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The demands of EMIR Refit

SmartStream's Scott Kaffl highlights the challenges of EMIR Refit, and how the industry is progressing in the wake of the regulatory go-live

European Supervisory Authorities publish DORA decision

The European Supervisory Authorities (ESAs) have published a decision on the information that competent authorities must report to them for the designation of critical ICT third-party service providers (CTPPs).

Published under the Digital Operational Resilience Act (DORA), the decision requires competent authorities to report the registers of information on financial entities' contractual arrangements with CTPPs by 30 April 2025.

However, the ESAs say they expect competent authorities to collect the registers of information from the financial entities under their supervision in advance of the deadline, following their own timelines.

"The ESAs encourage financial entities to anticipate as much as possible the preparation of their registers, especially for information which may not be immediately available such as the relevant identifiers of their ICT providers," says ESMA.

The decision, published on 15 November, provides a general framework for the annual reporting to the ESA of the information necessary for the CTPP designation, including timelines, quality assurance and revisions of submitted data, as well as confidentiality and access to information.

Following DORA's entry into force on 17 January 2025, the ESAs, together with competent authorities, will start overseeing CTPPs offering services to financial entities in the EU.

Alongside the decision, the ESAs also published a list of validation rules that will be used when analysing the registers of information and the visual representation of the data model.

The authorities will also publish an updated reporting technical package, including the validation rules in December 2024.

In order to harmonise financial supervision in the EU, the ESAs published the final report on the draft regulatory technical standards under DORA in July.

Inside this issue

OSTTRA partners with FIS

OSTTRA has partnered with FIS to bring transparency to the exchange traded derivatives (ETD) post-trade lifecycle.

The OSTTRA network of investment management clients will now receive a real-time clearing status from more than 70 global CCPs via FIS Connections, offering transparency into the finality of give-ups and improved exception management capabilities.

FIS aims to provide the broker network with enhanced operational efficiency via the processing of allocation instructions, enriched with OSTTRA order IDs directly into the FIS Cleared Derivatives solution, allowing increased automation and accuracy in middle office give-up and give-in processing.

Through this strategic collaboration, the two firms aim to provide rich data insights, enabling market participants to meet the FIA's Derivatives Market Institute for Standards 30-30-30 standards for the timeliness of allocations and give-ups in the ETD market.

Joanna Davies, managing director and head of trade processing at OSTTRA, says: "This collaboration underscores the commitment of both firms to drive innovation that brings value to all parties of an ETD trade.

"Together with FIS, we are shaping the future of listed derivatives trade processing, providing new levels of transparency across the ETD post-trade lifecycle."

Concerns raised over SEC's Treasury clearing mandates

Sell side firms have raised concerns over the Securities and Exchange Commission's (SEC) Treasury and repo clearing mandates an Acuiti report has found.

These firms, which will provide clearing

services under the SEC's mandates, have highlighted the "economics of participation in the market" and the timeline for implementation as a worry.

The SEC has introduced mandates for centralised clearing of treasury and repo transactions to enhance transparency, stability, and resilience in the US$27 trillion Treasury market, which represents one of the most significant shifts in US capital markets for decades.

The report, produced in partnership with ION, interviewed senior executives at the major Future Commission Merchants (FCMs) and banks that will be active in the market.

FCMs expressed concern over the timeline and the economics of providing clearing services in treasuries and repos, with several questioning the capacity of the market to absorb the demand for clearing.

Ross Lancaster, head of research at Acuiti, says: "With just over a year until the introduction of the mandate begins, there remain significant uncertainties in how FCMs and repo desks will approach treasury and repo clearing."

The deadline for the new mandated central clearing framework is set to 31 December 2025 for cash central clearing and 30 June 2026 for repo clearing, with central clearing houses still developing their access models.

There is an industry-wide uncertainty about the viability of current mandate deadlines, with 48 per cent of survey respondents noting that the repo deadline was unlikely or impossible, and 31 per cent saying the same for the cash deadline.

Lancaster continues: "Clarifications and potential additional regulatory activity around accounting treatment, capital requirements, and cross-asset margin offsets will ultimately indicate whether a dominant model will emerge, or the current sponsored model will co-exist with an agency clearing model."

In addition, many FCMs are still uncertain about their approach to the market and the models they will offer clients from day one.

Around a third of respondents said that they were "critically concerned" over the overall level of returns from offering repo clearing in what is likely to be a capital-intensive, high-volume, low-margin business.

Francesco Margini, chief product officer for cleared derivatives at ION Markets, adds: "Despite the current uncertainties, what is clear today is that automation and scalability of the clearing process will be essential for firms to support the high-volume US Treasury cash and repo business.

"Big decisions lie ahead of sell side firms on the technology strategy in support of the clearing mandate. The expectation is that market standardisation brought by a centrally cleared business will enable software vendors like ION to play an important role in delivering solutions that meet the needs of our customers."

Pirum extends integration with Euroclear

Pirum has extended its CollateralConnect service integration with Euroclear's triparty collateral management platform, to support mutual clients' collateral optimisation needs.

This decision allows mutual clients to direct collateral allocations to Euroclear's triparty collateral management environment.

To determine their optimal collateral

allocation, mutual clients can use either their own, or a third-party optimisation algorithm and their 'sources and uses' portfolio data held by Pirum, the firm says.

This is designed to provide firms with intelligent, straight-through processing (STP) functionality to streamline intraday margining, automate directed collateral coverage, and drive efficient collateral usage and mobilisation.

Pirum's CollateralConnect service aims to deliver a real-time and automated solution for efficient management and optimisation of collateral, funding and liquidity.

Commenting on the news, Marije Verhelst, head of product strategy and development, collateral management and securities lending, at Euroclear, says: "We fully support initiatives that make collateral flows more efficient and optimal for our clients and the industry.

"Extending our connectivity and enhancing our collaboration with Pirum provides a great opportunity for us to deliver even more value to our mutual clients."

PASLA welcomes TD Securities as member

The Pan Asia Securities Lending Association (PASLA) has welcomed TD Securities as a Prime member.

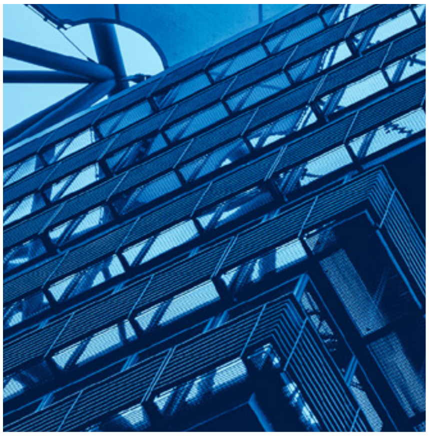
Established in 1987, TD Securities is a capital markets and banking firm headquartered in Toronto, Canada.

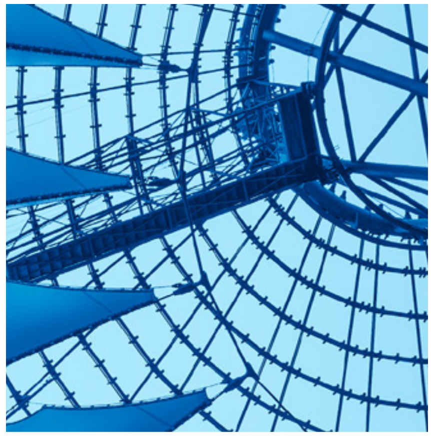
In APAC, the firm provides a broad range of capital markets products and services. TD Securities' membership marks increased representation of investment banks within the association, as PASLA seeks to further expand the breadth and width of the membership across APAC.

Prime memberships are specifically aimed at investment banks, securities houses, participating dealers, physical and synthetic prime brokers that operate regionally across Asia Pacific.

GSF volumes outstanding up 12%

Clearstream's global securities financing (GSF) business' volume outstanding year-





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to-date was up 12 per cent to €717.36 billion for 2024, compared to €642.34 billion for the equivalent period in 2023, according to recent monthly figures.

The business reports little change in volume outstanding year-on-year (YoY), however — the figure at €729.99 billion for October, down from just €732.43 in 2023.

Assets under custody held in Clearstream have risen 9 per cent YoY to €19,330 billion for the month. Year-to-date, assets under custody have grown 7 per cent to €18,696 billion for 2024.

For Clearstream's investment funds services (IFS), securities deposits increased 20 per cent YoY for October to €3,885 billion. The volume of transactions through the funds division was up 37 per cent YoY to 5.28 million.

International business securities deposits through the Clearstream ICSD were up 7 per cent YoY for October to €9,021 billion. The number of transactions through this service have climbed 44 per cent YoY to 9.44 million for the month.

Tradeweb collaborates with Tokyo Stock Exchange

Tradeweb Markets has collaborated with the Tokyo Stock Exchange (TSE) to offer institutional investors easier access to Japanese exchange traded funds (ETFs).

When launching a trade enquiry on the Tradeweb Japan-listed ETF marketplace, buy side clients will be able to include liquidity providers from CONNEQTOR, TSE's request-for-quote platform, through a new direct link.

Launched in 2021, CONNEQTOR aims to improve the speed of ETF trading in Japan by allowing investors to trade at real-time best price quoted while reducing transaction costs and improving operational efficiency.

Moriyuki Iwanaga, president of Tokyo Stock Exchange, says: "We hope that the new connection with Tradeweb will promote

investment in the Japanese market by allowing investors outside Japan, who have had difficulty using CONNEQTOR, to easily access ETFs listed on the Tokyo Stock Exchange from overseas."

Clients can benefit from Tradeweb's rules-based automated execution tool, AiEX, and the post-trade infrastructure of TSE, where transactions with CONNEQTOR market makers will be cleared and settled.

FINRA proposes amendments to Rule 6500 Series

The Financial Industry Regulatory Authority (FINRA) has proposed a number of amendments to Rule 6500 Series, Securities Lending and Transparency Engine (SLATE).

The proposed rule, which the authority is yet to approve or disapprove, will face amendments following concerns from commenters.

FINRA is proposing to amend the original proposal to delete the supplementary material regarding the reporting of intraday loans (Supplementary Material .01 (Intraday Loan Modifications)).

In addition, the amendments also include alterations to the rule on changes to the parties to a loan, including in the context of reallocating omnibus loans (Supplementary Material .02 (Changes to the Parties to a Covered Securities)).

