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ICMA ERCC releases updated SFTR reporting recommendations

The European Repo and Collateral Council (ERCC) has published an updated edition of the International Capital Market Association's (ICMA) Recommendations for reporting under SFTR.

Initially published in February 2020, the recommendations aided members to interpret the regulatory reporting framework introduced by the Securities Financing Transactions Regulation (SFTR) and to set out complementary best practice recommendations, which provides additional clarity and addresses ambiguities in the official guidance.

A blackline version of the document has been published alongside the guide itself, which highlights all the changes that have been made compared to the previous public edition.

Alterations to the original version include a growing number of ICMA members, which increased to 615 members across 65 jurisdictions. The document also specifies the ICMA's priorities including four fixed income market areas: primary, secondary, repo and collateral and sustainable finance.

Among other changes, the document notes the SFTR requirements for entities across the EU and UK to submit daily reports of all securities financing transactions. It adds: "The reporting rules are extremely granular and require the matching of most of the data points between the two sides of the trade. Reporting applies to new trades but also extends to any modification, termination or correction throughout the lifecycle of the transaction, as well as daily reporting of collateral market values, collateral reuse and margins."

The changes reflect the recent updates to the SFTR validation rules and reporting schemas published by both the European Securities and Markets Authority (ESMA) and the Financial Conduct Authority (FCA), other official guidance that has been released, in particular ESMA's Q&As, but also many lessons learned during the first year of SFTR reporting.

The document will continue to evolve to reflect ongoing discussions in the ERCC SFTR Task Force as well as any additional guidance received from regulators.

The ICMA Recommendations are supplemented by other best practice documents available to ICMA members, which include a collection of nearly 50 SFTR sample reports and an overview of repo lifecycle event reporting, as well as ICMA's SFTR Quick Guide.

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

Nationwide selects BNP Paribas for collateral management services

BNP Paribas Securities Services has won a mandate to provide Nationwide Building Society with triparty collateral management and global custody services for its non-UK assets.

The triparty collateral management services will help Nationwide meet its obligations under Wave 5 of the initial margin rules, which requires financial institutions to post collateral to back up their non-cleared over-the-counter derivatives trades in order to mitigate counterparty risk.

Meanwhile, settlement and custody services will be provided for Nationwide's non-UK assets. This is in addition to the mandate to safekeep Nationwide's UK assets, which BNP Paribas Securities Services won in 2016.

In total, BNP Paribas Securities Services now provides Nationwide with global custody services representing close to £20 billion in UK and non-UK assets.

Paul Gould, head of operations and strategic development at Nationwide Building Society, says: "BNP Paribas Securities Services' extensive custody network and triparty collateral management services will help us manage our assets efficiently across all the markets in which we operate."

Graham Ray, global head of relationship management and sales for banks and brokers at BNP Paribas Securities Services, comments: "Using our triparty collateral management services and extensive custody network, Nationwide will be able to mobilise collateral quickly and securely, when and where it is needed. We look forward to continuing our partnership with Nationwide going forward."

Elsewhere, BNP Paribas Securities Services has revealed that its triparty collateral management service can now support synthetic securitisation and collateralised note structures, bringing greater operational efficiency and protection to those structures.

Launched in 2017, BNP Paribas Securities Services' triparty collateral management service connects financial market participants, facilitating the circulation of assets and expanding the range of securities that can be used to back up securities financing and derivatives trades.

According to BNP Paribas, its triparty collateral management service will enable the proceeds of notes issuance to be transformed through securities finance transactions, or a cash loan secured with securities, efficiently and safely.

This use of triparty collateral management is already being used to manage the collateral aspects of the repo associated with BNP Paribas' Resonance 5 synthetic transaction.

As a neutral triparty collateral agent, BNP Paribas Securities Services can manage the collateral management process on behalf of the two parties to a transaction and protect the interests of Special Purpose Vehicles throughout the collateral management process.

Services include selecting collateral in accordance with eligibility rules,

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The bank explained that it can also manage margin calls, substitution in case of a recall of the securities and corporate actions.

ICMA to launch GMRA clause library and taxonomy project

The International Capital Market Association (ICMA) has announced it will carry out a four-month initiative to develop ICMA's Global Master Repurchase Agreement (GMRA) clause taxonomy and library.

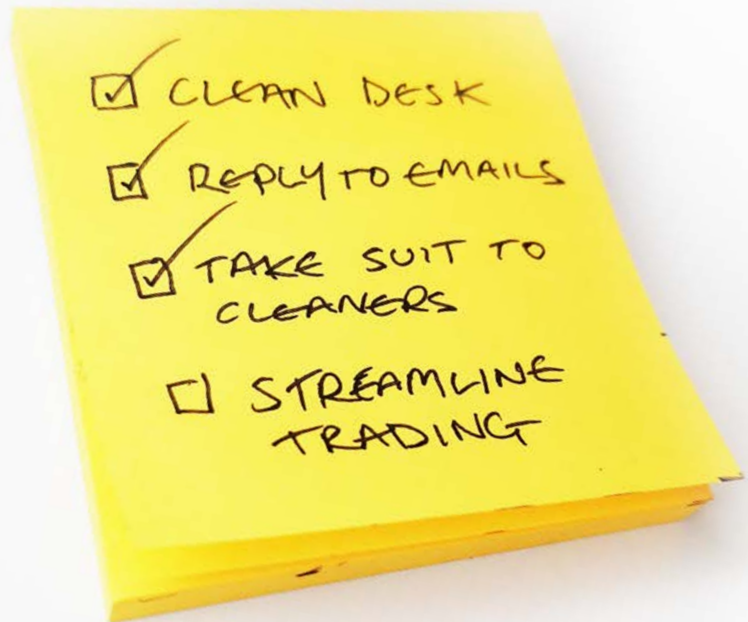
The project with global lawtech and legal data consulting firm D2 Legal Technology aims to standardise and improve efficiencies in the process of negotiating and managing repo transaction documentation.

GMRA will aim to build an industry-wide, foundational clause taxonomy that will support the association's goal in promoting resilient, well-functioning, international and globally coherent cross-border debt securities markets.

The clause library will help to mitigate legal risk in a number of ways: it will introduce industry-validated clauses that will reduce scope for error and problematic or inconsistent drafting; improve the efficiency of negotiations by allowing lawyers and negotiators to focus on the most substantive and consequential clauses and issues; and allow for greater visibility in meeting business, regulatory and operational requirements.

Increased standardisation and digitisation will drive more accurate data capture and efficient repo trade processing, both within firms and across the market according to ICMA.

The news follows the International Securities Lending Association's (ISLA) own launch of its clause library and taxonomy, which was announced last month. The project aims to build on Global Master Securities Lending Agreements (GMSLA) preprint forms to improve efficiency and reduce time in drafting, negotiating and executing master trading agreements.



