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Issue 334 22 August 2023

Sourcing collateral

Financial institutions are looking to third-party collateral management solutions to help them manage their collateral demands, explains SIX's Nerin Demir

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EquiLend launches Risk Resolution Suite ahead of T+1

Global fintech EquiLend has launched Risk Resolution Suite (R_2S) which combines the functions of several of its risk resolution systems on one user interface (UI).

R_2S, the company says, is designed to streamline the recalls, returns and settlement process in anticipation of the move to T+1 in the US and Canada.

The system uses near-real-time data from the EquiLend Post-Trade Solutions (PTS) platform to allow trading, middle-office and back-office users to monitor intraday risks through insight into the desk's recalls, returns and settlements.

R_2S has gone live for users of the EquiLend user interface. The new returns and settlement monitor systems are fully functional, with the new recalls system expected to release across Q3 and Q4 2023.

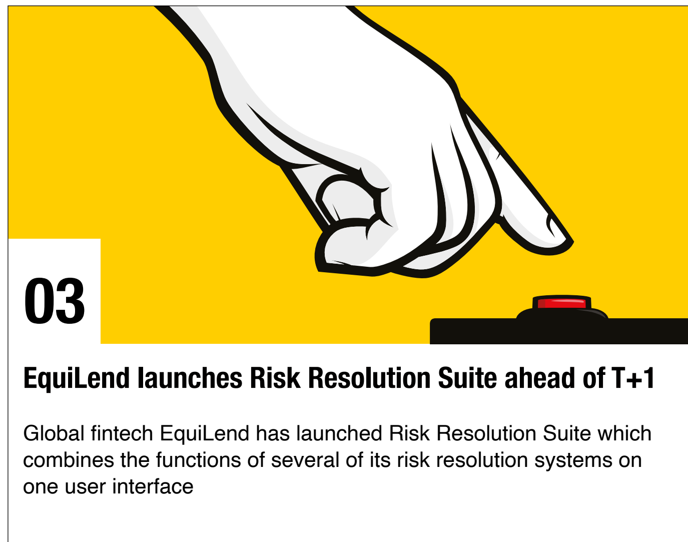
The three solutions were previously offered individually and have received updates for the new release.

The returns system adds new functionality designed to pinpoint risks and facilitate counterparty collaboration and, along with the recalls system, has been given a redesigned UI.

R_2S' settlement monitor offers a global pre-matching, settlement risk and fails management engine which can identify booking errors, indicative penalties and inaccurate settlement instructions.

Commenting on the launch, Gabi Mantle, head of EquiLend PTS, says: "Regulatory pressures from CSDR in 2022 and the upcoming move to T+1 in the US and Canada, with the EU and UK likely following suit, have both created a shift in post-trade processing. Post-trade exceptions and risk resolution is no longer seen as a back-office problem, and trading desks want better oversight and the ability to manage their risk.

"Our new Risk Resolution Suite, affectionately known as R_2S, will help users identify, action and prevent risk items from impacting P&L while directing resources towards the highest priority exceptions and streamlining previously manual, time-consuming processes."



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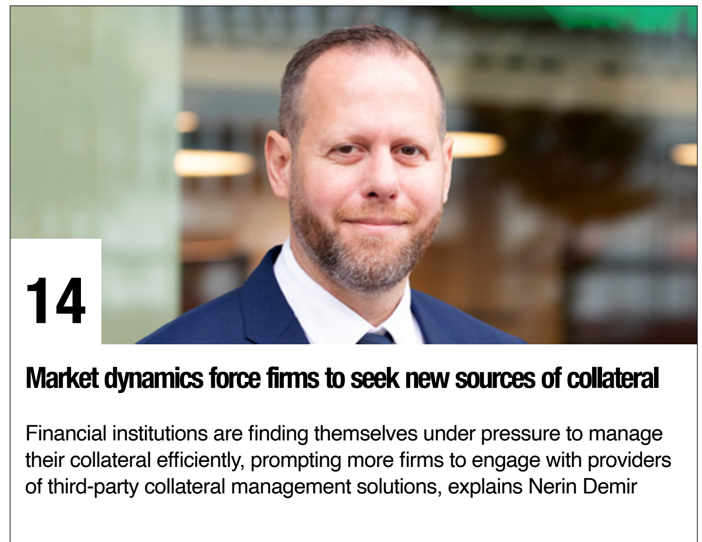


14

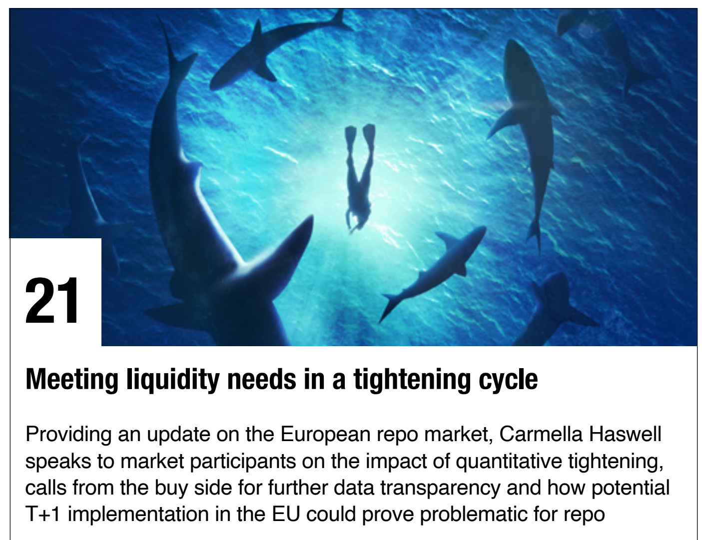
Market dynamics force firms to seek new sources of collateral

Financial institutions are finding themselves under pressure to manage their collateral efficiently, prompting more firms to engage with providers of third-party collateral management solutions, explains Nerin Demir

16

Taxing the trade: implications for securities finance

In the second of two articles, Bob Currie reviews how tax reforms are impacting securities financing markets and how tax authorities are reassessing transaction-based taxes as part of their revenue-generating powers



21

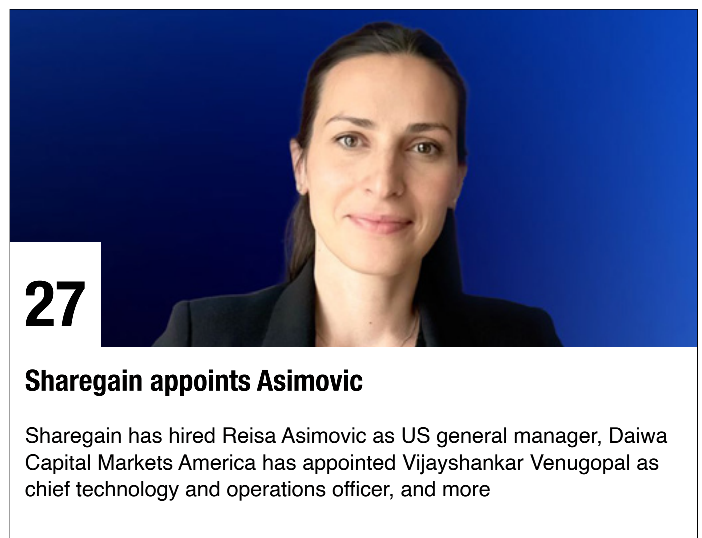
Meeting liquidity needs in a tightening cycle

Providing an update on the European repo market, Carmella Haswell speaks to market participants on the impact of quantitative tightening, calls from the buy side for further data transparency and how potential T+1 implementation in the EU could prove problematic for repo

26

Upcoming events

All the latest upcoming securities finance events, including IMN's 26th Annual European Beneficial Owners' Securities Finance & Collateral Management Conference and more



27

Sharegain appoints Asimovic

Sharegain has hired Reisa Asimovic as US general manager, Daiwa Capital Markets America has appointed Vijayshankar Venugopal as chief technology and operations officer, and more

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Clearstream GSF volumes rise 14% YoY

Clearstream's global securities financing business recorded a 14 per cent year-over-year increase in volumes outstanding to €688.3 billion for July, according to recent monthly figures.

