securitiesfinancetimes
The primary source of global securities finance news and analysis
Issue 288 12 October 2021

Fidelity: meeting the needs of an underserved market

Investor &
Treasury Services

Optimizing portfolio performance

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

#1 Income Generated*

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

*Global Investor/ISF Beneficial Owners Survey - Custodial Lender Category Unweighted, 2021

Pirum integrates BNY Mellon digital tri-party into CollateralConnect

Pirum has integrated BNY Mellon's digitised tri-party collateral schedules into its CollateralConnect solution.

This collaboration will integrate BNY Mellon's automated delivery service and its tri-party schedule and collateral eligibility data into Pirum's collateral eligibility and optimisation tools, enabling smarter collateral decisions through application of algo-based portfolio optimisation tools, according to the two companies.

Through its CollateralConnect service, Pirum offers a real-time centralised view of margin obligations, digitised collateral eligibility and global inventory management that aims to optimise collateral mobilisation and allocation across locations and product areas, including securities lending, repo and derivatives.

In addition to providing collateral eligibility controls, the service offers collateral allocation compliance with regulatory obligations such as the UK Financial Conduct Authority's Client Asset Sourcebook rules (CASS), the EU Markets in Financial Instruments Directive and the US Dodd Frank Act.

Pirum head of client innovation Todd Crowther says: "The addition of BNY Mellon tri-party collateral schedules and digitised eligibility to CollateralConnect is an important milestone both for collateral receivers and providers, especially where firms require an automated centralised schedule repository, enabling efficient collateral management across all their margin activities."

BNY Mellon's digital business leader within clearance and collateral management Victor O'Laughlen says: "We're supportive of financial technology providers like Pirum that connect into existing market infrastructure to enable clients to be more efficient.

"That's why we are pleased that our digitised tri-party collateral schedules and position eligibility API data is available to our mutual clients, empowering them to optimise their use of their securities inventory."

BNY Mellon's Future of Collateral initiative is designed to promote an optimised and harmonised collateral ecosystem, enabling clients to deploy collateral assets located around the world within one unified collateral environment.

Inside this issue

KeyBank closes securities lending programme

KeyBank, a subsidiary of KeyCorp and Cleveland-based bank, will close its private banking securities lending programme.

The announcement applies only to Key Private Bank's securities lending business and all other trading relationships with KeyBank National Association (KBNA) and KeyBanc Capital Markets (KBCM) will remain open.

In a letter addressed to borrowers and friends, the firm announced it will not initiate any new securities lending activity going forward.

The letter, which was signed by Dennis Walsh, head of securities lending and senior vice president, reads: "We currently do not have a date for our final day, but you will be receiving recalls on the open loans we have with you tomorrow morning.

"All of us have spent the majority, if not all, of our careers here at KeyBank. Securities lending has encompassed most of those years.

"Dennis [Walsh] has decided to take an early retirement and spend time travelling with his wife and golfing."

SGSS receives mandate from Fidelity International

Societe Generale Securities Services (SGSS) has been mandated by independent investment services company Fidelity International for its securities lending services.

The mandate follows as FIL Gestion, the asset management entity of Fidelity International, marks a decade of partnership with SGSS.

In its provision of securities lending services, SGSS administers solutions for cross-asset portfolios according to a buy-side firm's risk profile and regulatory framework.

With SGSS acting as agent rather than counterparty, the solution incorporates the lending agency programme of Societe Generale Group, which includes management of corporate actions, bespoke collateral management in securities and cash, and comprehensive reporting.

Jean-Denis Bachot, chairman of FIL Gestion, comments: "Strengthened by 10 years of collaboration with SGSS for their depositary and fund administration services, we are

delighted to be able to extend our partnership and benefit from Societe Generale Group's capacity to offer a securities lending-borrowing model incorporating the most advanced market standards."

Gildas le Treut, co-director of sales, marketing and solutions at SGSS, adds: "We are pleased to enrich our securities services offering to FIL Gestion, which enables us to enhance our historic partnership."

SEC proposes amendments to proxy vote reporting

The Securities and Exchange Commission (SEC) is proposing to amend Form N-PX under the Investment Company Act of 1940 to enhance the information mutual funds and exchange-traded funds currently report annually regarding their proxy votes.

The SEC says this is in an effort to make information easier to analyse.

The proposal aims to look at the scope of Form N-PX's current reporting obligations, a managers' exercise of voting power, additional scoping matters for manager reporting of say-on-pay, and votes identification of proxy voting matters, among other aspects.

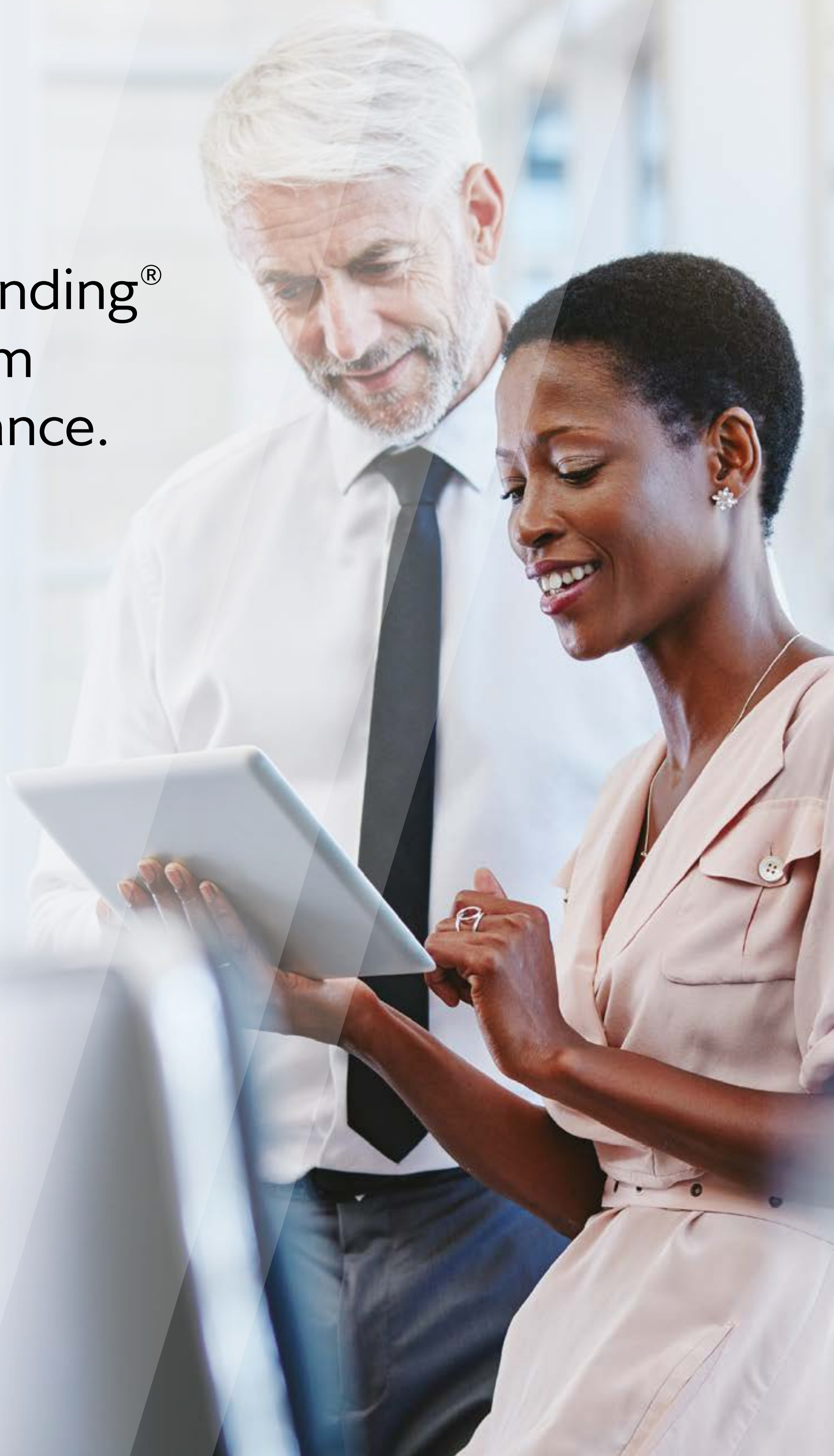
SEC is also proposing rule and form amendments under the Securities Exchange Act of 1934, also known simply as the Exchange Act, that would require an institutional investment manager to report annually on Form N-PX — essentially how it voted for proxies relating to executive compensation matters, as required by Section 14A of the Exchange Act.

The proposed reporting requirements for institutional investment managers, if adopted, would complete implementation of Section 951 of the Dodd-Frank Act, says the SEC.

In his statement, acting chairman of the commission Elad Roisman says that while he was voting for the proposal he had some concerns surrounding the provisions related to securities lending.

"[SEC] has clearly stated that advisers and their clients can shape their relationship however they choose, including with respect to how and when advisers vote client shares. This guidance should allow for a wide variety of fund strategies — including those that prioritise voting, for investors who believe influencing corporate governance

Fidelity INVESTMENTS



Fidelity Agency Lending® can help your firm optimize performance.

- $2.4+ trillion in lendable assets
- 20+ years of securities lending
- AI-powered technology
- Capital Markets expertise

Our flexible program customization and proprietary benchmarking tools set us apart. Visit i.fidelity.com/agencylending for more information.

is important to their investments, and those that prioritise other ways of realising value.

"Maximising revenue for a fund through securities lending is one such value maximisation strategy. Funds can earn billions per year from lending out the securities in their portfolios, which can translate into increased returns for fund investors."

He adds: "I wish there was greater discussion of this in the proposal and hope commenters provide us with data on this point. This commission is not a merit regulator, and we should not try to tip the scales, via disclosure or otherwise, toward or against any particular strategy."

Securities lending revenue increases 33% YoY

Global securities lending revenue generated US$2.34 billion for lenders in Q3 2021, according to DataLend.This represents a 33 per cent increase from the US$1.7 billion generated in Q3 2020.

In September 2021 alone, the global securities finance industry generated US$790 million in revenue for lenders, representing a month-over-month decrease of 1 per cent from the US$796 million generated for lenders in August 2021.

It also represents a significant 46 per cent increase year on year (YoY) from the US $541 million generated in September 2020.