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LCH includes SGD government securities and cash as eligible collateral

LCH has extended the range of eligible collateral accepted as initial margin to include Singapore Dollar-denominated government bonds, treasury bills and cash.

This change is enacted immediately (ie from Monday 18 October) and follows shortly after LCH announced that it is extending its LCH SwapClear service to 24-hour opening.

The clearing house, owned by London Stock Exchange Group, says that these developments will "make it easier for Asian clients to access and use the premier service at LCH".

Accepting SGD collateral will be an important step in improving liquidity management and helping members to optimise their margin costs, says LCH.

LCH CEO Isabelle Girolami says: "LCH continues to expand our collateral services so that we can provide members with new opportunities to use a broad range of collateral in new settlement locations.

"The latest development is vital to meeting the needs of the local Singapore market and a strategic point of engagement with our Singapore clients. It also marks another move by LCH to become laser focused on the Asia-Pacific region."

LCH head of APAC Rohit Verma adds: "The spike in volatility in 2002 March-April brought the spotlight back on liquidity risk. In the world of clearing and UMR, eligible collateral has become a binding constraint.

"We have our ears to the ground and to make it easier for our Asia-domiciled client base, we are excited to offer one more eligible collateral type that will help our clients and members in managing their liquidity."

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David Martin, JP Morgan managing director and Asia Pacific head of global clearing, says: “We welcome this expansion as it provides further flexibility for our clients, particularly those with large SGD balances, to more effectively utilise their collateral and manage the cost of funding.”

LCH has clearing houses incorporated in France (LCH SA) and the UK (LCH Ltd) and has offices in the US and Asia Pacific region.

It delivers multi-asset class clearing services, including OTC and listed interest rate swaps, credit default swaps and foreign exchange, fixed income, commodities, cash equities and equity derivatives. It also supports the non-cleared derivatives market via LCH SwapAgent.

SuMi TRUST Bank adopts Global PSSL principles

The Global Principles for Sustainable Securities Lending (Global PSSL) welcomes Sumitomo Mitsui Trust Bank’s (SuMi TRUST Bank) decision to adopt its principles as part of the bank’s Multi-stakeholder Dialogue.

SuMi TRUST Bank has been recognised by Global PSSL as one of its partnerships to tackle solutions to difficult challenges for a sustainable society alongside long-standing initiatives, such as The United Nations (UN) principles for Responsible Banking, UN Global Compact, The Principles for Responsible Investment and The Equator Principles.

SuMi TRUST Bank represents both the trustee and agency lending side for Global PSSL purposes. “Consequently [SuMi TRUST Bank] adds enormous value in supporting our holistic approach to sustainability,” says Global PSSL.

Dr Radek Stech, founder and CEO of Global PSSL, says: “I have worked with all key stakeholders to develop an authentic global approach to sustainable

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securities lending since 2018. I relied on my fifteen years of experience that included enhancing environmental justice in Europe, co-drafting the first UK sustainability legislation, engaging with The Green Bond Principles, and taking part in the stakeholder consultation process for the World Bank Environmental and Social Framework.

"That experience taught me the difference between those who simply say the right thing and those who actually do the right thing. I am grateful to SuMi TRUST Bank for doing the right thing alongside our other Global PSSL opening signatories."

EquiLend reports strong September for securities lending volumes

EquiLend reveals that it had a strong trading month during September, commonly a vibrant period for securities lending, with particularly strong volumes reported in Europe, the Middle East and Africa (EMEA).

NGT had a record trading day on 21 September with more than 126,000 transactions worth US$173 billion executed on the platform.

France and Germany drove trading volumes in Europe, with notional in France rising 33 per cent month-on-month and 73 per cent YoY during September. For Germany, notional was up 17 per cent over the preceding month and 22 per cent YoY.

In total, nearly 2.4 million transactions worth US$2.4 trillion in notional were conducted on EquiLend NGT last month, with notional values up in every area.

For EMEA, a total of 380,816 transactions were executed on NGT last month, with an aggregate notional reaching US$484 billion.

Canada had a strong August, with seasonal activity pushing notional balances up 26 per cent.

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Trading live on State Street's P2P repo platform

State Street's Travis Keltner tells Bob Currie that this P2P service allows buy-side firms to access new pools of liquidity, while targeting STP flows throughout the trade lifecycle from electronic transaction negotiation to collateral management

State Street has confirmed the execution of the first transactions through its peer-to-peer repo programme, following the launch of this initiative in March 2021.

This programme facilitates overnight and term repurchase agreement transactions between buy-side firms, with State Street providing a guarantee for all repo trades that meet programme requirements.

This offers protection for repo buyers in the peer-to-peer programme against default of the peer repo seller.

State Street's peer-to-peer programme aims to extend buy-side access to liquidity and secured investment opportunities, offering scale and flexibility, while complementing existing options available to buy-side firms through other channels.

This peer-to-peer network is founded on a legal framework that allows each programme participant to stand as either repo buyer or repo seller under the programme Master Repurchase Agreement (MRA), which defines the terms under which repo participants trade bilaterally with each other.

Speaking to SFT, State Street's managing director, funding and collateral solutions, Travis Keltner says that a major focus of the development work in bringing this P2P solution to launch has been in structuring the programme agreement. "Each participant signs a single document, which establishes the legal framework that enables each programme participant to act as repo buyer and/or seller under a programme MRA and that defines the terms of the indemnification extended by State Street as programme sponsor," he says.

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There has been extensive work since March in gathering feedback from clients and aligning the needs of repo buyer and repo seller. “A key step in this process included reviewing our programme agreement with S&P Global Ratings, which affirmed that State Street’s guaranty terms are consistent with its principles for credit substitution of an unrated counterparty,” he adds.

With these contractual elements being finalised during Q3, State Street has subsequently been in a position to onboard its first clients. Its first live trades, between a large beneficial owner and a non-traditional investment manager, were completed last week.

The P2P repo programme has now launched out of the US and the Cayman Islands, supporting trading against US Treasuries, agency securities and corporate bonds as collateral. Moving into 2022, the timeline involves rolling out the service into selected jurisdictions in EMEA and the Asia Pacific — with priority given to where demand is strongest from clients. “Our preparatory work is currently focused on identifying how contractual terms will need to be amended to meet local law requirements relating to repurchase agreements in those markets,” says Keltner.

Given that the repo trading requirements of buy-side clients may vary substantially, SFT asked Keltner how challenging it was to standardise terms in the P2P contract while still offering the trading flexibility that clients require from the platform. “That is a fundamental question,” he responds, “and the challenge revolves around how much flexibility we should provide. Our programme is built around establishing minimum criteria in the legal agreement — not a single set of rigid criteria — and the participant has considerable flexibility in how it trades, providing that these minimum criteria are fulfilled.”