Year-to-date GSF outstanding volumes have increased 5 per cent to €615.8 billion for 2023, relative to €585.4 billion for the equivalent period in 2022.

Assets under custody held in Clearstream have increased 6 per cent YoY to €17,546 billion for the month of July. Year-to-date, assets under custody saw a 4 per cent rise to €17,320 billion for 2023.

For Clearstream's investment funds services (IFS), securities deposits increased 2 per cent YoY to €3,259 billion for July. The total number of transactions through this service has increased 7 per cent YoY to 3.61 million for July.

International business (ICSD) securities deposits have increased 5 per cent YoY to €8,301 billion for July. The number of transactions through this service increased 11 per cent YoY to 5.9 million over the month.

DTCC's T+1 IWG begins testing cycle

DTCC's T+1 Industry Working Group (IWG) has begun its first T+1 testing cycle.

Test Cycle 1 consists of free-form testing and corporate actions scenario testing, and will continue until 25 August 2023. The second test cycle will take place between 28 August and 8 September.

A total of 21 test cycles are scheduled in the lead up to the T+1 implementation date. The testing environment will continue to be available for three days after 28 May 2024, with minimal testing support during the conversion week.

David Kirby, securities practice head at DTCC Consulting Services, says: "Testing is a key part of any T+1 readiness programme, regardless of where firms sit in the securities lifecycle. Firms with well-developed testing programmes or accelerated settlement are well on their way to a successful implementation."

James Pike, head of business development at Taskize, comments: "These testing cycles will reveal any cracks in preparation

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work that need to be addressed ahead of May 2024. Take one of the key early-stage components of T+1 prep — comparing settlement details to ensure that they meet the terms of the transaction.

"Changes to trade matching processes, including much tighter deadlines for the receipt of an asset manager's trade instructions, not to mention the resolution of pre-trade problems, are of paramount importance. Pre-matching of trades is one of the biggest obstacles to achieving T+1 settlement. Without this, trades cannot move into the shortened settlement cycle and will likely miss the continuous net settlement process."

Jesus Benito, head of domestic custody and trade depository at SIX, adds: "The US markets started assessing the movement from T+2 to T+1 two years ago — but now the talking ends and the testing begins.

"Clearly, this transition is not the same as when we moved from T+3 to T+2 as now the time pressure is much greater. However, the upcoming test cycles will be a good indicator of how prepared the industry is ahead of next year. Either way, the industry has plenty of solutions available to get there — and this is the perfect time to begin stress testing."

Tradeweb and FXall launch FX swap solution for EM products

Tradeweb and FXall, London Stock Exchange Group's (LSEG) electronic trading platform, have launched a new multi-asset digital solution to facilitate trading in emerging markets (EM).

Targeted at institutional investors, Tradeweb's FX Swap Workflow aims to link trading workflows in local currency EM bonds and foreign exchange (FX) swaps through a single user interface.

The solution will allow mutual clients of Tradeweb and FXall to trade EM bonds through Tradeweb's request-for-quote (RFQ) or request-for-market (RFM) protocols, and then hedge the local currency risk by executing an FX swap trade through FXall.

Users will be able to request prices from several dealers on both legs of the transaction process and will also have access to existing straight-through-processing channels. Morgan Stanley acted as the liquidity provider for the first transaction using Tradeweb's FX Swap Workflow solution.

Tradeweb is majority-owned by LSEG and currently offers EM bonds in 21 local currencies.

Neill Penney, group head of FX at LSEG, says: "We are excited to provide our customers with an enhanced multi-asset integrated workflow, replacing what used to be either a voice-based process or a sequence of workflows split between different trading desks.

"Greater collaboration between LSEG and Tradeweb has enabled us to offer our mutual clients an effective solution in FX Swap Workflow, with all the inherent advantages of electronic trading and our world-class liquidity pools."

Enrico Bruni, head of Europe and Asia business at Tradeweb, adds: "Facilitating the connection of our EM bond marketplace with FXall's liquidity pool provides buy-side traders with access to enhanced and efficient local currency EM trading workflows.

"Clients trading EM products can now take advantage of markets that are increasingly interlinked, while also benefitting from seamless

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execution and STP. This latest innovation underpins our commitment to creating solutions that cater to the needs of our EM clients, and help them move risk more efficiently."

BoE proposes extra powers to restrict payments to CCP shareholders in stress conditions

The Bank of England has proposed an extension of its powers to restrict payments to central counterparty (CCP) shareholders or employees under stress conditions.

As part of its responsibility to preserve and strengthen financial stability in the UK, the Bank's additional powers will allow it to restrict or suspend 'discretionary payments' to CCP shareholders or employees in severe circumstances. This will include dividends, share buy-backs, equity remuneration and some other remuneration benefits to senior managers such as bonuses, severance payments and discretionary pension benefits.

These additional powers are detailed under the Financial Services and Markets Act 2023. The Bank has issued a consultation paper which asks for industry comment on the circumstances in which these powers should be applied and its approach for doing so.

Schedule 11 of this Act addresses the application of a special resolution regime for CCPs and steps to ensure continuity of critical clearing services. These provisions, including the additional powers that will potentially be conferred on the Bank, aim to prevent risk contagion and to limit the need to call on public funds should a CCP fall into financial distress.

The Act was subject to HM Treasury consultation between February and May 2021 and was granted royal assent on 29 June 2023.

Sir John Cunliffe, deputy governor for financial stability, sent a 'Dear CEO' letter to UK financial infrastructure entities in June 2020 emphasising the need to consider additional financial and operational risks arising from Covid-19 when making discretionary payments to shareholders or employees.

This represented a call for CCPs and other infrastructure providers to retain funds — that would otherwise have been paid out as dividends or other discretionary payments — to ensure they have the resources to maintain critical services, to withstand stress and to absorb potential losses.

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The consultation period for the Bank's proposals will close on 17 November 2023. It intends to publish its final statement of policy in Q1 2024.

Eurex Repo sees 64.6 per cent YoY trading volume increase for July

Trading volumes on Eurex Repo have risen by 64.6 per cent to €332.2 billion for July, a significant increase from the €201.9 billion daily term-adjusted volume recorded in July 2022.

These figures reflect a 149.6 per cent increase YoY in GC pooling, with €155.2 billion recorded in July. The repo market saw a more modest 26.7 per cent rise YoY, reaching €177.0 billion.

A 20 per cent YoY rise was recorded for OTC clearing, with notional outstanding volumes increasing from €27,093 billion to €32,492 billion. Within this, interest rate swaps rose by 9 per cent YoY to €13,835 billion and overnight index swaps by 27 per cent to €2,722 billion.

Although average daily cleared volumes increased by 36 per cent YoY to €189 billion, the amount attributed to interest rate swaps fell by 42 per cent to €17 billion. Overnight index swaps saw a 32 per cent YoY decrease, from €15 billion to €10 billion.

Finteum moves towards year-end live date for intraday repo and FX swaps

Finteum has completed testing of its funding platform with 19 banking groups prior to its planned release at the end of this year.

The Finteum platform is an execution facility that delivers intraday financing to the global interbank market, including intraday repo and intraday FX swaps. The recent trial, conducted over a three-day period, involved banks supporting a combined balance sheet of US$23.5 trillion, including clearing banks for six major home currencies, namely USD, JPY, EUR, GBP, CAD and CHF.

