice.

From a connectivity perspective, we continue to explore and adopt new platforms to expand our distribution capabilities and we aim to maximise utilisation of the post-trade service providers to increase operational efficiencies and minimise risk. Looking further forward still, State Street recently launched a new division dedicated to digital finance called State Street Digital. We're excited to see how we can integrate securities lending into this space as we build out our blockchain and tokenisation capabilities.

Kiely: We have an ongoing commitment to enhance client experience and we are doing this on two fronts in the year ahead. One is through roll out of the interactive reporting tool and development of industry leading ESG capabilities. We are also looking to increase flow through capital efficient distribution channels and trading technology solutions. Ultimately our strategy is to increase capacity through greater intrinsic inventory and wider distribution.

Daswani: We continue to build a values-led business based on best-in-class operations, risk management and governance, and attractive returns, that offers clients a real alternative to traditional securities lending agents, not only in developed markets where securities lending is well-established, but in newer, emerging markets too, such as Saudi Arabia, Indonesia and China.

Securities lending has become a volume-driven business, which has increased market participation on one hand, but also led to a "one-size-fits-all" approach which does not meet the needs of all institutions. Beneficial owners are seeking the flexibility to run an individualised programme that addresses its unique securities lending requirements, in which ESG considerations increasingly play a part.

Traditional securities lending agents often struggle to adapt legacy systems and processes in line with changing regulations and client expectations. Through our agile, flexible and robust agency securities lending service, we are supporting clients' growing demand for digital, automated and highly efficient front-to-back solutions.

The securities lending market continues to evolve, such as the growth in peer-to-peer (P2P) lending that we are currently witnessing, with investors lending to each other rather than through

"Traditional securities lending agents often struggle to adapt legacy systems and processes in line with changing regulations"

Stephen Kiely
International head of securities finance sales and relationship management
BNY Mellon Markets

an intermediary. This approach can help improve trade execution terms, and ensure the credit quality of the counterparty. However, there can be additional operational and legal demands, so we continue to expand our bespoke offering to support these changing demands, without compromising on operational integrity and risk management discipline.

At Standard Chartered our top priorities for the next 12 months include continuing to work with the technology available to see how we can enhance our product offering further to our client base. Our philosophy reinforces the need for client customisation, which we are able to offer owing to the unique structure and set up of our clients' lending programmes which operate on a fully segregated basis. The partnership we have with eSecLending continues to be fruitful, with a strong track record and global presence allowing clients to see the immediate benefits of asking us to review their programmes — offering an indemnity backed by an exceptionally healthy balance sheet and a track record.

Geggus: Some of the main strategic priorities we are working on include an upgrade to our trading system, as well as a continued development plan for our proprietary-built front office layer, which we see as a key driver of efficient performance.

Our upgraded trading system will allow for a lot more flexibility in a market where more data than ever is required instantaneously and at point of trade. We will be able to offer a higher level of customisation to our clients and to our counterparts, as well as an extremely efficient automated route to trade.

Elsewhere, we have been investing in our people. Our presence in the APAC region continues to grow as we leverage our presence in Hong Kong and Sydney to distribute assets efficiently in the region. Our US desk continues to secure new mandates from both asset managers and insurance companies, while the team in EMEA solidifies BNP Paribas as a market leader servicing prominent beneficial owners.


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Chain linked

Alex Pugh reports

The Options Clearing Corporation's Matt Wolfe gives an update on the firm's almost-ready blockchain platform that promises to transform key areas of securities finance

Not a day goes by that the news cycle is not dominated by applications born out of distributed ledger technology (DLT) — whether its non-fungible token (NFT) works of art commanding eye-watering prices, promises that the tech will revolutionise and democratise industries as diverse as healthcare and banking, or, of course, the volatility of cryptocurrencies such as Bitcoin, Dogecoin and Ethereum.