This flexibility also crucially extends into the clearing, settlement and collateral management environment. The goal as a custodian and securities finance specialist, Keltner says, is not to lock up clients’ assets — but, on the contrary, to help participants to mobilise and allocate collateral and liquidity as efficiently as possible. “The platform will enable us to bring pools together — currently out of the US and Cayman, but subsequently into EMEA and APAC as we extend the service into those regions.”

Programme development

In developing this P2P service, the project team is focused on establishing end-to-end STP flows – from electronic transaction negotiation screens to collateral management throughout the trade lifecycle – and is working closely with State Street’s internal Collateral+ team, its financing analytics group and with a fintech partner to drive its advance.

“Participants can trade efficiently in a DvP environment using current arrangements, but our planned enhancements in the coming months will improve the efficiency and flexibility of trade flow,” explains Keltner. “We will also extend a range of pre-trade and post-trade analytics.”

SFT asked State Street how this P2P platform will fit alongside existing channels that buy-side clients employ to meet their financing requirements. Will this P2P service displace secured financing relationships with the dealer community? Responding to this question, Keltner says that many observers have overplayed the “either-or” choice between a P2P and a dealer-led solution. State Street views these options as complementary, with its P2P service offering opportunity to access new, incremental pools of liquidity and to diversify liquidity access. Importantly, this will enable repo trading against both traditional and alternative collateral assets.

Shedding more light on this issue, State Street’s head of global markets funding and collateral Gino Timperio says: “The buy-side continues to seek greater control and optimisation of their trading opportunities and we are strategically committed to supporting the buy-side community.”

“The market volatility that we witnessed during the spring of 2020 and the greater than US$1 trillion enrolled in the Federal Reserve’s Reverse Repo Program only confirm the critical need for more sources of liquidity and secured investment opportunities remain in high demand,” adds Timperio. “We continue to prioritise our clients’ access to a broader range of trading counterparties, with peer-to-peer repo complementing our longstanding sponsored repo offering via the Fixed Income Clearing Corporation.”

Leslie Womack, State Street’s head of product development for global markets funding and collateral, adds: “A key factor to structuring the product offering is the constructive input we received from a diverse group of clients on our programme agreements, as well as from S&P Global Ratings, which affirmed that the agreements are consistent with State Street’s guaranty, which meets its principles for credit substitution such that the credit quality of an agreement with an unrated counterparty would be based on the credit rating of State Street as guarantor.”

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Why the securities lending industry is on the cusp of an amazing opportunity

The introduction of the 'ISLA Clause Library & Taxonomy' marks an important step in the securities lending market's digitisation journey, explains Andrew Dyson, chief executive, International Securities Lending Association (ISLA) and Akber Datoo, CEO, D2 Legal Technology (D2LT)

The introduction of the 'ISLA Clause Library & Taxonomy' marks an important step in the securities lending market's digitisation journey. Introducing standards that build on the Global Master Securities Lending Agreement (GMSLA) preprint forms will improve efficiency and reduce the time spent by negotiators and lawyers in the drafting, negotiation and execution of master trading agreements. Moreover, it provides a business outcomes approach to securities lending relationships, as well as focusing on data representations of such commercial terms that will transform resource optimisation, regulatory compliance and risk mitigation.

Outdated Methods

Modernising the management of contracts is long overdue. While many market participants in the securities lending market have increased efficiency and mitigated risk over many years — benefits resulting from the use of systems and data — their highly experienced documentation and legal teams remain shackled by manual processes that have remained fundamentally unchanged for decades.

The legal agreements that define securities lending relationships are still created in isolation. There is no integration with the rest of the business, despite the impact these documents have to a number of stakeholders, and there is no link to the systems used to manage pricing, risk, the transfer of securities and cash movements.

The result is not only wasted time and resources, but a fundamental lack of control. Day-to-day operations remain ungoverned by the contract terms that have been carefully negotiated, leaving organisations relying on outdated methods to provide the required information to regulators, such as under the Securities Financing Transactions Regulation (SFTR).

With the ever-expanding regulatory burden, this lack of rapid access to consumable contract information has become a serious operational drain and risk management challenge.

Digitisation is imperative. This is vital corporate information – automating the creation and automation of documentation will provide a platform for better monitoring the rights and obligations of parties to a contract.

But standards are key. While the GMSLA is the standard master agreement for governing securities lending transactions, every market participant uses its own interpretations and its own house style, meaning identical outcomes are expressed in very different ways by different parties across the industry. Without standards, it is impossible to capture, compare or share data. Progress on the digital journey demands the creation and widespread adoption of trusted standards.

The ISLA Clause Library & Taxonomy

Industry bodies, such as ISLA, have assumed a new role in recent years – supporting industry change by driving forward the creation and ownership of such standards. Moreover, this is a change that is advocated by members. Indeed, 80 per cent of respondents called for a clause library in a recent survey of over a hundred ISLA members for the key legal developments and enhancements they would like ISLA to develop for the industry. Institutions recognise the opportunities that a standard approach to contracts can bring to support the digitisation of the GMSLA and the industry more broadly.

Published in September 2021, the new ISLA Clause Library & Taxonomy is a key step in this digitisation journey, providing institutions with a standard approach to mapping contract terms. Adoption is simple. Firms can identify, rationalise and align GMSLA document templates to the ISLA Clause Library & Taxonomy – essentially swapping existing organically grown MS Word documents of legalese and inconsistent drafting styles for a new standardised approach.

The operational implications are significant – especially for those with 'one to many' relationships. There will be significant efficiency gains, with the endless hours currently spent negotiating broadly the same point with multiple different borrowers unlocked. Plus, of course, negotiators can massively reduce the time spent creating documents, releasing more time to focus on negotiation of material terms and added value activity.

Optimised resources

However, a standard, digitised approach to document creation and storage is just the beginning of the digitisation journey. The ISLA Clause Library & Taxonomy is a springboard to unlock new efficiencies by embracing document generation and negotiation platform tools. With template management, workflow, approvals and execution facilities, as well as metrics and reporting to help make the documentation process faster and far more efficient.

The next stage is to proactively use that now easily consumable data

to optimise resources such as capital, liquidity and collateral. With legal agreement terms collated through the negotiation process, they can be automatically provided on execution to collateral, liquidity, risk and operations teams, ensuring the core components of each contract are not only available to all but the key requirements are automatically embedded within day-to-day activities.

With a structured data representation of the agreement, systems can not only be searched to provide a rapid check of agreed obligations and rights but responses are automatically enforced through direct integration with operational systems and platforms. For the first time, vital legal agreements will no longer be buried (or literally in desk drawers or imaged-based pdfs), but actually used to support business optimisation decisions in real-time and conducting "what-if" analysis — an incredibly exciting development.