As originally proposed, Rule 6530.01 provided that, if a covered securities loan is modified multiple times throughout the day, a covered person must report each loan modification as set forth in proposed Rule 6530(b).

In Partial Amendment No. 1, FINRA is proposing to amend the original proposal to delete both Supplementary Material .01 and .02.

FINRA is also proposing to delete the proposed modifier and indicator requirements.

As originally proposed, covered persons

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would have been required to append specific modifiers and indicators when reporting initial covered securities loans and loan modifications to SLATE.

Further, FINRA wishes to delete the requirements in proposed Rule 6530(a)(2)(Y) and proposed Rule 6530(b)(2)(I), which state that covered persons must report the modifiers and indicators as required by either the Rule 6500 Series or the SLATE participant specification.

FINRA believes it is appropriate, at this time, to delete these aspects of the original proposal to facilitate the achievement of the initial SLATE reporting requirements in a timely manner.

The Partial Amendment No. 1 will also cover changes to reporting agent supervision, loan transaction activity and rate distribute data, as well as de minimis loan transaction activity.

In October, the authority filed a notice of designation of longer period for commission action on proceedings to determine an order to institute proceedings to determine whether to approve or disapprove a proposed rule change to adopt the FINRA Rule 6500 Series.

The new date by which the commission shall either approve or disapprove FINRA Rule 6500 Series SLATE will be 2 January 2025.

Euroclear and Transcend work on joint collateral optimisation service

Euroclear has partnered with Transcend to launch a joint collateral optimisation service in the first quarter of 2025.

The service aims to bring together Euroclear's collateral management infrastructure and data with Transcend's optimisation platform to address clients' collateral optimisation needs.

Available through existing Euroclear connectivity, the new service will integrate critical data for smart decision-making and settle optimised collateral allocations, the firm says.

Transcend's technology will enable clients to configure optimisation scenarios, including external collateral pools to determine the best collateral use at Euroclear and perform what-if analyses on specific constraints.

Olivier Grimonpont, head of product management, Market Liquidity, at Euroclear, says: "New regulatory requirements have made collateral optimisation a priority for dealers. This new service brings to the market the combined expertise of Euroclear and Transcend.

"Euroclear's collateral management experience and robust infrastructure, combined with Transcend's optimisation and booking technology, offers an unparalleled solution to meet our clients' needs for collateral optimisation."

European repo contracts outstanding value up 7.1%

The total value of European repo contracts outstanding has grown by 7.1 per cent year-on-year (YoY), the International Capital Market Association's (ICMA) survey has found.

ICMA's European Repo and Collateral Council (ERCC) has released the results of its 47th semi-annual survey of the European repo market, analysing the value of outstanding repo and reverse repo of 61 participants in June 2024.

The total value of the repo contracts outstanding on the books of those who contributed reached a new record high of €11,114 billion, compared to €10,899 billion in the December 2023 survey.

The net reverse repo position of the survey sample remained large, but it continued to recede, says ICMA, possibly in response to the increased supply of securities resulting from quantitative tightening and heavy issuance.

The association adds: "The reduced need to borrow specific securities may also account for further contraction in the share of automatic trading systems (ATS). A smaller share for trading on ATS was reflected in a smaller share for CCP-clearing."

The share of ATS business within the eurozone sustained its rise into 2024 thanks to general collateral financing, the survey shows.

In contrast, automated trading platforms supporting dealer-to-customer repo continued to show strong growth in the survey, largely on the back of the hedge fund business.

While the share of US Treasuries continued to grow, French and German government bonds experienced a decline due to heavy issuance and political uncertainty.

EU-issued securities accounted for nearly 7 per cent of triparty repo, with haircuts being relaxed across the board.

The growth in the share of floating-rate repo continued in the first half of 2024, according to the survey, despite a change in the direction of monetary policy by many central banks.

Is data accuracy meeting the demands of EMIR Refit?

Scott Kaffl, consultant at SmartStream, highlights the challenges the company's clients have faced with EMIR Refit, and considers how the industry is progressing in the wake of the regulatory go-live

What changes has EMIR Refit brought with it to reporting requirements?

The purpose of the European Market Infrastructure Regulation (EMIR) Refit is to enhance transparency and stability in the OTC derivatives trading market. It has brought with it a number of revisions in reporting practices, including the compulsory use of ISO 20022 XML for trade reporting, a move aimed at standardising the format in which information is submitted to regulators. EMIR Refit has also introduced the use of unique product identifiers (UPIs) for OTC derivatives, a change which has entailed additional effort for financial institutions, as accessing the correct UPI for OTC transactions involves firms creating an integration with UPI provider ANNA DSB.

Perhaps the greatest headache for the industry, however, has been the increase in the number of reporting fields. This has risen in the European Economic Area (EEA) from 129 to 203 — of which 60 are reference data-related. In the UK, where financial authorities have diverged slightly from their European counterparts, the total number of reportable fields has gone up to 204.

How are clients approaching the new regulatory requirements as part of the EMIR Refit mandate?

The challenge for customers has been assessing what they were reporting for EMIR versus the new obligations under EMIR Refit. We are seeing firms investing more heavily in regulatory reporting systems and a significant focus is the actual data itself. The EMIR Refit creates 72 additional reportable fields, so if institutions were not previously gathering that information, new processes will have had to be introduced into their reference data repositories.

Early evidence, such as rejection and acceptance rates of submissions to trade repositories, suggests that organisations have got off to a positive start in the post-go-live phase, but they still have plenty of work to do if they want to inject greater efficiency into their reporting processes.

It is also worth remembering that EMIR Refit imposes a six-month window for businesses to convert legacy derivatives into the new reporting format. Where the UK is concerned, firms will have to update legacy contracts to the new standards by the end of March 2025, and therefore companies will be looking to tackle that additional administrative burden.

Is there a divergence between the FCA and ESMA mandates?

The overarching aim of EMIR Refit is to create transparency in the marketplace, and both the European Securities and Markets Authority (ESMA) and the Financial Conduct Authority (FCA) are keen to see transparency levels enhanced. Clearly, within the mandates for those jurisdictions there is a lot of overlap, but some divergence also exists — for example, in the data fields that are required, in certain validation points that a client will have to look at, as well as the third-party equivalent markets that are deemed regulated markets.

Are there particular areas that the industry is struggling with when it comes to obtaining reference data?

We work with a broad range of firms, and what we have noticed across our customer base, and the industry more generally, are specific concerns around reference data relating to commodity and energy markets. Some of the information needed to support EMIR Refit is very hard to find and access. In our engagement with clients, we regularly hear of 15 to 20 fields where their reference data processes do not capture the material demanded by the new regulation.

Specifically, financial institutions trading commodity and energy derivatives must now provide specialised information relating to elements of the derivative transaction, such as delivery types and intervals. Typically, this data is not readily available and can only be provided manually — generally after a long search through contract specifications, and the transcription of the data, in the new XML format, into the Refit provisions. To counteract these difficulties, we help clients by bringing in these new domain values, enabling them to create efficiencies in their reporting mandate.

How does SmartStream meet the demands of EMIR Refit?

Inaccurate reference data can disrupt EMIR reporting workflow, and no one wants to endure compliance nightmares such as rejected trade reports. Identifying unexpected data quality issues and navigating the complexities of reporting fields, particularly in relation to commodity and energy derivatives, is a major industry concern, and firms want reliable, efficient ways of meeting these requirements, as well as protection from poor-quality and inaccessible data.

To help firms navigate the complexities of EMIR Refit, and to provide the accurate and complete data necessary for successful reporting, SmartStream Reference Data Services (RDS) has expanded its derivatives data offering. This move sees the integration of additional attributes into the RDS's Listed Derivatives Service, and the creation of a standalone OTC Derivatives Service which supports the full range of reference data required for commodity transactions under the new regulatory initiative.

Now that the UK go-live date has passed, where do you see firms focusing?

Clients typically have focused on getting over the initial compliance challenge, but they are now looking to optimise and create efficiencies in the way they automate the reporting process, with the ultimate objective being the digitisation of the entire reporting process to trade repositories. Until now, obtaining data from different parts of the organisation has been a fragmented operation, but this must change if firms want to ensure accuracy and timeliness. Personally, I think there will be a tremendous focus on data quality. Consistently reporting low-quality data could be taken to be an infringement of EMIR Refit, and so clients want to make sure their data is pristine before it goes to trade repositories, mitigating the risk of fines and reputational damage.

Securities Finance Symposium: From automation to clearing

Nestled in the beauty of Westminster, the Securities Finance Symposium hosted a number of integral discussions on key market concerns, from collateral tokenisation to the impact of the US election

Opening London's securities finance event, Gabriele Frediani, head of development and market infrastructure coverage, Europe, at Liquidity & Sustainability Facility, welcomed fellow market participants to headquarters to the Institutions of Civil Engineers at One Great George Street.

The event brought a myriad of topics into scope for an intriguing discussion on the latest trends, challenges and opportunities in the market.

Regulation faces huge shift in priorities following elections

We are at a crucial point in time for policy making, according to panellists on the 'Regulation' panel, which kicked-off proceedings.

Contributing to this "crucial point in time" are the 2024 European and US elections, said Farrah Mahmood, director of Regulatory Affairs, Regulation & Market Practice Group, at the International Securities Lending Association (ISLA).

"We're eagerly waiting to see what the impact of Trump coming into power will be on financial services legislation, and whether he will keep the Basel III proposal. We've just received a new Labour government in the UK, so there is certainly lots of change in sentiment and change in direction."

Due to the elections and the upcoming changes in government across the globe, Mahmood said there has been huge change in personnel, "which is positive because it's going to bring a fresh approach to looking at regulation" and how that impacts the markets, but it also means a huge shift in priorities.

According to Mahmood, the key themes impacting the regulatory landscape globally include financial stability, in terms of the rollout of the Basel III rules and potential prudential regulations coming in for non-banks; investor protection and bringing greater participation of retail clients into capital markets; and digital innovations and the greater use of digital assets.

The panellists raised the question surrounding the US Securities and Exchange Commission's (SEC's) 10c-1a regulation: will it come into force in 2026, or will it be scrapped?

Kevin McNulty, head of RegTech Solutions at EquiLend, commented

that "uncertainty" was the word when it comes to 10c-1a.