Matt Wolfe, executive director, securities finance at the Options Clearing Corporation, is a man on a mission. He's been working on a DLT platform at the Chicagoan central counterparty clearing and settlement services firm for years and now the technology is about ready to launch at the tail end of 2021, with some OCC clearing members already trying it out. Wolfe spoke to SFT about the challenges, advantages, applications and misunderstandings surrounding OCC's DLT effort in the lead up to its debut.

A golden opportunity

Wolfe began by detailing the main benefits the technology can bring to securities lending platforms, improving the way in which transaction and contract information is communicated and by reducing reconciliation challenges. "With DLT technology, if participants have nodes to read information from the shared ledger, the information can be automatically fed into their systems in a couple of ways that are timelier and less costly to develop and maintain," Wolfe said.

DLT technology not only creates a technical advantage over traditional messaging but it also provides a shared "golden source" of information that is available at any point in time through the nodes. "This is a big advance over how the industry currently communicates and establishes a shared understanding of their contracts with their counterparties," Wolfe said.

Wolfe does not expect industry participants to immediately adopt nodes and upgrade their systems but expects adoption to be more gradual, with firms adopting a node and using it as a comparison tool to their current systems. Those that find the information from the node "more accurate, easier to access, or superior to their current databases" will likely transition over according to their own timeframes and situations, Wolfe added.

A big misconception, Wolfe said, is that all of their counterparties also need to adopt a node. This is not the case, although the benefits will grow as more and more firms decommission the legacy ways of sharing files back and forth and reconcile against each other. "Eliminating reconciliation is the ultimate benefit, but that isn't going to happen anytime soon," Wolfe said.

Ahead of the pack

The origins of OCC's DLT initiative can be traced back to 2015, when OCC was considering threats posed by the burgeoning technology — and its potential uses. "At the time, securities lending was identified as the best use case," Wolfe said.

Primarily, this is because with securities lending each new loan forms a contract, managed independently through its life by the original counterparties to the transaction. This is different from options and futures where trades are combined into positions and the buyer and seller don't know who was on the other side of a transaction. "We considered a proof of concept at the time, but it didn't gain any traction," Wolfe noted.

But in 2018 OCC began work on a complete transformation of its clearing system, "so we revisited the idea of using a DLT system". And in 2019 OCC moved to the proof of concept phase and developed a DLT-based securities lending platform. "Once it was ready, we presented the system to a wide variety of lenders, borrowers and lending intermediaries," Wolfe said. The feedback during these demonstrations was "very positive" and OCC subsequently sought additional feedback from other firms.

That information was combined into an anonymised report which showed overwhelming support for both the system and a willingness to use it. Based on that, and a detailed comparison to non-DLT alternatives, OCC proceeded to develop a production system.

The development began in 2020 and despite the pandemic and remote working environment, Wolfe said the project has been successful. "Development is expected to complete later in 2021 and we have begun giving demos to OCC clearing members." Feedback from those demos has again been positive and, according to Wolfe, there is a "good amount" of interest in when the system will be implemented and how the clearing members can interact with the new system.

A nimble approach

Casting an eye across other DLT-based securities lending technology, including offerings from HQLA^{X} and Israel's TASE, Wolfe said OCC's model has taken a pragmatic approach from the outset, ensuring that participants can continue to clear their securities lending activity without having to adopt a node — they can continue interacting with the system in the same ways that they have always done.

"We also are not changing the settlement process. The exchange of stocks versus cash collateral will continue to be done in the traditional manner via the depository." This should make adoption much easier and not cause disruption to the market, Wolfe added.

There are certainly benefits to having all participants engage directly through the DLT network, as well as through tokenisation of securities and collateral, "but we felt that a more pragmatic approach would be more successful and in the industry's best interest", Wolfe said. "We look forward to those innovations coming to market, and we have positioned ourselves to be able to more easily adapt along with the industry."

On what's next for OCC, Wolfe said the company has been working with the industry on several product and service enhancements. Buy-side clearing and support for non-cash are "high on the list," as well as guarantee of term and support for voluntary corporate actions, which are also important to OCC members, Wolfe said.

