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Smart contractors

LiquidShare's Jean-Marc Eyssautier discusses central bank digital currencies and how distributed ledger is reshaping access to capital markets

RMA Conference to be in-person event

The first live industry gathering to be held since the RMA / PASLA Asian Securities Lending Conference 2020 was cancelled is to happen this year.

The 38th Annual RMA Securities Finance and Collateral Management Conference, originally planned for 11-14 October, is to be rescheduled for 18-21 October.

This event is being moved to a new venue, the JW Marriott Miami Turnberry Resort & Spa.

A 50-year old property, Turnberry was at the core of Don Soffer's vision of present-day Aventura, a city that was planned out on a cocktail napkin by Don himself. The resort is still owned and managed by the Soffer family.

"We have been looking forward to the day when we can finally meet in person with our industry peers and friends since the pandemic took hold," said Fran Garritt, RMA's director of securities lending, global markets risk and credit risk. "This conference is always a special gathering, but it will be even more so this year as we put a difficult year behind us and discuss the challenges and opportunities to come."

"Of course, we will conduct the conference with the utmost concern for the safety of our attendees," Garritt said. "Working closely with JW Marriott, we will continue to monitor and adhere to the latest CDC guidelines."

The conference co-chairs will be Marney McCabe, Brown Brothers Harriman's co-head of global securities lending, and Casey Spezzano, head of customer sales and trading, US, NatWest Markets.

McCabe and Spezzano will be working with the RMA Securities Lending Council industry leaders to create a programme that addresses critical issues impacting the industry and to help institutions navigate the year ahead.

In 2020, the industry's number one conference was converted into the RMA Securities Finance & Collateral Management Virtual Summit which took place on 13-14 October. Participants enjoyed two days of online panels with top securities lending professionals.

This conference included an update from the RMA's securities lending council, a look at ESG, cash and the changing landscape of collateral, and a focus on diversity and inclusion in the industry.

This was followed on the second day by three online panels covering the move from LIBOR to SOFR, risk and reward for beneficial owners, and a global industry leaders panel.

Inside this issue

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ESMA launches consultation on CCP recovery

The European Securities and Markets Authority (ESMA) has launched public consultation on how to implement its central counterparty (CCP) recovery mandates.

ESMA's proposals, detailed in seven consultation papers, aim to deliver CCP recovery plans that protect the financial soundness of CCPs without presenting a need for public support in crisis conditions.

The EU market regulator says that harmonised CCP recovery measures will enable CCPs to continue to provide critical functions in the event of a deterioration in their financial condition or when there is a danger they may breach their capital or prudential requirements.

Respondents are asked to deliver their feedback on the consultation papers by 20 September 2021.

ESMA plans to publish its final reports on the consultation in the final quarter of 2021 or the first quarter of 2022.

ESMA chair of the CCP supervisory committee

Eurex expands access to repo business

Eurex has expanded its ISA Direct access model to allow additional clients to access the centrally cleared European repo business.

Firms and their counterparty dealer banks covered under the expansion, ISA Direct Indemnified, will benefit to an even larger degree from the capital and risk management advantages that come through direct access to repo clearing at Eurex.

The move has been accompanied by the publication of a new white paper — Capital Efficiencies through Direct Access Repo Clearing Models for the Buy-side — with the go-live of the expansion set for Q4 of this year, pending regulatory approval.

The white paper details how Eurex's repo clearing models offer dealer banks opportunities for balance sheet, leverage, and risk-based capital optimisation, consequently leading to better execution terms for the buy-side.

With the expansion of Eurex's ISA Direct model, buy-side firms will be able to directly access CCPs, Eurex says, offering broader access to funding and investment sources.

Eurex Clearing's repo clearing access models offer banking institutions the opportunity to maintain the repo trading service offering to their buy-side clients without the disproportionately high leverage capital costs and depressed returns on equity, Eurex adds.

Klaus Löber says:“The launch of ESMA’s public consultations, on the implementation of the CCP recovery mandates, is the first step to ensuring consistency of EU central counterparties’ recovery regimes at EU level in line with the highest international standards.”

“The proposed Regulatory Technical Standards and Guidelines complement the new EU regulation on recovery and resolution, and will provide national and EU regulators with the necessary tools to support their supervisory and financial stability objectives while ensuring supervisory convergence across the EU,” says Löber.

SmartStream partners Acadia

SmartStream Technologies has partnered with Acadia, provider of integrated risk management and margin automation services.

The partnership will enhance efficiencies for the processing and calculation of interest statements for TLM Collateral Management’s customers and associated counterparties.

SmartStream’s TLM Collateral Management is a comprehensive, automated data management solution that helps financial institutions lower the operational risks associated with collateral management programmes.

The solution will work alongside Acadia’s Interest Statements workflow, available via its industry-standard Margin Manager platform, and will dispatch interest statements, reconcile, and resolve issues with counterparties in a standardised messaging format.

According to SmartStream, this will remove the reliance on email exchanges and often lengthy, complicated dispute resolution by uploading statement data.

Additionally, Acadia’s matching engine will pair statements, highlight discrepancies, and produce final interest statements for clients and their relevant counterparties.

Jason Ang, program manager, TLM Collateral Management, SmartStream, states: “It is always essential to provide our clients with new technologies and improvements to their service.”

Ang explains: “TLM Collateral Management coupled with Acadia’s Margin Manager provides integration with a powerful collateral solution and a user-friendly dashboard, allowing for quick exception management,

including a complete audit trail with final statements. It's our duty to continue improving services for our clients and this is a great addition to our existing solution."

Richard Barton, head of product management, Acadia, comments: "We are delighted to be working alongside SmartStream, who have successfully served clients in the collateral management space for years, and we are confident this will further enhance its service in many areas including: margin and risk mitigation – which will efficiently meet all sell-side, buy-side and fund administrator requirements."

Investment allocations to hedge funds set to rise in H2

More than one third of investors expect to ramp up their allocations to hedge funds during the second half of 2021, while just over 50 per cent plan to maintain current levels.

These were the headline findings from the latest bi-annual investment report from the Alternative Investment Management Association (AIMA) and investor research company HFM, entitled Investor Intentions H2 21.

Global macro strategies are expected to be the strongest beneficiaries of new investment flows, according to the report, with 32 per cent of investor respondents planning to increase allocations to this fund segment.

With global economic forecasts predicting a rise in inflation during 2021-22, investors are attracted to global macro strategies by their capacity to provide an inflationary hedge, the report says.

The survey finds that multi-strategy funds and long-short strategies are also likely to attract new subscriptions from investors, with 31 per cent of respondents planning higher allocations to these sectors.

In contrast, investors are less enthusiastic about quantitative and arbitrage or relative value strategies than they were 12 months previously.

One fifth of respondents said they expect to raise allocations to quant strategies, down from 31 per cent in H1 2020. Similarly, only 16 per cent of investor respondents plan to increase allocations to arbitrage or relative value funds, a fall from 29 per cent 12 months ago.

Reflecting on recent performance, more than 80 per cent investors said that they were satisfied with the performance of their hedge fund investments during the first half of 2021.

The AIMA and HFM report indicates that hedge funds had their strongest start to the year for more than a decade, and this has translated into US$57.8 billion in new capital inflows into the sector during H1, more than double the capital outflows witnessed for the equivalent period during 2020 (-US$23.4 billion).

The report observes, however, that some asset owners believe themselves to be over exposed to hedge funds and plan to revise their allocations downwards, while others are monitoring this situation and are retaining their allocations above target.