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Natwest and UBS are believed to be two of the banks that have been involved in the recent trial and that are progressing with the platform integration.

Trading during the trial was conducted using a simulated settlement environment, but Finteum plans to support live real money trades later in 2023. Banks expect to go live initially using current RTGS systems to support intraday FX swaps, but the aim is to migrate these to payment-versus-payment (PvP) settlement as soon as possible in accordance with their business requirements.

By improving intraday liquidity access, this will enable banks to improve their balance sheet and financing efficiency, reducing the requirement for treasury teams to maintain large high-quality liquid asset (HQLA) buffers to support their requirement for secured financing.

The platform provides a channel through which bank teams can negotiate with each other regarding how much they should borrow and lend in each currency and over which timeframe. Bank risk teams can also apply intraday credit limits via the platform, simplifying the task of managing their counterparty risk exposures.

The Finteum platform is built on R3 Corda Enterprise distributed ledger technology protocol, enabling counterparts to exchange funds and securities without the need to communicate and reconcile MT300s or other confirmation messages. Users can also manage post-trade requirements such as 'early maturity' or trade cancellations via the platform.

This is designed to integrate with a range of SFT trading, post-trade and collateral management infrastructure stacks, including BNY Mellon's triparty repo solution, Euroclear Bank's triparty repo platform, the Eurosystem's TARGET2-Securities centralised settlement platform, and a range of real-time gross settlement payments platforms.

This will also integrate with DLT-based

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systems such as HQLA^{X}, the Fnality Payment System, Baton Systems Core-FX platform and RTGS.global.

Finteum strengthened its expertise earlier this year with the addition of Stephen Malekian as senior adviser. Malekian was previously head of securities financing at Barclays and Citi.

For further details of Finteum's ambitions, refer to the interview with Brian Nolan in SFT Issue 305, June 2022.

SEC fines 10 broker-dealers for record keeping failures

The Securities and Exchange Commission (SEC) has charged 10 broker-dealer firms with recordkeeping failures and with violations relating to their use of electronic communications and their failure to preserve business messaging conducted on personal devices.

The firms were collectively fined US$298 million by the US securities markets regulator for violating recordkeeping provisions of the Securities and Exchanges Act of 1934 and these firms have already started to introduce changes to improve their compliance policies and procedures.

The largest fine, of US$125 million, was applied to Wells Fargo Securities LLC, Wells Fargo Clearing Services LLC and Wells Fargo Advisers Financial Network.

Additionally BNP Paribas Securities Corporation and SG Americas Securities LLC have agreed to pay US$35 million in settlement, and BMO Capital Markets Corporation and Mizuho Securities USA LLC have each agreed to penalties of US$25 million.

This follows a fine imposed last week on Wedbush Securities Inc, a Los Angeles-based broker-dealer and investment adviser, which was also charged with recordkeeping failures under the Investment Advisers Act of 1940, as described in SFT on 2 August 2023.

Commenting on these rulings, SEC director of enforcement Gurbir S Grewal says: "Compliance with the books and records requirements of the federal securities laws is essential to investor protection and well-functioning markets. To date, the Commission has brought 30 enforcement actions and ordered over US$1.5 billion in penalties to drive this foundational message home.

"And while some broker-dealers and investment advisers have heeded this message, self-reported violations, or improved internal policies and procedures, today's actions remind us that many still have not. So here are three takeaways for those firms who haven't yet done so: self-report, cooperate and remediate. If you adopt that playbook, you'll have a better outcome than if you wait for us to come calling."

Sanjay Wadhwa, the SEC's deputy director of enforcement, says: "Today's actions stem from our continuing sweep to ensure that regulated entities, including broker-dealers and investment advisers, comply with their recordkeeping requirements, which are essential for us to monitor and enforce compliance with the federal securities laws.

"Recordkeeping failures such as [these] undermine our ability to exercise effective regulatory oversight, often at the expense of investors. The 11 firms settling today have acknowledged that their conduct violated the law regarding these crucial requirements and are implementing measures to prevent future similar violations. However, we know that other SEC-regulated entities have committed

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similar violations, and so our work to enforce industry-wide compliance continues."

Additionally, each of these firms was censured and required to cease and desist from future violations of these relevant recordkeeping provisions.

The firms will retain independent compliance consultants to review their procedures relating to the retention of electronic communications found on personal devices and their frameworks for addressing non-compliance.

The Commodity Futures Trading Commission has also reached settlements with Wells Fargo Bank, Wells Fargo Securities, LLC, BNP Paribas Securities Corp., BNP Paribas S.A., SG Americas Securities, LLC, Société Générale S.A., Bank of Montreal, and Wedbush Securities Inc, for related conduct.

MarketAxess Holdings set to acquire trading technology provider Pragma

MarketAxess Holdings has entered into an agreement to acquire Pragma, a quantitative trading technology provider specialising in algorithmic and analytical services in equities, FX and fixed income. The acquisition is expected to close in Q4 2023.

MarketAxess chose Pragma's algorithmic platform to help it develop execution algorithms and data-driven analytics across all fixed-income products.

Last year, Pragma handled over US$2 trillion of algorithmic order flow in multiple asset classes on behalf of clients across more than 50 venues.

MarketAxess recently announced its first client algorithmic trade executed across multiple protocols in US credit using Adaptive Auto-X, the company's execution solution currently in pilot.

Commenting on the planned acquisition, Chris Concannon, CEO of MarketAxess, comments: "Our acquisition of Pragma underscores MarketAxess' commitment to innovating, integrating and providing our clients with quantitative, AI-powered technology solutions powered by proprietary data designed to simplify and enhance their workflows.

"In addition to accelerating our leadership in the fixed-income automation and algo space, Pragma's years of expertise with FX algos provides a unique opportunity for FX hedging solutions for our emerging market clients."

David Mechner, Pragma's founder and CEO, says: "MarketAxess' scale and resources will amplify the results we can deliver for clients with the cutting edge technologies we've built – both for our existing clients in equities and FX, and for MarketAxess' large client network as we continue developing new solutions in fixed-income."

Deutsche Börse Group to acquire remaining shares of FundsDLT

Global market infrastructure provider Deutsche Börse Group has confirmed it will acquire the remaining shares of FundsDLT.

The acquisition, made by Deutsche Börse's DB1 Ventures, will complement and strengthen the fund processing and distribution offerings of Deutsche Börse's post-trade infrastructure provider Clearstream.

The integration will drive existing live blockchain-based end-to-end fund transactions, backed by Clearstream's fund processing platform Vestima.

In March 2020, and via its post-trade infrastructure provider Clearstream, Deutsche Börse Group joined forces with the Luxembourg Stock Exchange, Credit Suisse Asset Management and Natixis Investment Managers to invest in and further develop FundsDLT as the first platform to carry out fund subscription on blockchain infrastructure.

FundsDLT has now successfully demonstrated the advantages of a blockchain-based distribution model for investment funds in several locations across Europe and Asia, says Deutsche Börse.

The acquisition of FundsDLT's remaining shares is expected to be completed in the fourth quarter 2023 or the first quarter 2024, subject to regulatory approval.

Philippe Seyll, CEO of Clearstream Fund Centre, says: "The acquisition of FundsDLT is a critical and natural step in our digital strategy. It demonstrates our position at the forefront of innovation and will redefine the overall distribution chain of the fund business.

"It enriches distribution capabilities, and is streamlining operations and bringing asset managers closer to retail clients through blockchain. We will see measurable benefits for market participants, including faster time to market and cheaper access to funds."

Olivier Portenseigne, CEO of FundsDLT, comments: "Becoming part of the Deutsche Börse Group is an exciting step for FundsDLT and is timely to accelerate our growth. Clearstream has a long history of driving innovation and shares our vision, values and our commitment to this new generation of market infrastructure."