The goal of OCC's technology transformation, including the new securities lending platform, is to implement a "more flexible system that can be enhanced much more quickly", without compromising any critical areas such as cyber security, resiliency, recovery, data privacy, and auditability. "We look forward to continuing to engage with the industry on what serves them the most," Wolfe concluded.

Towards A Sustainable Repo Market

Gerard Denham, Senior Vice President, Funding & Financing Business Development at Eurex, outlines the latest developments in sustainable finance, the role of the repo market and the progress of the Eurex Repo Green Bond General Collateral Baskets

Sustainable finance has been a prominent and intensive focus for financial markets over the past 18 months owing to increasing demand from investors for ESG-compliant investment opportunities, as well as the coordinated and concentrated attention on this subject by policy makers and regulators. This focus has been particularly intense in Europe.

Governments, as well as many of the world's largest asset managers, pension funds, banks and insurance companies, have declared their intentions to agree to a range of net-zero emissions initiatives, as well as sustainable finance regulatory directives, by adopting multiple schemes and treaties that will culminate in the COP26 Summit — the

26th UN Climate Change Conference of the Parties in Glasgow, hosted by the UK Government in November 2021.

This year's summit is expected to reveal a proliferation in sustainable finance initiatives, as governments seek to demonstrate their climate leadership credentials before the world.

Green Bond and Sovereign Issuance

The sustainable debt market (Green, Social and Sustainability bonds, or GSS) reached a cumulative US$1.7 trillion at the end of 2020, with almost 10,000 instruments issued under GSS labels since 2006. This current critical decade has begun with labelled issuance evolving into the mainstream. US$700 billion worth of GSS instruments were issued in the calendar year 2020, almost double the 2019 figure of US$358 billion, indicating the intensive growth in sustainable debt despite the impact of the Covid-19 global pandemic.

Sustainable finance is a focus of national and supranational governance alike, with Europe exceeding a cumulative US$500 billion of green bond issuance at the end of April 2021, according to Climate Bonds Market Intelligence.

The European Union (EU) is committed to climate-neutrality by 2050, and the response from governments and corporates suggests that sustainable finance is growing in strategic significance. The EU plans to ringfence almost a third of its sizable pandemic recovery programme for green investments, as the European Commission continues to work on defining its green economic activity.

National governments in Europe are also making strides — 2021 has seen Italy go to the sustainable finance market with an inaugural sovereign green bond while Spain, Denmark and the UK have all signaled intentions to follow suit. Italy became the tenth sovereign issuer in Europe, with a record-breaking green bond issuance.

The German and French bond markets have both been supported by issuance from their national governments. Germany's green bond debut arrived late last year, alongside vanilla equivalents, with its innovative 'twin bond' model — from which green yield curves can be recorded and used as a reference point for companies and other nations looking to tap the European bond markets. In May this year, Germany issued a further series of twin bonds, this time extending the yield curve out to 30 years.

The Covid-19 global pandemic has provided a renewed incentive to position environmental considerations at the centre of global recovery and resilience programmes. The EU will safeguard up to €250 billion of a €800 billion Coronavirus recovery package for green investments over the next five years with its 'NextGenerationEU'.

This is the new temporary recovery instrument at the heart of the EU response and aims to support the economic recovery and build a greener, more digital and more resilient future. To finance the NextGenerationEU, the European Commission, on behalf of the EU, will borrow on the capital markets. This activity will be concentrated between mid-2021 and 2026 and repaid by 2058.

The Commission seeks to raise 30 per cent of the funds, amounting up to €250 billion in current prices, through the issuance of NextGenerationEU green bonds and to use the proceeds to finance green policies, while simultaneously boosting the size of the green bond market and inspiring more issuers to issue green bonds.

The EU has also been working to create a landmark classification system for green investments. The EU Taxonomy, and subsequent EU Green Bond Standard, aim to establish a catalogue of environmentally sustainable economic activities to supplement investment into sustainable infrastructure to meet the EU's European Green Deal targets.