"The outlook for hedge funds remains strong, but less so than six months ago," says the report. "Hedge funds returned 12 per cent in 2020, but our interviews suggest investors are waiting for robust two-to-three year performance before investing further."

It finds that private wealth investors are most likely to raise their hedge fund allocation in H2. Although demand has dropped off slightly across this group, they are more likely to allocate money to hedge fund strategies

than other alternative investments, with the exception of private equity.

"More sophisticated investors are also exploring other strategies within the alternative investment universe, with respondents highlighting increased appetite for private equity and credit funds, among other less liquid products," says the report.

Investor respondents indicated that they are looking to private credit strategies as their most common response to counter low fixed income yields.

"Hedge funds posted the strongest first-half returns since 2009 and are on track to achieve the best Sharpe ratio since 2017," says HFM chief data officer Elias Latsis. "While investor satisfaction with performance remains high, the slight pullback witnessed since our last survey shows the bar for success has been set higher by managers' outperformance during Q2 2020."

The research, conducted during Q2 2021, was based on responses from 108 investors, with a total US$7.6 trillion in invested assets, and 123 hedge fund management companies.

LiquidShare completes successful CBDC test

LiquidShare and Banque de France have successfully completed an experimental use of central bank digital currency (CBDC) for interbank settlement purposes.

The experiment was conducted by a consortium of participants, which tested delivery versus payment for both listed and non-listed securities on blockchain across the entire lifecycle of securities, spanning issuance and registration to secondary market operations' settlement.

Using blockchain technology, all processes were validated, including the functions of creation, control and destruction of CBDC tokens belonging to Banque de France.

The consortium, made up of 15 entities and over 45 individuals, represented a wide variety of participants across the ecosystem, with Euronext acting as the marketplace and Euroclear France as central securities depository.

Communication between the entities demonstrated the advantages of blockchain technology, such as real-time information sharing and modelisation of business logic through smart contracts.

The successful outcome is expected to be indicative of future achievements in the development of post-market solutions for digital assets, securities and cash.

The experiment was conducted by a consortium also made up of AXA Investment Managers, BNP Paribas Securities Services, Caceis Bank, Caisse des Dépôts, CIC Market Solutions, Crédit Agricole Titres, Euroclear, Euronext, Kriptown, La Banque Postale, ODDO BHF Asset Management, OFI Asset Management and Société Générale Securities Services.

Tradeweb reports June rise

Tradeweb Markets reported a strong increase in repo average daily volumes (ADV) in June.

Repo ADV climbed 53.6 per cent YoY in June to US$366.4 billion.

This advance in global repo trading activity was driven particularly by the addition of new trading participants onto its platform.

New client adoption pushed up trading activity in US equities, with ADV for US ETFs rising 13.9 per cent YoY to $5.5 billion and European ETF ADV rising 18.4 per cent to US$2.4 billion on Tradeweb.

Total trading volume through Tradeweb continued to grow, climbing to $23.1 trillion for June. ADV across all trading products increased 34.7 per cent YoY to $1.05 trillion.

In US credit trading, Tradeweb's share of fully electronic high grade and high yield TRACE activity, the FINRA-operated bond market reporting engine, rose to a new record of 13.1 per cent and 5.4 per cent respectively for June.

Qomply Partners with REGIS-TR as it expands European services

Qomply partners with European trade repository (TR) REGIS-TR as it seeks to expand its European services.

The partnership, announced by London based regulatory technology firm Qomply, aims to support market participants in meeting their reporting obligations across Europe and in major European regulations.

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MarketAxess sees uptick in post-trade repo volume

MarketAxess recorded substantial increases in post-trade repo average daily volume in the second quarter of this year.

The post-trade services provider for the global fixed-income markets says repo-matched trade ADV increased 83 per cent YoY to US$114 billion in Q2 2021, with over 120,000 matched trades on the platform, up over 100 per cent YoY. 88 per cent of these were term trades, with 12 per cent open trades.

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DTCC derivatives depository fined by ESMA

The European Securities and Markets Authority (ESMA) fined DTCC Derivatives Repository Plc €408,000 for breaches of the European Market Infrastructure Regulation.

According to ESMA, this related to seven infringements which included allowing asset managers to access data that they were not permitted to view and configuring its IT systems in a way that changed the content of information reported to the depository.

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China tightens supervision of US-listed companies

China's moves to tighten controls on technology firms listed overseas are likely to trigger an acceleration in short selling activity on these stocks, according to research and analytics company S3 Partners.

China's telecommunications regulator ruled that mobile app providers should not market apps from Didi Chuxing, owing to concerns that it was making inappropriate use of customers' personal data.

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FSB says act now on LIBOR transition

The Financial Stability Board has released a progress report to the G20 on LIBOR transition, encouraging financial authorities to set global consistent milestones that will accelerate moves away from LIBOR.

The report says that an orderly transition away from LIBOR requires a commitment to stop issuance of new products that are linked to LIBOR and steps to move away from LIBOR for legacy contracts.

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First Abu Dhabi Bank partners with State Street

First Abu Dhabi Bank (FAB) and State Street have entered into an alliance to create a full-service enterprise offering for institutional investors in the region.

The partnership will leverage FAB's regional securities services expertise, incorporating the largest direct custody network in the Middle East and North Africa (MENA), and State Street's global strength and capabilities, FAB explains.

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Jean-Marc Eyssautier
CEO
LiquidShare

Extending capital market access through blockchain

Bob Currie reports

LiquidShare CEO Jean-Marc Eyssautier and lead IT architect Emil Kirschner talk to Bob Currie about the company's strategic pivot, the strength of its capital market operations expertise and the advantages it derives from its DLT-based technology

In June 2021, LiquidShare completed an experiment involving the settlement of securities transactions using a central bank digital currency (CBDC) issued by Banque de France, the French central bank, for the payments leg of the settlement operation.

This experiment was conducted with a consortium of 14 financial institutions brought together by LiquidShare and based on the platform it has developed since 2018. This involved a simulation where both listed and unlisted securities were issued on blockchain and settled successfully against central bank money using the CBDC – with creation, control, and destruction of CBDC tokens vested to the Banque de France.

While seemingly a small and arcane test event, this simulation demonstrates the power that creative application of distributed ledger technology and smart contracts can bring to financial markets. Issuers, whether large corporations, small and mid-sized enterprises (SMEs) or government entities, are able to issue financial instruments on blockchain and to encourage active secondary market trading in these instruments.

This is important for extending access to capital markets, promoting market liquidity and providing opportunity, by 'fractionalising' these tokens, to make these available in smaller denominations to a wider range of investors.

Importantly, this experiment opens the door for settlement of transactions in both commercial bank and central bank digital money, thereby mirroring the securities settlement ecosystem, and the high levels of operational surety and safety, currently available for traditional securities.

It also represents a noteworthy landmark in a wider research programme being conducted by the Eurosystem, the group of EU central banks, on the benefits of CBDC in payments and transaction settlement.

Permissioned blockchain

Formed in 2017, LiquidShare was created by eight European financial institutions to develop post-trade solutions for financial markets using distributed ledger technology. Its goal is to apply a private permissioned blockchain to support issuance of digital securities and all downstream processing across the transaction lifecycle, enabling participants on the blockchain (commonly known as 'nodes') to share the same 'golden source of truth' and to minimise the requirement for costly, often manual, reconciliation.

The founder group — consisting of AFS Group, BNP Paribas Securities Services, CACEIS, Caisse des Dépôts, Euroclear, Euronext, S2iEM and Societe Generale — has initially invested in LiquidShare to identify, and to implement, new distributed ledger-based opportunities in real-time transaction processing for both listed and non-listed SME equities.