He explained: "The delay of 10c-1a is an option. Three trade associations have taken the SEC to court over 10c-1a, arguing that the SEC didn't follow proper procedure, and therefore they should go back to the drawing board and consider things such as full cost benefit analysis.

"That challenge is ongoing and we don't know the outcome of that just yet. Judges seemed sympathetic to the petitioners, my guess is that they could well push back on 10c-1a, which may mean a delay and a change of some of the requirements. As things currently stand though, uncertainty is the problem because it could still go live on 2 January 2026. It makes everyone ask: how do you prepare for this sort of situation?"

Mahmood interjected that it was "a bit of a waiting game", and the outcome of the litigation will not be heard until the end of Q1 2025.

In terms of uncertainty in the market, Jonathan Tsang, director of business development at S&P Global Market Intelligence Cappitech, said preparation was key in ensuring that "we have the right personnel keeping abreast of the market to enable us to adapt to any changes".

As a business, Tsang emphasised that S&P Global Market Intelligence Cappitech helps clients with meeting their regulatory reporting requirements, and "we've got to be forward thinking to help clients with future regimes and challenges".

Jonathan Lee, director of Money Markets Reporting at Kaizen, stated that it was important to look at the broader spectrum of regulations, and not focus solely on the impending SEC 10c-1a regulation.

At the moment, Lee continued, there is an impending delivery of the Office of Financial Research and its non-centrally cleared bilateral repo reporting that will go live in the US for major repo dealers on 2 December.

He noted that a number of national competent authorities have taken it upon themselves to "significantly step up" their investigations over data quality, and this has become "a particular issue and challenge", especially in the delegated reporting space. Common domain models (CDMs), digital reporting, and potentially tokenisation, is the future in terms of the direction that the industry would like to go, Lee noted during the panel. "We're probably a generation away from it in Europe as it stands."

The panel's moderator Sean Tuffy, consultant and independent regulatory specialist, asked the speakers one recommendation for policy makers, to which the panellists requested tightly defined regulation; for regulators to think about their policy objective; and clarity.

In terms of clarity, Ed Oliver, managing director of product development at eSecLending, mentioned that South Korea's short selling ban is coming to an end at the end of March 2025. He indicated that the whole industry is looking to 'dot the i's and cross the t's' and get that right so that they can all participate in South Korea.

Looking over the next 12 months, Oliver believes there is a huge opportunity for the industry on the supply side with new markets operating in Asia, the Middle East, and Latin America.

Automation is key, but T+1 challenges remain

At the Securities Finance Symposium, four industry members argued that automation will be incredibly vital to a smooth transition to a shorter T+1 settlement cycle in the securities finance industry.

Moderated by Adrian Dale, head of regulation, digital and market practice group at ISLA, the panellists shared their own experiences from North America's own shift in May 2024 — largely accepted as a general success.

Introducing the topic, Dale offered a stark prediction that this is a "new regulation on the block. This topic is what we will be talking about for the next three years".

Matt Johnson, director for ITP Product Management and Industry Relations at the Depository Trust and Clearing Corporation (DTCC), explained that from his client's US perspective, "there was a heavy focus on automation. Firms looked at their own operating models, architecture. What the US did was it highlighted the focus on regulatory backing".

He continued to point to the impact that the SEC's decision to set a date by which all members of the industry must transition, is key to making the transition as smooth as possible. He suggested that this could be a key lesson for the UK and Europe.

Johnson later stressed that improving behaviour in the markets should be at the forefront of the regulators' minds.

"One thing that is incredibly difficult to change is how to get better behaviour in our markets," Johnson said before asking. "How can we reduce friction points? How can we achieve standardisation? That is how we will achieve better behaviour in markets."

Calling on the regulators to take initiative, he insisted: "Regulatory backing is hugely beneficial. The post-trade code of conduct is the right thing to do and market participants need to adhere to that."

Steering the conversation towards a more securities finance-specific focus, Gabi Mantle, global head, Post-Trade Solutions at EquiLend, said that they worked with their clients to improve their recall process.

She explained that previously, recalls had been heavily reliant on manual processes, including sending emails — an issue which often led to the slow processing of recalls and increased the likelihood of manual risk.

She explained that the adoption to their more automated version of recalls was initially "slow but steady". However, three weeks before the shift to T+1, there was an influx of adoption and "we saw the volumes of recalls triple and a lot of firms had adopted the automation."

She added: "Everybody knows they need to automate, but there are still challenges."

For Bill Meenaghan, CEO and founder of SSImple, automation will be key to overcoming those specific challenges. He explained that if the entire process has adopted automation and there is a level of standardisation, then "that is going to get you to a point where recalls will become more efficient."

He continued to explore the impact on Standing Settlement Instructions [SSI], adding plainly: "SSIs should be automated from the point of them being issued, usually by a custodian or prime broker."

"This is the time we begin to look at that," Meenaghan said. "If you can automate properly at the beginning of the process and allow every member of the industry access to the SSI data on a permissioned basis, that is the right way to properly automate the SSI process."

Despite the panellists' insistence on automation, Meenaghan offered a realistic prediction. He warned: "We may not have finished the SSI automation process by the time T+1 goes live at the end of 2027, but it is a goal we should aim for."

Collateral tokenisation can support the shift towards T+1

"The potential of technology is tremendous," said Martin O'Connell, solutions architect at HQLAx. "It's not so much about redefining collateral management; it's about absorbing these technologies within existing collateral management processes because the business case makes sense."

Moderated by Glenn Handley, consultant and founder of SecFin Solutions, 'The collateral era' panel discussed the evolving landscape of collateral management and related regulation.

Introducing the topic of tokenisation, Handley said: "If you think about it, it makes no sense to move these trillions of dollars of securities and cash around the world multiple times a day. Looking into the future, we have to do it differently."

Greg Donovan, vice president of collateral services for EMEA at State Street, added that the anticipated shift towards T+1 in Europe is adding pressure to mobilise collateral more efficiently.

Another panellist believed that the environment will become more complex before it becomes more simple, and that immediate, industry-wide uptake of new solutions is not realistic.

"There's going to be a variety of participants who are going to use traditional assets, settlement, and structures, while others will be interested in this new technology, so for a period of time, you'll need to have interoperability between both ecosystems," he said. "Creating an environment where clients can easily transition between both ecosystems is something that drives us every day."

On that note, Donovan added: "Tokeinsation is fantastic. It's a great use case, but it's the scale of adoption that's going to be key to this."

Deploying an asset as collateral without actually moving the asset between custody locations can enhance liquidity and support the adoption of accelerated settlement, according to Donovan, but there is a need for industry collaboration to achieve widespread adoption.

He added: "Until you arrive in a world where the issuance of the asset itself is on blockchain, there will have to be some sort of intermediation of non-on-chain assets."

As EMEA head of triparty at J.P. Morgan, Graham Gooden sees a potential role for triparty agents as a facilitator to help broaden adoption.

"By integrating tokenised assets into triparty, you increase their utility through the ability to refinance and reuse across the collateral ecosystem," he said. "Triparty already has the benefit of the network effect built up through many years of integration across markets and participants. Connecting the new technology to complement established market best practices is the quickest way to build momentum and help move the industry forward."

The panel also discussed the impact of uncleared margin rules (UMR) on buy side firms, with Donovan noting that many entities rushed to comply without fully optimising their collateral processes, leading to inefficiencies.

"There was a bit of a rush in 2022 to comply, by which I mean: 'I must set up a means of segregating my initial margin. I must have a process to calculate it. If that is ugly, if that is inefficient, that's okay, as long as it gets done this year'."

However, Wassel Danmak, director of collateral management at Vermeg, believes that technology can help buy side firms better utilise their collateral management systems to fulfil UMR obligations, such as by identifying less liquid assets and modelling different stress scenarios.

He also highlighted the potential of artificial intelligence, from a simple chatbot to an AI agent that can do all the repetitive tasks of the collateral management space, including UMR compliance.

US Treasury clearing to present operational burden

The US Treasury clearing mandate is to present a significant burden to firms, according to panellists.

Setting the scene for the 'A clear view' panel, moderator Darren Crowther, general manager of Securities Finance and Collateral Management at Broadridge, discussed the extent of US Treasury clearing volumes and how upcoming regulation will see this soar.

As at July 2024, US Treasury clearing is around US$7.5 trillion daily volumes. This means a minimum of 150,000 trades are being struck per day, according to Crowther.

In the world of data exchange, that is circa one million messages a day being exchanged back and forth between all of the Government Securities Division (GSD) members at the Fixed Income Clearing Corporation (FICC).

The expectation, Crowther indicated, is that this will go up to about US$11 trillion or higher in daily volumes, meaning another 100,000 trades, and a further 400,000 or 500,000 messages every day.

"So with the volume additional trades and the increase of data that's going to be transferred back and forward, the operational burden that's going to be put on organisations is quite significant, and that will flow into an international space as well, as the mandate is around how those trades are also cleared," Crowther explained.

The US SEC's final rule on mandatory clearing was approved last December, it is part of the broader reform agenda that the SEC and US Treasury has embarked upon.

This is one of the most prominent rules and it could have a significant impact, not just on domestic transactions and counterparties, but also across the world, says Michalis Sotiropoulos, head of Government Relations, Europe, at DTCC.

In terms of timing, there are three key deadlines. The first is in March 2025, which refers to the infrastructure part of the rule, so CCP providers and clearing members will have to set up

segregated accounts. The two other deadlines for the scope are December 2025 for cash transactions, and June 2026 for repo transitions.

In today's ever changing regulatory landscape, firms are often faced with changes to operational processes, market conditions, and technological advancements. However, challenges can also enable tactical and strategic transformational opportunities, stated Richard Gomm, associate director, product and business development, at SIX.

He added: "Institutions may be able to tactically or strategically transform their organisations while also implementing changes that are designed to fulfil any proposed changes to regulations."

Key considerations when tackling this upcoming regulation include strategy and the associated business models, technological infrastructure, margin processes, risk management frameworks, and repapering — something that will be a "huge task for everybody".

Moving to the next topic, Crowther indicated that DTCC's FICC is currently the only clearing offering in US Treasuries, with CME and the Intercontinental Exchange (ICE) also "putting their hat in the ring".