View from the repo market

Eurex Repo launched its green bond GC basket in November 2020. The green bond basket encompasses Euro-denominated fixed income securities that are issued in accordance with certain guidelines that include renewable energy, preservation of biodiversity, sustainable waste management and other sustainability-related criteria.

On the sell side, bank treasury desks have an environmental, social and governance (ESG) focus and are strong supporters of new green bond issuance. Meanwhile, the buy side has already demonstrated that they are at the forefront of sustainable finance within the financial industry. The new Eurex Repo green bond general collateral (GC) basket is a useful component for the overall buy-side strategy as it offers repo market participants the opportunity to manage their short-term cash (i.e. money market positions) in an ESG and green bond-compliant way.

Eurex Repo initially started with a single basket for green bonds which includes government as well as non-government bonds. The green bond GC basket encompasses euro-denominated debt securities that observe the guidelines and principles for green bonds.

In an extensive client consultation period with repo market participants, sustainable finance initiatives are a top priority for all clients but this has not yet resulted in a distinct mandate regarding repo transactions. Feedback specified that adequate supply of liquid collateral is key to support any sustainable finance initiative and the use of green bonds as the collateral in a repo transaction was a key requirement.

The consultation indicated that repo market participants are willing to contribute and participate in market-led sustainable finance working groups and consultation forums to achieve the goal of a sustainable repo market.

In the longer term, there is the potential to introduce green bond baskets for the Eurex GC Pooling market once the green bond repo market becomes more established in terms of liquidity. Eurex has the flexibility to supplement the product range with more specialised GC baskets based on developing client demand — by potentially including other sustainable finance bond types such as social bonds and sustainable bonds.

The green bond GC basket was designed to meet demand from both buy- and sell-side clients with strong ESG mandates and has really kicked off the discussion regarding sustainable finance in the repo market.

As a result of the Eurex Repo client consultation, two new green bond GC baskets will become available for trading on Eurex Repo's F7 trading platform in July. One basket will feature higher credit quality, ECB eligible, government and supranational issued green bonds with a maturity date not exceeding 10 years.

The second new basket will contain the same features, except the maturity date will not have a restriction. This basket will enable repo market participants to transact in the longer-dated 30-year green bond issues, such as the recent issues by the German Finance Agency.

ICMA and the ERCC discussion paper

The International Capital Market Association's (ICMA) European Repo Collateral Council (ERCC) issued a discussion paper in May 2021 entitled Green and Sustainable Finance: What is the role of the Repo Market? The paper highlights the role of repo in green and sustainable finance, exploring the sustainability aspects of repo and collateral.

The paper identifies different possible intersections between the repo and collateral market and sustainable finance: repo with green and sustainable collateral; repo with green and sustainable cash proceeds; and repo between green and sustainable counterparties.

The ERCC envisions a green repo market where buyers and sellers would only transfer bonds that are classified as green, such as the green bond GC basket launched by Eurex, which acts as a short-term funding vehicle for green assets.

One of the key functions of the repo market is to support liquidity in the secondary market and facilitate price discovery. While evolving regulatory initiatives and central bank policy measures will be important to encourage investment in, and mobilisation of, sustainable assets, repo has a key role to play in the growth of sustainable assets such as green bonds, social bonds, sustainability-linked bonds.

Segments such as green bonds still lack secondary market liquidity for some of the reasons mentioned in the ICMA paper. Use cases which involve collateral baskets with a sustainability focus include investors (or trading agents acting on their behalf) lending cash against securities that investors can report as meeting their sustainability policies and objectives (e.g. an inclusive approach to fund green bonds) in their investment disclosures .

Aside from any 'value-based' considerations, other risk-based criteria (evolving around credit risk) should apply such as collateral haircuts, concentrations and exclusions managed by tri-party collateral agents.

Eurex Repo offers centrally-cleared repos with green and sustainable collateral. The bonds included in the Eurex Repo green bond GC basket are subject to Eurex Clearing eligibility and follow the ICMA Green Bonds Principles.