LiquidShare ran two successful pilots on the settlement platform built between 2018 and 2020 which, among other benefits, demonstrated the benefits of shortening the chain of intermediation between issuer and investor, However, despite these successful trials, the company did not meet its business targets on the SME equity market. One reason for this, it told SFT, was probably because some of the project's major shareholders, which had initially driven the formation and early investment in LiquidShare, were among those likely to be disintermediated. According to popular orthodoxy, custodians and depositary banks face a high risk of becoming unnecessary and irrelevant in a world of DLT-driven digital trading.

To address this delicate issue, and to reinforce the company's business effectiveness, Jean-Marc Eyssautier explains that LiquidShare has changed its strategic direction over the past 12 months — what the company calls a 'strategic pivot'.

This strategic pivot was driven, in no small part, by concerns within its Board of Directors and shareholder group that LiquidShare's research and product solutions needed to start paying for itself. While the Board has not wavered from its commitment to building market infrastructure and post-market solutions to support the industry, it demanded clear and prompt evidence that the investments made over the past four years have been spent wisely and will translate into profitable commercial applications.

The practical outcome was twofold. First, the Board of Directors elected to change LiquidShare's senior management group — most visibly by appointing Jean-Marc Eyssautier as its new chief executive in December 2020.

Second, it asked its new management group to demonstrate that it could sell its product solutions to the market and generate revenue. The strategic pivot has given the company a stronger commercial focus, with a clearer timetable for delivery of its net income targets.

Alongside Eyssautier, former BNP Paribas Securities Services' senior sales executive for European institutional customers Brigitte Gignoux has joined the company as its new head of business development.

Between them, Eyssautier, Gignoux and the business development team have been in close dialogue with clients and prospects to identify where Liquidshare can deliver new areas of efficiency and innovation to the marketplace.

Central to the spirit of the strategic pivot is a commitment to working in co-operation or partnership with clients and shareholders. No longer does LiquidShare refer to developing product solutions that may disintermediate these financial intermediaries. "Our priority is to co-design solutions with our customers and stakeholders," says Eyssautier.

On the basis of the dialogue, LiquidShare has two principal objectives for the second half of 2021 and beyond.

One is to position itself at the forefront of the financial market value chain in supporting the development of digital assets and currencies. A noteworthy landmark, as we have noted, has been the recent settlement of securities transactions against a Central Bank Digital Currency conducted with Banque de France and 14 partner organisations.

A second priority is to extend the service options supported by this DLT-based initiative. Initially, LiquidShare will target private equity investments, focusing on start-up and scale-up companies and providing a secure framework for issuance and registration of security tokens. This will offer flexible digital management software, providing users with the ability to monitor equity structure and fundraising rounds for example, alongside the opportunity to manage automated employee incentive strategies and online legal secretarial support.

> ***While seemingly a small and arcane test event, this simulation demonstrates the power that creative application of distributed ledger technology and smart contracts can bring to financial markets***

More broadly, the company will provide a real-time settlement platform for traditional and digital assets, supporting the transaction lifecycle in an STP environment — thereby improving automation rates and removing manual interventions from previously heavily-manual asset classes and areas of trade processing.

"We are agnostic to the type of asset and the type of cash used to settle the trade," says Eyssautier. "Our systems are equipped to support both listed and unlisted securities — and following our recent proof of concept settlement with the Banque de France and other service partners, we have demonstrated the potential to process CoBM and CeBM transaction settlement across a broad range of assets."

However, Eyssautier notes that many areas of the asset servicing landscape for heavily-traded traditional cash securities (eg large cap equities, government bonds) already operate efficiently, at high volume and relatively low cost, with high levels of automation.

With the development of the TARGET2-Securities platform for settlement of euro-denominated (and some non-euro) securities, which is owned and operated by the Eurosystem, there is currently little advantage, in terms of processing efficiency, transparency or potential cost savings, that can be delivered through migrating trade processing for T2S-eligible securities into a DLT environment.

Consequently many larger clients and shareholders — for example large international custodians and depository banks — are not currently looking to move their whole legacy settlement and asset servicing systems to blockchain for liquid securities.

That is why, as a third target, LiquidShare is focusing its efforts on the pain points of the post-trade area where inefficiencies, areas of risk or manual processes remain. For example, the company is now marketing a middle office platform that will enable full STP settlement for the commercial paper (e.g. eurocommercial paper, ECPs, and negotiable European commercial paper, neuCPs) primary market, thus bridging the existing gap between the trading platforms, the T2S settlement platform and its participating CSDs.

Technology delivery

Beyond capitalising on its expertise as a provider of market infrastructure and post-market solutions, a third major element in LiquidShare's growth plan is to develop its footprint as a provider of DLT technology.

"We identify opportunities to expand as a technology supplier, supporting firms that are developing business solutions on blockchain but which do not have the technical expertise or investment budget to develop their IT architecture in-house," says Eyssautier. "Other firms may not identify this as a core competency and they prefer to outsource. For each of these customers, we offer a technology solution to them on a white-labelled basis, enabling them to focus on the business innovation in which they specialise."

Reflecting on where LiquidShare's major strengths lie as a company, Jean-Marc Eyssautier points to the power of its blockchain-based technology combined with deep expertise across the team in securities operations, market infrastructure and associated regulatory and compliance obligations that confront a service provider.

For Eyssautier, for example, his early experience at the French central bank, a term spent at the French CSD Sicovam (which became Euroclear France in 2000) and then a long career at CACEIS — as head of operations at pre-merger CDC IXIS, as managing director of CACEIS in Paris, and then as chief risk and compliance officer and, later, head of public affairs — provided a detailed knowledge of the mechanics of DvP transaction settlement, custody operations, risk management and compliance.

But beyond the people and their embedded knowledge, Eyssautier believes that the technology is also crucially important to LiquidShare's future.

Emil Kirschner, LiquidShare's lead IT architect, explains that the company took an early decision to employ DAML, the open-source Haskell-based language, to drive its smart contract framework and platform design.

In June 2020, it appointed Blockchain Technology Partners (BTP) to meet its requirements for a blockchain and smart contract-based operations platform.

BTP's Sextant for Daml platform is supported on LiquidShare's first choice of DLT technology platform, Hyperledger Besu, and this was a primary factor in its selection decision, explains Kirschner. "Daml offers speed and flexibility when embedding business logic into the smart contract and dramatically simplifies the deployment of the Daml runtime environment on DLT," he adds.

For example, this enables LiquidShare to add new nodes to the DLT platform quickly and easily, accelerating the speed with which it can onboard new participants on the platform.

"From experience we know that it can take a lot of work to configure a robust Hyperledger Besu network. When using BTP Sextant, configuration work that has previously taken days is now taking several hours. This provides a big advantage over competitive offerings available in the market and it provides flexibility to customise block sizes and other parameters in the underlying network to suit our requirements."

Kirschner says that LiquidShare will continue to take advantage of the benefits that this framework offers, including the deployment of a private transaction manager configuration and enhancements to its privacy settings, to extend the benefits this will offer to partners using the platform.

With these developments, we potentially have a view into the future of what issuance and trade processing will look like. It remains to be seen what role CBDC, stablecoin — cryptocurrency pegged to fiat currency — or tokenisation of fiat currency may play in the cash leg of a transaction settlement.

However, LiquidShare has been influential in demonstrating what is possible from a technical standpoint. The decision will lie with central bankers, financial regulators and other policymakers to confirm how quickly these digital CeBM settlement options become a practical reality.

New World, Old World

Bob Currie reports

Securities finance experts are applying advantages from the new digitised world to address historical inefficiencies in securities lending, financing and collateral management.