Commenting on this, Cyprien Dupont-Madinier, head of repo Europe, at the Bank of Montreal, said: "Having one CCP makes things easier from a dealing perspective, a pricing perspective, a liquidity perspective and margining perspective. Having everything in the same place allows dealers to optimise netting opportunities and reduce capital consumption.

"In addition, looking at the driving forces behind the rule, which are to reduce risk and increase the operational efficiency, it would seem to advocate in favour of having one CCP over multiple CCPs."

However Cyprien also noted that having everything in just one CCP would concentrate risk into one critical piece of market infrastructure (potentially at the mercy of an IT outage).

It would then call into question whether that infrastructure should be left in the hands of the private sector or whether it should be under the supervision of a public regulator.

The latter potentially adds new risk layers as the regulator tends to focus on liquidity risk when a CCP focuses on counterparty risk. He also stressed that competition in the CCP markets could drive technology innovation and pressure costs down. As such he believes that "the jury is still out there" on the optimal number of CCPs.

Gomm interjected: "Looking at mandated clearing and the introduction of new CCPs, diversification of risk using new entrances to the market, is great for us.

"But, holistically, across the market, it is not always viewed well from a trading perspective, given fragmentation of liquidity pools and portfolios. Commercial considerations pertaining to fee concessions and revenue share opportunities should be at the forefront of firms selection criteria when looking to appoint a CCP of choice. Such incentives will help to alleviate the costs associated with fragmentation of portfolios etc."

Other considerations concerning the wider market include competitive clearing fees, eligibility schedules, and other concessions like partnership programmes.

Concluding his final thoughts on the panel, Gomm warned that there will be additional focus on mandatory clearing of repo and fixed income transactions in the UK.

The future of securities finance

In the 'Looking forward' panel, industry experts gathered to explore the latest developments, innovations, and future trends in the securities financing industry.

Moderating the panel, Jonathan Adams, consultancy lead at Progressive SecFin, initiated the conversation surrounding innovation in the industry with the question of uptake of new technology within securities financing.

Mike Lambert, product director for securities lending at Broadridge, highlighted the mixed progress in the industry. He emphasised that uptake is largely dependent on what parts of the industry the focus is on: "Trade services, and reconciliation have seen good take-up. But having said that, there are still firms that are not doing any post-trade automation, which is surprising."

He continued: "On the trader side, the GC business is pretty much automated for most large players, but the specials and financing businesses are not as much, as trading is still a negotiation process."

Understanding the importance of this negotiation process to traders, he believes that automating the entire trade lifecycle would be "counter-productive". Rather, he suggested, "what we should be doing is giving traders greater insights into how to negotiate and what they should negotiate".

The panel also discussed the idea that the post-trade industry is currently in the midst of utilising advanced technologies. These technologies, they suggest, have not been applied at scale, to deliver solutions to individual and private wealth clients.

Addressing the second question as to why some firms continue to persist in utilising legacy technology over innovation, the panel notes uncertainty as a key factor, highlighting how a lack of clarity surrounding future market structures may have made it difficult for some firms to invest in innovation.

From the legal perspective, Paul Landless, partner at Clifford Chance, also highlights cost as a blocker. He stated: "Legacy infrastructure is a real challenge for many people looking at resourcing budgets." He went on to mention that lack of regulatory clarity and security concerns in adopting new types of innovative systems further prevent firms from 'letting go' of legacy platforms.

Tammy Phillips, CEO and founder of Astrix Networks, agreed. She believes that cost is a major barrier to adopting new forms of technology, and that trust is required that the technology will work.

Phillips underlines that it takes imagination to invest in new technology, and businesses, or market participants will be reluctant to take the next steps to implement change if they cannot envision how these new technologies will succeed in the future.

Tech companies, she emphasised, are now the ones investing in innovation, while the market currently requires more time to break away from legacy infrastructure.

Adams lastly poses the question of whether automating the securities lending and borrowing process requires AI. The panel believes that, initially, AI will be utilised as a decision support tool. However, as the model, and the technology surrounding it, improves with time, they note it will become essential to the automation process. They conclude that automating securities and lending will require AI to not only collect the data, but to feed off and provide new insights and thought processes.

Ultimately, the panel provided valuable insights into the evolving landscape of the securities financing industry, highlighting the challenges, opportunities, and the role of technology in shaping the future.

Manual processes hinder technological evolution

There is a need for financial institutions to be agnostic towards new technologies because a one-size-fits-all approach is unlikely to succeed, according to panellists.

Roy Zimmerhansl, principal at Pierpoint Financial, who moderated the ‘Leaders in lending’ panel, set the tone by emphasising the need to improve business efficiency through incremental changes rather than large-scale overhauls.

The panel agreed that while there are numerous technology solutions on the market, integrating them into existing legacy systems and workflows remains a significant hurdle.

Ross Bowman, head of client management for agency lending and financing collateral services at BNP Paribas, said: “Where we need to do a better job is looking more internally to see whether we can fix the problem we’re trying to solve through our own developments a lot of us have purchased over the years, but we don’t use them to the fullest extent of its entire range of capabilities. So that means getting your own house in order.”

Regarding new technologies, he added: “The reality is, in today’s market, you’ll still be dealing with half the entrance that will want to send you emails and use spreadsheets.”

In response, Eileen Herlihy, managing director and global head of Trading Services Sales at J.P. Morgan, added: “Manual processes don’t perform well when you’ve got market volatility. And the more exception processes you have, the more that is going to hurt, especially in the period of market stress.”

Adnan Hussain, managing director and global head of treasury and securities lending at HSBC, highlighted the significant potential in regions like the Middle East and ASEAN, but cautioned that the diversity of these markets poses unique integration challenges.

"There are definitely opportunities, but the scale of those markets is enormous," he said. “Even when we think about the Middle East, while the countries might be fairly synonymous from the outside looking in, they are very individualistic and therefore do have very different infrastructures.”

Hussian believes the key could be introducing new technologies within these markets at an early stage, as they are building from scratch, to support wide adoption and better interoperability.

However, Bowman argued: "There is some adaptation you have to apply to those markets, which often creates manual processes and the less efficient processes when you start out, in order to get the market up and running for individual use cases.”

The panel also emphasised the appetite for intraday liquidity coming from emerging markets, specifically in Asia and Europe.

Towards the end of the discussion, the speakers shared their future predictions for the securities lending market.

“It may seem aspirational or utopic, but I think that ultimately, the industry will end up in a space where automation is assumed across the full lifecycle of the trade,” said Hussain. “However, the responsibility will still be around the analytics and the execution itself, as well as the maths and the mechanics around it.”

Wrapping up, Bowman noted: “There’s plenty of opportunity and solutions out there, but I think a lot of the change is not necessarily going to come as a big bang from the industry. It’s going to come from a lot of sweat and tears internally within organisations to get your own house working first, get your data clean and correct, and then you’ll be in a much stronger position to interact with the wider market.”

The Middle East Securities Finance panel

In the second instalment of a three-part series, industry experts discuss the challenges and opportunities facing the Middle East, opening the repo market, and the demand for interoperability

Moderator

Gabriele Frediani, Head of Development and Market Infrastructure Coverage, Europe, **Liquidity & Sustainability Facility**

Panellists

Sarah Alothman, Managing Director, Head of Securities Services, **Riyad Capital**

Dimitri Arlando, Director, EMEA Sales, **EquiLend**

Darren Crowther, General Manager, Securities Finance and Collateral Management, **Broadridge**

Jalal Faruki, Head of Securities Services & Custody, **SNB Capital**

Elie Geagea, Head of Equity Derivatives Solutions EMEA, **HSBC**

Andrew Geggus, Global Head of Agency Securities Lending, **BNP Paribas**

Andrew Stephen, Executive Director, Buyside Trading Services, **J.P. Morgan**

What are the challenges and opportunities going forward in the Middle East? What are the strategies and solutions to attract more players to these markets?

Jalal Faruki: When we look at the practical challenges, the biggest one we have faced as a large local custodian and investment bank, is educating the lender community locally. In a fully developed market, you'll have international lenders and borrowers, and local lenders and borrowers. But we also realise, at this stage, that there is going to be a natural supply and demand.

The natural supply is probably going to be local lenders, and the natural demand is likely to be foreign borrowers. So for us, educating the local lenders has been the biggest challenge, conditioning them to understand that any incremental return you can generate on a stock loan portfolio is good. Many people want to negotiate prices in the beginning, and instead, we're trying to condition them to believe that we have a fiduciary responsibility to get the best possible price. Therefore, they benefit from having more assets in those lending pools.

On the borrower side, there's been some challenges from not having a clean netting opinion — a lot of borrowers still see this as an immediate red flag or hurdle that they're not willing to work around. In the past year, certain counterparties have been willing to take an RWA impact, to be active and to be first in the market and to get the benefit of that business. This is starting to get people to shift and say: okay, let’s try to get this running, even if we have that hurdle.

There's a lot of work being done with the International Securities Lending Association (ISLA), the Capital Market Authority (CMA), and with different regulatory bodies in Saudi, to clear that challenge, but it's still there, and it will still be a challenge in the market to become more efficient.

From the lender's perspective, Sharia compliance is critical. In Saudi, a majority of investors, if not all, would prefer a Sharia-compliant transaction structure. It is something we've gotten cleared with our Sharia board. We're now going through the documentation process and making sure that it flows properly in our systems is the next step — we think that will open up a lot more on the supply side. On the demand side, the other key factor is long, short funds coming to the market. These didn't exist a year or two ago in Saudi, but now they're starting to exist, and they need to have physical borrow. The growth in that sector is going to continue driving to that.

Andrew Geggus: When you have a fragmented region and you're looking to grow, the challenges are the resources that you need to put into the region to develop it. That is a challenge because banks — global banks, domestic banks — are all challenged from a resource perspective, there is not an abundance of resources available.

For example, to understand the Sharia impact on legal documentation that has to be in place for a transaction, as well as making sure that your firm is abiding by the regulations locally, firms need to invest into a legal opinion on this. Most international participants, or foreign participants, won't have a team locally that are experts in that. So that's their resource expended on that point, as well as the infrastructure. As an example, in Saudi, firms have to connect to the Securities Depository Center Company (Edaa). That requires more investment as well.

The challenges from a global agent lender perspective, are around how we dedicate our resources to match the opportunity, which is high, as well as what our clients want — but we do it in the right way, so we don't fall foul of any regulations or upset a market. There is an unforeseen with this. When there is a new market, firms need to explore things that haven't happened yet.