Market dynamics force firms to seek out new sources of collateral

In confronting market headwinds, financial institutions are finding themselves under pressure to manage their collateral as efficiently as possible, prompting more firms to engage with providers of third-party collateral management solutions, explains Nerin Demir, head of repo and collateral management at SIX

As central banks attempt to tame inflationary risk, many are resorting to substantial interest rate rises. These rate hikes are impacting financial institutions' ability to finance trades and even post collateral. With the European Central Bank (ECB) poised to raise rates even further, it is expected that financial institutions will seek out alternative funding sources via the repo market.

Repo volumes in Europe have increased exponentially over the past few years. According to analysis by the International Capital Market Association (ICMA), the total value of repos and reverse repos outstanding on the books of the 61 institutions featured in the study stood at €10.3 trillion, a substantial jump from the previous record of €9.68 trillion, corresponding to a 12.8 per cent year-on-year growth.

It is not just major financial institutions which are leveraging the repo and securities finance markets, but so too are small and medium-sized market participants. It is here where problems can start to emerge.

This is because these institutions are often not as familiar with how securities finance operations and repo markets work, mainly because the barrier to entry has historically been very high. Such institutions are often reliant on manual processes, which can also create problems when accessing these markets.

Collateral demands intensify

Exacerbating matters, the demand for high-quality collateral has intensified for financial institutions. This follows the introduction of Phase 6 of the BCBS-IOSCO's Uncleared Margin Rules (UMR) in September 2022. Phase 6 of the UMR subjects a wider scope of bilateral counterparties trading uncleared over-the-counter (OTC) derivatives to additional margining requirements — forcing them to source and post further collateral.

The provisions apply to any financial institution with an aggregate average notional amount (AANA) above the US$8 billion threshold, something which has mostly impacted asset managers and hedge funds.

Feeling the squeeze

As collateral pressures increase, financial institutions are also finding themselves dealing with challenging macro headwinds and rising operational costs. Market volatility — most recently illustrated by the banking crisis in the US and Europe — caught a number of firms off-guard, while rate rises and inflation are also hurting performance, particularly among investors.

For example, assets under management (AUM) at asset managers fell to US$115.1 trillion in 2022, which is 10 per cent below the 2021 high of US$127.5 trillion and corresponds to the biggest decline in a decade, according to PwC data. .

Furthermore, financial institutions — ranging from global custodian banks and brokers to asset managers — are being squeezed on fees, which is adversely affecting their revenues.

At the same time, operational costs are also trending upwards, sparked by the implementation of new regulations, particularly in the EU.

Amid these tough circumstances, the ability to manage collateral effectively has never been more important.

Identifying the right products

Currently, collateral is managed across the front and back offices through systems developed by a range of technology services providers. The complexity and lack of visibility brought on by this means human intervention is high, as constant monitoring and communication is needed across different business silos to avoid errors.

To improve these processes, firms are turning to high calibre providers such as SIX.

Financial institutions are looking to leverage collateral management solutions, including the SIX Collateral Cockpit and the Triparty Collateral Management (TCM) service. In the case of the Collateral Cockpit, the solution's interface is designed to join up fragmented front and back-office information systems to give repo professionals the ability to view and manage collateral in real-time, on one platform. This solution aims to enable banks to enter a new market segment without major investment and effort.

Similarly, the TCM service allows the two parties to a transaction to delegate their day-to-day operational responsibilities around collateralisation to SIX.

SIX performs tasks such as the selection and automatic execution of collateral transfers and ongoing validation that exposures are being appropriately collateralised through daily mark-to-market checks on the collateral, throughout the lifecycle of the transaction.

Other solutions include CO:RE, which is aimed at collateral and repo trading. CO:RE, which is targeted at banks, broker-dealers, insurance firms, commercial banks and asset managers, brings together trading and collateral management capabilities in a fully integrated value chain.

CO:RE is a multi-faceted electronic trading facility providing single-point access to more than 160 counterparties trading repo contracts across 14 currencies. Central and commercial bank money are available, alongside access to the Swiss National Bank's (SNB's) primary market for the issuance of money-market instruments.

Moving forward, SIX is introducing a new Linked Repo segment, complementing its Repo Market solution, which will allow participants to either upgrade or downgrade their collateral via two repo trades with cash netting.

An intelligent approach

In today's volatile market conditions, financial institutions need to identify ways to simplify their operational processes, maximise their collateral usage and reduce the operational risk. Adoption of cutting edge collateral management solutions is one way that they can go about it. ■

Taxing the trade: implications for securities finance

In the second of two articles, Bob Currie reviews how tax reforms are impacting securities financing markets and how tax authorities are reassessing transaction-based taxes as part of their revenue-generating powers

In the first part of this article, published two weeks ago in SFT 333, we noted how tax authorities are stepping up their efforts across European jurisdictions to eliminate dividend tax reclamation fraud and to seek recovery of funds lost through cum-ex and cum-cum trading.

Since the European Securities Market Authority (ESMA) and the European Banking Authority (EBA) launched investigations into such schemes — and directed member states to implement appropriate legislative and supervisory responses to such schemes within their respective legal frameworks — a wide array of legislation has been introduced with the objective of targeting tax abusive transactions that have the aim of avoiding withholding taxes.

This requires participants to implement robust tax governance frameworks for identifying, mitigating and reporting potential tax abuses. "Abusive cum-ex and cum-cum schemes have clearly got the attention of

regulators and banks are expected to have adequate controls in place to manage such risks," says Meera Khosla, chair of the Tax Steering Group at the International Securities Lending Association (ISLA).

Tax reform in Europe is having implications for securities lending and financing transactions that extend well beyond efforts to eliminate tax reclamation fraud, however.

UK stamp tax

Following on from the July 2020 Call for Evidence on the modernisation of stamp duties on shares, HM Revenue and Customs (HMRC) in the UK launched a consultation on proposals for a single new tax to replace stamp duty and stamp duty reserve tax (SDRT). This consultation ran from 27 April to 22 June 2023.

Proposals published on 27 April 2023 aim to replace ageing stamp duty legislation and practices with a new self-assessed digital tax, but without triggering market disruption through radical changes to the collection of tax on transactions which is currently processed through CREST, the settlement system of Euroclear UK and International, the UK central securities depository. According to audit, tax and financial advisory firm KPMG, the revised tax will apply features of SDRT and stamp duty land tax (SDLT), particularly in its administration.

HMRC, in its consultation document, examines whether it is beneficial to adopt a single tax framework for securities transactions, rather than the current arrangement where securities trades fall into scope of both the Stamp Duty and SDRT frameworks.

In publishing a response to the UK HMRC consultation on modernisation of stamp tax on equities trading and stock lending transactions, ISLA indicates that it supports the adoption of a single tax on UK securities and steps to modernise and simplify legislation, enabling firms to comply with a single, modern and simplified digital tax.

Specifically in its response, the trade association engages with content of the consultation document relating to stock lending and repurchase relief. It shares its concerns, along with the Association of Financial Markets in Europe (AFME) and some other trade associations, that the UK government is missing an opportunity by not intending to widen the geographical application of tax relief application for stock lending and repo transactions to regulated brokers and lending agents in countries that have a double taxation treaty (DTT) with the UK.

In its consultation paper, HMRC notes that relief from the 0.5 per cent Stamp Duty or SDRT charge is afforded to any person who enters into a stock lending arrangement, including repurchases. The goal of this relief is to promote liquidity in financial markets.

HMRC indicates that some respondents have put forward a case for widening the geographical application of this relief beyond the current scope of the UK, European Economic Area (EEA) and Gibraltar to make it easier for brokers based outside of those areas to be able to lend and repurchase UK stock. "However, the government does not consider that a strong case has been made for doing this," it explains. "As such, the government does not propose to widen the geographical application of this relief."