Other sustainable finance bond classifications such as social bonds and sustainable bonds can be included in additional collateral baskets based on sustainable finance themes, given appropriate consultation with market participants, data vendors, and market infrastructure providers.

A sustainable repo transaction could also be based upon an index of sustainable collateral for cash management purposes (i.e. the cash leg of a repo transaction could be aligned to an index based on green, social, sustainable and sustainability-linked bonds classified under the ICMA's respective guidelines and principles).

Additionally, there is potential for repo collateral to be based upon the upcoming EU Green Bond Standard linked to the EU Taxonomy criteria and the UN Sustainable Development Goals (SDGs).

The most important aspect of the Eurex Repo green bond GC basket, and other potential service offerings, is to ensure its role in supporting liquidity and collateral fluidity and to contribute to the development of an efficient and transparent sustainable finance market.

Collateral eligibility and collateral quality will still be determined by market participants and assisted by the subsequent infrastructure providers such as exchanges (for bond listings), data providers, rating agencies, second party opinion providers, trading platforms, central counterparties, ICSDs, tri-party collateral agents and trade repositories.

It is also the role of market participants and market infrastructure to continue to support issuance and liquidity across all asset classes (i.e. green and non-green), while the transition to a more prominent level of sustainable finance is accomplished.

The role of all repo market participants is to promote and strengthen issuance in the primary market and support liquidity in the secondary market. There is undoubtedly potential to embrace the concept of green and sustainable finance more actively in repo markets. Trade associations may also consider supporting any potential regulation intended to ensure that the repo and collateral market plays a central role in the overall development of sustainable finance.

Additional consideration could be given by policymakers and regulators to supporting the repo and collateral market's role in the overall development of sustainable finance. For example, this might include the introduction of prudential regulation that is risk-based to ensure there is an increased allocation of sustainable assets as outlined by the EU (or equivalent) Taxonomy.

The responsibility is now with repo and collateral market participants to promote a robust and sustainable repo and collateral market and, in doing so, to support transition towards a sustainable global economy.

The most important aspect of the Eurex Repo Green Bond GC Basket is to ensure its role in supporting liquidity and collateral fluidity and to contribute to the development of an efficient and transparent sustainable finance market.

Gerard Denham
Senior Vice President, Funding & Financing Business Development
Eurex

Fair, Orderly and Transparent

David Lewis, FIS' senior director, securities finance and global head of Astec Analytics, reflects on regulators' guidance for short sellers and efforts to ensure a fair and transparent marketplace

Mathematics, science and financial markets have much in common. They all rely on process and formulae to deliver predictable results, but almost always with caveats. For example, patterns of physical behaviour, such as acceleration due to the force of gravity, are described with certainty by physics equations and rules but with the additional quirk to cover the unknown or difficult to measure (e.g. friction). In the absence of friction, do X and you will always get Y. All you have to do is work out what impact any friction has on the result.

Financial markets, and indeed any market for that matter, suffer from similar issues but the caveats are applied by economists, not physicists. For example, a perfect price for an asset can be obtained, but only in the presence of perfect information for all buyers and sellers and, of course, with no transactional friction. It is this utopian position that many governments and regulators strive for, through prudential or prescriptive regulations and policies.

Perfect information

Perfect information is a favorite of many regulators and, to ensure a level playing field among all investors, they work to exclude unfair advantages while also eradicating poor behaviour. Recent debacles that have had rarely seen impacts on the market and its participants, large and small, include extreme volatility in GameStop shares, as well as in the value of Dogecoin and Bitcoin.

Seemingly throw-away comments by major industrialists on the validity or acceptability of either of these cryptocurrencies with regards to their future position in financial society, or whether they might accept them as payment for their products, has sent their value soaring and plummeting with frightening results.

Dogecoin, for example, was worth 0.8 of one US cent ($0.008)


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apiece in January 2021 but had peaked at over 72 cents ($0.72) in May. Bitcoin is on another level of magnitude, trading at around $36,000 each in January and advancing to over $62,600 by April. Not the stellar rise seen by Dogecoin, but significant nonetheless, particularly as the value is back where it started in January.