Conclusion

There is still more business value to be unlocked in the digital journey. In 2022, we hope to see the integration of the ISLA Clause Library & Taxonomy with its Common Domain Model (CDM). In addition to improving the management of two decades' worth of legacy contracts, firms will also have access to a standardised representation of legacy contracts within a legal agreement data model.

This change will also pave the way for the use of data extraction tools with Artificial Intelligence (AI) and Natural Language Processing (NLP) capabilities, allowing institutions to optimise resources such as capital, liquidity and collateral as well as simplify regulatory reporting and day-to-day operations.

An integrated Clause Library and CDM will also provide the building blocks for regulators to impose far more rigour over the compliance process with regulations, such as SFTR and the European Market Infrastructure Regulation (EMIR), without overburdening institutions. Rather than demanding a list of information required, regulators will simply be able to provide a piece of code that can be uploaded by the institution and automatically search out and provide the data, in the correct format – digital regulatory reporting. For institutions, there will be no more wading through complex compliance documentation or embarking upon expensive and resource-demanding projects. For regulators, this will provide the ability to update and expand compliance demands far more frequently in response to changing risks.

Digitisation is overdue, but ISLA legal agreement standards will deliver fundamental change. It is now time for firms to embrace the ISLA Clause Library & Taxonomy as part of that journey.

"A standard, digitised approach to document creation and storage is just the beginning of the digitisation journey. The ISLA Clause Library & Taxonomy is a springboard to unlock new efficiencies"

Andrew Dyson
Chief executive
ISLA

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A game changer: the rise of artificial intelligence

Artificial intelligence is gradually penetrating the securities lending industry, with firms attempting to replicate human intelligence in automating and applying predictive analytics to their lending processes. Carmella Haswell reports

A rise in electronic trading platforms and the increasing availability of data has attracted the interest of a growing number of firms that have begun to progressively use artificial intelligence (AI) and machine learning (ML) in their trading and advisory activities, risk management and compliance functions.

The use of AI and ML could be a game changer in terms of providing better utilisation of data when it comes to how the industry makes decisions around inventory, says Matt Jones, global head of GM equities operations at Credit Suisse, at the DTCC CSDR Series 2021 panel in March.

Guidance from the International Organisation of Securities Commissions (IOSCO) reveals that the use of AI and ML-based technology may benefit market intermediaries, asset managers and investors, increasing the efficiency of existing processes, reducing the cost of investment services and freeing up resources for other activities.

Following its consultation report in June titled "The use of artificial intelligence and machine learning by market intermediaries and asset managers", the IOSCO guidance also warned that this type of technology can create and amplify risks that could undermine financial market efficiency, harming consumers and other market participants.

As these technologies become more advanced, their popularity is expected to rise across the industry, requiring regulators to keep a watchful eye on how these are applied and coordinate efforts to address emerging risks.

Emergence

AI and ML encompasses a range of applications from chatbot assistants to fraud detection and task automation.

Across the globe, we have seen the emergence of firms developing technologies to enhance progress towards an efficient working space. US-based asset servicing specialist BNY Mellon set out to tackle settlement failures by leveraging Google Cloud's data analytics, AI and ML technologies, to develop the 'first-of-its-kind' collateral management and liquidity solution.

From across the Atlantic, UK-based Delta Capita, a business and technology consultancy, adopts Luminance. The AI platform is being used to assist with its London Inter-bank Offered Rate (IBOR), Inter-bank Offered Rate and the Euro Inter-bank Offered Rate (EUROIBOR) transition projects.

The technology will help better understand risk exposure across contracts and mitigate the impact of the transition, according to Delta Capita. Luminance is able to learn from the interaction of the reviewer to generate additional insight.

Deutsche Börse-owned post-trade services provider Clearstream is collaborating, both internally and with clients, to find appropriate use cases for AI technology. The firm is investing in educating and upskilling its staff in AI and ML applications, as well developing the tool sets available to its data scientists to train algorithms, Graphics Processing Units (GPUs) and distributed computing.

Speaking to SFT, Priya Sharma, head of client connectivity and data at Clearstream, says: "We have recently launched a predictive and interactive penalties, inefficiencies and buy-in volumes (PIBIV) dashboard to support our clients with the upcoming settlement discipline regime. It identifies cash penalties, buy-in volumes and settlement efficiencies." Over 20 institutions have signed up for it and, according to Sharma, there are many others that are interested. "We are also working on settlement predictions," she says.

Today, clients submit settlement instructions without having clear

indication of whether the settlement will happen on time or not, notes Sharma. Soon, Clearstream anticipates it will be able to predict the probability of settlement failure for up to two days in advance. "The AI has been trained and its performance has been quantified," she says. "If the AI says the settlement will fail, today it is 80 per cent of the time correct. So, it's doing very well.

"We are also working with one of our clients and analysing their collateral data to predict the blockage of an account before it is actually blocked and give an early warning. The next step now is to model predictive insufficient collateral triggers."

Clearstream has incorporated the use of natural language processing (NLP) to extract data for corporate action events from incoming swift messages, creating a golden copy of transaction data that can be sent to clients.

Replication

Firms are evolving the way they operate, with AI and ML technologies being used to replicate human behaviour. It becomes more than just a simple piece of software that will assist in improving the efficiency of a service, but instead incorporates human intelligence to run those services automatically.

"You start getting to the aspects of a business process, where you've either tried to predict the future, or you're trying to replicate human thought processes, particularly where those relate to client relationships," says Martin Walker, head of product, securities finance and collateral management at Broadridge. "It's when you get to those kinds of areas, then you start looking beyond just normal software tools that simply implement rules to looking at how we can replicate a human."

Broadridge is developing AI technology to automate management of share recalls and fail prediction services. With the use of ML, the company is creating a model where large data sets are employed to predict whether trades are likely to fail or not.

For recalls management, a fundamental process in securities lending, the initial phase of their proof of concept has been around getting the right data that can be used to automatically trigger the recall process.

Speaking to SFT, Walker says: "Two of the biggest triggers for asking for your stock back are corporate actions and corporate voting. Corporate voting is particularly important in the age of ESG because it's not just about making investments, it's about being a good custodian of the assets."

In managing this process, Walker explains that a firm would typically examine this initial set of data to identify the primary triggers for recalling stock. It would then analyse historical data indicating which lender firms are most likely to recall stock that they have out on loan. "This is where you can start applying machine learning to predict who's going to recall you and in which situations," says Walker.

When discussing how to strike a balance between creating an efficient system using AI technology and providing a human element that can make the best decisions to benefit their clients, Walker says there needs to be a focus on statistical relationships.