Institutional investors are cautiously increasing their allocation to digital assets as they are attracted by the return and diversification opportunities offered by digital instruments and become more comfortable with the market infrastructure and risk management frameworks supporting these investments.

As asset owners extend their portfolios of traditional and digital assets, they require the tools (typically via their service intermediaries) to manage execution and post-trade requirements across their multi-asset holdings, including the ability to mobilise and allocate collateral across multi-asset inventories and to optimise liquidity usage across fiat and digital currencies.

For investments in 'traditional' securities, principles have grown up over decades that provide guidelines for safekeeping institutional assets. Standards have been refined, with input from the financial regulators and industry associations, to establish a set of guiding principles that are applied when appointing a custodian or holding securities with a central securities depository (CSD).

In the US, for example, the Securities and Exchange Commission (SEC) has established rules (under SEC Rule 17f-5) that require a US investment fund holding assets outside of the US to place these in safekeeping with an 'eligible foreign custodian'. Similarly, SEC Rule 17f-7 specifies that, when employing the services of a central securities depository outside of the US, a US investment fund may only use a CSD that meets its 'eligible foreign depository' specifications.

Although developed initially by the SEC to apply to US investment funds (or intermediaries acting on their behalf), these have become a de facto standard internationally to guide custodian selection and CSD due diligence.

For fund custodians with activities in the EU, a liability regime has grown out of the Alternative Investment Fund Manager and UCITS V directives which makes the fund custodian directly liable for any "avoidable loss" of any financial instrument held in custody on behalf of a fund client.

For digital assets, however, an equivalent liability regime and set of custody standards is still in formation – and while this remains the case, some institutional investors have been cautious about increasing their allocations to digital assets. Moreover, financial authorities are still firming up their positions regarding how digital assets should be regulated.

Digital expertise

To support these developments, BNY Mellon formed a digital asset division in February 2021 designed to accelerate the development of solutions for clients wanting to build exposure to digital assets, including cryptocurrencies.

Mike Demissie, BNY Mellon's head of digital assets and advanced solutions, says that the digital asset unit plans to deliver a secure infrastructure for transferring, safekeeping and issuing digital assets. In line with the organisation's open architecture approach, this draws on digital expertise and technology from fintech and other collaborators with the goal of speeding up product development and helping clients to access the best available solutions in the market. "We see a great deal of interest in digital assets across our client base. Clients want exposure to digital assets, but this does not typically mean that they are looking for new service providers," says Demissie. "As a trusted service provider, our clients are looking to us to extend our services to this new asset class."

State Street established a new division dedicated to digital finance in June 2021. State Street CEO Ron O'Hanley says that the financial industry is gradually transforming to a digital economy and digital assets are likely to be one of the most significant forces that will shape this industry's development over the next five years. "Digital assets are becoming integrated into the existing framework of financial services and it is critical that we have the tools in place to provide clients with solutions for both the traditional investment needs and their growing digital needs," he says.

The new division aims to capitalise on State Street's existing digital expertise and to extend this to include crypto, central bank digital currencies and tokenised securities. This will be built around the bank's proprietary GlobalLink technology platform, with plans to develop this into a multi-asset platform supporting crypto assets alongside other asset types.

State Street managing director for digital product development and innovation Swen Werner says that State Street has been actively developing its digital asset capability for a number of years, but the speed and breadth of change is now getting stronger. "[State Street's Digital Asset Division] is an investment in tomorrow, but a strong signal now to our partners, clients and the general market that we are open for business," he says.

"This initiative cannot wait," says Werner. "Regulators are reviewing applicable laws now and clients are looking to launch new digital fund structures. State Street is committed to having the right institutional framework to respond."

Jens Hachmeister, Deutsche Börse's head of issuance and new digital market, explains that Deutsche Börse Group has been building its digital markets strategy since 2015. This began with an exploratory phase, which lasted approximately three years, and from 2018 it has become part of Deutsche Börse's core strategy. The financial infrastructure group has been evaluating how it can support digital assets and securities alongside traditional assets and how best to unlock the benefits made available through distributed ledger, smart contracts and other relevant technology in the field of digital securities.

Deutsche Börse Group's strategy is to support the full digital value chain from issuance, through trading, clearing and risk management, through to settlement and custody — along with associated services that users require such as foreign exchange services, financing and data management.

"Our approach is to build a trusted ecosystem that supports a broad range of digital assets and digital securities across all parts of this value chain," says Hachmeister. "We do this by acquisition or through partnership with other specialist firms, but also by developing infrastructure internally."

In the post-trade area, Deutsche Börse is researching the design of what it calls a 'next generation post-trade infrastructure'. This is building on recent developments in regulation, particularly the Electronic Securities Act in Germany and recent legislation in Luxembourg governing application of blockchain. Hachmeister says that these regulatory changes open new opportunities to digitise and dematerialise securities, extending potential for digital issuance of bearer bonds and a range of collective investments.

Hirander Misra, chairman and CEO of GMEX Group, provider of multi-asset exchange trading and post-trade solutions, says there is strong client demand for the full spectrum of digital and hybrid services. However, interoperability and time to market remain a challenge, with traditional infrastructure and multiple types of blockchain-enabled digital market infrastructure being severely fragmented.

A veteren of many industry start-ups — including multilateral trading facility (MTF) Chi-X Europe, where he was co-founder and chief operating officer in the early days of the MTF revolution — Misra says that a priority is to integrate digital market infrastructure and related services with existing market infrastructure and technologies, fostering interoperability between the two as part of a hybrid approach. "By doing so there is an opportunity to interconnect the whole capital markets value chain of participants across international nodes (jurisdictions), to trade, clear and settle traditional assets and digital assets and eradicate the age-old exchange silos," he says.

This is also key in the securities finance and collateral management arena, where an enduring challenge has been to eliminate fragmentation in collateral pools, across jurisdictions and across product lines, enabling optimised collateral allocation from a centralised collateral inventory.

Securities finance priorities

Historically, silo-based approaches to business development have impaired fluid movement of collateral and liquidity – and it is important that these inefficiencies are not replicated as organisations build a multi-asset infrastructure to support both legacy and digital assets. When asset classes operate on different underlying infrastructure, this can present challenges in optimising and mobilising collateral and minimising funding costs. Against this background, firms are prioritising the need for a transparent view of their assets and liabilities and improved use of their inventory for collateral purposes.

To harness the benefits of securities tokenisation to support collateral optimisation, Deutsche Börse Group is a major shareholder in Luxembourg-based fintech HQLA^{X} which aims to support collateral transformation trades but without the need to transfer securities between custody accounts of the trading parties.

Instead, a tokenised transfer of ownership takes place on distributed ledger technology, while the underlying securities remain static and are kept off blockchain (see the interview on p.26 of this issue). The platform is accessed via Eurex Repo's trading system, with Deutsche Börse standing as "trusted third party", holding baskets of securities at tri-party agents and custodians on behalf of market participants.

The basic principle involves keeping the underlying securities where they are and completing exchange of ownership on a layer above, specifically through tokenised transfer on a DLT-based registry, notes HQLA^{X}'s chief operating officer Nick Short. The company is now expanding that original operating model in small, incremental steps as it brings new strategic partners on to the platform. These each have different needs and are connecting to the platform in slightly different ways — and HQLA^X is delivering the interoperability required to connect together these previously fragmented pools of collateral.