Some have alleged wilful market manipulation, and this has yet to be proved of course, but such activities are bound to come under scrutiny from regulators. Short sellers are no strangers to such attention, having their actions outlawed in some countries in times of market stress, and increasingly regulated in others when unfair behaviours are alleged.

Short and distort

Many activist investors, such as Citron Research, Muddy Waters and others, who have uncovered significant wrongdoing at companies they have researched and taken positions against, attract the attention of regulators that fear market manipulation by those with an unfair edge on information.

The Australian Securities and Investments Commission (ASIC) has released a new set of guidelines and best practices for short sellers operating in its markets. INFO 255 lays out the regulator's expectations for acceptable behaviour without, thankfully, banning the insights that intelligent research can bring.

However, there are more than a few areas for concern within the best practice that might raise eyebrows with some and will raise questions about the equal treatment of those positioning to benefit from an undervalued asset compared with those taking positions against one that is overvalued.

"Short and distort" is both an unattractive statement and behaviour somewhat akin to the mirror version of "pump and dump" promoted in the film The Wolf of Wall Street. ASIC is right to attempt to root out those wanting to distort the marketplace with unfounded negative statements on companies that they have already taken a short position against, just as it should seek out those making falsely positive claims about the value of equities and other securities.

Price discovery

The guidelines include recommendations to avoid unacceptable levels of market volatility by only releasing such research outside market hours so that the targeted company has time to respond to any allegations of wrongdoing before any selloff begins. It also recommends that such research be based on facts and is not unfairly imbalanced toward negative aspects of the share issuer's financial health. Somewhat less realistic, however, is the suggestion that the research publisher fact checks with the entity they are releasing research about before publishing their findings.

If short selling, and the research behind it, is to benefit the level and accuracy of price discovery in a market then forewarning those that are suspected of misleading that market seems out of step. Most regulators around the world have multiple layers of regulations regarding the publication of financial statements and research, including the need for accuracy of any claims or statements, which should be applied equally to both the long and short side of the street.

To unfairly restrict the sceptical side of the market will create an imbalance, attracting capital and resources to companies that should not benefit from them and delivering equity valuations out of step with reality. All these factors harm investors and the market overall.

Public disclosure of short interest data, supported by many exchanges around the world, goes someway to remove the belief that short interest data is tantamount to insider information. ASIC suggests that they can be comparable when the short seller/activist researcher has information on, or even just an opinion on, the value of the company before that data is made public. Insider trading is, and should be illegal, but the same tests and controls must be applied to both sides of the street for it to be effective and transparent.

The Australian regulator does recognise that some activist short sellers have uncovered flawed businesses, insolvency and even fraud, but remain fearful about the potential of "short and distort" campaigns where perfectly viable companies are targeted for short term gains as investors react to overly negative research.

There is no doubt that research firms and influential individuals with a significant following can move asset prices and even whole markets with little more than an opinion, whether published with diligence or maleficence. It is the unenviable task of regulators to balance the flow of market data and police its veracity to ensure fair, orderly and transparent marketplaces for all.

All the changes at Kaizen, BCS Global Markets and EFAMA, and more

Naïm Abou-Jaoudé elected as EFAMA president

Naïm Abou-Jaoudé has been elected as president of the European Fund and Asset Management Association (EFAMA) for a two-year term, running until June 2023.

Abou-Jaoudé is the CEO of CANDRIAM, a position he has held since 2007. He also serves as chairman of New York Live Investments International.

He takes on the role of president with more than 30 years of experience in the investment management industry and has held various investment leadership positions including fund manager and chief investment officer.

Abou-Jaoudé takes over from Nicolas Calcoen, deputy general manager of Amundi and an EFAMA board member since 2012.

Meanwhile, the board of directors also elected Peter Branner and Joseph Pinto to the board.

Branner, chief investment officer, is a member of the management board of APG Asset Management in the Netherlands.

He is responsible for the overall investment operations and optimisation of long-term responsible investments in line with the APG strategy.