Andrew Stephen: Andrew G made an interesting point about resource. When you're going into a new market, as the head of the business, I'm sure your team will come to you asking for resource, but then you need to substantiate what the opportunity is. You're in a chicken and egg situation. As a salesperson developing relationships,trying to canvas the market, you need the product to distribute. The business however needs the business case to be able to substantiate the investment, it presents a loop.

To a certain degree, you have to take a view. If you feel that the market is, or this particular opportunity is one worth pursuing, then the banks, the agent lenders, or whoever wants to play a part in the infrastructure of the market, needs to invest today to generate gains in the future.

Sarah Alothman: The demand in Saudi is picking up. We receive a number of requests on the securities lending side. The Kingdom of Saudi Arabia is ready, and the SBL framework was launched by Edaa back in 2017.

Elie Geagea: For the securities borrowing/lending market, one challenge is to be able to expand and diversify the supply. Another challenge is that growth needs often to be led locally. In Saudi for example, most of the assets are owned locally. Local asset owners' participation in the SBL market will drive growth locally and will encourage foreign investors to engage more in the SBL market

Raising awareness and education among local participants is very important and HSBC is well involved in the education/awareness upskilling exercise. On the other hand, given it's network with local and international participants, mid-size and large financial institutions, HSBC is capable of providing additional diversified and stable supply, not limited to index-linked shares. We believe if growth is implemented in a smooth and responsible way, it will be a sustainable one.

Darren Crowther: Referencing Andrew Stephen's leap of faith, I always view this as investing today for future revenue and growth in a 18-24 months time period. Within the Gulf Cooperation Council (GCC) countries, we've seen a large amount of inbound enquiries, which we believe will turn into forward revenue, so we are fully behind what we now need to do.

The challenge of companies starting in the region for the first time brings opportunities.

This allows Broadridge to leverage its domain knowledge to educate clients in best practice for securities lending and work with them to create a successful onboarding approach.

We see less fragmentation in the GCC countries in relation to market setup and continual improvements and minor changes to this adoption will reduce this further and promote adoption of best practice.

The final part of the puzzle is technology and system integration. There are multiple countries within the GCC which have different data residency requirements and integration requirements. We are focussed heavily on repeatable onboarding processes and standard components which meet market practice.

We are taking more inbound enquiries on repo capabilities within the region so this is evolving into an opportunity space which will fuel further growth in the region.

The ball is gradually starting to roll for repo in the Saudi market. If we don't organise the repo market, then we are closing ourselves off a little bit, no?

Faruki: What's interesting about the repo side is that those transactions started in Saudi through the local depository in 2020, before the market infrastructure changed, and before even the SBL regulations were really adopted and used. We started seeing a lot of repo activity between local institutions — with maybe one or two regional institutions coming in as part of that. In the past 18 months, we've seen a huge influx of internationals come into the local currency debt market and become active in repo with local institutions.

That's also driven a lot more liquidity, competitiveness, and activity in that market. But in general, it's still very opaque. There isn't a centralised place to see repo activity — there are some platforms that are trying to compete for that. Even in terms of how they're cleared, each one is different. There is the option for bilateral, and then some are cleared by the CCP in Saudi by Muqassa. Not everyone uses one or the other and, to add to the confusion, there are also international central securities depositories (ICSDs), like Euroclear and Clearstream, that also offer a solution for cleared repo. There is not one place where it's all aggregating and you can see it in one place, that's one of the challenges.

Crowther: Do you think a local regulator will put that in place, to have a single place of report?

Faruki: There was a draft regulation about an alternative trading system (ATS) coming to the Saudi market for fixed income securities only, and it has been approved. From what we know, that ATS will come into the market maybe in the next 12-18 months. We think that once that ATS comes, it might also drive a related repo platform to allow it to be linked together, and provide that visibility in one place.

Geggus: What's the size of the fixed income space in comparison to repo in the Saudi market?

Faruki: In terms of the outstanding, there is approximately between SAR 500-600 billion (US$133-159 billion). So it is not a small market at all.

Geagea: There is a pick up observed in the fixed income repo sector. There must be room for financial institutions to consider equity for repo trades

Faruki: There is some talk about this. One of the challenges we have right now with SBL regulations, as they stand in Saudi, is that I can't use Saudi assets as collateral in triparty or in these kinds of transactions, unless it's linked with a local Saudi equity trade. For example, I can't use Saudi Basic Industries Corporation (SABIC) shares as collateral for something that's outside of a trade booked in the CSD.

That is one of the key factors that we have mentioned to the depository that needs to change, because we don't want Saudi shares to just be used to lend, we also want them to be used as collateral for global transactions or other transactions.

Dimitri Arlando: From an education perspective, institutions in the region have been doing international repo for a long time, so it's a transaction that people are comfortable with, and that they know for the most part. That isn't necessarily the same with securities lending. However, if you look at the international securities lending business that's done out of the region. Some of those beneficial owners have been lending securities longer than most people in the world, over a quarter of a century.

It's important to look at those two things separately. We're discussing a lot of domestic securities lending here. But actually, securities lending isn't new to the region, there are institutions in the region, as I said, who have been lending for over 25 years. That's true of repo as well. If you go and speak to any corporate treasury in any of the large companies that have been formed here, they have been doing repo for a long time. From an education perspective, they're all very familiar with repo. It's really just getting the plumbing and the mechanics and the regulations in place, as Jalal said, to enable that repo activity to grow from a domestic perspective.

From a technology perspective, what investments need to be made in the pre-trade setup in the region for the wider use of securities finance?

Crowther: Whether it’s repo or securities lending trades, there's upfront work that everyone needs to do. Firstly it’s the integration work into the bank and market infrastructure. This is just the pipes and plumbing and something which is becoming easier and more standard over time.. Secondly there is focus on how AI and Date can be used to help with decision making, improving workflow processing and providing more efficient processes.

The advantage of where the GCC countries are now is that they're going to benefit from the pipes and plumbing that's already in place from the different vendors, which will allow them to take advantage of some of the new modern technologies.

For firms like Broadridge, which have historically offered data centres in the US, Europe, and Asia, we are now having to ask ourselves: how are we going to do this? How do we service the client's data residency demands of keeping the data in the country? The easy answer is, Amazon Web Services (AWS). Broadridge is an Amazon partner, we deploy our platform on AWS. We can do that here in the UAE. But, in Saudi Arabia, we can't do this yet, because AWS services needed are not fully available until 2026.

There's an interim period where we're servicing clients with physical kit at the bank, and then in a couple of years’ time, we'll be able to take that ownership back and provide it on a mutualised basis. ‘Mutualised’ bring efficiencies of scale and cost. We should be able to run things more efficiently across multiple clients, than banks can do on their own. As we go into each country, we're doing an assessment of what we can do in that country and what we can offer. By the time we get to 2026, or maybe at the end of 2025, we'll be able to offer something pretty standard into each place, which will allow us to roll out much quicker.

From one side, we have this will of pushing this market forward and blowing it up to its full potential. On the other side, we also have this availability of learning, from mistakes, but also benefiting from all of the new possibilities and systems that make things cheaper and faster. Are you feeling the benefits from these new tools?

Alothman: Definitely. As an example, in Saudi Arabia, the post-trade technology, the changes that have been made and the introduction of a CCP effectively helps with the management of clearing, as well as mitigating market risk. There was also an introduction of the transaction processing rules, to be inline with the global practices. Such as with the introduction of SWIFT messages, the ISO messages, and the introduction of the Saudi Tadawul Group to have a local alignment with the global standard as well.

Faruki: One of the challenges, in general, that we've had in Saudi, is that the market infrastructure has changed a lot across so many parts of our business over the past four years. Not just some of the ISO message implementations that Sarah talked about, but we also have similar changes in the fix, in enabling new types of orders, in enabling new IPO processes. All of these are putting a huge load on our infrastructure and technology teams to try to keep up with those changes. That's why it might take us longer to come and implement some of these new capabilities, even though the market infrastructure and regulation has been there for a while.

As much as we want to go beyond domestic solutions, how can the international banks go beyond cross-border trades and point out what is good for the market?

Geggus: Circling back on the technology point, Darren mentioned the region benefits from the pipes and plumbing that's already been created before. They were also then impacted by the challenges that are faced everywhere else. A global challenge that we see with technology is around interoperability. We are seeing more and more fintechs come to market at the moment — this is creating potential silos in the global agency lending market and securities lending market, it is not particularly region based. With this, comes challenges. A demand from the agent lender side is for interoperability, it would be extremely helpful, because without that, the market is not efficient, and that will have a knock on impact onto the region.

Cybersecurity is a huge topic for us as a global bank at the moment. That will impact the region as it grows, and technology solutions they use to build upon, as well as the fact that you have all of this future technology, that Darren mentioned, at their disposal, as the market is in its early stages, and it can probably adopt a little bit easier than something that's been in place for a long time.

There are a couple of points from a technology perspective, but beyond that, how global businesses can help, education is one that's been mentioned a few times. We've been doing this for a long time, we have successful setups in multiple jurisdictions, so utilising that and our knowledge is something that we're doing at BNP Paribas. We're looking to work with local participants to help build these models. That is something where we can help develop the markets further.

Faruki: One point that is important to mention. What global custodians also drive, but local custodians need to participate in, is enabling asset managers to properly reflect assets on loan. If you look at the most frequent lenders, a lot of it is long only index-based and benchmarked asset managers. We have a lot of those in Saudi. SNB Capital, Riyad Capital, other investment managers have huge pools of capital that are allocated to these products, most of those products aren't able to lend now because the local sub-custodian or local middle office or administrator doesn't have the ability for them to reflect shares on loan versus not in custody, and that impacts net asset value and valuations. This is a key market development that needs to take place, and it's something that even global custodians need to drive with their local subs to make sure that they have the same capability that they have in developed markets in reflecting those assets properly.

Arlando: There are technology solutions that exist. There are two people on this panel with books and records platforms that can help do that. The difficulty is perhaps more that the technology in some of the institutions has evolved over time, sometimes it's in-house developed as well, and that's where interoperability is really important — the ability from technology providers to make sure that whatever we're building, is able to connect to the various different platforms out there, not just from a books and records perspective, but from a trading perspective.