In responding to this position, ISLA proposes extending the geographical reach of tax relief for SFTs, outlining the expected benefits for the securities lending industry and the improved liquidity this will potentially deliver for UK-listed equities. It points out that the UK has taken a position which no other country has adopted relating to applying a geographical limit for securities lending trades.

In making this case, the Association encourages the UK government to fix the shortcomings in the alternative (pre-MiFID) relief detailed in s.88AA(3) Finance Act of 1986, which makes this tax relief difficult to obtain since it applies HMRC published practice dating from 10 years ago.

Commenting on this position, ISLA Tax Working Group chair Meera Khosla says that the Association welcomed HMRC's consultation to modernise the Stamp Taxes on Shares framework and supports the objective to simplify and modernise the stamp tax legislation so that businesses can better understand and comply with their obligations.

The Tax Working Group specifically advocated for an extension to the geographical scope of the 2007 (post MiFID) stock lending relief for SDRT. Currently the 2007 relief applies where a party to the stock loan is authorised by the Financial Conduct Authority (FCA) in the UK or a financial regulator in the EEA to carry out MiFID investment business services. However, the UK is an outlier in that no other country applies a geographic limit on securities lending transactions.

ISLA believes that broadening the exemption to regulated brokers and lending agents in countries which have a DTT with the UK is likely to enhance the liquidity of listed UK shares outside the UK and EEA and, at the

same time, would present little risk to HMRC's ability to collect stamp tax.

The ISLA Tax Working group has also encouraged the government to fix the practical defects inherent in the alternative (pre-MiFID) relief, where taxpayers that utilise such relief rely heavily on HMRC published practice from nearly a decade ago.

The Investment Association, the UK trade body for investment management firms, indicates that it strongly supports the Government's drive for simplicity, ease of use and certainty across the tax landscape.

"There is keen interest across our membership to ensure that this review results in remedying operational issues related to Stamp Duty and Stamp Duty Reserve Tax, collectively Stamp Taxes on Shares, after years of fragmentation," it says.

In responding to whether the government should change the geographical application of stock lending and repurchase relief, the Investment Association — in a response filed with its head of tax, Anshita Joshi, as its principal contact — considers that stock lending relief should be made available to any party, regardless of location or business activity providing the essential conditions of the relief remain. The IA also proposes that clear guidance should be provided regarding tax relief application for collective investment schemes that enter into stock lending arrangements.

More broadly, the IA believes that it is important that any review of stamp tax application on equities is made in the context of the wider UK Listings Review which, it suggests, aims to transform the UK into a leading global market of choice for issuers, intermediaries and investors. The Listings Review was launched in November 2020 as part of UK government efforts to strengthen the UK as a financial centre and as a destination for initial public offers (IPOs) and capital raising.

The current project on modernisation of Stamp Taxes on Shares project predates much of this wider Listings Review work, the IA argues, and it would be a missed opportunity for the UK to modernise its tax regime without considering its future relevance. Therefore, it is important to evaluate the need for Stamp Taxes on Shares more fully and to understand their role in the UK's competitiveness in the race for international listings.

The IA notes that, unlike many other major markets, the UK maintains a form of financial transaction tax on the transfer of main-exchange UK-listed shares via the Stamp Duty and SDRT rules. The UK rate of 0.5 per cent for the transfer of standard equity shares is higher than that of France (0.3 per cent), Hong Kong (0.26 per cent) and India (0.2 per cent). In contrast, the US does not impose any form of financial transaction tax on its main exchanges.

Further, the reach of Stamp Duty and SDRT is not consistent across all classes of equity and, in the IA's view, can incentivise investment into derivatives linked to UK-listed shares.

"We support this new single tax on securities with a design based on the current SDRT regime rather than Stamp Duty," concludes the IA. This is because the majority of financial market transactions no longer transfer shares by way of physical documents and to change the well-established status quo with CREST would cause financial market disruption. The IA continues to be supportive of the initiatives to simplify the UK tax on securities transactions."

Responding to HMRC's consultation on Stamp Taxes on Shares, Richard Stone, chief executive of the Association of Investment Companies (AIC), says: "We believe stamp duty on investment trust purchases is a long way past its sell-by date. It is particularly frustrating that investment trust investors are compelled to pay stamp duty, but buyers of open-ended funds do not pay this tax.

"The abolition of stamp duty for investment trust purchases would help meet the government's objective of encouraging investment in UK markets and the real economy rather than speculative purchases of cryptocurrency."

The AIC represents a broad range of closed-ended investment companies, incorporating investment trusts and other closed-ended investment companies and VCTs.

EU Financial Transaction Tax

In 2013, the European Commission issued an initial proposal for the introduction of a Financial Transaction Tax (FTT), which would apply a 0.1 per cent tax on all types of financial instruments apart from derivatives trades, where a 0.01 per cent rate would apply.

Ten years later, this FTT proposal appears to have moved little closer to enactment. However, the European Commission has announced a proposal for a new EU-wide Financial Activities Tax (FAT) which will replace the languishing EU-FTT proposal. This plan arrives in the context of an increasingly urgent push to find new EU-level tax resources to fund its escalating post-Covid, post-Ukraine spending plans.

In a text adopted by the European Parliament in Strasbourg on Wednesday 10 May, policymakers explored options for raising revenue to contribute to the debts generated through emergency-support programmes set in place during the Covid-19 pandemic and to raise funds to finance new spending requirements (see box below).

Meera Khosla, ISLA's Tax Working Group chair, indicates that in developing a Financial Activities Tax, the Commission is inevitably nervous of placing the bloc's financial sector at a competitive disadvantage — raising questions about how to capture services offered to EU customers from outside the bloc, and about how to ensure that tax authorities are able to scrutinise those third-country activities for enforcement purposes while remaining World Trade Organisation (WTO)-compliant.

"The proposal is still in its early stages," explains Khosla. "However, if it develops, ISLA will advocate for a stock lending exemption, which is common in all markets with FTTs, to promote liquidity."

Closing thoughts

In its high level statements, the European Commission suggests that it is the will of EU countries, and their citizens, that the financial sector "pays its fair share of taxes". This is why tax administrations are examining ways to tax the financial sector, for example by introducing bank levies and national financial transaction taxes.

Through its February 2013 proposal to introduce an FTT — revisited more recently as part of plans to finance the EU's emergency support measures during Covid — the Commission indicates that its focus is on "harmonising uncoordinated Member States' financial tax initiatives, which could otherwise lead to fragmentation of the Single Market for financial services and to double taxation taking place".

Financing the NextGenerationEU programme: plans for a financial transaction tax?

On 27 May 2020, the European Commission put forward a proposal for a recovery plan from the Covid-19 pandemic, creating a €750 billion recovery programme called NextGenerationEU. To finance this initiative, the Commission proposed tax initiatives including:

- New corporate tax based on operations and levied on companies that draw significant benefits from the EU single market and that survived the Covid-19 crisis
- A digital tax for large companies
- A Carbon Border Adjustment Mechanism
- An Emissions Trading System-based resource, including a possible extension to maritime and aviation sectors

On 21 July 2020, the European Council agreed on the recovery plan and the EU budget for 2021 through to 2027. The agreement also stated that the EU would, in coming years, work to reform the "own resources system". Under this initiative, the Council agreed to the introduction of an FTT, which did not previously form part of the Commission's early proposals announced in May 2020.

Subsequently, in December 2020, the European Parliament, the Council and the Commission reached an agreement under which the repayment of the NextGenerationEU must be financed by the European Union's general budget and by proceeds from new own resources introduced after 2021.