With advanced technology, it can produce the most efficient process or predict a better solution to certain problems — but a primary limitation with the software lies in its inability to contextualise the bigger picture. "You will never get rid of people because people have that bigger picture context. A system can come up with amazing answers, but it doesn't really understand what a trade or a security is. People have the fundamental understandings of the core concepts," adds Walker.

Adoption

Like Walker, Yannick Bierre, head of principal lending at BNP Paribas, indicates that machine learning is being selectively applied to deliver greater efficiency and insight to securities lending transactions. He explains: "We see NLP being adopted more widely to handle the growing demand flows. Transforming the information received into precise data and orders allows for a more efficient process.

"Machine learning or even deep learning are areas of interest as we have entered an era of data," he says. "A number of companies already rely on these technologies. In finance, this could for instance result in AI generating pricing rules or dynamic reporting

depending on the data it is treating."

The driving force for the adoption of NLP, ML and AI by firms circles around the demands of both lenders and borrowers. Providing the most advanced solutions for clients is a priority for the majority of firms, but the needs of both lenders and borrowers may differ significantly.

According to Bierre, borrowers typically are aiming to improve daily workflows "through the provision of a quicker, more accurate and tailored programme of responses and greater availability through automating a number of step-by-step, added-value tasks". For lenders, their priorities commonly focus on risk, utilisation of assets and transparency. "Automation allows for a more efficient process and avoids human errors, which means reduction of operational risks," adds Bierre.

As one of a number of companies incorporating the use of this advanced technology, BNP Paribas has several developments underway for their securities lending services. Harnessing NLP technology, the multi-asset servicing company has launched locate scraper, an application that reads "stock locates" (Bloomberg, email) made by a borrower and converts them into requests. Consequently, it captures client's demands, translating them into messages in their trading tool GLAD, proposing automated replies, trade booking and sending confirmations.

Bierre says: "We are also working on strengthening our digital structure to support further AI developments. Going forward we intend to improve our locate scraper and virtual trader further with the help of AI. And this is just the tip of the iceberg when it comes to AI developments we are considering, on a long-term horizon for securities lending."

Evolution

Speaking to SFT, Sharma discusses the reasoning behind Clearstream's involvement with AI and whether there is pressure from competitors to follow suit in this journey towards a techno-driven future.

"We are our own best competitors, but at the same time we all need to learn and evolve. There are a lot of new technologies that the industry is looking into today. We must make every effort to understand them and see how these technologies can help improve our processes," says Sharma.

She continues: "Clients are our priority and we are diligently working with them in understanding how we can help create efficiencies and improve their processes along with our own. We have launched predictive solutions and are working on creating more predictive services to support our clients. Clearstream has been leading some of those efforts in the industry today."

On a similar note, Broadridge's Walker adds: "You don't just automate everything because you can, you automate it because it makes economic sense."

Technology has been the way forward for many industries and it is constantly evolving to create a more efficient future. But this techno-domination has triggered concerns about the social implications of replacing humans with machines.

Sharma says: "With new technologies, job losses are always a concern, but the volume is also increasing significantly. While we are able to automate the processes, we are able to increase scalability and quality. A second aspect is market volatility. AI is a probability-based solution, so you never know when the market changes and the probability crumbles."

Sharma also identifies heavy energy consumption, required to drive some AI applications, as an ethical concern that the firm isn't taking lightly. She says: "Sustainability is crucial to us when using new technology such as AI. We have created a strong data product development framework where we first prototype and optimise the success rate before using all the data."

In conclusion, Sharma says that it is in the predictive space where future AI applications may deliver major benefit — where additional information is created to empower the decision-makers, instead of being reactive. "I would like to see AI being used not only in the financial industry but also in other industries to create a sustainable environment and improved health," she concludes. "After all, it's humans running the AI, not the other way around."

Archegos: learning lessons from the past

Credit Suisse suffered losses of close to US$5.5 billion from the default of Archegos Capital Management. In the latest in a series of articles, Bob Currie reports on the role played by a lack of effective risk technology and failure to learn lessons from past defaults

The market value of Archegos Capital Management's investment holdings fell sharply during the week of 22 March 2021, driven by a slide in the price of a number of single-name tech stocks, particularly ViacomCBS, in which Archegos had a large and heavily leveraged position. This triggered a chain reaction that resulted ultimately in the hedge fund's default.

A 170-page report by a Credit Suisse Group special committee makes detailed and critical observations about the engagements of the investment bank, and specifically its prime services division, with Archegos in the lead up to the fund's closure.

The report, analysed in a series of articles in Securities Finance Times, presents the findings of a Credit Suisse Group Special Committee, on behalf of its board of directors, into the circumstances that led to the Archegos's collapse and the large financial losses and reputational damage sustained by the investment bank (subsequently referred to as the 'Special Committee report').

This event resulted in combined losses of more than US$10 billion for the prime services divisions of global investment banks including Credit Suisse (CS), Morgan Stanley, Nomura, and UBS.

Learning lessons

Among the major conclusions to emerge from this report, covered in the first part of this article published in SFT Issue 284 on 17 August 2021, the investigation found that CS had failed to learn from past risk situations.

For example, in March 2020, CS sustained a US$214 million loss following the default of Malachite Capital Management, another hedge fund, which was a client of CS' equity derivatives business. Like Archegos, Malachite's transactions were statically margined (for further discussion, see SFT Issue 284). Both buy-side firms had losses substantially exceeding their potential exposure (PE) and stress scenario limits.

Although circumstances leading to the Malachite default in March 2020 differed in significant ways from those that precipitated Archegos's collapse, there were also commonalities (see box opposite). Some remedial action had been implemented after Malachite, but other fundamental issues that CS had failed to tackle also re-emerged with Archegos.At the heart of this failure, the Special Committee finds that "CS failed to address a culture that encouraged excessive risk-taking and injudicious cost cutting, as well as a complex and siloed organisational structure that impeded the swift identification, understanding and escalation of risk" (p 30).

This culture prevailed, even though Malachite apparently generated relatively modest revenue — US$6.9 million over the term of the relationship — relative to the risk borne by CS (p 15). The Special Committee drew a similar conclusion with regard to the Archegos default 12 months later.