Critical mass is building on the platform. Commerzbank, UBS and Credit Suisse have been active in the project since 2018 as early adopters and, alongside involvement from Deutsche Börse Group, there other major tri-party collateral players, notably Euroclear and JP Morgan. In January 2021, HQLA^X completed a €14.4 million funding round with BNY Mellon, Goldman Sachs, BNP Paribas Securities Services (BNPPSS), Citi and Deutsche Börse Group. These companies will also connect to the platform and play different roles, for example with BNY Mellon as a tri-party agent and agent lender, and Citi as custodian. This brings additional trade flow and tri-party business to the platform. In June, HQLA^X also added JPMorgan as a strategic investor in its Series-B funding round.

GMEX's Misra predicts that, over the next two to three years, end-to-end platform-driven solutions will develop further, with a multi-custody approach ensuring not only that market participants have choice in selecting custody options but also that there is greater asset portability. This will ensure more effective credit allocation, netting and settlement across OTC and exchange-traded digital asset activity, with effective custody choice being at its core.

"While most digital asset initiatives in this space are unregulated, SECDEX [a GMEX Group company] and more broadly GMEX has core experience in servicing regulated markets," says Misra. "Coming from a regulatory background, our GMEX Group senior management team has applied its knowledge and technology (including security token exchanges, and crypto index derivatives and clearing), along with its experience in running a robust and secure market infrastructure, to largely unregulated digital assets."

SFT asked Deutsche Börse how these market developments will shape its strategy as a trading and post-trade infrastructure group, with more than €16 trillion of assets in its custody though its CSD and ICSD business and a global funding and financing division seeking to optimise collateral and liquidity mobilisation on clients' behalf.

Clearstream's Head of Banking, Funding and Financing, Tilman Fechter says that HQLA^X is central to his division's current development priorities and this will concentrate, at least in the near term, on building significant volumes in its existing use cases. "With a large community of major banks, custodians and tri-party agents as users and shareholders, there is a rich seam of new ideas guiding how the project can be extended to a wider range of transaction types and asset classes," he says. "In the current phase of HQLA^X's development, however, the focus is to continue to build transaction volume through the platform — and this is progressing steadily."

Looking ahead, asset owners (or financial intermediaries acting on their behalf) will potentially hold inventories of both 'traditional' and digital assets with Clearstream. It seems logical, therefore, that they will want to optimise collateral mobility and balance sheet efficiency across each of these collateral pools ('traditional' and digital assets) and to deploy these within liquidity coverage ratio (LCR) and net stability funding ratio (NSFR) buffers, to post as margin against bilateral and centrally cleared trades, and mobilise these assets for other uses.

So how will Deutsche Börse deliver this requirement? Tilman Fechter predicts that the securities finance marketplace will evolve through three phases. He identifies an 'old world' that has been dominated by non-digital (ie 'traditional' or 'legacy') assets. "This is a world where HQLA^X is currently helping to manage collateral transformation through tokenised exchange supported on blockchain," says Fechter. In this environment, HQLA^X is serving as a translator, applying some of the advantages of the new digitised world to address the inefficiencies prevailing in securities lending and collateral transformation transactions in the 'old world'.

Looking further ahead, Fechter says that there will ultimately be a 'new world', perhaps 15 or 20 years from now, where asset holdings are fully digitised and trading and post-trade services will principally involve servicing digital assets.

Between these two phases, however, there will be a hybrid environment which will involve a combination of 'traditional' and digital assets. "We believe that the winners, those who will capture most market share, will be those that can best service this hybrid state," says Fechter.

Some fintechs have moved directly to the digital world and do not offer an infrastructure to support legacy assets. But, for Fechter, there will be no overnight transition from 'old' to 'new'. Success — at least for the large established banks, broker-dealers and market infrastructure providers — will be built on the ability to service both non-digital and digital assets.

From a global securities financing perspective, this will require delivering collateral mobilisation and optimisation for both non-digital and digital assets during this transition phase, alongside the risk management needs (including clearing services, trading and post-trade support for exchange-traded and OTC derivatives) that this presents.

Hirander Misra says that GMEX, and its various regulated market infrastructure ventures, is looking closely at how centralised finance (CeFi) and decentralized finance (DeFi) intersect within a regulated environment. "With SECDEX Digital Custodian (SDC), assets in custody can currently be pledged and lent through collaboration with an existing DeFi player and we are looking to expand this with an API-driven [application programming interface] approach from our exchange and custody platforms as part of a hub model," he says. This sort of model allows the assets to be held in custody and to be rehypothecated. "In addition we are looking to interface with a regulated digital bank to provide a hybrid CeFI and DeFI construct."

Misra identifies a number of developments that are important to delivering more effective control and governance around digital asset activity and which are likely to translate into new opportunities and efficiency in securities financing transactions.

This will include delivering real-time netting and settlement, along with the opportunity to re-use assets. This will also include the development of more sophisticated, higher-margin products in the digital asset world, including lending and prime brokerage opportunities to improve return on digital asset inventories and to enhance market liquidity.

Central to the progress of these developments will be steps to harmonise regulations and market standards across 'traditional' and digital assets, streamlining oversight procedures and reducing fragmentation across 'traditional' and digital asset pools.

State Street's Swen Werner also says that digital and legacy environments are likely to operate in tandem for the foreseeable future. "We have implemented IT solutions that allow us to combine the old and the new," he says. "However, there are many differences that need to be accommodated in the digital asset space. For example, markets do not have a natural close of business, data standards do not always follow an ISO data dictionary or use SWIFT protocols, and requirements tend to change more frequently."

Regulatory enabler

Early investment flows into digital assets were heavily dominated by high-net-worth investors and family offices, but large hedge funds and other buy-side firms have increased their investment over time as they become attracted by the investment potential that these offer and more comfortable with the custodial structures that sit around this.

Deutsche Borse's Jens Hachmeister says that his organisation is observing broader adoption of crypto currencies and crypto assets by institutional investors. Two to three years ago, investment in these instruments was dominated by high-net worth investors, hedge funds and specialised investors. However, the investor landscape is changing and institutional investors are now dedicating an increasing component of their asset allocation to digital assets. This may be through direct holdings of crypto assets, or through exchange-traded notes (ETNs), derivatives or collective investments with exposure to crypto and digital assets.

In supporting this activity, Hachmeister explains that Deutsche Borse Group's roadmap is driven only partly by new opportunities created by technology development. "In practice, regulation is always a main driver for real market adoption," he says, "particularly as it is key for building trust and investor protection in markets."

In the EU, the Markets in Crypto-assets (MICA) regulation provides a framework for regulating crypto assets and aims to provide a single licensing regime across all EU member states by 2024.

This will be important in driving convergence between the regulatory framework for crypto assets and the rules established under MiFID and MiFID II for traditional securities. Crypto asset service providers licensed under MICA will have passporting options, enabling them to market their business anywhere within the EU. They will also be required to fulfil EU organisational and capital requirements, including conducting AML and KYC verification on their customers.

In parallel, the European Commission has announced a pilot regime for market infrastructures — effectively a regulatory sandbox that allows the financial authorities, infrastructure providers and market participants to explore the development of a robust market infrastructure based on DLT.

GMEX 's Hirander Misra observes that In the UK and EU, the fifth

Anti-money Laundering Directive (5AMLD) requires providers of crypto platforms and wallets to identify their customers for anti-money laundering purposes. However, whilst security tokens and crypto derivatives are covered by MiFID II, spot crypto is still an unregulated asset class from the perspective of operating a trading venue and crypto custody in the UK.

Other market authorities, such as the Financial Services Regulatory Authority (FSRA) at Abu Dhabi Global Market, have introduced crypto asset exchange and custody regulations covering all these types of crypto assets, which brings them more into line with rules in place for regulated trading venues and post-trade infrastructure in the UK and EU.