To meet this commitment, the Commission presented a new package of "own resources" in December 2021, proposing three sources of revenue to be introduced by early 2023:

1. 25 per cent of the revenue generated by EU emissions trading
2. 75 per cent of the revenue generated by Carbon Border Adjustment Mechanism
3. 15 per cent of the share of the residual profits of the largest and most profitable multinational enterprises that are reallocated to EU Member States under the global agreement (EY, Tax News Update 23 June 2023, European Commission proposes adjusted package for the next generation of new resources)

The Commission also announced that it will present a proposal for a second basket of new own resources by the end of 2023, which will include an FTT and an additional own resource linked to the corporate sector.

There is a clear need for further harmonisation of European tax procedures — this was one of 19 objectives highlighted by the Giovannini Group as far back as 2003 — and industry participants have encouraged steps to standardise and simplify tax application across the EU. But FTT application has been accompanied by concerns for market liquidity, competitiveness and a jurisdiction's attractiveness as a trading location. The French FTT applied on certain types of transaction, introduced in August 2012 under Amended Finance Law 2012, provides a useful case study. Policymakers need to be clear that the benefit of these additional tax raising powers outweigh potential impairment to the market.

For example, a European Central Bank working paper published in February 2017 by Jean-Edouard Colliard and Peter Hoffmann, "Financial Transaction Taxes, Market Composition and Liquidity", found little indication that the French FTT regime has improved market quality by enhancing the composition of trading volume. "We find no evidence for the composition effect through which an FTT is supposed to improve market quality," they conclude. "Instead, our results support the existence of a liquidity effect through which such a tax worsens market quality and indirectly affects even exempted traders."

Specifically, Colliard and Hoffman's empirical analysis found that average trading volume decreased by around 10 per cent following the introduction of the French FTT in 2012 and this development was accompanied by a moderate decline in market quality.

"While the most liquid stocks were largely unaffected, less liquid securities were subject to considerable adverse effects," they conclude. They also find that the effects impacted a wide range of trading parties and trade types. "We show that high-frequency traders were strongly affected by the decline in market liquidity, even though these agents were effectively tax-exempt because the French FTT does not apply to intraday trading," say Colliard and Hoffman.

Looking across the findings of this two-part article, it is evident that the number of legislative and regulatory regimes targeting tax abusive transactions has mushroomed. Some of these are targeted towards specific and aggressive forms of securities lending and some are more general in their application, with an increased focus on transparency and reporting within and between Member States.

These efforts by tax authorities to eliminate dividend reclamation fraud are to be commended and strongly supported. But a number of ongoing legal cases in Europe relate to historical transactions that were executed 10 years ago or more. Many firms have reinforced their oversight and control procedures to reduce potential for tax fraud — and tax authorities have progressively closed loopholes that made dividend arbitrage possible.

Against this background, it is therefore important that policy changes fit with current market practice guiding cross-border corporate actions and withholding tax reclaims — and not historical market practices that were in place when many of these tax abusive trades were executed 10 or 20 years ago.

In fulfilling the essential task of tightening up on illicit tax rebate claims, policymakers must also evaluate potential unintended consequences that may impair the safe and efficient operation of securities lending markets and other market functions which bring liquidity and risk mitigation. While rightfully clamping down on dividend withholding tax fraud, these unintended consequences may damage the interests of EU citizens and taxpayers — for example pension and insurance scheme members or retail investors in collective investments schemes — by impairing their capacity to save for the future.

"Some perfectly sensible initiatives have been introduced at speed — however, unfortunately with limited consultation," notes ISLA's director of regulatory affairs Farrah Mahmood. ISLA advocates that wider independent studies should be done on the economic impact of such initiatives to ensure a balance is struck to eliminate the risk of abusive transactions while maintaining an effective functioning securities lending market. "Securities lending and derivatives play a crucial role in supporting market liquidity, investability, an ability to finance equity and debt positions and satisfying regulatory requirements," she says.

"There needs to be a holistic analysis of the impact of certain measures and actions of Member States on the liquidity, viability and competitiveness of EU markets," adds Mahmood. "Aggressive rules based on 'edge' cases can have a wider and potentially detrimental impact on ordinary market making". With this in mind, ISLA will be focused on educating policymakers on the importance of securities financing to the wider capital markets and how legal uncertainty in tax rules can impact the provision of supply in secondary markets.

Meeting liquidity needs in a tightening cycle

Providing an update on the European repo market, Carmella Haswell speaks to market participants on the impact of quantitative tightening, calls from the buy side for further data transparency and how potential T+1 implementation in the EU could prove problematic for repo

"Repo continues to play a vital role in the ecosystem. Historically, institutions have relied on repo as a tool to provide liquidity within the markets," says Tom Granelli, head of fixed income and inventory product line at AccessFintech.

Balance sheet considerations are not only driving behaviour on the sell side and the buy side, but also on decisions around repo and collateral trading. The end goal is to find ways to keep liquidity in the market, despite all of the constraints being placed on banks' balance sheets such as Liquidity Coverage Ratios, risk-weighted assets (RWAs) and haircuts.

Market participants are keeping a close eye on new developments in the European repo market as firms map out their next steps to expand their presence in this space.

A question of TLTRO

Repo market participants have been kept on their toes during the first half of the year.

The Russia-Ukraine war continues, contributing to supply-side

shortages. Alongside this, the market faced the US regional banking insolvencies of Silicon Valley Bank, Signature Bank and First Republic. According to Ruth Ferris, director of repo and rates sales at Mitsubishi UFJ Financial Group (MUFG) EMEA, the unsurprising but late decision on the US debt ceiling put pressure on borrowers to unwind US treasury borrows that were due to mature, or pay coupon while some Bills demanded over 200bps. Further, the market has now entered into an interest rate tightening cycle, with interest rates rising to multi-year highs.

Despite a hectic year, Andy Hill, ICMA senior director and deputy head of market practice and regulatory policy, identifies a positive environment for market makers and repo market intermediation. He says: “We continue to see the market grow, and having higher interest rates help. As we see excess reserves reduce — we still have a long way to go with €3.7 trillion — and as we see more collateral being pushed back into the market through quantitative tightening, we expect this trend to continue.”

The “most interesting” structural change facing the European repo market over the coming 12 months, according to Hill, will be the eventual draining of the excess reserves as targeted longer-term refinancing operations (TLTRO) continue to roll off, as the market faces more active quantitative tightening (QT) and as bonds are sold back into the market by the European Central Bank (ECB). Hill suggests that this could change the market dynamic “quite a bit” as participants see further credit differentiation as part of that.

TLTROs are Eurosystem operations that provide financing to credit institutions. By offering long-term funding to banks on attractive terms, they preserve favourable borrowing conditions for banks and stimulate bank lending to the real economy. According to the ECB, TLTROs reinforce the bank’s current accommodative monetary policy stance and strengthen the transmission of monetary policy by further incentivising bank lending to the real economy.

A first series of TLTROs was announced on 5 June 2014, a second series (TLTRO II) on 10 March 2016 and a third series (TLTRO III) on 7 March 2019.

“A key question for European repo is what happens when the ECB is repaid all of its TLTRO money and the further effects of QT that started on 1 March after eight years of balance sheet expansion,” says MUFG EMEA’s Ferris. She wonders whether this will result in increased volatility that can only be solved by central bank re-intervention, or whether the market will adjust to find the correct balance between the needs of market participants.

Hill questions what will happen to a number of securities that are being funded through TLTRO when they go back onto banks’ balance sheets. What impact will that have and will this need to be funded in the repo market?

As market participants keep a close eye on this development, the ECB stated in its supervisory priorities and risk assessment for 2023 to 2025 that it will carry out a targeted review of TLTRO III exit strategies for selected banks which have a material reliance on this funding source and are more vulnerable to increases in market funding costs.

In her review of the current year, Ferris says: “Rising interest rates and tighter monetary policy are making people focus on collateral and funding as costs have risen. In the fixed income space, the rising interest rate environment has created new shorts activity, as the inverse relationship between interest rates and bond prices have put pressure on bonds, especially in the investment grade and high yield space.”