It's important that the technology providers are able to offer that connectivity to whichever platforms and systems that firms have. But it's also difficult, I'd imagine, to extract those systems and put something new in. It's much easier to get an internal budget to spend if there's a regulatory driver, rather than trying to improve or be more efficient, it's a lot harder to make that business case.

Crowther: The two places that budgets are spent is cyber and regulation, those are the current two key drivers. Within Broadridge we have a heavy current focus on Cyber and then our regular product investment strategy. We are investing in data protection and cyber security and solutions that, in the event that they are compromised, can come back up quickly, and can be run in a mode by clients to support their business. It's key within our books and records platforms that we can do that, and it's quite an interesting time for us as well because of the Digital Operational Resilience Act (DORA).

The European regulation is setting the benchmark for what the standard will look like in 12 months time. If you don't provide the standard in 12 months, you don't really sell, because people will only buy platforms that meet compliance and regulatory standards. There's a lot of investment within the banks themselves, so BNP Paribas, HSBC, J.P. Morgan will all be investing a lot of money into cyber resiliency to meet their DORA requirements. That will benefit them for many years forward, because it becomes a tick in the box for them. In 12 months time, you must have these things available to you. As a result, a lot of time, money and budget is invested to ensure firms are setting themselves up for the next five years.

Click here to view the video online

Next time, the panel of industry participants discuss how recent market reforms and infrastructure developments are catalysing growth in securities lending and repo activities. Part three will be published in SFT Issue 367.

LATAM: From regional fragmentation to global integration

As foreign investors show growing interest in Latin America's securities finance markets, Daniel Tison delves into the opportunities and challenges shaping this dynamic and evolving region

Characterised by its shared colonial heritage, strong cultural influence, and rich natural resources, Latin America (LATAM) is a vibrant and diverse region encompassing 19 countries across Central and South America. Despite economic challenges and social inequalities, LATAM has a dynamic financial landscape with growing urban centres, emerging markets, and a strong emphasis on trade.

"Unlike the more developed markets in North America and Europe, LATAM's securities lending industry is still in a developmental phase, with Brazil and Mexico leading the way," says Fran Garritt, executive director at ISLA Americas, a newly created affiliate entity of the International Securities Lending Association (ISLA).

"These countries have relatively mature frameworks," he continues, "with Brazil's B3 exchange offering a highly structured market, while others like Chile, Colombia, Peru, and Argentina are actively working to improve their lending infrastructure and liquidity."

According to Matt Chessum, executive director of securities finance at S&P Global Market Intelligence, LATAM's securities lending markets have shown significant growth and importance in the global financing landscape over the past few years, which positions the region as a vital player in the global financial ecosystem.

"The total value of securities on loan in Latin America has expanded since inception, reflecting a growing acceptance of these practices, which enhances market efficiency and price discovery," he adds. "The market primarily deals with equity securities lending, which provides essential liquidity, and facilitates short selling and hedging strategies for both local and international investors."

Hindered by fragmentation and bureaucracy

While local pension funds and asset managers are the primary participants in LATAM's securities finance, there has also been a growing interest from international institutions. However, regulatory and tax complexities often limit foreign participation in some of these markets.

A recent survey of global buy side firms, conducted by Nasdaq and The ValueExchange, found that 84 per cent of respondents plan to increase their investment exposure to Latin America over the next 12 to 24 months. However, the survey also revealed certain challenges in the region, with 59 per cent of respondents saying that market structure issues impose limits on their investment flows.

Nasdaq's vice president and head of post-trade product strategy, Gerard Smith, comments: "There is a clear, demonstrable appetite across global market participants to invest in Latin America. However, market structure continues to be a barrier to accessing the market. Specifically, fragmentation, processing errors, and a lack of standardisation are hampering growth, with institutions demanding greater cohesion and automation across the system."

Each country in LATAM has its own currency, legislation, and financial policies, which leads to fragmentation of the market. Although there have been efforts towards simplifying these regulations, navigating bureaucracy in the region still represents a certain challenge for investors.

Chile, Colombia, and Peru have been refining their rules to attract more institutions, with an emphasis on transparency and pension fund protection. In Argentina, reforms are seen as much more likely following the change in government this year.

Smith explains that a balance must be struck across the needs of different investor profiles, saying: "Institutional investors are concerned with standards, block trading, collateral management, and shareholder engagement, while wealth investors are operationally focused on returns, funding and financing, proxy voting, and digital asset opportunities."

In response to market fragmentation being a major challenge in the region, Nasdaq is helping to modernise and standardise the technology underpinning LATAM's capital market infrastructure.

The company has more than 50 banking and payment services clients in Latin America, comprising a range of digital and traditional banks, local and regional players, as well as Tier 1 global banks. On the market infrastructure side, the firm has a range of partnerships with the region's market operators, including its technology that can digitise securities.

In September 2024, Nasdaq extended its partnership with Nubank, a Brazilian-based bank, to include its AxiomSL regulatory reporting solution. According to Smith, this move reflects the regional accelerating demand for third-party fintech solutions that can support a short time to market for new products and services.

> "There is a clear, demonstrable appetite across global market participants to invest in Latin America. However, market structure continues to be a barrier to accessing the market."

Gerard Smith
Vice president
Head of post-trade product strategy
Nasdaq

Driving change through collaboration

Addressing given challenges, Garritt explains that regional collaboration is crucial in shaping LATAM's securities lending market, as it promotes integration and standardised practices.

"By aligning with international standards, these initiatives make the region more competitive and appealing to global participants," he says, adding that ISLA Americas plays a pivotal role by collaborating with regional exchanges, central banks, and regulators to establish global best practices and harmonise standards.

To improve regional integration and promote free trade across the region, Chile, Colombia, Mexico, and Peru formed the Pacific Alliance in 2012. One of its projects was the Mercado Integrado Latinoamericano (MILA), integrating the stock markets of all four member countries, which became the largest stock exchange in the region.

> "Brazil continues to be a hot market, with fees consistently above 100 basis points, and it has seen fairly aggressive growth in demand in recent years."
>
> **Matt Ross**
> Product specialist
> EquiLend Data & Analytics

However, Mexico decided to step back from MILA in 2020, which scaled down the exchange's activity. Since August 2023, the remaining members — Santiago, Colombia, and Lima stock exchanges — have been operating as nuam, a new capital market for LATAM.

Garritt notes that despite Mexico's withdrawal, MILA continues to unify the financial markets of Chile, Colombia, and Peru, and the Pacific Alliance remains focused on lowering cross-border transaction costs in the region.

"nuam supports this vision by developing a digital securities platform that streamlines cross-border trading, reduces operational costs, and leverages blockchain for transparency and efficiency," he says.

Running on Nasdaq's MME platform, with internationally accepted communications protocols such as FIX 5.0, the nuam platform aims to improve market accessibility and transparency. Trades will be cleared through its wholly-owned interoperable CCPs using VeriClear by Vermiculus. Participants from outside of the region will be able to access the single market through their preferred market participant in a specific country without having to establish relationships or register in the three countries.

In May 2024, nuam signed a collaboration agreement with the fintech associations of its member countries as part of its commitment to promoting technological innovation in the region.

nuam plans to implement its objective of creating a single market for the three countries in phases, with the first one — for equities — planned for mid-2025. The regional holding company hopes that this will lay the foundation to deploy services in other markets like fixed income and derivatives.

Pedro Zangrandi Bustamante, associate director of exchange-traded securities lending at B3, believes that his firm plays a key role in supporting growth across the region through market integration, knowledge sharing, and technological assistance.

B3 stands for Brasil, Bolsa, Balcão, and it is one of the world's largest market infrastructure companies, providing trading services in both an exchange and an OTC environment. It came out from the merger of the São Paulo Stock Exchange (Bovespa), the Brazilian Mercantile and Futures Exchange (BM&F), and the Central Securities Depository (Cetip).

"B3 actively shares its expertise and best practices in market regulation, technology, product development, and incentives with its LATAM partners," says Bustamante. "This is achieved through workshops, conferences, and meetings organised by the B3 team. Such educational initiatives significantly enhance practices, particularly in securities finance, trading, and risk management."

Brazil: A hot market trapped under layers of complexity

With a gross domestic product of US$2.3 trillion (August 2024), Brazil is the largest market in Latin America. Securities lending in the federative republic involves a complex framework that requires engaging with local brokers and a CCP.

Unlike in other parts of the world, where custodians typically dominate this space, the major role played by brokers is a distinctive feature in Brazil, which has driven a recent increase in retail investor participation.

Bustamante explains: "Brokers have played a crucial role by offering free custody services for retail in exchange for lending positions and utilising B3's pooling feature, which aggregates retail into a single contract with institutional entities. This has led to a rise in retail participation in Brazil over the past three years."

On the other hand, the necessity of using a local broker can also lead to increased transaction costs and potential delays, and the role of the CCP adds another layer of complexity, as it mandates adherence to specific regulatory requirements and risk management practices.

"This can complicate the indemnification process for lending agents, as they must ensure compliance with both local laws and the CCP's stipulations, potentially exposing them to greater liability and operational risks," says Chessum. "Overall, these complexities can hinder the efficiency and attractiveness of securities lending in Brazil, hence the higher fees on offer."

Bustamante argues that the CCP model ensures safety and mitigates systemic risk. However, he acknowledges that non-resident investors, who hold significant assets in Brazilian shares, may be hesitant to engage in local securities lending due to the regulatory constraints.

Data from B3 shows that non-residents represent 30 per cent of the borrowing side in Brazil while local institutional investors account for approximately half of both the borrowing and lending volume. Additionally, retail investors represent 40 per cent of the lending side.

The securities lending market is regulated by the Brazilian Securities Commission, with a strong emphasis on transparency, rigorous collateral requirements, and detailed disclosure. However, challenges like transaction and withholding taxes remain, which can discourage foreign investment.

Matt Ross, product specialist at EquiLend Data & Analytics, notes that Brazil, alongside Mexico, remains the dominant and most active player in LATAM equities.

"Brazil continues to be a hot market," he says, "with fees consistently above 100 basis points, and it has seen fairly aggressive growth in demand in recent years."

Data from S&P Global Market Intelligence shows that monthly securities lending revenues to the end of September grew 45 per cent this year in comparison to 2023 in the region. Average lending rates have also been growing over the past few months, reaching a multi-year high of 3.1 per cent in August.