Previously, Branner has held several management roles at asset management companies over the past 30 years, including at Scandinaviska Enskilda Banken, Fortis Investments and Ikano Funds.

Alan McIntyre has joined Kaizen Reporting as a senior regulatory reporting specialist.

The regulatory and transaction reporting professional, based in London, will be focusing on G20 reporting challenges including upcoming US Securities and Exchange Commission and Commodity Futures Trading Commission reporting obligations.

McIntyre has also been principal consultant and sole proprietor of Strait Downstream, which for over 14 years has provided regulatory, transaction reporting and straight-through processing expertise to banks, market infrastructure and fintech firms.

Additionally, until January of this year, McIntyre spent a year providing transaction reporting and Depository Trust & Clearing Corporation GTR expertise to regulatory reporting consulting practice Quorsus, assisting the Brexit programme's data migration and creation of separate EU & UK trade repositories for both EMIR and SFTR.

Scott Fuller has been made a director within BCS Global Markets' prime brokerage sales division.

Fuller has extensive experience across various international financial institutions, having worked for Scotiabank, Credit Suisse and UBS O'Connor.

Prior to BCS Global Markets, Fuller had short stints in investment banking and equity finance at Resource solutions and XConnect Trading, respectively. Before that he worked for almost five years in Scotiabank's hedge fund sales division as a director.

Before his move to Scotiabank, Fuller worked at Credit Suisse for almost 12 years, starting in 2003. As vice president of trading at the Canadian multinational bank, Fuller was responsible for hedge fund sales covering Europe and Asia.

Capco, the global technology and management consultancy, has appointed Alex Ross-Wilson as a new partner with responsibility for the company's UK banking practice, based in London.

Ross-Wilson brings experience in core banking and credit services with him to the role. During his career, he has played a role in shaping the successful implementation of complex delivery programmes and establishing multi-year application outsource deals.

He joins Capco from HSBC, where he was a senior strategic change director in group transformation.

Prior to HSBC, he spent 20 years at Accenture, predominantly aligned to the financial services operating group.

This included a decade as a managing director within Accenture's technology consulting business, during which time he led the Accenture UK & Ireland Financial Services Liquid Delivery capability.

Ross-Wilson comments: "I am looking forward to growing Capco's core banking and lending capabilities to complement our existing strengths around payments. The UK banking sector is under tremendous pressure to deliver greater digitisation and innovation, while at the same time dealing with reduced income from their traditional services."

Robert Sackett to leave Wells Fargo

Wells Fargo head of securities lending Robert Sackett is to leave the company.

Sackett joined Wells Fargo Securities from TradeStation in 2015 to head up their securities lending business and to support prime brokerage and equity trading activities.

Prior to this, he worked as head of securities lending and prime services at TradeStation Securities.

He also spent 17 years at Citi, where he was head of specials trading for US equity finance, managing trading for prime brokerage clients and the bank's proprietary business.

In total, Sackett has more than 25 years' experience in prime brokerage and equities financing and has played a key role over the past six years in developing Wells Fargo prime services activities.

Sackett has resigned from his position at Wells Fargo, according to industry sources, and will pursue new opportunities outside of the company.

A Wells Fargo spokesperson confirmed that Sackett is leaving the company, but declined to comment on the circumstances of his departure.

Upcoming Securities Finance Training

Corporate Events in Securities Finance

Date: 5 July 2021
Location: Online
Provider: Consolo
This live on-line training course is designed for anyone who needs to know the background, structure and obligations of Corporate Events in the Securities finance industry