Global broker-to-broker activity, where broker-dealers lend and borrow securities from each other, totalled an additional US$209 million in revenue in September, which marked a 13 per cent increase YoY.

According to DataLend, the September YoY increase of 46 per cent in lender-to-broker revenue was primarily driven by global equities, where the average fee increased from 55 to 71 basis points.

The spin-off of Universal Music Group from French media conglomerate Vivendi was a significant driver of lending revenue.

Revenue from equities increased by 34 per cent YoY to US$1.89 billion, driven by multiple corporate events, in particular, Naspers and Vivendi, and sustained borrow demand for special-purpose acquisition companies (SPAC) and initial public offerings (IPO).

Revenue generated from fixed income securities increased by 26 per cent over the same time frame to US$456 million.
The top five earners in September 2021 were Vivendi (VIV FP), Robinhood Markets (HOOD), VMWare (VMW), iShares iBoxx $ High Yield Corporate Bond ETF (HYG) and WH Group (288 HK). The five securities in total generated over US$107 million in revenue in the month.

DB1 Ventures invests in Wematch

DB1 Ventures, the corporate venture capital arm of Deutsche Börse, is leading a US$19.5 million Series B funding round in Wematch.

The company recently acquired a minority stake in Wematch which was completed on 30 September.

Wematch is aiming to help the capital market industry in further adopting digital solutions across multiple markets globally and to apply this technology to internal and client-facing solutions.

Other investors of the Series B funding round include Augmentum Fintech, Illuminate Financial and existing shareholder J.P. Morgan.

"The digitalisation of workflows combined with access to large liquidity pools at market infrastructure providers has been driving the collaboration between Wematch and Deutsche Börse," says Matthias Graulich, member of the Eurex Clearing executive board at Deutsche Börse.

He continues: "Deutsche Börse will benefit from Wematch's agility and innovation power, and Wematch will benefit from our deep liquidity pools and strong global distribution power facilitating further growth for both firms."

Also speaking on the announcement, Joseph Seroussi, Wematch's co-CEO, says: "The combination of the synergies with a European exchange like Deutsche Börse, the continued support of our banking partners J.P. Morgan and Societe Generale, and the contribution of Fintech VCs like Illuminate Financial and Augmentum, will help us deliver our project to digitise capital market workflows on a global scale for both sell-side and buy-side institutions."

OCC securities lending up 75%

OCC's securities lending central counterparty (CCP) activity increased by 54.3 per cent in new loans from September 2020 with 170,991 transactions last month.

The average daily loan value at OCC in September 2021 was US$127,662,406,277, an increase of 74.5 percent compared to last September.

According to OCC, total cleared contract volume last month reached 816,942,764 contracts, a 21.8 per cent increase compared to last year, making it the highest September on record.

The equity derivatives clearing organisation has reported a year-to-date average daily cleared contract volume of 38,846,212 contracts, a rise of 34.6 per cent compared to last year.

Meanwhile, futures cleared contract volume reached 5,483,859 last month, a 29.3 per cent increase compared to September 2020. OCC's year-to-date average daily cleared futures volume is 232,709 contracts.

The total exchange-listed options cleared contract volume was 811,458,905, up 21.7 per cent compared with last year, the report says.

Equity options cleared contract volume reached a total of 763,992,378 contracts, rising 20.7 per cent since the previous September.

This includes exchange-traded funds options volume of 241,270,297 contracts last month, a 10.3 per cent increase compared to September 2020.

BNY Mellon extends LiquidityDirect platform for MMF and sponsored cleared repo

BNY Mellon has expanded coverage from its LiquidityDirect platform to support cash investments in commercial paper and short-duration fixed income exchange-traded funds (ETFs). It has also added a range of pre-trade ESG analytics to the platform, enabling customers to apply ESG screening to their investment decisions.

The New York-based bank claims that this is one of the first practical applications of ESG scores and ratings into the investment decision making process, enabling investors to assess whether a trade aligns with their ESG values and principles prior to investment.

This will screen investments according to a range of ESG factors, including diversity and inclusion and levels of charitable donations.

BNY Mellon has broadened access to its LiquidityDirect platform through a collaboration with treasury workstation specialist Indus Valley Partners. This will complement existing partnerships it has in place which integrate the platform with cash management systems including GTreasury and Hazeltree.

The bank indicates that the addition of these new investment options is the next step in its expansion of LiquidityDirect to provide a comprehensive range of liquidity management and investment choices across the short-end of the fixed income yield curve.

"Clients are looking to access investments with different returns, terms and risk profiles via a single platform," says George Maganas, global head of liquidity and margin services at BNY Mellon.

Uganda moves towards enforceability of close-out netting

Uganda is taking an important step towards providing enforceability of close-out netting, according to law firm ENSafrica.

This builds from a meeting hosted by the Bank of Uganda (BoU), the country's central bank, to discuss draft regulations contained in The Financial Institutions (Preference and Appraised Book Value) Regulations 2021.

Previously, automatic early termination has been enforceable under contract law, but the Act voids transfers conducted within six months of a management takeover or closure of a financial institution in certain situations — including when the transfer was made at below appraised book value.

These provisions within the Act gave the central bank power to negate close-out netting against a financial institution that had become subject to insolvency proceedings.

Revisions to the above regulations curtail the impeachment powers available to BoU relating to the derivatives, repo and securities lending exposures held by a financial institution that has closed or been taken over.

These changes, under Section 88 of the Financial Institutions Act, will ensure that automatic early termination under an ISDA Master Agreement, Global Master Repurchase Agreement (GMRA) or Global Master Securities Lending Agreement (GMSLA) will not be obstructed or negated by the central bank.

"The result will be that market participants transacting with Uganda's banks can be confident that they close-out in accordance with the transaction documents," says ENSafrica, which was appointed to advise and support drafting of the regulatory amendments.

Justin Aldridge
Head of agency lending
Fidelity Investments

Fidelity: meeting the needs of an underserved market

Bob Currie reports

Justin Aldridge, head of agency lending at Fidelity Investments, speaks to Bob Currie about Fidelity's track record in lending and prime brokerage, the launch of its agency lending programme and the value of being able to serve large complex institutions through an automated, customisable service

What motivated Fidelity to launch an agency lending service? How was this shaped by your previous experience in lending fund assets?

Fidelity Capital Markets (FCM) has been a significant participant in the securities lending market as a borrower, principal lender, prime broker and lending agent for over 20 years. These business units have thrived and provide unique and meaningful solutions for our clients. Fidelity began lending on behalf of its institutional and retail clients in 2001. In 2003, we launched our prime brokerage offering, Fidelity Prime Services, by leveraging our captive supply base and our strong credit profile as a large, privately held institution.

Today the prime brokerage group services some of the largest and most-sophisticated asset managers in the world. From there, in 2012, we identified a gap in the marketplace for transparency and asset managers' ability to evaluate the performance of their prime brokers and lending agents effectively. Our solution was PB Optimize, which is a proprietary portfolio finance and treasury management solution for institutional investors. This provides unique data, benchmarking, custom analytics and streamlined workflow solutions that maximise revenue and performance for asset managers.

Given the success and experience we have had in our securities lending businesses, it made sense for us to build a best-of-breed lending capability for our affiliated mutual funds. We successfully launched our platform in June 2019 and have delivered our goal of meaningfully improving overall returns to fund shareholders while creating operating efficiencies and customisation.

Given that agency lending is a scale business and we have successfully launched with over US$2.4 trillion in attractive assets, it was logical for us to offer this service to the marketplace. The market needs an agent with new technology and a proven ability to serve large complex institutions in a highly automated and customisable fashion that is backed by a large and reputable firm known for putting its customers first.

Our experience as a major player in all aspects of securities lending most certainly shaped our vision and the development of Fidelity Agency Lending (FAL). We can tackle many of the major pain points that most lenders face and we have our systems on innovative proprietary technology and connectivity that allows us to provide a seamless end-to-end experience. This allows clients to fully customise their lending parameters while taking advantage of our automated trading technology for effective pricing and distribution of their assets using artificial intelligence (AI)-loan decision functionality.

Which firms are your core clients and prospects for your agent lending service? How is this shaped by wider relationships you may have with these clients (execution, prime brokerage, funding ...)?

Currently, our primary target clients are asset managers, particularly US mutual funds and exchange-traded funds (ETFs), and pension plans. We feel that US mutual funds and ETFs are underserved in general as they are looking for higher levels of programme customisation, automation, and unique benchmarking that Fidelity can now provide to external customers.

Being affiliated to one of the world's largest asset managers, FAL believes it is best equipped to service and support these client types, given its DNA, rich history, and its ability to put clients first in its priorities. Fidelity has very deep and meaningful relationships with the asset management community and we are finding that firms are looking to place their business with providers, like Fidelity, that they view as strategic partners for the future.

How do you assess the current state of the agency lending market?

The lending markets have been very challenging since early 2020, with low interest rates, muted single stock shorting on high short interest names, and limited voluntary merger events. That said, the lending markets are still generating over US$8 billion a year in a less than cooperative market and we are highly optimistic that returns may potentially be even higher if we start to see interest rates return – which will provide additional reinvestment opportunities. Interest rates could also be a driver of increased short demand, as many companies have increased their debt levels during this low interest rate environment and will be impacted negatively if their earnings don't also increase.

The regulatory environment is always evolving. Market participants are confronted with new challenges every year and we will all work together to find a path forward, while limiting the negative impact to our customers and meeting the needs of the regulators. We are well positioned with our real-time connectivity and flexible technology stack to be able to meet any of the new requirements and initiatives that come from the regulators to support our client base.

Where do you identify primary drivers for growth in the coming 24 months? And which factors may suppress lending activity?

Our primary growth will be through adding new clients to our platform with non-dilutive assets. We are heavily focused on onboarding clients that are underserved and that could benefit from our expertise, scale, cutting-edge technology, and proprietary benchmarking and transparency tools. Given the financial strength of Fidelity, and the strong relationships we have with the borrower community broadly, we expect to see additional growth in demand from the borrowers in our programme as we bring on new clients and they look to diversify their exposures in this market.

The agency lending service provider market is contracting from consolidation and retrenchment from existing providers. However, there are very few viable new entrants on the horizon owing to the high barriers to entry and the scale required to be profitable. We feel we are very well positioned with our scale and commitment and the marketplace has been very receptive since our arrival in the agency space.