Mexico: A diverse market grappling with demand and regulation

With two stock exchanges, one derivatives exchange, and two securities lending exchanges, Mexico, the second largest market in the region, represents a diversified and fragmented landscape on its own. Additionally, the Mexican central bank (Banco de Mexico) serves as a lender of first resource to those banks that are signed up to Market Makers Program, issued by the Mexican Ministry of Finance in 2000, which creates a specific submarket.

The central bank is also the main regulator for securities lending in the region, alongside the National Banking and Securities Commission (CNBV) which governs Mexico's regulatory framework.

Another key player in the Mexican market is Indeval, which acts as the central securities depository for all securities traded on both the Mexican Stock Exchange (BMV) and Bolsa Institucional de Valores (BIVA), and it also provides clearing and settlement services for governmental and banking securities.

Billy Ochoa, managing director and head of the Financial Institutions Group at Banco Santander Mexico, says: "Despite a diverse marketplace, with conditions that might differ greatly between the available lending alternatives, appetite and interest in the Mexican securities lending market have grown over the past years, drawing the needed attention from key players and regulators.

"The goal is to build a more complete market infrastructure, with conditions that are good enough to bring the required supply — both local and foreign — to meet the needs of all participants, including the market makers."

Santander Mexico provides the market with a full securities lending infrastructure that covers both OTC and exchange traded fixed income or equities.

Regarding opportunities for foreign investors, Ochoa highlights the size of the Mexican fixed income market, with a sovereign debt value of US$524 billion as of September 2024. He adds that players from abroad currently hold nearly a third (31.1 per cent) of Bonos M, the fixed rate bonds issued by the Mexican government.

Over the last three years, Mexico has seen an influx of lendable supply, increasing by nearly 30 per cent, but demand has not kept pace, according to Ross. Loan balances have remained relatively flat since 2021, and utilisation currently sits around three per cent.

Data from S&P Global Market Intelligence shows a weaker performance for Mexico this year compared to 2023. The securities finance revenues from January to September 2024 come to US$4.6 million, which represents a 46 per cent year-over-year (YoY) decrease.

Chessum adds that the average monthly decline of 32 per cent has had a significant impact on revenues over the year. This might have been due to several factors, including increased regulatory scrutiny and economic policies that have affected market dynamics.

“The government's focus on promoting local investment and reducing foreign influence may have led to a more cautious approach among international investors,” he says. “Additionally, changes in monetary policy, such as interest rate hikes by the Bank of Mexico to combat inflation, have created a less favourable environment for borrowing costs.”

These factors, combined with geopolitical uncertainties and a slowdown in economic growth, might have made Mexico less attractive for securities lending, leading to a decrease in overall activity.

Prospects for accelerated settlement

After Mexico and Argentina adopted T+1 in May, alongside the US and Canada, there have been discussions about shortening the settlement cycle in other Latin American countries.

Garritt notes that views on moving to T+1 vary across the region due to their unique conditions, regulations, and economic priorities. He adds that collaboration is essential for this transition, and ISLA Americas is committed to supporting this process through its working groups and partnerships.

“By engaging with onshore and offshore stakeholders, as well as leveraging insights from ISLA’s work in Europe and the Americas, we aim to support a smooth transition to T+1 in LATAM while also addressing the broader needs of these key markets,” says Garritt.

However, he acknowledges that the transition also presents several challenges, including the need for technological upgrades, changes to operational processes, and adjustments to market practices.

As a major economy, Brazil could be the next country to follow suit, but Bustamante notes that industry support and market readiness will be key to a successful move to T+1.

“Brazilian brokers, banks, and asset managers need to unite in advocating for this transition, emphasising benefits such as improved liquidity and quicker transaction processing,” he says. “The Brazilian Central Bank will play a crucial role in evaluating the regulatory implications of this shift, and collaboration with market participants will be necessary to establish rules that address concerns, particularly those related to securities lending.

Paving the way for transformation

Although challenges such as regulatory hurdles, limited liquidity, and the need for enhanced risk management remain, the LATAM securities lending market is on a promising trajectory, with increasing local and global interest driving its evolution.

Exchanges in Brazil, Mexico, and the Pacific Alliance countries are investing in new technologies like blockchain to streamline operations, improve transparency, and facilitate cross-border trading. At the same time, Chile, Colombia, and Peru are working towards regulatory alignment to lower barriers for international institutions.

In addition, the market is expected to introduce new products such as exchange traded funds (ETFs), structured securities, and cross-listed funds, which can broaden investment options and collateral availability for both local and foreign institutions.

Garritt comments: “While the region faces hurdles such as regulatory complexity, potential tax implications, and operational inefficiencies, ongoing reforms and technological advancements are creating opportunities for growth. These efforts are paving the way for greater engagement from both local and global participants, which is vital for the market’s continued evolution.”

From a Mexican perspective, Ochoa believes that focus on regulation overhauls and the adoption of new practices are key steps towards a real market evolution.

“OTC securities lending market has a long way to go, and both exchanges must find ways to invite foreign participants into their structures,” he notes. “We, as a market, must aim to adopt global practices, like a triparty model, and new ways of structuring loans, such as open loans and evergreens, as well as aspire to longer tenors. Finally, the creation of a solid corporate lending market must be reviewed, along with the convergence of fees, and embracement of digital platforms.”

In Brazil, Bustamante also calls for regulatory reforms to allow bilateral collateralisation of principal risk to enhance non-resident participation.

He adds: “B3 is actively collaborating with regulators to highlight the benefits of such changes, and discussions are currently underway to address and potentially remove this barrier.”

Looking ahead, Smith says: “Establishing mature repo markets will be critical to LATAM’s success, as it will allow international investors to use reverse repos to swap currency and counterparty risk into sovereign risk, before deploying the capital.”

He believes that technological transformation will be the key driver of progress in LATAM, adding: “For securities lending, use of global platforms for execution and booking, alongside standardised messaging for lending trades and recalls, would help to establish the building blocks for greater liquidity. In short, it will require a huge amount of change.”

According to Garritt, LATAM’s securities lending market is poised for significant growth over the next five years, which will be driven by efforts to align with international standards and attract foreign institutions.

> “LATAM’s securities lending market is on track to become a more integrated and globally competitive space. With enhanced infrastructure, regulatory alignment, and expanded offerings, the region is positioning itself as an attractive destination for foreign capital.”
>
> **Fran Garritt**
> Executive director
> ISLA Americas

“LATAM’s securities lending market is on track to become a more integrated and globally competitive space,” he says. “With enhanced infrastructure, regulatory alignment, and expanded offerings, the region is positioning itself as an attractive destination for foreign capital."

He is convinced that collaboration among local exchanges, regulators, and organisations like ISLA Americas will help the local securities lending market enhance market transparency, efficiency, and accessibility.

With a slightly more moderate approach, Ochoa adds: “All the needed changes take a while to happen, but as long as the conviction and appetite to correctly develop a securities lending environment remains, objectives will be met.”

Government bond securities lending revenues reach multi-month highs

Matthew Chessum, director of securities finance at S&P Global Market Intelligence, explores the key drivers leading to a surge in government bond lending

In October, revenues generated from government bond securities lending soared to an impressive US$194 million, having continued to grow month-on-month throughout the year.

This figure not only reflects a robust demand for government bonds but also underscores the evolving dynamics within the securities finance landscape. Furthermore, third-quarter revenues for government bonds were 15 per cent higher year-on-year (YoY), (US$535 million), indicating a sustained interest from market participants amid various economic challenges.

Several key drivers are contributing to this surge in government bond revenues within the securities finance markets. Firstly, the current economic environment, characterised by higher interest rates, has led to a heightened demand for government bonds as investors seek safe-haven assets.

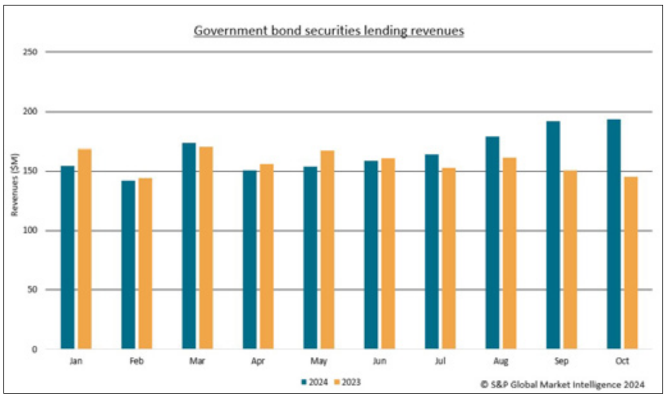
As central banks, particularly the Federal Reserve, continue to navigate the complexities of inflation and economic growth, the uncertainty surrounding the pace and timing of future rate cuts has prompted investors to reassess their portfolios. This uncertainty has made government bonds an attractive option, driving up their borrowing costs and, consequently, the revenues generated from securities lending.

Additionally, the election of new governments in various regions has introduced a layer of unpredictability regarding fiscal policies and economic strategies. Investors are keenly aware that changes in government can lead to shifts in monetary policy, impacting the issuance of government bonds and overall market sentiment. This political uncertainty has further fuelled demand for government bonds, as market participants look to hedge against potential volatility.

In addition to political factors, speculation from hedge funds has played a pivotal role in driving revenues in the securities lending market. Hedge funds are increasingly utilising government bonds as part of their investment strategies, seeking to capitalise on price discrepancies and market inefficiencies. This has led to a greater demand for borrowing these securities, contributing to the rising revenues in the market.

Hedge funds employ various strategies to profit from the borrowing of government bonds. One common approach is the short selling strategy, where hedge funds borrow government bonds to sell them in the market, anticipating a decline in prices. If successful, they can repurchase the bonds at a lower price, returning them to the lender and pocketing the difference. This strategy relies heavily on accurate market predictions and timing, making it a high-risk, high-reward approach.

Government bond securities lending revenues



Another strategy is the relative value arbitrage, where hedge funds exploit pricing discrepancies between government bonds and other securities. By borrowing government bonds and simultaneously taking positions in related securities, hedge funds aim to profit from the convergence of prices. This strategy requires a deep understanding of market dynamics and can be particularly effective in volatile environments.