Following the investigation, led by its Internal Audit team, CS

Failure to learn lessons from the Malachite default

Malachite, a hedge fund that was a prime services counterparty of Credit Suisse (CS), defaulted in March 2020. As the bank's exposure to Archegos grew during 2020, and as Archegos consistently breached its potential exposure (PE) and scenario limits, CS was also engaged in remedial efforts to address shortcomings identified in its dealings with Malachite. While the Malachite default was distinct from Archegos in many ways, a number of the deficiencies identified by CS in its management of the Malachite relationship appear to have recurred with Archegos. These include:

- Insufficient monitoring of client trading strategy and holistic assessment of counterparty risk;
- Insufficient consideration of warning signs, including potential exposure breaches and scenario exposure reaching full capacity;
- Ineffective assessment of tail risk based on use of standard scenarios that did not capture the idiosyncratic risk in the client's trading strategy. PE limits were based on a 95 per cent confidence level and not designed to capture tail risk events like extreme market moves (p 90)
- Insufficient margin held by CS as a result of static, as opposed to dynamic, margining.
- Ineffective exercise of contractual rights to protect CS, including the right to call for additional initial margin. While the Malachite ISDA afforded CS the standard right to change IM at any time on just 3 business days' notice, CS failed to exercise this right during the time of stress.

took steps to ensure that its equity derivatives division did not service other clients with profiles similar to Malachite. This process also triggered a programme known internally as Project Copper, intended to improve the bank's ability to identify early warning of a default event and to reinforce controls and escalation procedures, with a primary focus on OTC derivatives transactions.

Among other changes, Project Copper created a new committee, the Investment Bank (IB) Counterparty Oversight Committee (CPOC), co-chaired by the IB chief risk officer and its chief operating officer, along with senior IB executives including the global head of equities.

At the instruction of the CRM team (see box below) Archegos was one of a small number of counterparties that were discussed at the initial CPOC meeting held in September 2020. Significantly, neither of the co-heads of the prime services division — the division within CS, containing prime brokerage and prime financing sub-units, which had the largest exposure to Archegos — were CPOC members and neither was asked to attend the meeting.

Credit Suisse Risk Management: Tiered lines of defence

In managing its relationships with buy-side clients, CS indicates that it operates multiple lines of risk defence. The business unit, in this case the prime services division, provides the first layer of defence, with each business employee directly responsible for protecting the bank against losses. Prime services maintains an in-house risk management unit named Prime Services Risk (PSR) that, among other duties, sets margin rates and manages other risk controls in dialogue with traders and clients.

A bank-level risk division, Credit Risk Management (CRM), provides a second line of defence, responsible for evaluating credit risk across all of the investment bank's business lines while acting independently of any individual business unit. This includes conducting annual counterparty risk reviews, assigning an internal credit rating to the counterparty, and setting counterparty trading limits for the prime services division and other business units.

The committee report notes that, in practice, CPOC did not discuss Archegos again for a further six months, not until 8 March 2021, and by this time the client's risk exposure had surged dramatically (for a more detailed analysis, see SFT 284).

In the meantime, during the autumn of 2020, Archegos's swap business was migrated from one UK-based CS entity, Credit Suisse Securities (Europe) Ltd (CSSEL), to another, Credit Suisse International (CSi), with the transfer completing in December 2020. This, the report notes, was partly an attempt to wind down CSSEL. However, in so doing, it also transferred the client's activity to an entity (CSi) that had a "higher stress scenario appetite" — a tolerance for larger risk exposure to the hedge fund counterparty (p 17).

The CRM reportedly backed a case for an accommodative approach, indicating that Archegos was a "significant relationship" for the prime services division and, given that Archegos was also doing business with other prime brokers across the Street, a sudden margin increase could potentially result in "irreversible damage to the client relationship" (ibid).

Mixed messages

Following an annual credit review of Archegos at the end of 2020, CRM took the decision to downgrade Archegos's credit rating from BB- to B+, thereby placing the hedge fund in the bottom third of CS' hedge fund counterparties by credit rating (p 18).

But, even while downgrading Archegos's credit rating, CRM recommended raising Archegos's potential exposure limit from US$20 million to US$50 million — advice that was a departure from the bank's standard position that a B+ rated hedge fund should typically have maximum PE of no more than US$10 million.

In February 2021, the business began taking steps to move Archegos to dynamic margining. However, internal calculations (provided by the software engineering team responsible for transitioning clients to dynamic margining platforms) estimated that under CS's existing prime brokerage dynamic margining framework, this would require the fund manager to post an additional US$3 billion in margin, raising the total margin for its swaps portfolio to US$4 billion.

Fearing the impact this would have on the business relationship, the head of Prime Services Risk (PSR) proposed applying a more forgiving dynamic margining framework for Archegos — one that would create an average margin of 16.3 per cent, requiring the client to post an additional US$1.3 billion on implementation. A written proposal was sent to Archegos on 24 February, but it was ignored by the hedge fund, the report says, despite repeated follow up from CS (p 20).

Archegos default

The value of Archegos's concentrated positions dropped rapidly in the week of 22 March 2021, reversing the upwards momentum that these positions had experienced for several months leading up to its default. The price of its largest position, ViacomCBS, fell 6.7 per cent on 22 March and further in the days that followed. US$600 million in excess margin that the fund manager had with CS on 23 March was eliminated by these movements in the market and CS requested a further US$175 million in variation margin (VM), which Archegos paid (p 22).

With the valuation of another significant long position, Tencent Music Entertainment Group, falling 20 per cent on 24 March, CS took a decision to issue a US$2.7 billion VM call the following day. Responding to this request, Archegos's COO told CS' co-heads of prime services and its head of equities that evening that the buy-side firm did not have sufficient liquidity to meet margin calls the following day to CS or its other prime brokers.

In the course of 25 March, CS's legal department prepared Event of Default notifications, setting into play CS's contractual right to demand full return of all outstanding balances in case of a default, including any failure to pay margin when it was required (p 125).

By the evening on the 25th March, Archegos informed its prime brokers on a group call that, although it had US$9 to $10 billion in equity, it had US$120 billion in gross exposure (US$70 billion long, US$50 billion short). It asked its prime brokers to enter into a standstill agreement, whereby these PBs would not push Archegos into default while it took steps to wind down its positions. The hedge fund indicated that it was committed to making all PB and swap counterparties whole by liquidating assets to cover the shortfall owed to each dealer. However, it said that it needed to liquidate assets carefully so as to “not tip the market”.

In the face of this request, CS indicated that it remained firm in its commitment to issue a termination notice, which it sent by email the same evening and by hand delivery on 26 March, specifying 26 March as the termination date.

The value of Archegos's concentrated positions dropped rapidly in the week of 22 March 2021, reversing the upwards momentum that these positions had experienced for several months leading up to its default

On the morning of 26 March, CS was approached by Archegos and told that Goldman Sachs was executing block sales of some ADR positions and invited CS to be involved. CS subsequently participated in three Goldman Sachs-led block trades, selling stock in Baidu, Tencent and Vipshop Holdings (p 127).

Alongside this, CS indicates it executed algorithmic trading on that day designed to stay within 2-3 per cent of average daily volume. It ultimately sold slightly more than US$3 billion notional on 26 March, approximately US$1.25 billion being sold through Goldman Sachs block sales.