Where do you identify competitive advantage as a large international asset manager with an agent lending programme?

As a leading asset manager and large global broker-dealer, Fidelity places a significant emphasis on state-of-the-art technology to ensure it has every advantage when servicing clients. This thought process spills over to all of its businesses. As a private company, Fidelity does not always follow the same path as a public company when funding and launching a new business — and in some cases this can allow Fidelity to bring products to market more quickly. Furthermore, Fidelity has always known that high levels of service are key to maintaining relationships and our agency lending programme follows that same belief.

With US$2.4 trillion in attractive assets, our agency lending programme has the size to be relevant and stable for borrowers — and our clients are not negatively impacted by a large general collateral pool as they wait in the queue at some competitors.

There is also a diversification benefit for borrowers in the FAL programme, since they reach regulatory risk limits with our competitors in this space. Given the attractiveness of our assets, we may see above average growth in demand. Many of the borrowers in our programme have "other" very large relationships with Fidelity and that strong bond has helped to grow this business.

FAL has implemented new, modern technology, allowing clients to implement programme parameters using technology and automation — rather than spreadsheets and people — reducing errors by the agent. FAL has experience in working with some of the most sophisticated investors and ensures that their clients' programmes operate seamlessly and to their expectations.

This appears counterintuitive according to current management orthodoxy — which tells companies to focus on core competencies (eg managing money) and outsource the non-core. But you have opted to run securities lending in-house for Fidelity fund assets from December 2018 and now commercialise this as a third-party business. Why does this work?

As we discussed earlier, securities lending is a core competency for Fidelity as we have built very meaningful businesses supporting this activity over the past 20 years. It was a natural evolution for us to enter the agency space. We are set up for success because of our programme's attractive assets, our commitment to technology, and our scale.

In some cases, Fidelity has built businesses to meet the needs of a market segment that has been underserved. FAL is an example of a business Fidelity has launched to work with a strategically targeted segment of the agency lending client base. FAL's goal is to create a business in which client revenue expands as new clients join, because assets are accretive to the programme.

How does your lending programme measure up in terms of front-to-back efficiency? What are STP rates like across the loan transaction lifecycle? And your ability to provide real-time connectivity to borrowers and lenders?

We believe we are at the forefront of automation and real-time connectivity. We have automated over 90 per cent of our lending transactions with our street-side counterparties and six global custodians. Our ability to transmit, receive, and process this information in real time gives us an advantage over other third-party agent lenders and maybe even some custodians. This allows us to reduce operational risk, generate additional returns, and puts us at the top of the queue with our borrowers.

We have allocated a large percentage of our technology dollars to tackling manual processes in operations and corporate actions and we pride ourselves on being operationally efficient. We believe our agency lending workstation and workflow model is second to none and this is a major selling point to potential prospects. Our existing clients are already benefiting from this technology.

We are well positioned, owing to our flexibility, to support future initiatives such as the Central Securities Depositories Regulation (CSDR), T+1 settlement, and each firms' ESG requirements. Our access to real-time information allows us to transact as if the assets are held in custody here.

How are lender and borrower requirements changing in terms of the tools they require to support their lending activity and meet oversight and reporting requirements? And for applying ESG screening on collateral and counterparties?

Current market dynamics are compelling institutions to take a more active role in their securities lending programmes to find a competitive advantage. Clients need their agents to be technology driven, enabling them to customise their programmes at scale and consequently provide more efficiency, better connectivity and adaptability than lending agents have typically offered. The importance of securities lending to a fund's returns has only grown stronger in the highly competitive asset management industry.

Risk-adjusted securities lending returns can be a differentiator and sometimes can fully offset management fees. We are also seeing a proliferation of asset managers utilising lending data to inform their investment decisions on whether to buy, hold and sell securities and they want this information in real time.

With respect to ESG, proxy voting seems to be at the top of the list for our clients. Providing clients with real time, consumable, and actionable data is key to helping them to make the best decisions for their investors. For clients that can take equities as collateral, being able to screen out securities based on their ESG requirements is vital.

What is next in your development pipeline as an agent lender? Where are your clients taking you?

Our top development priorities continue to centre on enhancing our clients' experience through technology and strengthening their connectivity with their custodians and borrowers while improving their returns. We will continue to make enhancements to our automated trading platform and we plan to release our ESG screening technology in partnership with our colleagues at PB Optimize.

We will also continue to work on our unique benchmarking and transparency tools to assist our clients with programme management and investment decisions. We've built our technology to be nimble and believe that we can quickly pivot to manage CSDR requirements, a move to T+1 if that occurs, as well as other regulatory changes down the road.

Our primary focus of late has been with onboarding a new client and outlining parameters for another client that plans to join the programme in the first half of 2022. Fidelity invests billions of dollars annually in its technology enterprise-wide, leveraging scale to develop new capabilities and enhancements to meet clients' unique needs.

REGIS-TR: a look into the future

Jesús Benito, vice-chairman of REGIS-TR and the CEO of Iberclear, updates SFT readers on the future direction of REGIS-TR, following SIX Group's acquisition to become sole shareholder of the trade repository and controlling shareholder of BME-Iberclear

Launched in December 2010 as a 50:50 joint venture between Clearstream, part of the Deutsche Börse Group, and Iberclear, part of the BME Group, REGIS-TR has become one of the largest European trade repositories serving more than 2,000 clients across four reporting regimes in Europe.

In June 2020, SIX became the new controlling shareholder of BME/Iberclear. This was a natural inflection point for both shareholders to REGIS-TR's future ownership model and to take the company into the next chapter of its growth and development. On 3 September this year, contracts were signed confirming that SIX would acquire Clearstream's 50 per cent share and become the sole shareholder of REGIS-TR when the deal closes, scheduled for the first half of 2022.

We asked Jesús Benito, CEO of Iberclear, to clarify some of the key questions surrounding this deal and what this means for the future of REGIS-TR.

What form did negotiations take that led to the announcement of the transaction?

The negotiations were smooth and an agreement was quickly reached. There has always been an excellent relationship between both shareholders which pre-dates the 10-plus years we have been working together as partners in REGIS-TR. The agreement suited the strategic priorities of both shareholders and we agreed that the interests of REGIS-TR and its clients would be best served by single ownership under SIX.

Deutsche Börse Group will, of course, continue to use REGIS-TR as its preferred provider for all TR reporting requirements within its group companies and there will be multiple touch-points between both entities.

I will also pay testament to the professionalism and expertise of my colleagues within Deutsche Börse Group who, together with our team, have taken REGIS-TR from the initial concept to the leading market infrastructure that we are today.

In an environment where we have seen TRs like Bloomberg, CME/NEX-Abide and UnaVista withdraw services, what were the driving factors leading to SIX wanting to become sole shareholder?

This is a scale business and REGIS-TR is amongst the leading TRs in Europe, having processed more than 20 billion trade messages since the European Market Infrastructure Regulation (EMIR) went live in 2014. SIX already operates the largest TR under the Swiss FinfraG regime, so we believe there are natural synergies that we can benefit from across the group.

The acquisition underpins the value and opportunity that SIX sees in REGIS-TR as a highly complementary business within their securities services division. There is still significant potential for further growth and to be able to deliver a suite of leading and streamlined services to clients across Europe. Although the joint-venture has been highly successful, single ownership under SIX will give us even more agility as we look to take REGIS-TR to the next level.

What has been the reaction of your clients?

REGIS-TR has always had an extremely client-centric approach and our best-in-class service support has always been fundamental to our product delivery. So, we stay very close to our clients in 'business as usual' mode and in helping them to navigate the changing landscape. Our client teams have been speaking to our clients and the reaction has been universally positive.

What will be the impact to clients when this deal completes?

On a day-to-day level, clients will see no adverse impact or disruption to operations or service support. This is a highly technical and niche business and SIX recognises the value in the expertise working for REGIS-TR, who will continue to service our client base as before. We will be utilising the same technology, meaning that there is no operational transition and there will be no impact on contracts or fees arising from this deal.

In the medium-to-long term, clients will benefit from the SIX's strategic vision for this business and the additional agility that having a sole shareholder will bring.

The changing face of Dutch pensions

BNY Mellon's Aerial View looks at how pension funds in The Netherlands are grappling with a government-led overhaul, which is forcing them to provide unprecedented choice and push more risk taking onto plan members

The Netherlands is pursuing a first-of-a-kind transition to put its US$1.9 trillion pension system on a more sustainable path. The move offers plenty of scope for opportunity, but also carries its fair share of risk, as well as the need to communicate more actively with plan members.