Ferris indicates that persistent inflation has caused central banks to rely on rate hikes to curb demand, slow down the economy and control inflation. There is demand for high quality liquid asset (HQLA), particularly for bunds, gilts and United States Treasury (UST) and collateral funding off the back of this which “will contribute to a strong second half of 2023”.

As the market enters the second half of the year, Hill is keen to keep a watchful eye on the minimum reserves of non-EU central banks which is close to €300 billion and is currently being remunerated at €STR-20 (euro short-term rate minus 20). He says: “If that goes to zero, then we could see a big shift of that cash back into the repo market and that could put pressure on repo rates. We wouldn't expect the ECB to do anything on that before year end, so we are most likely six months away from seeing anything happen.”

An opportunity for the market

Despite the continuation of QT, liquidity in repo funding is still ample, market participants are using less leverage and, consequently, their total funding requirement has diminished, reports MUFG EMEA’s Ferris. She indicates that much of the sub-10-year part of the nominal gilt curve remains in high demand. “Following the gilt crisis last year, we are

seeing interest from clients in credit repo and appetite from some banks to support the same and we think this will continue to remain attractive as a short-term contingency solution instead of a long-term funding tool," she adds.

Searching for further opportunity in the repo space, Ferris highlights an interest for investors in dynamic funding trades, where they can "get the most pick up for the bonds in their portfolios". She expects counterparties to continue looking at the cross-currency collateral swap,

"Automation of existing processes, enhancements and transformation of technology is key for all to capture efficiencies, gain new capabilities and future proof against the evolving environment"

Ruth Ferris
Director of repo and rates sales
MUFG EMEA

not only USD and EUR, but at swapping MENA bonds versus USTs, Korean T-bills, Swiss government bonds and Japanese government bonds (JGB).

Further opportunities are likely to appear in the German repo market. After the Bundesbank announced on 7 August that it would stop paying interest on domestic government deposits, "a move that could pour billions of euros into the market", Ferris expects short-term German debt to be in high demand. She continues: "As a result, scarcity could soon be back on the German repo market and there could be some exciting opportunities arising."

From AccessFintech's standpoint, key prospects surround operational efficiency. Granelli anticipates interest in netting, specifically additional compression opportunities in the market, because, in his words, it reduces both transaction volumes and asset movements, which yields cost savings.

Granelli explains: "When firms look at the historical structure of the repo market and the manually intensive nature of how it operates — given the high interest rate environment and how cost of capital has increased — the strongest opportunities that we are focusing on are around netting and compression, because that is going to enable clients to reduce their risk profile and drive cost efficiencies."

Upgrading the repo market

Automation remains a priority as market participants drive for greater efficiency in repo market workflow. "Everywhere is seeing the benefits and the trials of automation," according to Ferris. The process streamlines operations and reduces volumes and asset movements. Hill highlights an increase of automation 'on venue', both in the dealer-to-dealer (D2D) and the dealer-to-client (D2C) space.

The combination of dealers, cash investors, collateral providers, market infrastructure, vendors and trading desks contributes to an evolving European repo marketplace, says MUFG EMEA, as the firm sees vendors, central securities depositories (CSDs), custodians and triparty agents collaborating to show fluidity around solutions and systems to achieve their end goals. Ferris explains: "The cost of fails and the cost of tying up liquidity keeps on rising as interest rates maintain their upward path. This increases the incentive for efficiency."

"A lot more needs to be done to upgrade the infrastructure around the repo markets," Ferris states. A number of new repo platforms have been released in the last few years, leading to an increase in the number of request for quotes (RFQ) filtering into banks. She says this has created a need for a much larger, often unanticipated, IT budget to try to automate this increase.

"Automation of existing processes, enhancements and transformation of technology is key for all to capture efficiencies, gain new capabilities and future proof against the evolving environment and regulatory requirements," Ferris adds.

Looking ahead at the advancement of the tech space in the repo market, ICMA's Hill believes that digitisation is "going to be very impactful at some point". Currently, ICMA is working to add a digital asset annex to its Global Master Repurchase Agreement (GMRA). Further advancement in the tech space is being seen around data transparency. "It is not a problem for the sell side, but we do hear

from the buy side that a bit more data transparency would be useful," Hill adds.

He continues: "Beyond the Securities Financing Transactions Regulation (SFTR), which is very limited in what it provides publicly, there is no real regulatory framework or requirement for transparency. We have that under the Markets in Financial Instruments Regulation (MiFIR) for bond markets and other transaction types, and for bonds and derivatives we are going to have a consolidated tape in the EU and UK. However, there is no similar requirement for repo."

Echoing a similar sentiment, Ferris says more data is needed and it needs to be used by systems that are interoperable, harmonised and standardised. "The lack of granular data in the repo market frustrates the buy side, especially if they have reporting requirements."

Initiatives are emerging in this area — London Reporting House, for example, plans to utilise daily SFTR data that is being submitted by market participants and will then anonymise, aggregate and analyse this data to provide views into the EU and UK repo markets.

Recognising the importance of data access and efficient data management, Granelli says AccessFintech aims to align with clients' data strategy and bring efficiencies into place, which reduces risk and creates balance sheet efficiency. "We continue to see opportunities to interoperate with other critical market financial infrastructures to bring a seamless client experience but, given the areas of manual processing inherent in post-trade repo, we see a good deal of opportunity ahead of us."

In terms of new technologies, automation and data transparency, from an AccessFintech point of view, "it is all about asset expansion". The firm started with the equity settlement space and focused on compressing fails, aiming to help institutions to relieve balance sheet pressures and free up operational capacity. AccessFintech is now expanding its suite of asset class data that it ingests from the market, whether it is loans or repo — that flow allows AccessFintech to help clients save costs.

Granelli adds: "In a high interest rate environment, savings is critical. We see a robust appetite in the market to enhance straight-through processing (STP) rates, improve data insights that drive business decisions, as well as opportunities to interoperate with financial infrastructures."

A point of focus

Collateral expansion and extension into new markets remain a major part of MUFG EMEA's business plan as the firm seeks to optimise trading and cross-sell opportunities in locations that are opening up. According to MUFG EMEA's Ferris, the firm continues its strong focus on "unlocking Japan". The Japanese bank is working to set up a non-JGB repo trading desk at its Japanese broker dealer entity, Mitsubishi UFJ Morgan Stanley Securities (MUMSS).

MUFG EMEA also intends to build out its repo trading capabilities in the MENA, Canadian and ASEAN markets where the firm is seeing a growing local demand and where there is appetite from global participants to access these locations. Ferris says the firm aims to offer products and solutions that accommodate regional preferences and address clients' priorities, costs and local regulatory requirements.

She explains: "We have continued to expand our repo offering to clients with additional permissible collateral types, tenors, and anticipate supporting more asset classes and clients in the future by creating tools that will facilitate access to a broader repo market in a cost effective manner.

"We are fortunate that by operating an international repo model alongside our home market in Japan, with trading desks in London, Amsterdam, Toronto and New York, we are able to work with our colleagues in other regions to optimise and maximise balance sheet, trading opportunities and market trends for both our clients and ourselves."

For ICMA, settlement efficiency is one of the Association's top priorities as it continues its work to eradicate remaining issues in this area. ICMA's Hill says: "We continue to undertake more analytical work focused on causality, where the bottlenecks are, what leads to settlement fails, and how we can improve efficiency. Failing is very expensive, something regulators can lose sight of, it is not something firms generally opt to do."

ICMA's European Repo and Collateral Council (ERCC) instituted best practices early last year regarding settlement efficiency, partialling and shaping the use of auto-borrowing and auto-lending programmes — they were also put into ICMA's Secondary Market Rules & Recommendations.