Archegos and its PBs held another call on 27 March, including CS, Morgan Stanley, Goldman Sachs, Nomura, UBS, Wells Fargo and Deutsche Bank. The fund manager again asked for a forbearance agreement.

Without Archegos in attendance, these PBs discussed the potential for a managed liquidation, where PBs would send positions for

review to an independent counsel or other trusted third party and lenders would be offered a percentage range within which they would be allowed to liquidate their overlapping positions.

CS, Nomura and UBS indicated their interest in moving ahead with this managed liquidation. Several other banks, including Deutsche Bank, Morgan Stanley and Goldman Sachs, declined to be involved (p 128).

The Special Committee report indicates that, on 28 March, CS stepped into a managed liquidation agreement with UBS and Nomura. Following this agreement, CS liquidated approximately US$3 billion through block sales of overlapping positions on 5 April and US$2.2 billion on 14 April 2021. It liquidated other Archegos positions through open-market algo trading — and by 22 April 2021 it had liquidated 97 per cent of its Archegos exposure (p 128).

CS indicates, in line with its public reporting, that it lost US$5.5 billion as a direct outcome of the Archegos default and the subsequent unwind. Drawing on public information, it indicates that Nomura lost close to US$2.5 billion, Morgan Stanley approximately US$1 billion and UBS lost US$774 million.

Deutsche Bank, Goldman Sachs and Wells Fargo are reported to have suffered "immaterial losses" (p 129)

Plain sight

As reported in the preceding section of this article, Credit Suisse's internal investigation into the Archegos failure arrived at the following damning conclusion: "no one at CS — not the traders, not the in-business risk managers, not the senior business executives, not the credit risk analysts, and not the senior risk officers — appeared to fully appreciate the serious risks that Archegos's portfolio posed to CS (p 129).

These risks, it notes, were not hidden. They were in plain sight from at least September 2020, when CPOC first met and CS senior leaders discussed Archegos's concentrated, long-biased, volatile equity swap positions. "Yet, no one at the bank acted swiftly and decisively to try to mitigate the risks posed by Archegos. And when CS finally took steps to mitigate the risks, the actions it took were ineffective, too little and too late".

It concludes that the business should never have put on such large, concentrated positions with Archegos, particularly without securing adequate margin. It indicates that the prime services business was aware that Archegos's portfolio was highly concentrated and also that its portfolio holdings with CS were severely undermargined (p 131).

For example, at a CPOC meeting on 8 March 2021 a representative from the bank's client risk management (CRM) team indicated that Archegos was an outlier in the prime financing swap book with gross market value (GMV) exposures of US$20 billion, when compared to the next largest client of US$5 billion. CRM also noted that Archegos had a net-long bias at this time of more than US$7 billion, compared to the next-largest long-biased client at US$1.5 billion (p 20).

The CPOC also flagged up Archegos's single issuer concentration, including a US$3.3 billion position which represented more than 8 per cent of the outstanding free float. At this meeting, CPOC discussed potential difficulties in liquidating Archegos's portfolio, should this become necessary, given the size and concentration of these positions.

Additionally, the business missed multiple opportunities to "right-size" Archegos risk. Prime services saw its relationship with the fund manager as "significant", contributing revenue of US$16 million in 2020 and this was expected to rise to US$40 million in 2021 on the basis of appreciation in Archegos's positions. The business was intent on growing its relationship with the hedge fund, recognising that it was competing for this business with multiple other prime brokers (p 133). Consequently, the business pushed for an "accommodative approach" to risk, refusing to take forceful steps and remaining reluctant to have difficult conversations with and about Archegos.

Risk employees failed to appreciate Archegos's true risk, despite a series of red flags, says the Special Committee report. (p 138) CRM learned from Archegos that other prime brokers were charging higher margins and were dynamically margining Archegos's swaps portfolio. CRM also had access to non-public information confirming that Archegos had concentrated exposure to the same single-name positions with other prime brokers as it held with Credit Suisse (p 27).

"This information — that Archegos maintained similar positions across the Street, that CS was the only PB using static margining and that CS's margin rates were lower than those of other PBs — should have

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sounded alarm bells," says the report (p 138)." The CRM employees that were privy to this information did not appear to appreciate its importance and failed to escalate the information to more senior risk or business managers.

A similar myopia applies to Archegos's limit breaches. Rather than viewing the breaches as symptomatic of a much larger problem, CRM and the prime services business were focused on eliminating the breaches without considering the larger significance.

Consequently, the CRM did not insist that the business take immediate steps to reduce Archegos's exposure — by having Archegos sell down its concentrated positions and reduce its portfolio — and instead resorted to "superficial fixes" such as raising Archegos's PE limit from US$20 million to US$50 million and raising Archegos's scenario limit from US$250 million to US$500 million (p 139).

Technology and data failures

The Special Committee finds that the prime services business did not prioritise investment in technology that would have assisted in managing risk more effectively. The PSR had identified a relatively inexpensive fix for bullet swaps that, subject to the client's consent, would have automatically recalculated IM based on the current mark-to-market value of the portfolio. This fix would have cost approximately US$150,000 — a relatively small investment given the size of Credit Suisse's subsequent losses against its Archegos exposure — but the business did not prioritise or fund this (p 146).

It was also slow to adopt automated technology that would have enabled it to dynamically margin swaps. Despite the systems limitation, the Special Committee says that dynamic margining could have been agreed with Archegos at any time and implemented manually — even though this would have been cumbersome and time consuming for CS to operate.

CS already had an automated means to margin swaps dynamically (through cross-margining with prime brokerage) when these were conducted in the same legal entity. However, the systems for dynamically margining were inadequate within CS for clients such as Archegos whose swaps and PB accounts were held with different legal entities (see SFT Issue 284 for further discussion).

Notwithstanding, by September 2020 CS had developed the capacity to dynamically margin swaps, regardless of whether the client had a PB account or in which legal entity this account was held. However, the Special Committee finds that Archegos was not on the list of clients that the business had prioritised for transition to dynamic margining, despite the increasing risks presented by this client (p 147).

More generally, the report finds that risk divisions had struggled with "fragmented, ineffective technology" during the year leading up to the Archegos default, along with data quality issues that impaired its ability to assess counterparty and portfolio credit risk in a timely manner. "These issues were well known, but not sufficiently addressed before the Archegos default," says the report.

For example, the systems employed by the CRM team only displayed a counterparty's aggregate portfolio and not individual position data. This impeded CRM's ability to see full details of the risks presented by a client. Further, CRM only received verified data for scenario limit breaches on a monthly basis — although it could access "rough" scenario data twice per week. "This posed 'undue risks', given that Prime Services had a number of hedge fund clients with volatile positions that could change significantly intra-monthly," concludes the report (p 147-8).