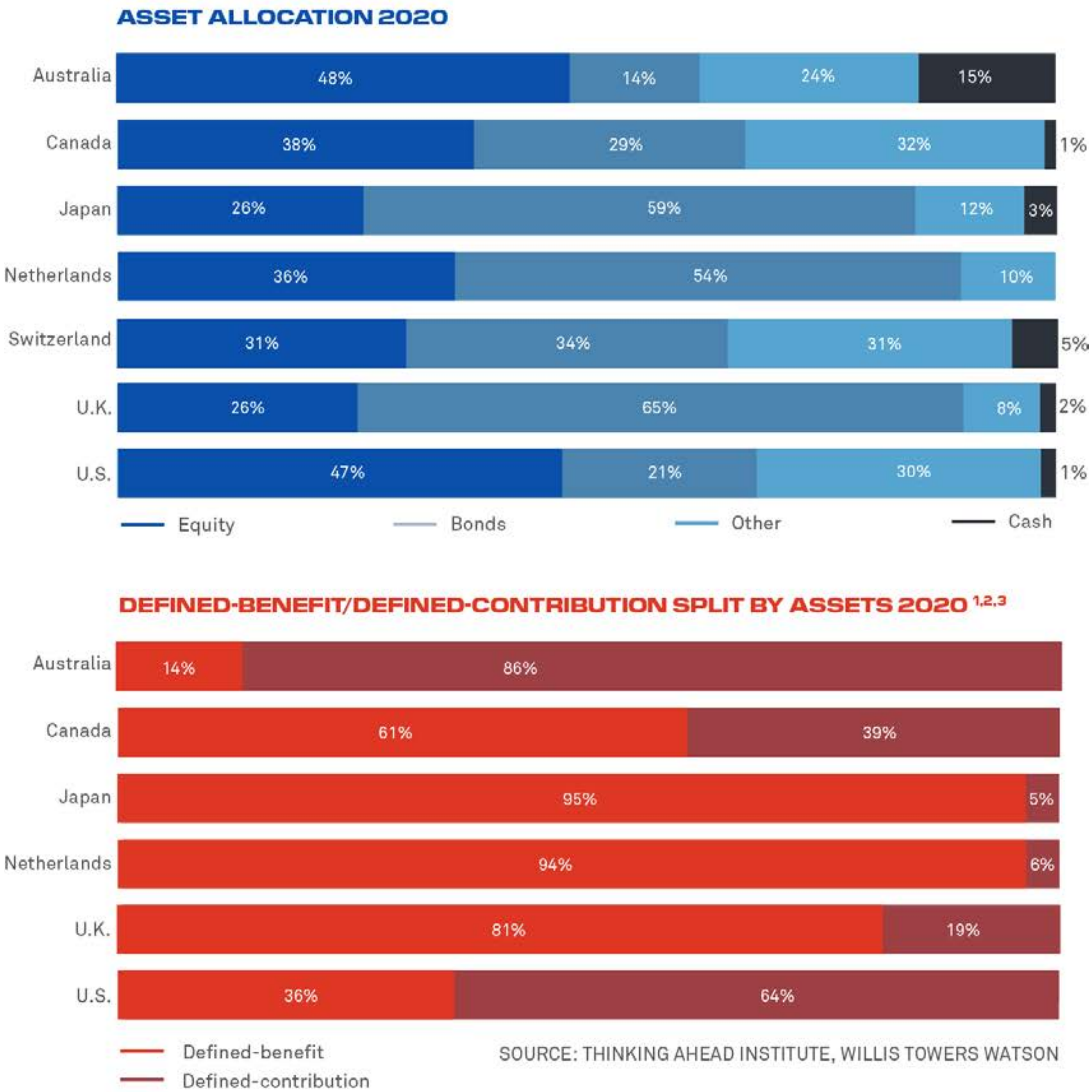
The government proposal to de-emphasise mandatory defined-benefit (DB) plans in favour of defined-contribution (DC) plans, in which participants shoulder the risks for their own retirement, will require a massive overhaul.

Nevertheless, historically low — and even negative — interest rates over the past decade have fuelled the urgency for change because many funds have seen their ability to maintain current payouts dip to precarious levels.

There are other reasons the Dutch need to get the transition right. Firstly, some 94 per cent of domestic pension-plan participants' assets are in defined-benefit plans, which guarantee retirement payouts, according to the Thinking Ahead Institute, a non-profit think tank at Willis Towers Watson. That is meaningfully higher than the 61 per cent for Canada, 36 per cent for the US or just 14 per cent for Australia, but more in line with neighboring countries like the UK with 81 per cent (see Figure 1).

PENSION PORTFOLIOS

Aging nations favor bonds and defined-benefit pensions



SOURCE: THINKING AHEAD INSTITUTE, WILLIS TOWERS WATSON

[1]The majority of pension fund assets in Switzerland are DC and take the form of cash balance plans, whereby the plan sponsor shares the investment risk and the assets are pooled. Pure DC assets have only recently been introduced in Switzerland and, although they have seen strong growth, they are not yet large enough to justify inclusion in this analysis.

[2]In January 2017, the UK's Office for National Statistics stated that the figures previously disclosed for DC entitlements were significantly overestimated. As a result there is a significant decrease in UK DC pension assets when compared to the previous editions of this study. This change has a very limited impact on the P7 DC assets, on the order of a one percent reduction.

[3]Canadian DC assets now include individual accounts. Historical figures have been restated.

FIGURE 1

RISING TIDE

Pension assets as a percentage of GDP have risen fastest in the Netherlands

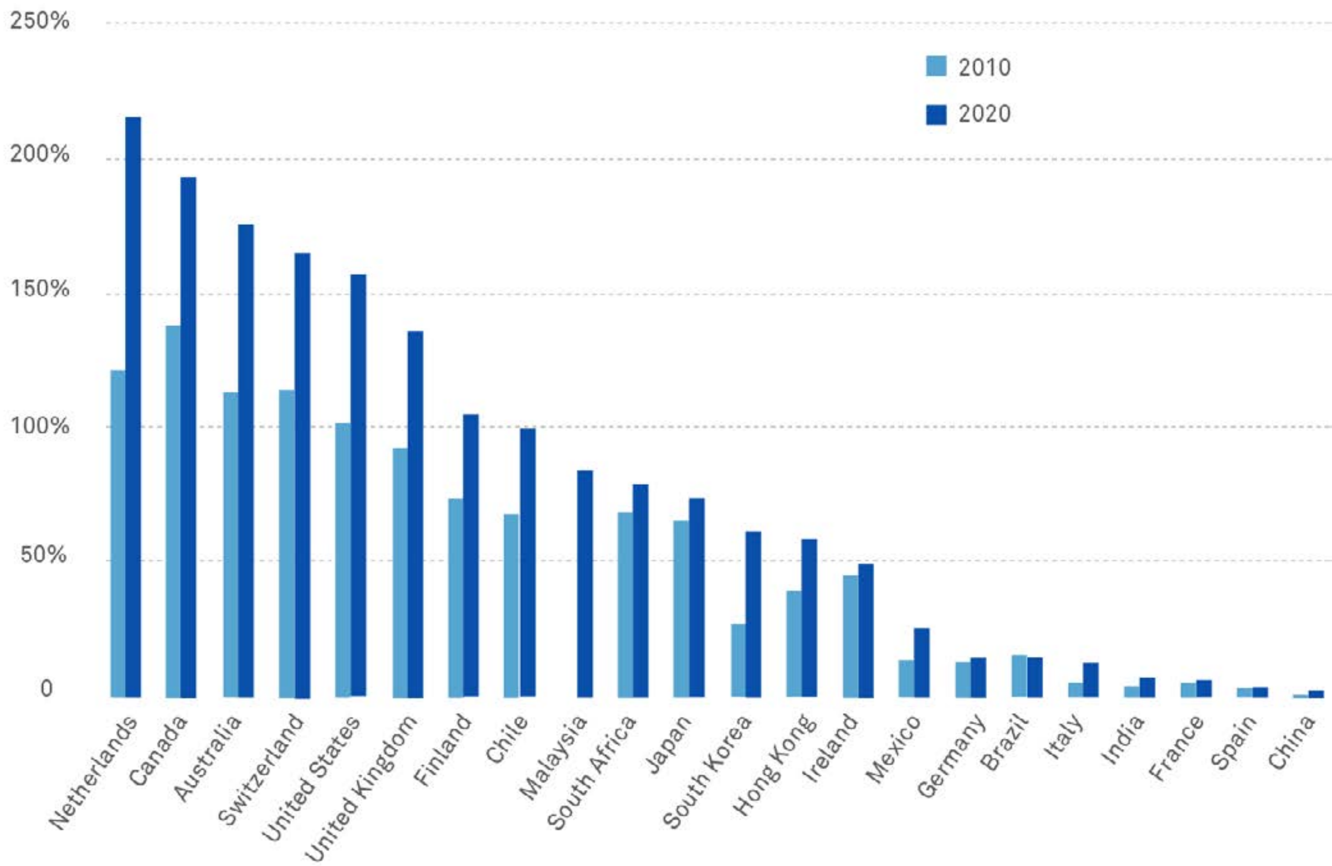


FIGURE 2

1. In percentage points, figures are rounded
2. 2010 figures are not available for Malaysia

SOURCE: THINKING AHEAD INSTITUTE WILLIS TOWERS WATSON

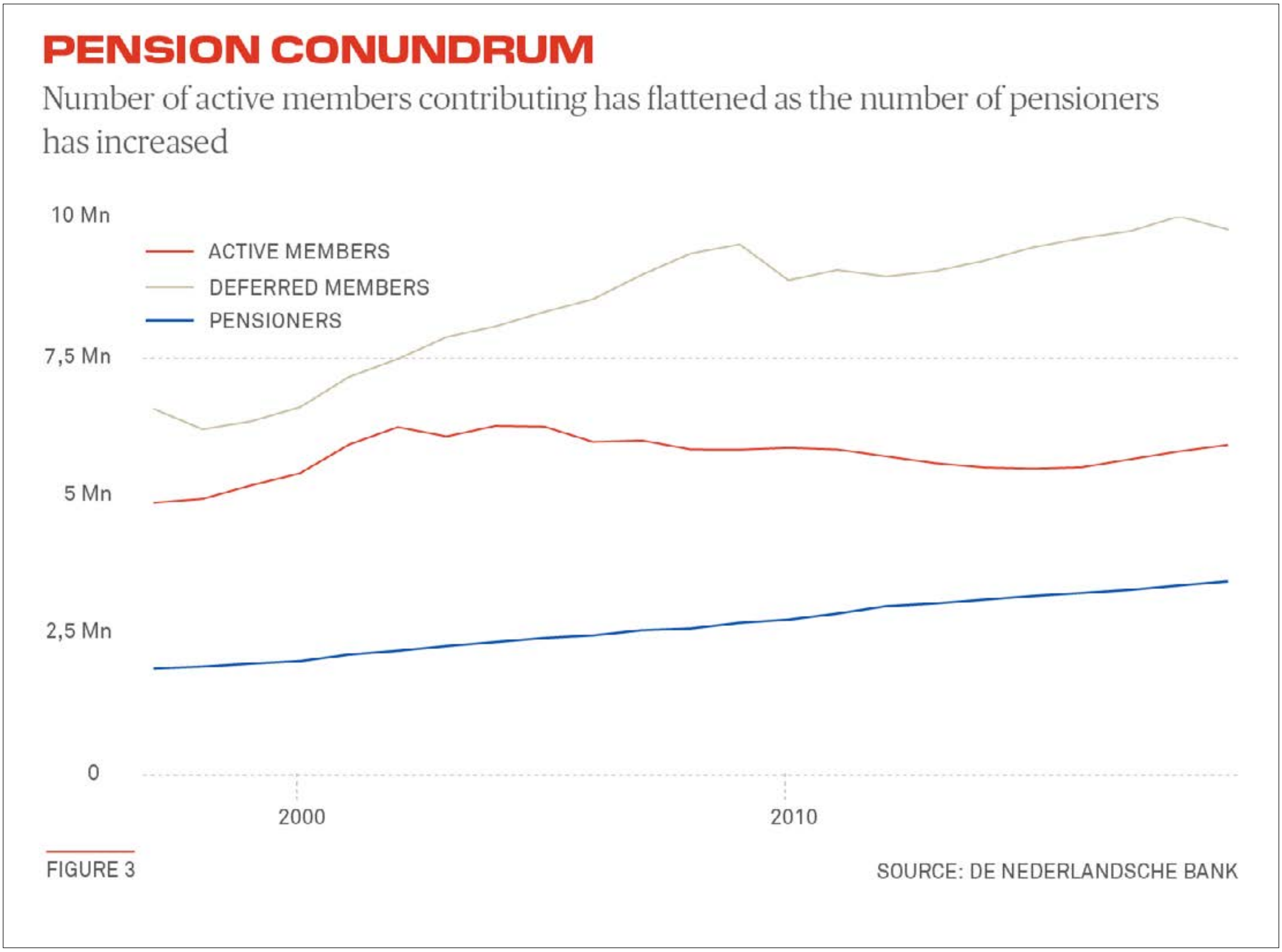
Secondly, the value of Dutch pension plan assets is double the size of the local economy (see Figure 2). The country's ratio of pension assets to GDP is 214 per cent when most of the 22 countries analysed by Thinking Ahead have ratios under 100 per cent and many of them offer other means of retirement saving. In some respects, the Netherlands could be a poster child for other countries that are transitioning or aiming to transition away from defined-benefit plans, including Japan, Canada and the UK.