In relation to settlement efficiency, Hill discusses the possible implementation of T+1 in the EU. "We have a fragmented post-trade landscape, so it could be counterproductive to push to T+1. In a way, you could argue that there is too much noise around the topic."

He continues: "It does create problems for repo because even though repos do not have a standard settlement date, a lot of the liquidity management and collateral management is done post settlement of outright transactions in the underlying securities. Therefore, you are basically narrowing the window for collateral and liquidity management, which becomes exponentially more challenging the shorter the time period."

Furthering his point, Hill recounts the move to T+2 in the EU, explaining that, even today, a large number of specials remain trading on T+2 and did not transition to T+1 as expected, whereas the general collateral (GC) market did. Hill suggests that there would be even greater pressures if the industry were to move bond trading, particularly government bond trading, to T+1 in Europe.

Ferris views T+1 as a "forthcoming area of concern", as the US and Canada expect the transition to take place in May 2024. She adds that many market participants believe Europe may not be too far behind this development, imposing another "major development effort" on the repo post-trade space after already facing significant changes such as the Central Securities Depositories Regulation (CSDR). Ferris comments: "We are working closely with our financial market infrastructure partners to find the best integrated systems and tools to allow for greater automation of these lifecycle events, so that we can capture efficiency including reduced latency."

Bringing efficiencies into the marketplace has also become a point of focus for AccessFintech, according to Granelli. The fintech firm intends to achieve this through its Synergy Network, which aims to facilitate seamless collaboration across participants, reducing operational friction and driving down balance sheet related capital charges.

Granelli adds: "In relation to the European repo market, we see opportunities in the post-trade bilateral market where counterparties are transacting and reconciling between each other. Within that market, we are specifically focusing on automation in the repo pair-off space." It is here that AccessFintech says it can help firms adopt a data driven strategy to bring efficiencies to internal processing.

"From a pair-off point of view, our engine can net repos with the same characteristics and instruct only the net gain or loss in cash, therefore eliminating the need to move assets," says Granelli. "This is important because, structurally, finding potential pair-off opportunities is a very manually intensive process. It requires firms to individually search 1000s of records that are housed in spreadsheets."

AccessFintech is currently rolling this product out to the market, while in its development roadmap the firm is focusing on other fixed income and bilateral compression opportunities.

As a point of focus for the EU repo market as a whole, market participants predict the trading of repo on automatic trading systems (ATS) will expand as banks look to manage liquidity in an environment of interest rate uncertainty. The H2 2023 and 2024 period will see further delivery of ESG offerings, with a strong increase in repo transactions related to sustainable finance — which Ferris says will increase the funding and refinancing needs for banks.

A number of repo market participants are actively reviewing their infrastructure — including cleared repo — to improve their liquidity management. This appears to be an area which will gain traction in the coming 12 months.

Ferris says: "Sponsored clearing and the principle of 'bank guarantor' or indemnified repo will allow a much larger and more diverse range of counterparties to access the market, while restoring banks to their original role as 'risk taker' without being a counterparty. This may be particularly apt for transactions between long cash money market funds facing hedge funds which are structurally liquidity borrowers."

The outlook for the European repo market over the next half of the year and going into 2024 looks positive. ICMA's Hill predicts rates will soon stabilise as Europe is nearing the peak in terms of the interest rate cycle, although uncertainty will remain. He predicts that volatility could decline, with the volatility that arises coming from reductions in excess reserves, reporting dates — particularly at year end — and changes relating to reserved remuneration.

He concludes: "There is still plenty of scope for volatility, but overall, I would expect the market to remain robust and probably continue to grow, although maybe not at quite the same rate."

2023 UPCOMING EVENTS

12 September

IMN's 26th Annual European Beneficial Owners' Securities Finance & Collateral Management Conference
London

9 October

RMA Securities Finance & Collateral Management Conference
Florida

10 October

Fleming's 17th Annual Collateral Management Forum
Amsterdam

6 November

Securities Finance Technology Symposium
London

For more upcoming events and full desciptions visit our event page www.securitiesfinancetimes.com/events

Hussain to leave Goldman Sachs for LSEG

The London Stock Exchange Group (LSEG) has appointed Irfan Hussain as chief information officer. He will replace Tony McCarthy, who has held the position since 2020, and will start in this role in January 2024.

In the New York-based role, Hussain will be responsible for LSEG's technology team. As a member of the executive committee, he will report to CEO David Schwimmer.

Hussain has more than 25 years of experience in the industry, and has spent his career with Goldman Sachs. He currently serves as a partner and chief operating and strategy officer for the firm's engineering division, a role he has held since March 2022.

Prior to this, Hussain held a number of senior roles in the company including chief operating officer for consumer and wealth management, global head of consumer, asset and wealth management technology, and global head of equities technology.

Commenting on his appointment, Hussain says: "The opportunity to join a company with LSEG's reputation and to lead a transformation reaching into every part of the global financial markets is exciting. I'm looking forward to joining the team, working with Tony and partnering with our customers."

Sharegain appoints Asimovic

Sharegain has hired Reisa Asimovic as US general manager.

Asimovic brings more than 10 years of experience to the role and specialises in buy-side finance and fintech.

Based in New York, she will help to extend Sharegain's presence in the US as the London-headquartered company expands.

She joins the company from alternative data firm Earnest Analytics, where as chief operating officer she oversaw business development, account management, marketing and client solutions.

Before joining Earnest in 2017, Asimovic worked for five years at New York investment management company QVT Financial LP.

Commenting on the appointment, Asimovic says: "I am absolutely thrilled to board Sharegain's rocket ship and extend our reach in the US.

"I look forward to working with the broader Sharegain team and delighting our present and future clients — US-based wealth managers, online brokers and RIAs."

Trading Apps welcomes back Colon

Technology firm Trading Apps has appointed Bobby Colon as head of sales for North America.

Based in New Jersey, Colon brings more than 30 years of market experience to the role.

Colon spent more than a year as vice president of sales at EquiLend after leaving Trading Apps in 2022, where he was head of business development for the Americas.

He first joined Trading Apps in 2020 after a four-year break from securities finance.

For 10 years of his established career, Colon was managing director and head of US securities finance at RBC Capital Markets.

Colon has also served in roles at the Securities Industry and Financial Markets Association (SIFMA), Pershing and Nomura.

Commenting on the announcement, Trading Apps CEO Matthew Harrison says: "We are delighted to have Bobby back with us and look forward to him expanding our US and Canadian business."

Daiwa Capital Markets America hires Venugopal

Daiwa Capital Markets America has appointed Vijayshankar Venugopal as chief technology and operations officer.

He joins the New York-based institutional brokerage firm from Helix Financial Systems, a wholly-owned subsidiary of Cantor Fitzgerald, where he was chief information officer from 2020 to 2023.

Venugopal was also IT director and head of stock loan and repo at Cantor Fitzgerald from 2018 to 2023.

Previously, Venugopal held a number of senior positions during his 14-year tenure with Citi, where he was most recently global IT head of prime and agency for billing, profit and loss (P&L) and analytics.

GLMX Pizzarelli departs to ASL Capital Markets

ASL Capital Markets, an independent broker-dealer providing institutional clients trading and securities financing solutions in US government securities, has appointed Joseph Pizzarelli as managing director in securities finance.

Pizzarelli brings more than 30 years of experience within the securities finance industry to the new role.

He joins the independent broker-dealer after more than five years at GLMX, where he was most recently head of client development.

Pizzarelli first joined the securities financing trading platform as a consultant in February 2018 before becoming managing director of client integration in December 2018.

During his career, Pizzarelli has held a number of senior positions across Chapdelaine Credit Partners, Banc of America Securities and Lehman Brothers.

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