A similar myopia applies to Archegos's limit breaches. Rather than viewing the breaches as symptomatic of a much larger problem, CRM and the prime services business were focused on eliminating the breaches without considering the larger significance

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EquiLend, HSBC and State Street latest hires and more

The Canadian Securities Lending Association (CASLA) announces Mary Jane Schuessler as president and Roanna Kim as vice president of its board of directors.

Schuessler has spent the past two years as a director at BMO Capital Markets and, for the last 17 years, she has continued her run as director, securities finance, North American Securities Lending at RBC Investor and Treasury Services.

Prior to her new role, Kim spent 15 years with State Street where she held a number of titles including investment accountant, centralised valuations coordinator, assistant vice president of equity and fixed income trading, and vice president of business development and relationship management.

Kim then took on the role of executive director for CASLA in 2018 before spending the past three years as director of equity finance for RBC Capital Markets.

Both Schuessler and Kim will continue in their roles with RBC and BMO Capital Markets respectively.

Commenting on the announcement, Schuessler says: "Both Roanna and I are very excited, and look forward to continue working closely with CASLA's board of directors and membership."

CASLA thanks Donato D'Eramo for his leadership and contribution as president of the association for the past six years and confirms that he will remain on the board of directors.

Kevin McNulty joins EquiLend in consultancy role

Kevin McNulty will apply his huge industry expertise at EquiLend Europe, having joined the company as a consultant supporting its executive management team.

McNulty was chief executive of the International Securities Lending Association for seven years through to 2016 and, prior to this, he led the securities lending team at Barclays Global Investors, Europe.

EquiLend CEO Brian Lamb says: "We are thrilled to welcome Kevin McNulty to the EquiLend team. He brings a wealth of industry expertise, which will be invaluable as we continue to develop innovative products and services for the securities finance market."

McNulty, who previously chaired EquiLend's European board of directors, says: "I am very excited to be working more closely than ever with EquiLend, especially at a pivotal time in the firm's history as it celebrates its 20th anniversary this year.

"I have been pleased to see EquiLend's tremendous growth in services, clients, staff and geographic footprint over the past few years and look forward to being a part of the firm's continued evolution going forward."

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HSBC has hired Matt Bowen as head of securities financing, Americas, effective immediately.

Based in New York, Bowen will report to Loic Lebrun, global head of prime finance, and Jean-Michel Meyer, global head of repo.

Bowen joins HSBC from BNP Paribas where he was head of US prime finance platforms. Prior to this, he spent 13 years at Deutsche Bank, most recently as head of US prime finance.

Lebrun comments: “We’re pleased to welcome Matt Bowen to HSBC. He will lead the build-out of our US arranged financing proposition, to help grow our footprint with US institutional clients, connecting them to our global network.”

HSBC’s securities financing business comprises prime finance, repo and derivatives clearing. The business provides integrated capabilities to institutional clients globally across financing, execution, collateral management and asset servicing.

Aon has appointed Tom Daniels as practice lead for securities lending and asset management consulting.

The securities segment of the financial risk-mitigation firm provides corporate finance advisory services, capital markets solutions and strategic advice, among other services.

Daniels previously served as director and senior principal, head of securities lending business development for the Americas at BNY Mellon, where he was responsible for directing US and Latin American institutional business development functions to asset owners and managers.

Before this, he held the position of first vice president, securities lending management, where he managed new business development processes in the US, including contract negotiations, revenue growth and onboarding opportunities.

State Street announces Tim Heylar as head of Australia and Kevin Hardy as head of Singapore and Southeast Asia, as part of its Asia Pacific growth plan.

Based in Sydney and Singapore, Helyar and Hardy will oversee State Street’s business in Australia and Southeast Asia respectively, including driving the enterprise-wide growth strategy, stewarding client engagement, developing talent and maintaining strong regulatory relationships.

The two newly created roles will report to Mostapha Tahiri, chief executive officer for Asia Pacific.

Helyar will be joining State Street next month, bringing almost two decades of experience at J.P. Morgan Investor Services to the firm and was most recently head of fund services product development for Asia Pacific at the firm. Helyar has financial services experience across securities services, superannuation and wealth management.

Hardy joins State Street next month from Additiv Asia, where he was general manager for Asia Pacific, responsible for all activities in the region including sales, relationship management and product for the Swiss-based technology provider.

Prior to this, he worked at a number of global asset managers including five years at BlackRock, nine years at Northern Trust Global Investments and four years at State Street Global Advisors. During his time with BlackRock, Hardy was Singapore country

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head and head of beta strategies, where he was responsible for the business in Southeast Asia, and head of exchange-traded funds and index investments for Asia Pacific.

"It is essential for us to provide clients a total solution to help them overcome challenges and grow their businesses," says Tahiri. "Our new Australia and Singapore and Southeast Asia heads will bring clients all of State Street's capabilities from investment servicing, investment research and trading, to data management and a front-to-back asset servicing platform.

"With significant, on-the-ground experience working with asset owners and asset managers in Australia and Southeast Asia, Tim and Kevin understand the unique demands of our clients in local markets. I am delighted to have such strong leaders in these two important markets as we continue to accelerate our growth in Asia Pacific."

ESMA has announced that Verena Ross will be its next Chair.

She will step into this role on 1 November 2021 and has been appointed for a five-year term, which can be renewed once.

Ross will succeed Steven Maijoor in fronting the European securities market regulator. Her appointment has been confirmed by the European Commission.

Anneli Tuominen, who has served as ESMA's interim chair since 1 April 2021, says: "[Verena] brings an in-depth knowledge of European and global markets, as well as of ESMA itself, which will be invaluable".

Verena Ross is a German national who was ESMA's executive director from 2011 until 2021, having earlier held regulatory and supervisory positions in London.

The London Stock Exchange Group (LSEG) announces that Ivan Gilmore will become head of cash equities for LCH Ltd and LCH SA.

Gilmore will be responsible for the development and management of both businesses, overseeing the clearing of cash equities products and providing strategic vision and leadership to the services.

In his new role, Ivan will report to Bruce Kellaway, global head of securities and collateral at LCH and UnaVista CEO, as well as Frank Soussan, global head of CDSClear and head of SA EquityClear and CommodityClear.

Gilmore has worked in a number of roles at LSEG since 2017, including across London Stock Exchange securities trading businesses in equities, ETPs, fixed income and alternatives, and he has led product development and client relationship management across business lines.

Before this, he held a number of senior roles within the industry including head of exchange-traded fund client strategy and distribution for EMEA at KCG Holdings from 2016 to 2017, and head of trading for equities, futures, foreign exchange and commodities at D.E Shaw and Co. London from 2007 to 2015.

Prior to this, Gilmore spent seven years at Goldman Sachs, beginning as an equity trader and departing as co-head of segregated trading group. He also dedicated three years as an equity trader at ING Barings.

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