Typically, in such transitions, defined-benefit plans are closed to new members and their assets and liabilities are wound down while new participants begin in the new defined-contribution schemes.

The Netherlands' initiative is more challenging because the current plan's holdings will be transferred wholesale into one of the two new schemes offered.

"It's very unique and hasn't been done elsewhere," says Tjitsger Hulshoff, who is heading the pension transition efforts at APG Asset Management, the largest fiduciary asset manager in the Netherlands. "We're going to need to provide more frequent information and insights, as well as performance measurements."

The uniqueness of the proposal has resulted in public scepticism, especially because the Dutch pension system has routinely ranked as



one of the best in the world for its overall adequacy, according to Hans van Meerten, chair of Utrecht University's pension-law department and advisor to the European Insurance and Occupational Pensions Authority (EIOPA), a European Union financial regulatory institution.

He notes that, while the change has been in the works for a decade, the authorities haven't fully explained why it is necessary. "People didn't see the need for this huge transformation," van Meerten says.

That isn't stopping the economic realities hitting home. In a report last year, the consultancy Deloitte noted the solidarity between younger and older generations has eroded over time, in addition to employees switching jobs more frequently. At the same time, the number of pensioners is increasing as the number of workers contributing remains static (see Figure 3).

Changes in store

Whether or not the overhaul is warranted, it is progressing through legislative channels. The Dutch "demissionary" minister of social affairs and employment, Wouter Koolmees, confirmed in early May to Parliament that, following negative public comments on the bill, he intends to send a revised version to the Lower House early next year. As such, it will likely become effective no later than 1 January, 2023, a year after originally planned. Final implementation of the new pension system has also been delayed by a year, until 1 January, 2027.

The delay has come as a relief to many pension funds and their administrators as well as employers and employee unions, referred to as social partners, who must determine the best type of plan for their constituents. But it is also a stark reminder of the complexity of the effort ahead.

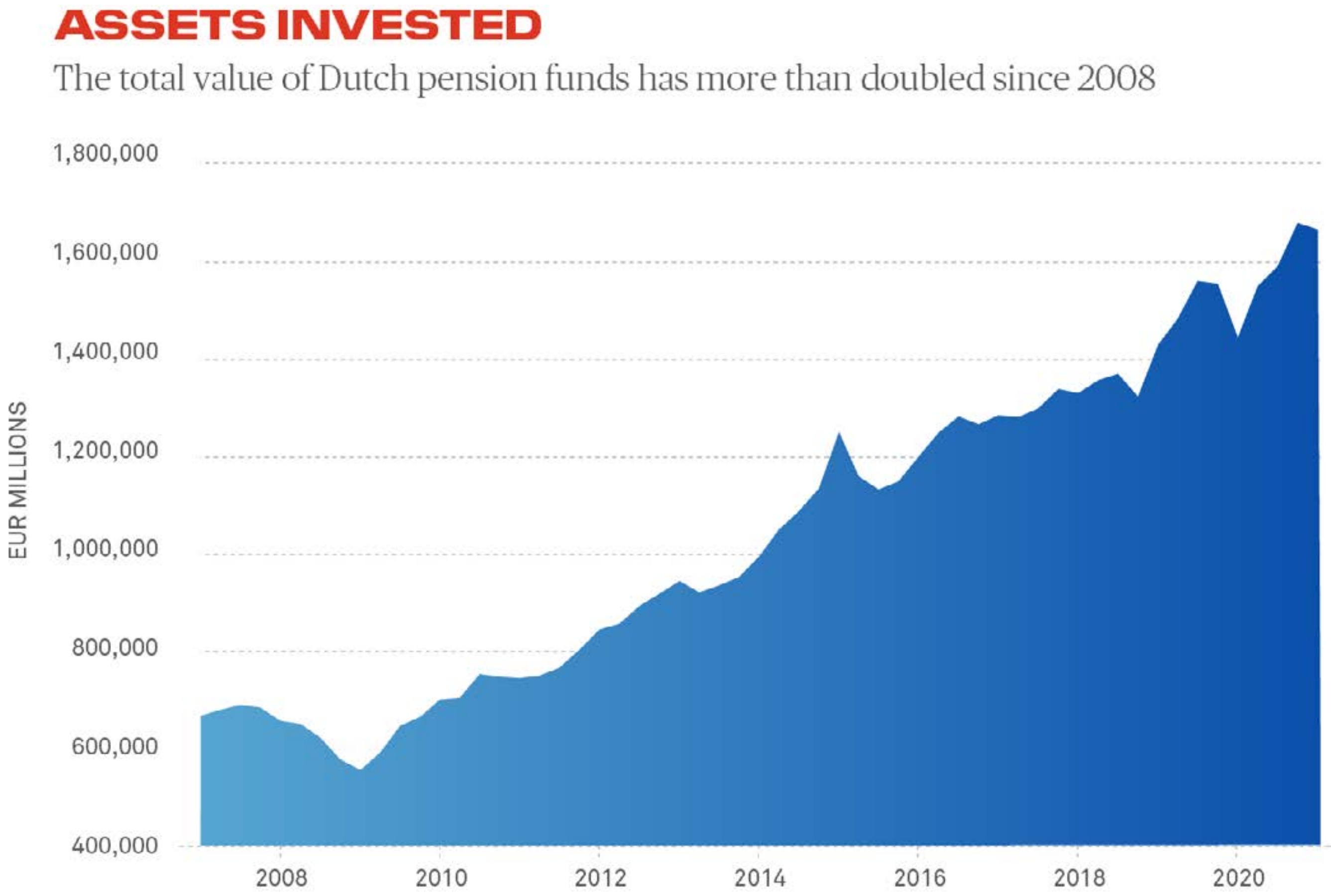


FIGURE 4

SOURCE: DE NEDERLANDSCHE BANK

The transition will require sweeping changes to technology and administrative systems as well as new investment management and hedging strategies. Among the biggest challenges will be educating plan participants to more actively monitor their pension benefits — requiring pension funds to communicate with them in new ways.

Fundamentally, the draft bill seeks to shift the Netherlands' defined-benefit pensions to defined-contribution plans, which will see participants fund their own retirements with flat contribution rates up to a still-to-be determined maximum. Dutch pension funds will be required to have a target policy coverage ratio of 95 per cent at the moment of transfer into the new DC system (see Figure 4).

The big difference between the current and proposed plans is that the defined-benefit plans provide a pension guarantee but little transparency, whereas in the new ones participants shoulder the risk on their payouts but can track the value of their pension-plan assets and directly influence choices over their investments.

The pension overhaul itself is currently in a fairly uncertain period, following elections in mid-March that have not yet resulted in the formation of a new cabinet. The current demissionary setup puts existing leaders in a caretaker role as they rework the draft and prepare to hand it over to another cabinet. But changes to the legislation are not anticipated to alter the current framework of a move to two types of defined-contribution accounts.

The first new offering, the Nieuwe Pensioen Contract (NPC), will be most similar to the current system because pensions will make investment decisions for their participants, investing premiums collectively and allocating returns to their personal accounts. The NPC plans also will have different risk profiles and a mandatory “solidarity” reserve of upto 15 per cent of the fund’s assets to buffer steep drops in fund asset values.

The second offering, known as the Wet Verbeterde Premieregeling (WVP) plan, will more closely resemble defined-contribution plans in other countries. Participants will be asked to define their risk preferences in line with their age and other lifecycle factors, helping pension funds to define specific investment strategies for them, and whether they want a solidarity buffer at all.

The main difference is that WVP plans provide more freedom of choice, whereas NPC plans rely entirely on the fund to make the investment decisions, says Sacha van Hoogdalem, managing director at Ortec Finance, which provides technology and advisory solutions. Experience in other countries suggests the vast majority of participants end up following the default lifecycle investment strategies set by the pension-plan boards, she notes.

What both types of new plans have in common is how they provide transparency into how the assets are performing. Whereas today, investors receive letters annually or quarterly that explain their rights to eventual retirement payments, the new system is a defined contribution plan in which participants will gain insight into the development of their savings.

That may not sound like a big leap for those accustomed to 401K and Individual Retirement Account (IRA) accounts in the US or Self-Invested Personal Pension (SIPP) funds in the UK, which provide multiple investment options and the ability to switch investment strategies. But, it is a huge change for most Dutch stakeholders. Communication will be a top priority, especially early on during the transition.

“Now we tell pension participants what they can expect in retirement — their defined benefit — and in the future it will be what is happening to their personal savings accounts and the results we have delivered to that account,” said Maarten Roest, CIO of the ABN AMRO Pension Fund, which oversees €34 billion in assets.

Decisions to make

Other critical issues that must be addressed include shifting legacy assets and liabilities to the defined-contribution schemes, and adapting systems and processes to provide the necessary transparency. Pension funds must also consider how their investment and hedging strategies may change, as well as how they impact their collateral and securities financing activities.