Misra reports that the US digital asset market is evolving rapidly, with positive signals coming from the Options Clearing Corporation (OCC) regarding use of stablecoins.

However, there is still unevenness, from jurisdiction to jurisdiction and across instrument types, in how digital assets are regulated. “Although there has been engagement from various government bodies in the US, crypto still remains largely unregulated,” says Misra. “But security tokens are deemed to be securities by the Securities and Exchange Commission (SEC), and crypto derivatives are treated like any other derivative by the Commodity Futures Trading Commission (CFTC).”

Misra anticipates that further refinements to the regulatory framework in these Western jurisdictions are likely to make digital assets more attractive to both retail and institutional investors, while addressing some of the inherent risks. Meanwhile some other markets — Singapore, for example, and the Seychelles on a smaller but significant scale — continue to deliver creative developments to support digital asset activity.

The appetite for digital assets is rising from the buy-side, even if it is a small part of current asset allocation and even though some asset managers, such as BlackRock, are starting with regulated crypto derivatives. There is also increasing demand for structured products that can be listed (for example as exchange-traded notes, ETNs) on regulated exchanges to access a wider investor pool and associated liquidity.

State Street has noted how interest in investing in digital assets has shifted into the asset management industry, widening the source of investment flow beyond the early adopters which were largely asset owner (particularly HNWI) clients. This is partly driven by increasing regulatory certainty, a wider available spectrum of digital assets that includes security tokens or other tokenised instruments (e.g. cash or funds) and a deeper appreciation of how investors would like to benefit from digital investment structures. “In a nutshell: the industry is starting to understand how tokenisation can benefit their distribution efforts,” says Swen Werner.

State Street’s Werner feels that US regulators have placed the burden primarily on market participants to identify how digital assets can fit within the existing regulatory structure, particularly from a custody perspective. Given the unique attributes of digital assets, and the technology employed to support them, Werner believes that greater regulatory clarity will be valuable in this area — for example in defining standards of control and safekeeping by a custodian in the digital asset arena.

In building its digital asset capability, BNY Mellon’s Mike Demissie says that his organisation is focusing on extending the core services that it is best known for, such as fund services and custody, out to digital assets. BNY Mellon already provides fund accounting and administration for digital asset-linked products such as bitcoin exchange-traded funds (ETFs) out of Canada — and Demissie says that BNY Mellon’s multi-asset custody solution will go live before the year-end, enabling clients to hold underlying crypto assets alongside traditional asset holdings in one integrated platform.

In closing, Hirander Misra says that GMEX, and its digital financial services ventures such as SECDEX, are continually looking for opportunities to innovate as digital asset markets evolve. SECDEX is experiencing rising demand for security tokens and provision of white-label solutions for new areas such as non-fungible tokens (NFTs).

GMEX is also active as a technology enabler, focusing, among other projects, on core software and software-as-a-service solutions for trading, exchange and post-trade market infrastructure. “Demand from existing exchanges and post-trade venues continues to grow as they seek digital transformation, alongside demand from newer trading venues and digital custodians,” says Misra.

He also expects demand to increase for cloud-based microservices platform-as-a-service type models to provide solutions that reduce fragmentation between traditional and digital asset markets and associated post-trade infrastructure. The need for trusted, reliable utility infrastructure to service digital assets is greater than ever before, Misra concludes.

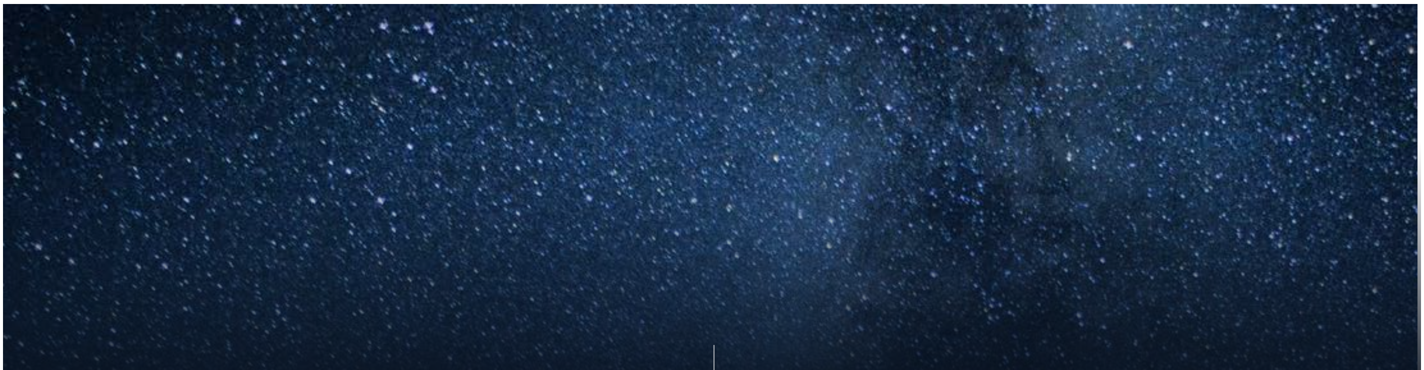
Frictionless trade: collateral just the beginning

Alex Pugh reports

Guido Stroemer at HQLA^X sets out how the firm's collateral mobility-boosting distributed ledger technology lays the groundwork for its long-term vision to transition towards a frictionless model of asset transfers

HQLA^X chairman and CEO Guido Stroemer thinks the main challenge in transforming the securities lending industry via distributed ledger technology (DLT) is human nature's resistance to change. Implementing innovative emerging technology solutions is hard work, Stroemer told SFT, as it requires strong collaboration and broad consensus building, not only with direct partners and supporters, but also amongst perceived competitors. To illustrate his point, Stroemer quoted Niccolò Machiavelli's 16th century political treatise, The Prince —

"There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things. For the innovator has enemies in all those who profit by the old order, and only lukewarm defenders in all those who would profit by the new order, this lukewarmness arising partly from fear of their adversaries … and partly from the incredulity of mankind, who do not truly believe in anything new until they have had actual experience of it."



“This quote captures the essence of the challenges faced by any agent of change,” Stroemer said, and it applies to HQLA^X in applying innovative DLT technology to help improve collateral mobility across the securities finance ecosystem. “Thankfully, HQLA^X has received strong support from incumbent market players from our very inception, and this support continues to grow day by day.”

Movers and shakers

On the origins of the DLT initiative, Stroemer said HQLA^X started out as a proof-of-concept project in R3 Laboratory, a DLT and blockchain software development company, in 2017, which built HQLA^X on the company’s Corda blockchain. “During this initial project, we built a prototype of our operating model and received valuable feedback from five global banks on the viability of taking our proof of concept into production,” Stroemer said.

The feedback received was “resoundingly positive”, and so production of the platform began with Deutsche Börse Group instrumental early supporters, underscored by their strategic investment in the company in 2018. “Together with Deutsche Börse Group, we brought the HQLA^X operating model into production in late 2019,” Stroemer added.

We have always prided ourselves as being a platform “designed by the industry, for the industry”, Stroemer said, “and we always knew that to achieve scalable market adoption, we would need the support and buy-in from the broader securities finance community”.

HQLA^X received important support in 2020, when it successfully closed a Series-B strategic investment round led by BNY Mellon, Goldman Sachs, BNP Paribas Securities Services and Citigroup,with participation from longtime strategic partner Deutsche Börse Group.