Non-Cash Collateral Fundamentals

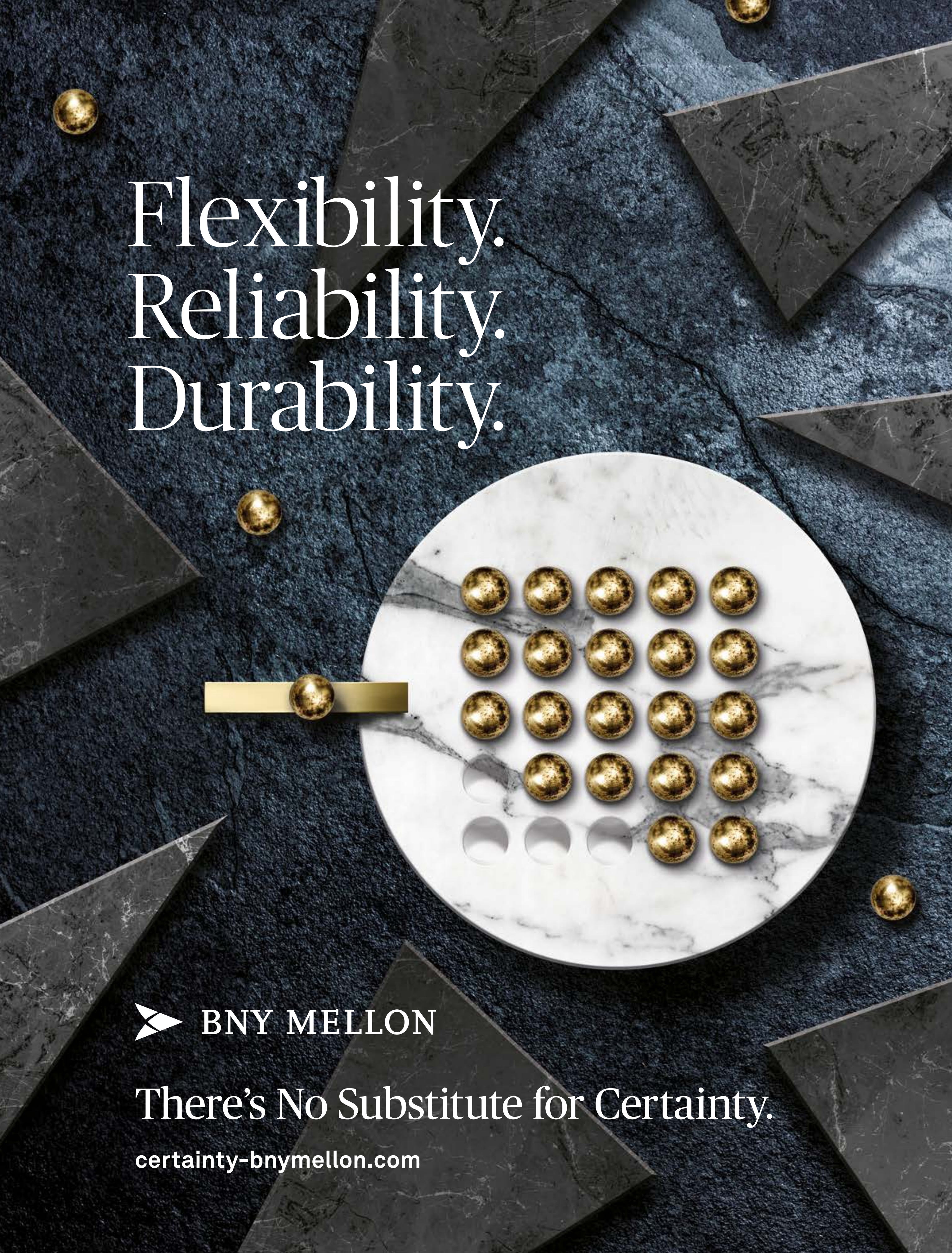
Date: 7 July 2021
Location: Online
Provider: Consolo
This live on-line training course is delivered by an experienced market practitioner and designed for anyone who needs to understand non-cash collateral purpose, process and requirements

Securities Lending Fundamentals

Date: 6 July 2021
Location: Online
Provider: Consolo
This live on-demand training course is designed for new entrants to the industry who require an overview of the securities lending transaction and process involved in execution

RFP Process and Evaluation for Securities Lending Services

Date: 7 July 2021
Location: Online
Provider: Consolo
If you are selecting a service provider in securities lending you need to be able to design, run and score an RFP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