As of August, securities lending by Dutch financial institutions represented a relatively small percentage of the total assets being loaned out in BNY Mellon’s global securities lending pool, with loans by Dutch lenders being significantly weighted towards fixed income assets. On the other hand, Dutch clients were lending a larger share of their inventories than lenders domiciled in other countries.

If the pending pension regulations seek to amend what institutions can or cannot lend going forward, it could drag on local pension fund performance. Companies’ decisions about how to act on this will hinge on what the final legislation looks like, but they can begin taking steps in several important areas.

While social partners must ultimately decide which type of plan to offer participants, the pension providers (pension funds, insurers) will be responsible for putting it in place and administering it. Consequently, they must effectively explain each plan’s pluses and minuses to participants.

Roland de Greef, an attorney at Dutch law firm Houthoff, said pension funds must thoroughly explain what will happen, both to the overall fund and to individual members. And they must show the impact on individual employees under various circumstances, including economic changes, different interest rates and investment results.

Furthermore, employers must also give individual employees the opportunity to consult with an advisor. If an employee’s current pension right is determined to be higher than under the new defined-contribution scheme, then he or she must be compensated and that must be clearly explained as well, de Greef says.

Employers — likely in cooperation with the pension fund — will seek to look at the group as a whole to calculate the compensation, he added, “but from a legal point of view, individual employees will always have the possibility to ask how this change will impact their specific situations and can ask for compensation.”

Under the new schemes, participants will own their pension-plan accounts rather than having amorphous rights to future pension benefits.

However, it will be easier to transfer WVP plans without embedded solidarity buffers when switching employers, while workers switching jobs within a sector will be able to keep the same plan.

Today's corporate pension funds tend to favour the WVP plans, while pension funds servicing industry sectors, such as healthcare and retail, are leaning toward NPC varieties, says van Hoogdalem, who sits on the boards of two pensions for dairy and housing association workers.

Gauging Risk Appetite

Another complicating factor in the reshuffle is understanding the risk tolerances of participants. The proposed legislation imposes a duty-of-care responsibility on pension funds that will entail researching participants' risk preferences, according to Patrick Heisen, a partner at consultancy PwC in the Netherlands who advises pension funds.

Today, defined-benefit plans typically use asset-liability management studies and portfolio optimisation techniques based on the risk appetite and capacity of the pension fund to design investment policies and set up the investment funds. "Now they'll need to make sure these steps of the institutional investment process also take into account the individual risk preferences of the participants," he adds.

Reiniera Van der Feltz, executive governing board member at SBZ Pensioen, a pension fund for employees in the financial-services sector, said her team has already started talking to third-party firms about how to gauge the risk appetite of plan participants. She expects to begin working with social partners to develop questions to gauge risk appetite.

Roest at ABN AMRO says he sees the risk appetites of the pension fund's 100,000 members as a later step in the implementation phase. He added that his team is initially focusing on understanding what the legislation offers and analysing what it means for employees of various age groups.

Today's defined-benefit plans leave investment decisions to the pension-fund boards, with some allowing interest-rate hedges on 70 per cent of the plan's liabilities and others just 30 per cent, van Hoogdalem says. Such a wide disparity conflicts with most boards' claim to not speculate on interest-rate movements, she says. In the new scheme, hedging will largely depend on the risk appetites of each pension plan's participants, highlighting the importance of assessing those appetites regularly. "You might expect older participants to prefer more interest-rate hedges to reduce interest rate sensitivity, although that offers less protection against inflation," says Eric Huizing, chief investment officer at Dutch grocery-retail company Ahold Delhaize's pension.

The Deloitte report suggests that this "could lead to eliminating the interest-rate risk protection for the 25 to 40 age cohort altogether, if the chosen risk behaviour allows."

NPC plans will have the automatic solidarity-buffer hedge. And since fund managers are choosing investment strategies for the collective group, they may be able to employ swaps or less volatile illiquid investments more easily to hedge interest-rate risk for older participants.

In The Mail

To evaluate risk appetite, pensions must first contact participants — which is easier said than done. Today, most Dutch pay little attention to their pension statements until they approach retirement.

"We realise that as pension funds, we are not the most interesting channel," Van der Feltz says. "We're in contact with the communication and human resources departments of their employers, and we try to communicate through them, because pensions are a part of the whole benefits package."

Pensioners nearing or in retirement are understandably more interested in how their plans are performing and engaging with them, and SBZ already communicates with them directly. But the pension fund must also find and communicate with ex-employees who now work for different companies but are still entitled to benefits.

Over the past decade, defined-benefit plans have not been indexed to inflation to cover cost of living increases. In addition, historically low interest rates may force some pension funds to raise premiums and/or lower payouts.

The new scheme addresses both those issues by creating a more direct link between financial market fluctuations and the pensions, creating greater transparency for the participants.

"The downside is that their pensions can go down quicker. I don't think many participants are aware of that yet," says Renate Pijst, director at Ahold Delhaize pension.

AVERAGE POLICY COVERAGE RATIOS

Dutch pension funds will be required to have a target policy coverage ratio of 95% at the moment of transfer into the new DC system

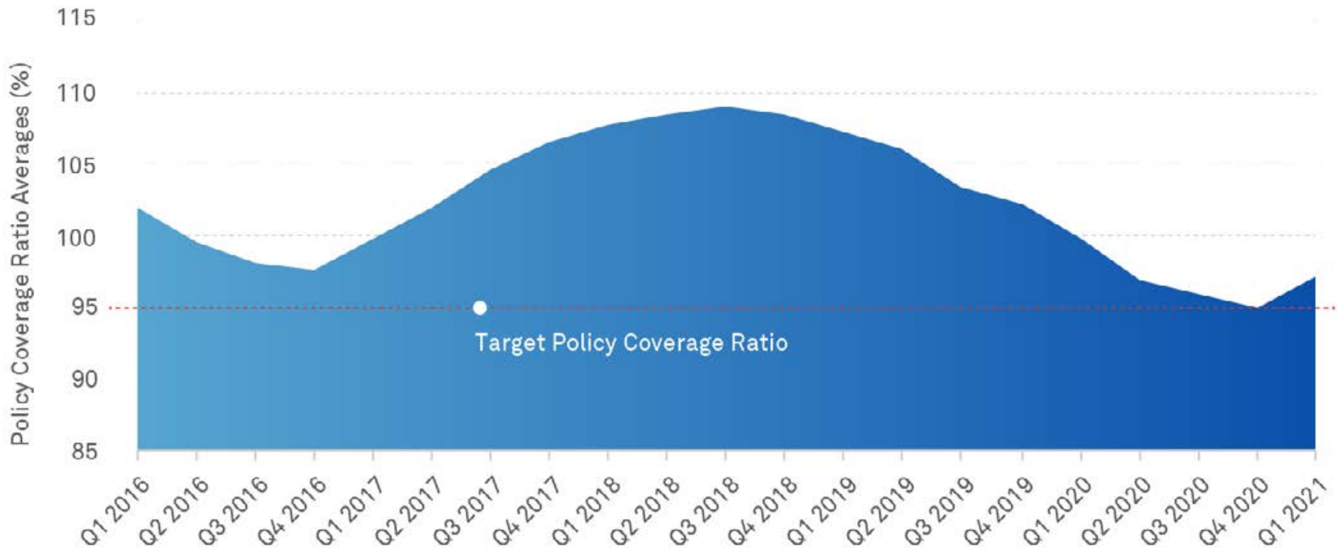


FIGURE 5

SOURCE: DE NEDERLANDSCHE BANK

The move away from collective rights to participants owning the assets in their accounts may also be attractive, especially to younger participants who often switch jobs and even industries more frequently.

Ahold Delhaize Pensioen notes that pension funds will have to walk a fine line, however, since WVP plans will offer investment strategies of different risk-and-return levels. “We don’t want to encourage them to behave like traders,” Pijst says Pension funds will also need to ensure that their new portfolios and policies are in line with things like environmental, social and governance (ESG) preferences.

Individual Dutch pension holders tend to be heavily influenced by their concerns for the environment and are proactive as shareholders in engaging in decisions related to climate risk mitigation. Fund managers can comply with those ESG considerations because shares can be recalled by individual shareholders for voting. But asset managers may need to incorporate new workflows into their securities lending programmes and collateral management chains to achieve consistency between their ESG policies and securities lending programmes.

There is also a growing requirement in many jurisdictions for pension fund managers to evidence how they are executing on their fiduciary duties, which now need to embed financial and non-financial ESG factors as well as the duty to generate revenue.

“We believe that younger pension investors will expect a combination of these fiduciary duties to be exercised going forward and they will hold fund managers to account on ESG matters, with climate being their primary area of concern,” says Ina Budh-Raja, head of ESG product strategy in EMEA for securities finance and markets at BNY Mellon. “Social inequality, diversity and inclusion are also areas of increasing focus for the new generation of investors.”

A big shift

While much planning depends on the shape of the final legislation, there are significant steps Dutch pension funds are already considering. One of the big challenges, Pijst says, is transitioning collectively invested assets to the new individual accounts (see Figure 5).