“Just very recently we received further industry buy-in when we welcomed J.P. Morgan as our newest strategic investor,” Stroemer added. Not only is the financial backing from these recent investments substantial, but the public commitment from these new investors to connect to the HQLA^X platform “speaks volumes towards validating our vision to accelerate collateral mobility across the global securities finance ecosystem”, Stroemer said.

Freedom of movement

HQLA^X’s immediate mission statement is to help improve collateral mobility amongst market leading tri-party agents and custodians in Europe, Stroemer said. “Our longer-term vision is to accelerate the financial ecosystem’s transition more broadly towards frictionless ownership transfers of assets.” In order to achieve this vision, HQLA^X will expand the depth of its product offering over time and extend the jurisdictional reach of the platform.

Stroemer is cautious of replicating the fragmentation of the past. The genesis behind the creation of HQLA^X was to help the industry solve interoperability bottlenecks across a siloed securities settlement system, Stroemer said, “so the last thing we want to see now is a siloed ecosystem of DLT platforms across the securities finance ecosystem”.

Looking to the future, Stroemer said HQLA^X’s view of the securities lending and financing marketplace is one in which depositories, for a multitude of asset classes located across the global jurisdictional landscape, are connected by an interoperable network of digital registries. Together, Stroemer concluded, they will facilitate seamless ownership transfers, not only for cash and securities, but also for other asset classes such as commodities, precious metals and digital assets.

Differentiation in uniformity

David Lewis, FIS' senior director for securities finance and global head of Astec Analytics, reflects on the drive to promote a common domain model and to deliver consistency in securities lending performance measurement

In the days of the Model T Ford, uniformity was key to the success of the newly arrived concept of mass production. The phrase "you can have any color as long as its black" has long been related to the principles of mass production, uniformity of product and the driving down of unit costs in economic theory. Those principles have found their way into many industries that seek to improve efficiency, as well as to increase volumes with lower unit costs.

The pending arrival of the Securities Finance Transaction Regulation (SFTR) was the driver that motivated this segment to look at these issues in our industry last time (SFT January 2019) and it is fair to say that SFTR has certainly driven a great deal of data and process improvement across the markets. But where are we now, and where should we be taking it next?

There are two related subjects that are topical and affecting the way we may look at our business processes in the future: the common domain model (CDM) and performance benchmarking standards. Looking at the common domain model first, CDM is being heavily promoted by the International Securities Lending Association (ISLA), building on the work already undertaken in derivative markets by the International Swaps and Derivatives Association (ISDA). The status of this project, and the beneficial outcomes it promises, were discussed by Bob Currie in SFT Issue 279 (Securities Lending and the Common Domain Model).

The concept is not without its challenges, of course, as the market needs to adopt new standards in data and process definitions to make it work. One of the biggest challenges is to bring a market that is, by definition, disparate to a workable consensus. If such differentiation across standards and processes wasn't present and creating a drag on market efficiency, there wouldn't be any value in introducing CDM.

New standards and projects to sort reference data or create a golden source come along with great regularity as organisations seek to gain efficiency through data uniformity. However, many can struggle with finding a single answer and the golden source or data lake of accurate data eludes some organisations. This can often be down to differences in definitions and understanding as much as the reliability of the actual underlying data. These challenges have been brought into sharp relief through the work of the ISLA working group on Securities Lending Performance Measurement, or SLPM.

Market standards

Chaired by the experienced and pragmatic Scott Baker of the Abu Dhabi Investment Authority (ADIA), and populated by market participants and the three main data providers, the working group has been tasked by ISLA to produce new market standards and best practice definitions for the measurement of performance in securities lending. Last September saw the production of the industry guidance document outlining the proposed standards for data, report calculations and results. Many of those taking part in the meetings of this working group will likely agree that, like CDM, it was not without its challenges.

Focusing entirely on the financial performance of securities lending activity, and leaving out arguably less scientific or mathematical measures such as compliance with ESG (Environmental, Social and Governance) policies, still left many challenges of definition and process. Put simply, the securities lending performance of any fund can be calculated over any chosen period in revenue created or as a basis point return on the fund's assets. Simple, yes? Well. No.

Arguably the most important factor in the calculation is the asset value of the fund, which is, depending on the type of fund, something that can even be publicly accessible information. So, that must be easy to determine. Again, not really. The key term to add to the definition is lendable, but that doesn't clear things up completely.

Take a US$10 billion fund, for example, returning $5 million a year from its securities lending programme, which gives a return of 5 basis points. Simple maths, but on further analysis $5 billion, or 50% of the fund, is invested in real estate which is not lendable. So, in fact, we are looking at a lendable value of US$5 billion of securities yielding 10 basis points return to lendable assets.

However, are all the remaining assets lendable? If $1 billion of the remainder is held in assets from non-lending markets and a further $1 billion is in assets restricted from lending by the relevant portfolio manager, the fund is now showing a lendable base of $3 billion. Given that they generate $5 million in gross revenue, the real return to lendable is now around 17 basis points.

But wait, gross revenue? After an assumed agent fee split of, say 10 per cent, we are looking at a final result of around 15 basis points return to assets that are truly lendable. The person responsible for the performance of the fund may welcome the additional basis points of return that securities lending brings, but they are likely to view it as just one contribution to the overall value of the fund, returning the calculation to the initial $10 billion valuation.

It has taken a few short steps to calculate four different results for what at first appeared to be an easy formula. For simplicity and brevity, this example has also excluded any regulatory impact on lendable assets, such as a percentage of net asset value that may be lent at any one time, the interpretation of such rules (e.g. 50 per cent of every security or 50 per cent of holdings ranked by lendable revenue potential), along with any operational restrictions such as fixed or variable buffers. Blending each variable into the calculation results in yet more potential results for the seemingly simple question of what is the securities lending return to the fund?

Pragmatic result

What this does demonstrate is that there is no one simple answer to defining the most basic component of the calculation of SLPM. The pragmatic result is quite simple; rather than pursue a single standard process and resulting measure, two results will be produced for each fund. The first will be based on the value of all assets in the programme, without restriction, and the second against those net of any restrictions placed upon them. Data providers can then publish two results per fund that all consumers of those results will recognise as comparable between providers, agents or funds.

Following guidelines on inventory or lendable data, the best practice paper addressed two other threads: transactions and static data. The definition of transactions and their inclusion as open, term or exclusive, and the timeliness of adjustments and corrections for example, were agreed with fewer issues or complications than the treatment of lendable inventory.

Finally, static data and its management came under scrutiny from the group. Arguably the least problematic of the three main threads, or the guidelines, the stewardship of accurate static appears relatively easy to implement. However, alongside the implementation of CDM, the devil will always be in the detail and ensuring conformity across multiple sources and users will require further work.

The latest people moves from ICMA, Bloomberg and more...

Bryan Pascoe appointed chief executive

The International Capital Market Association (ICMA) has appointed Bryan Pascoe as chief executive, succeeding Martin Scheck, who has held the role since 2009.

Pascoe will formally take up the role on 6 September. Meanwhile, during a transition period, Scheck will remain with ICMA in a non-executive capacity as president, reporting to the chief executive.

Pascoe has 28 years of international experience spanning investment and corporate banking in London, Hong Kong and Dubai.

Most recently he was global head of client coverage in HSBC's Commercial Banking Division, having previously held the role of group treasurer and head of asset, liability and capital management through 2015 and 2016.

Prior to that, Pascoe's career focused on capital markets as HSBC's global head of debt capital markets from 2011 to 2015 and global head of debt syndicate before that.

Mandy DeFilippo, chair of the ICMA Board, comments: "I am delighted that we have been able to appoint an individual of Bryan's reputation and experience to lead the association."