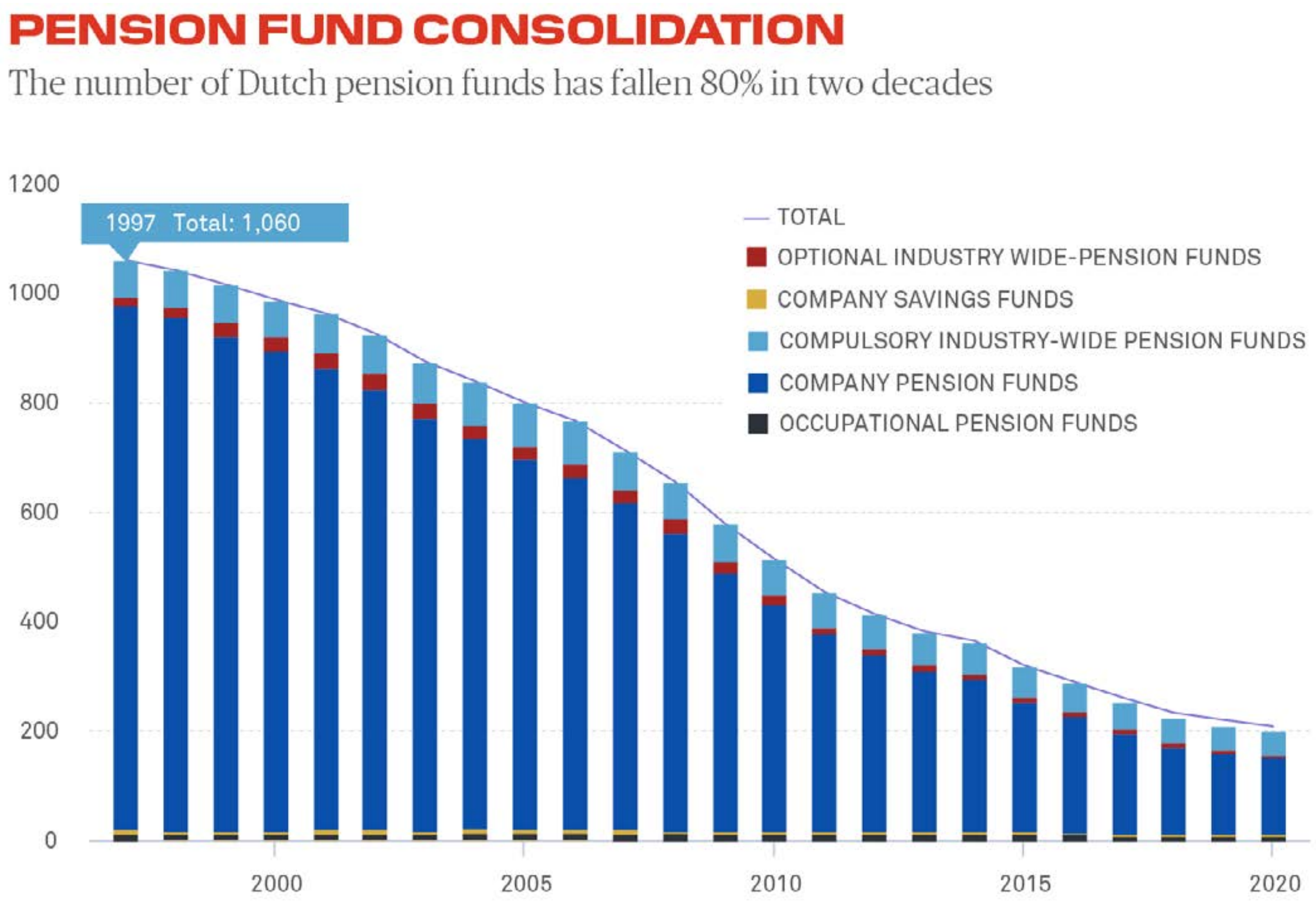


FIGURE 6

SOURCE: DE NEDERLANDSCHE BANK

Pension boards will have to consider how to balance the interests of their members across all age groups, particularly because of the removal of the so-called "average premium system" in which all participants contribute the same, regardless of their age. The social partners will have to lay out how they will deal with such issues in a transition plan they must present to the regulator for approval.

"A lot of [defined-benefit] pension boards will have to educate themselves on lifecycle investing, since this can be quite new for [them]," explains Marijn Jansen, an investment-solutions specialist at Achmea Investment Management, a division of the Dutch insurance group Achmea. It is expected that the shift to DC plans and related complexity will force some schemes to reconsider their future, driving further consolidation in the market just as we are seeing in the UK and other parts of the world (see Figure 6).

For WVP and NPC plans, pension boards must divide participants according to their age and risk attitude and provide a range of appropriate investment strategies. Since the lifecycle issue is similar for both types of plans, Jansen notes, pension boards can educate themselves about lifecycle investing and make significant headway before the legislation is finalised.

Unilever has one of the oldest pension funds in the Netherlands, serving almost 20,000 participants. It has been closed since 2015, but the company has another much smaller pension fund, Forward, that was founded in 2015 for the Dutch employees who are active at Unilever. That fund must be transferred into a new plan, although it is too early to say whether it will change into a more personal WVP plan or a more collective NPC plan.

"We have to determine whether it is appropriate to operate two frameworks, since it will require extra communication, administration and cost," says Hedda Renooij, at Unilever APF, who oversees €6 billion in assets for around 24,000 participants. She added that stakeholders, including the pension fund and social partners, have started to hold monthly roundtables to discuss the path ahead.

Another issue will be transferring illiquid assets, since they are difficult to value daily and divvy up among defined-contribution accounts, compared to listed investments whose net asset values (NAVs) are readily available. They may have to be held in flexible, balanced funds similar to defined-benefit pensions' approach today, Jansen says, so the pension fund can make payments with incoming premiums or by selling liquid assets.

Jansen said his team is also starting to talk to pension funds about how their specific participant demographics may impact asset allocations. Those with younger participants, he notes, will likely shift away somewhat from fixed income to assets providing more risk and greater potential return.

"Under the new regime, many pension funds will probably show less demand for fixed-income assets at the longer-end of the yield curve, particularly those with a younger plan participants," Jansen says.

Dutch fintech firm Hyfen is seeking to facilitate the interaction between pension funds, their third-party providers and pension members via a platform that aims to connect these parties, while complying with regulations for personal data processing. Currently, it is focusing on developing software to explain to individual plan participants how switching to the new system will impact them.

"It's clear that the winning model will be very digital, based on customer intimacy and low cost," says Hidde Terpoorten, CEO of Hyfen. "Paper-based processes and statements all need to go away so that we can service pension contracts and better help pension members in the future."

What lies ahead

Most pension funds probably won't begin actual changes to technology systems and policies and procedures in earnest until a more definitive version of the legislation emerges. And then the clock will begin ticking to implement and test them.

"We're going to face different dynamics that cater to the individual pension pots," says Hulshoff at APG AM. "This will lead to new approaches to strategic asset management and duty of care, but also

BY THE NUMBERS

$1.9T
Total estimated assets in Netherlands pension funds, as of 2020 (see Figure 4)**

6.4%
Compound average growth rate over the last decade for Netherlands pension funds*

$52.5T
Total value of pension assets globally, up 11% over a year ago*

93%
Growth of Netherlands pension assets vs. GDP since 2010*

94%
The Percentage of Netherlands pension fund assets in defined-benefits plans*

214.4%
Ratio of Netherlands pension assets to GDP*

SOURCES

*Thinking Ahead Institute, Willis Towers Watson

**De Nederlandsche Bank

more information, insights and performance measurements when people start asking why their returns aren't better."

The transition should offer third parties currently servicing Dutch pensions, as well as newcomers, significant opportunities as well as risk. BNY Mellon is one of the largest servicers of Dutch pension assets, including custodial and related services such as investment accounting, performance measurement and risk analytics. The bank notes that it is imperative to understand the new pension-plan structures, and the market opportunities and threats, as early as possible. This includes new product offerings as well as competitors.

Third parties must also research which type of plan clients' constituents will choose and the required operating models and value propositions. They should then devise marketing campaigns to promote the new offerings.

"The shift will most likely result in different operating models for pensions that need to be serviced, so service providers like us are adapting their value proposition from front to back," says Marvin Vervaart, a client solutions specialist for pension funds at BNY Mellon.

Given the challenges pension funds face, the delay will be helpful to many, especially in terms of educating constituents about why it is necessary to transition and to communicate the benefits of the new plans and the new dynamic role of participants. However, the pushback so far suggests pensions have a steep slope to climb — including developing new data streams and digital interfaces to provide account transparency to their members.

A downside to the delay is that it will be another year before pensions can properly understand the details of how to transition the assets, overhaul systems and build portals for savers to view their retirement money.

As Dutch pension funds prepare to transition, they must work closely with partners who have relevant experience says Frans Weijdener, a managing partner at Equitem Groep B.V., which advises on complex changes in the asset management business.

"Firms need to understand their desired operating model first, before leveraging the expertise of strategic partners who can identify the key implications of the regulations and all the options," Weijdener says.

This article first appeared in the September edition of BNY Mellon's Aerial View Magazine, which can be found online at *https://www.bnymellon.com/us/en/insights/aerial-view-magazine.*html

Going green by degrees

There is widespread opportunity for the finance industry to support the principles of sustainable securities lending, however progress might be measured or guided by regulators and central banks, says FIS' David Lewis

From plant-based detergents and burgers to the rise of renewable energy, everything is turning green. While the move to electric cars is accelerating and renewable energy is replacing some fossil fuel power generation, the last couple of weeks of chaos in the UK brought home the reality of just how dependent our economy and social fabric remain on petrol and diesel.

Moving toward a greener and more environmental way of life is a vital part of a sustainable future, and many would say that such changes are long overdue, but the journey there won't be easy. The application of ESG principles to many areas of our lives – and, in particular, the world of finance – is one of the most talked-about subjects of recent years. Alignment with such principles has now become a commercial prerequisite to many, including in the finance and investment industry. But what about the grand proclamations and advertising? And how can making money and being green coexist?

One does not have to be particularly cynical to question the sudden interest your broadband or online betting provider, for example, has on your mental health. It could be said that this just represents the bandwagon many organisations are jumping onto, but it does also represent a real change in corporate responsibility toward customers and the wider environment. Uncontrolled, it can lead to what is becoming known as greenwashing, where the claimed green credentials do not entirely live up to the reality. In the world of finance, this has attracted the attention of regulators that want to be sure that any investment or service purchased by a client matches what they believe they are buying.

This presents significant challenges for many providers and financial service companies. The challenge of finding enough ESG-compliant companies and securities has been discussed before, highlighting the potential risk of crowding bringing inflated asset prices and disappointing returns as a result. Where inflated asset prices appear, so do short sellers. Short sellers and, by association, securities lenders have attracted unwanted and arguably unwarranted criticism over the years, including the suggestion that such activities go against the objectives of long-term investment.

Fiduciary demand

So, if long-term investments and improved shareholder engagement are demanded by the governance part of ESG, how can this be balanced against the fiduciary demand placed on investment managers to make adequate returns without the support of securities lending income and the reassurance that overpriced assets will be rooted out?

Short selling has long been identified as a key tool in uncovering inflated asset prices and fraudulent activities in security issuers. There is a multitude of examples where activist investors have very publicly exposed wrongdoing, but there are many more mundane, less visible examples where simple market anomalies (rather than wilful maleficence) have been exposed and asset prices corrected.

On that basis, the incremental revenue gathered from lending securities is a key part of the social requirements of ESG, earning additional income for investors by renting out assets held for the long term. Equally, supporting short selling should form part of the fabric of a responsible investment governance regime, helping to reduce the likelihood of overpaying for investments and boosting potential returns over time. However, some may need persuading on this second point.

To achieve that, proof will no doubt be required and, as a data provider in this space, FIS Securities Finance Market Data (the new name for Astec Analytics Lending Pit), has delivered that transparency for almost 20 years. Analysis of fund-level lending performance can provide a clear indication of the additional revenue benefits that accrue from securities lending without disrupting or distracting the fund from its overall investment objectives. Correlating short interest with price movements is also statistically identifiable, with multiple papers published on the generation of alpha using short selling signals.

Loan data and price correlations

Research undertaken by an FIS client provided a clear correlation between securities lending data (as a proxy for short interest) and price movements. While this may not be particularly surprising to many, some may be surprised to learn that the stronger correlation was in fact on long positions rather than short. In other words, a reduction in securities lending activity was the signal indicating a potential floor had been reached and a buying opportunity may be presenting itself. Too often those that criticise the actions of short sellers ignore the fact that price discovery can act both ways.

Going one step further, as an original signatory to the Global Principles for Sustainable Securities Lending (GPSSL), FIS is demonstrating its commitment to supporting sustainable securities lending through the provision of key analytical data. The GPSSL supports a range of nine principles through which securities lending might operate to become a more sustainable industry. Of these, number six covers short selling and its objective to expose fraud and misdeeds as well as support price discovery and market efficiency. Interestingly, its neighbour at number seven addresses the need for good corporate governance through voting and shareholder engagement with issuers. This could be taken as a subtle indication that these principles need not be in conflict but are, in fact, aligned toward the proper management of investors' funds balancing revenue generation with good governance.

Getting to green is a laudable goal, and progress can be measured in actions and data. Regulators may well get more involved, and not just about fair practices ensuring the descriptions of funds matching up with their actual behaviour. It is also possible that other organisations might believe it is part of their role to influence the markets transition.

Recent statements by the European Central Bank (ECB) President and the Governor of the Bank of England have indicated that they may bring the firepower of their respective bond purchase programme to favour corporate bonds issued by companies that satisfy their climate change requirements. Selling "brown bonds" and purchasing "green bonds" can bring cost-of-financing advantages to such companies. On many levels, these actions may be well supported, although some might question whether attempting to influence the market in such a manner might be outside the typical remit of a central bank.

However progress might be measured, guided or encouraged by regulators or central banks, there is ample opportunity for the finance industry to make its own choices and support the principles of sustainable securities lending.

SteelEye, Aviva Investors and Broadridge latest hires and more

Tommy Guagliardo, global head of prime finance sales trading and Bob Luzzo, head of prime brokerage sales, Americas have left BNP Paribas' Chicago office after both serving more than twenty years with the bank.

Guagliardo has been with the bank since 1999, while Luzzo has worked at BNP Paribas since 2000.

Brian Cahalan is understood to have left his role as managing director and head of equity securities financing, Americas after 13 years of service.

In addition, Michael Petrick, a risk associate at BNP Paribas, has left the company.

Jon Androski, relationship management prime services and Julia Malinowski, vice president are also understood to have left their roles at BNP Paribas.

SFT understands all of the above have been recruited by Bank of Montreal, the Canadian multinational investment bank and financial services company.

SteelEye has appointed Brian Lynch as president of its new US office.

Based in New York, Lynch will be responsible for SteelEye's US footprint, leading the firm's commercial expansion in the North American market.

Lynch has extensive experience in innovating, building, and implementing technology solutions in the financial services industry in a

eSecLending appoints Jacqueline Waller

eSecLending has appointed Jacqueline Waller as senior vice president, head of client relationship management.

Based in London, Waller will be reporting to Brooke Gillman, global head of client relationship management, as she supports the firm's service delivery model for clients throughout Europe, the Middle East and Africa (EMEA).

During a 20-year career in the securities lending industry, Waller most recently worked for Brown Brothers Harriman (BBH) as vice president of securities lending, where she spent nine years managing European clients.

Prior to BBH, Waller was with Northern Trust for 14 years and held a variety of roles in securities lending and asset management divisions with responsibilities in business development, relationship management and portfolio management.

Speaking on the announcement, Gillman comments: "I am excited to have Jacqueline Waller join our team as she will be a great contributor to our organisation as we continue to build new products and services to meet the changing needs and interests of our client base."

career spanning more than 25 years.

In 2011, Lynch joined Risk Focus from UBS. As CEO of Risk Focus, Lynch drove the development of a regulatory focused software solution that he then utilised to co-found RegTek Solutions, where he was also CEO from 2017 to 2019.

Bloomberg acquired RegTek Solutions in 2019, which led Lynch to spend two years integrating his product into Bloomberg's regulatory platform before leaving to join SteelEye.

Commenting on the appointment, Smith says: "Brian's experience in the industry is second to none, making him the perfect choice to lead SteelEye's US business. Our North American clients will benefit hugely from his extensive regulatory background. Brian's knowledge and understanding of the regulatory challenges financial firms in North America face will be invaluable."

Lynch comments: "I am thrilled to join SteelEye at such an exciting stage for the business. The abundance of regulations and regulatory change in the European markets has encouraged innovation in the region. While competition is strong in the UK and Europe, the North American markets are not as well served.

He adds: "The US financial services market is broad and offers a tremendous opportunity for solutions that have proven themselves in a rigorous regulatory environment and I am excited to bring SteelEye to the US client base."

Aviva Investors has promoted Caroline Hedges to head of credit, following the promotion of Colin Purdie to chief investment officer for liquid markets in June.

Based in London, Hedges will lead teams across investment grade and high yield credit, emerging market debt, liquidity and securities finance.

She has worked for Aviva Investors since 2006, with her most recent role being global head of liquidity and securities finance.

Prior to this, Hedges held several positions at the company including global head of liquidity portfolio management from 2018 to 2021 and senior liquidity fund manager from 2006 to 2018.

Before her career with Aviva Investors, Hedges was client reporting analyst for Northern Trust Asset Management, investment accountant for BNY Mellon and share dealer for the Bank of New York.

Speaking on the announcement, Purdie comments: "Caroline has a strong focus on commercialising our capabilities, rigorous focus on performance and ability to work effectively with the investment and sales teams.

"She has a clear strategy to take the credit business forward, based on performance, culture, process, a well-defined approach to ESG and appreciation of the competitive environment."

Broadridge announces new appointment Mike Johnson as vice president and global product manager for derivatives clearing.

Johnson is responsible for the continual enhancement, growth and quality of Broadridge's leading global cleared derivatives platform, as well as leveraging strategic client and industry partnerships.

In a 30-year career within financial services, Johnson has worked for Bank of America where he gained 15 years of experience in the exchange-traded derivative space and more than 10 years in repo trading.

During this time, he has become a champion of the front-to-back ownership model, driving the architecture of technology and operations infrastructure and providing solutions from trading and risk systems to post-trade books and records functionality.

Johnson was also the global head of collateral management and business development for Bank of America. He provided leadership and frameworks with governance processes, driving scalable client solutions, and achieving financial results.

Danny Green, global manager of post-trade solutions at Broadridge, says: “His experience and knowledge of the cleared derivatives space will enable us to continue delivering Broadridge’s solutions along with customer service of the highest standard.”

David Shone of ISLA is now part of the Data Standards Committee, part of Bank of England’s Transforming Data Collection Programme.

The committee, which began in July, serves as a forum for stakeholders, including reporting firms, trade bodies, and relevant standard setting bodies, to discuss issues and propose solutions on data standards.

The Bank of England is working with the Financial Conduct Authority (FCA) and industry to transform data collection from the UK financial sector.

Its key reforms involve focusing on defining and adopting common data standards, modernising reporting instructions and integrating reporting.

With more than a decade of experience in the industry, Shone joined ISLA in 2020 as a consultant of regulatory and technology before being promoted to director.

Prior to this, he spent six years with State Street in a number of senior roles including vice president of Europe, the Middle East and Africa (EMEA) head of business solutions, policy and control.

Additionally, he held positions at UBS Investment Bank including AO swaps support and client manager of over-the-counter equity derivatives confirmations.

ARK36, a digital asset hedge fund, has appointed Anto Paroian as COO.

Based at its Cyprus headquarters, Paroian will supervise all of the fund’s operations and activities, working alongside ARK36’s other co-founder Mikkel Mørch and executive director Loukas Lagoudis.

Additionally, he will introduce core elements from a traditional financial background to the digital asset space, which are instrumental in ARK36’s vision of bringing the best of these two worlds together.

Paroian has more than a decade’s worth of experience in establishing and managing data analytics teams in the hedge fund and alternative asset industry.

He most recently spent 12 years as head of data group for Albourne Partners. Prior to joining he was a client liaison officer and operations manager for Aspen Trust Group for two years.

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

Group editor: Bob Currie
bobcurrie@securitiesfinancetimes.com
+44 (0) 208 075 0928

Senior reporter: Maddie Saghir
maddiesaghir@blackknightmedialtd.com
+44 (0) 208 075 0925

Senior reporter: Jenna Lomax
jennalomax@blackknightmedialtd.com
+44 (0) 208 075 0925

Reporter: Carmella Haswell
carmellahaswell@securitiesfinancetimes.com
+44 (0) 208 075 0925

Reporter: Rebecca Delaney
rebeccadelaney@blackknightmedialtd.com
+44 (0)208 075 0923

Accounts: Chelsea Bowles
+44 (0) 208 075 0930
accounts@securitiesfinancetimes.com

Designer: James Hickman
jameshickman@blackknightmedialtd.com +44 (0)208 075 0923

Marketing director: Steven Lafferty
design@securitiesfinancetimes.com

Published by Black Knight Media Ltd


Fair practice makes perfect
A sustainable business goes far beyond net zero. If you are committed to best practices for society and the environment while growing your business, we are committing between $750bn and $1trn to support you in making the transition.
Find out how you can play a part.
www.business.hsbc.com/bpfp
HSBC

Upcoming Securities Finance Training

Non-Cash Collateral Fundamentals

Date: 12 October 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.

SFTR Analysis

Date: 15 October 2021
Location: Online
Provider: Consolo

SFTR is undoubtedly the most significant regulatory change to impact securities lending for over a decade. As the reporting requirement deadline begins to loom, this one day course provides an opportunity to hear how the market is preparing itself and what challenges remain unanswered.