"On behalf of the board and the association, we feel that he is the right person to succeed Martin and lead ICMA as our new chief executive. We are all looking forward to working with him."

She continues: "I would like to thank Martin Scheck for his excellent work over the last 12 years. He has led ICMA through an incredibly dynamic and, at times, turbulent period, which has included the global financial crisis, Brexit, and most recently, the COVID-19 pandemic."

Scheck says: "It has been a privilege to serve ICMA and its members through a period of immense change and growth, both for the association itself and the markets in which it is involved."

Goldman Sachs has appointed Neelam Rathod as part of the firm's business and operational transformation team for securities finance.

The global markets division of the securities and investment management company transacts in equity-related products and services, including securities lending and financing, while the operations division provides client onboarding support and post-trade transaction and portfolio services for securities activities.

Most recently, Rathod held the position of assistant vice president for collateral optimisation at State Street, where she was responsible for business case definition, market analysis and new revenue ideas for collateral optimisation opportunities across global trading businesses.

Prior to this, Rathod served as assistant vice president of securities finance at State Street, responsible for securities finance product development across Europe, the Middle East and Asia supporting enhanced custody trading and agency lending trading business.

Robert May has joined Mitsubishi UFJ Trust and Banking Corporation.

He will be supporting the securities lending business within the Trust Division, working with Anthony Mogavero and his former colleague at Deutsche Bank Tim Smollen.

In a 30-year career, May has worked in a number of large banking organisations

including BNY Mellon, JP Morgan Chase, Citi, Merrill Lynch and BNP Paribas, holding roles in audit, risk management and compliance.

In the recent past, Robert May spent five years as compliance officer at Deutsche Bank.

He was also risk manager at Citigroup Trust, working with the Business Risk Management division.

Bloomberg has appointed Simone Semenza to its department of financial products, analytics and sales, based in London.

As part of the execution and order management solutions team for equity at the financial software, data and media company, Semenza will report to Sonoko Noda, team leader for electronic trading support.

Semenza previously served as client integration specialist for collateral and exposure management at Pirum, a position he held for over three years.

In this role he was responsible for integration projects management and client onboarding for collateral management for over-the-counter derivatives, stock loan and funding transactions, as well as exposure and risk management for securities lending transactions.

Kaizen Reporting announces the expansion of its regulatory team with three senior regulatory reporting appointments.

Francesco Angelini, Simon Appleton and Alan McIntyre join the London-based regulatory technology company.

Angelini becomes the senior regulatory reporting specialist for Kaizen and will support clients with their European Market Infrastructure Regulation (EMIR) reporting needs.

Appleton joins as director and MiFID II transaction reporting subject matter expert at Kaizen and has over 30 years of transaction reporting experience working at regulatory bodies and trading venues.

McIntyre is welcomed to the team as a senior regulatory reporting specialist and will support Kaizen's clients with their G20 reporting challenges, including the upcoming Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC) reporting obligations.

Sven Weinhold moves to MM Warburg

Sven Weinhold has joined the treasury management team at MM Warburg as senior director.

Based in Hamburg, Weinhold will report directly to the head of treasury at the bank, Ingo Hansen, and is responsible for building the bank's securities finance and collateral trading activities.

He moves from Unicredit, where he worked for 11 years in the treasury division as director for global collateral solutions, including short term funding and interest management.

In a 25 year career, Weinhold has held sales trader positions for repo, securities lending and collateral transactions at Hamburger Sparkasse, HSH Nordbank and Bayern LB.

He also worked for KPMG as a senior consultant in the US.

Weinhold has a management diploma from the Munich School of Management at Ludwig-Maximilians Universität München.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Upcoming Securities Finance Training

Non-Cash Collateral Fundamentals

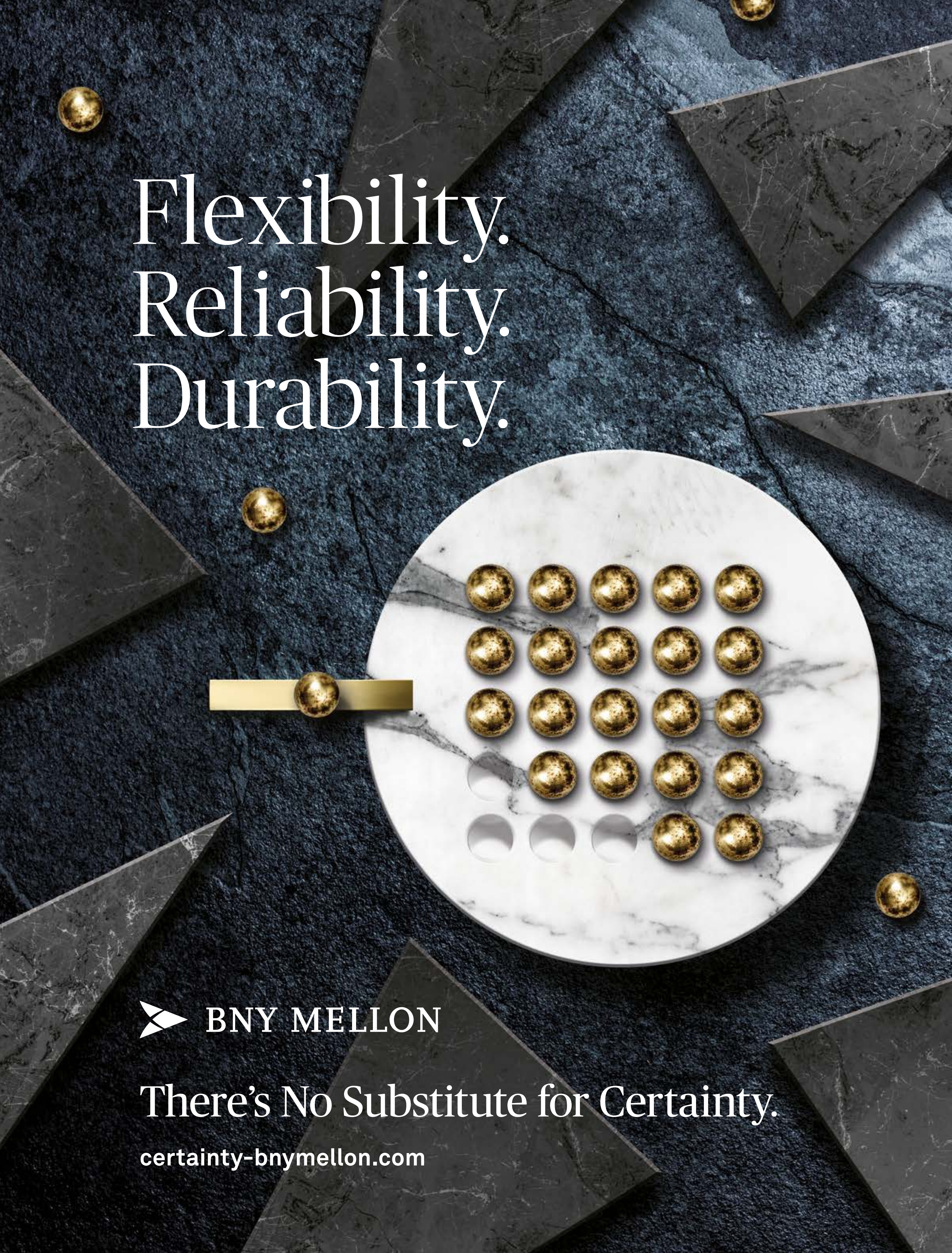
Date: 12 October 2021
Location: Online
Provider: Consolo

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.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