Finally, hedge funds may also engage in collateral trading, where they borrow government bonds to use as collateral for other transactions. By leveraging the high credit quality of government bonds, hedge funds can enhance their returns on other investments. This strategy adds complexity to their overall portfolio management and can lead to increased revenues from securities lending.

Understanding the dynamics

As the year draws to a close, banks often face increased pressure to shore up their balance sheets, leading to a heightened demand for government bond borrowing. This period typically sees financial institutions striving to meet regulatory requirements and optimise their liquidity positions. In anticipation of year-end reporting, banks may borrow government bonds to enhance their collateral pools, ensuring they maintain adequate liquidity ratios and comply with capital adequacy regulations.

This surge in borrowing not only contributes to the overall increase in government bond revenues within the securities lending market but also reflects the broader strategic manoeuvres banks employ to navigate the complexities of year-end financial reporting. Consequently, this trend further underscores the critical role that government bonds play in the financial ecosystem, particularly during times of heightened regulatory scrutiny.

As we observe these developments in the securities finance markets, it is essential to note the growing pricing discrepancies seen in our data sets between markets, particularly between the securities lending and the repo market.

Securities lending is primarily driven by the generation of incremental returns, providing lenders with a steady income stream from the borrowing fees. In contrast, the repo market is influenced by balance sheet and regulatory drivers, with participants often seeking liquidity and funding efficiencies. This divergence in focus may lead to varying pricing structures, as market participants weigh the benefits of each financing avenue. One recent example of this is the 0 per cent 11 December 2024 French government bond which was trading an impressive 243 basis points cheaper in the repo market, when compared with the securities lending market.

The recent surge in government bond revenues in the securities lending markets can be attributed to a combination of factors, including a strong economic environment amid rising interest rates, political uncertainty due to new government elections, and speculative activities from hedge funds.

As the market continues to evolve, understanding these dynamics will be crucial for investors and market participants looking to navigate the complexities of government bond lending heading into the new year.

A unique ecosystem

Recently entering the industry, David Gerby, sales manager of European equities and derivatives at Nasdaq, speaks with Daniel Tison about the unique characteristics of the Nordic financial market

Can you tell me about your journey into the securities finance industry?

I joined Nasdaq as a summer intern in 2018 when I was working under our Global Market Operations division. My team was responsible for the day-to-day activities related to trading cash equity, equity derivatives, fixed income, and commodities in Nasdaq's Nordic and US markets. In addition, we conducted analysis, calculations, and distribution of our settlement and margin prices towards our exchange and clearing members.

This department gave me valuable insights from all aspects of exchange trading, spanning from the placement of an order, executed and fully settled. Once I graduated from Uppsala University, I was asked if I would like to come back to work full-time under the trading and price management team, and I immediately said yes with gratitude.

Later on, I joined our high-touch desk for equity derivatives. The team comprises the voice trading system and specialises in liquidity and price discovery in complex structures, including exchange of delta, and is serving as a crucial hub for the European ecosystem.

Since last year, I have been working under our European equities and derivatives team, being responsible for the exchange's relationships, strategy, sales, and cooperation with our members on the trading side of Nasdaq's business. The common theme across my various roles has been the interaction with our clients and how we can assist them to achieve their goals and objectives in the best way possible.

What attracted me to pursue a career in finance was the complexity of financial markets, all factors affecting it (regulations, macro, geopolitical etc), and also the importance of being a trusted exchange operator. By assisting firms to raise capital, I strongly believe we can make a difference out there. The green transition and increasing Europe's competitiveness globally are two examples where we play an important role.

As a young professional, what aspects of your role or the industry do you find most exciting?

What fuels me, is the interactions we have with our clients daily and how we solve real-life challenges for them. Nasdaq is a strong customer-oriented firm where listening to clients has always been a key pillar of our business. This gives us a tonne of valuable input, but it also allows us to deliver something our clients really request and is in need of.

The Nordics, and particularly Sweden, are known for having a sophisticated, developed, and advanced economy with a high degree of participation in our financial markets. We have a strong equity culture with low barriers to entry for private investors, public confidence in capital markets, various tax incentives supporting equity investments, an entrepreneurial culture, and an innovation-focused society.

Add on top of that institutional investors and pension funds, a strong initial public offering (IPO) market, and stable, affluent, and transparent economies, and you get an ecosystem hard to find anywhere else in the world. I could not ask for a more interesting and exciting workplace, and I feel proud of the work we do at Nasdaq.

Many companies offer various training and development opportunities for their employees. How has your company supported your growth?

Nasdaq is a strong supporter of its employees and wants everyone to be the best version possible every day. We offer several mentor programmes, internal educational courses, and various knowledge sessions, but also work shadowing and rotation programmes. What really fosters a healthy corporate culture is the diversity in our workforce. This, in conjunction with the various backgrounds where colleagues happily share experiences with each other, creates a dare-to-ask environment and ensures everyone's abilities end up in the right place.

I can have meetings with team members located in Sydney, the next day in Hong Kong, a couple of hours later in Iceland, and lastly with colleagues in France and the US. Participants can be vice presidents, engineers, sales, or anyone in the company. Engaging across varios teams and functions gives you the possibility to learn, listen, and grow as an individual at an early stage in your career.

Another educational initiative is our Nasdaq Derivatives Academy, which has been a major success since its launch. Through this platform, we have educated, both physically and digitally, more than 4,000 investors on the benefits and possibilities of using derivatives in your portfolio. The audience has been broad, and we see participation all the way from professional traders and risk personnel to retail clients and back office. As an exchange, we are passionate about education, and this is a great example of how we lead the way in our industry.

What misconceptions about working in the financial industry have you encountered, and how do you address these challenges?

A common misconception about the financial industry is that the jargon is hard and that the days are too stressful. My experience is that it strongly depends on what is happening in the market and on your role. We are both a market operator and also deliver trading and clearing systems to other exchanges and clearing houses worldwide, so there are a lot of transactions to be processed, and a minor issue or incident can unfortunately cause large damage. Such anomalies can, of course, trigger stressed situations, but it rarely happens.

For us, it is of the highest importance to deliver robust systems and processes that our clients can trust. By being professional, structured, using available tools, and staying close to our clients, we ensure that the risk is low, and at the same time, the performance of our business is high.

At Nasdaq, we have a lot of different touching surfaces towards society, spanning from public to private companies in all different sectors, and I must say it is very rare that you meet someone being rude and unprofessional. Everyone is working towards their goals and interests, and they know that the best way to get there is by being professional, clear, and concise.

Looking ahead, where do you see yourself in the next five years in terms of your career goals and aspirations?

Our industry is under constant development and right now, there is a lot of focus on how to make the EU more competitive, shortening the settlement cycle, and digitalisation, to mention a few. At Nasdaq, we are currently migrating much of our technology into the cloud, launching several new initiatives, and increasing our efforts around carbon removal markets through our investments.

From a more personal perspective, I always strive to increase my expertise, and I want to focus on AI, data, competitiveness, and how we best can meet our clients' demands. We are nothing without our customers, and that is why I believe their input and insights are more valuable than anything else. Lastly, developing my leadership skills has been high up on my agenda for a long time and is something I would really like to strengthen further.

What advice do you have for other young professionals aspiring to pursue a career in your industry?

Be curious, dare to ask, listen to more senior people, and be humble. You never know where a question will take you and which doors it may open. Apart from this, I am a strong believer in working hard and trying to say yes to all opportunities that may arise. Say yes to that meeting, say yes to an event, a course, or even that visit.

I have been fortunate to have great leaders surrounding and supporting me to always step outside my comfort zone. From my point of view, there is no better way of expanding your expertise and also growing as an individual. There are a lot of possibilities out there, so make sure you welcome them and be open-minded. Do not close doors before you have even opened them!

David Gerby

Based in Stockholm, David Gerby is a 30-year-old certified power trader, currently working as sales manager, European equities and derivatives, global trading and market services, at Nasdaq. He has been with the company since 2018 when he joined as a summer intern.

Gerby earned a bachelor's degree in business and economics, with a major in finance, from Uppsala University.

In his free time, Gerby likes to work out, spend time with his friends and family, and explore various food cuisines. He is also very interested in politics and macroeconomic issues.

SASLA adds Govender

The South African Securities Lending Association (SASLA) has appointed Joshua Govender to chair the new South African Collateral Forum.

Based in Johannesburg, Govender is currently business development lead for Africa and the UK at VERMEG for Banking and Insurance Software.

He joined the role in January to expand VERMEG's footprint in the African region among the banking, capital markets and financial services sectors.

Govender brings over 20 years of experience in securities lending and collateral to his new role.

Most notably, Govender held a 15-year tenure with HSBC, where he was most recently director of Prime Finance for South Africa.

Commenting on the news, SASLA Chair Michael Wright says: “Joshua brings a wealth of securities finance experience to the role.

“The forum has been set up to facilitate the discussion of collateral-related issues facing the South African financial markets. Through the association members it represents a broad range of financial market participants.”

McVey retires

Founder of MarketAxess, Rick McVey, will retire from his position as executive chairman, effective 1 January 2025.

He will be succeeded by Carlos Hernandez, however will continue to serve as the chairman of the board of directors of MarketAxess Limited, the firm’s international holding company.

The announcement comes a year and a half after McVey stepped down from his position as CEO of the company, after 23 years in the role.

Chris Concannon, current CEO of MarketAxess, comments: “Rick’s bold vision for the company nearly 25 years ago not only revolutionised trading forever, but also created an outstanding organisation in the process. I’d like to congratulate Rick on an incredible accomplishment.”

McVey adds: “The last quarter century has been an incredible journey, and it was an honour to lead this organisation from a startup to a position of global leadership. I look forward to my continued involvement on the board of MarketAxess Limited as we continue to expand our reach in international financial markets."

Rouigueb joins Euronext

Euronext Securities has onboarded Donia Rouigueb as managing director, head of sales.

Rouigueb brings more than 15 years of experience in securities finance to her new role.

She joins from CACEIS where she spent nearly a decade, most recently as group deputy head of sales for market solutions, and head of sales for securities finance and repo.

Prior to CACEIS, she served as a securities lending sales trader at Mediobanca for five years.

She was also a cash equity dealer at Covéa, and a securities lending trader at Candriam.

Pierre Davoust, head of Euronext securities, derivatives, and post-trade, says: "At a time of accelerated growth for Euronext Securities, Donia Rouigueb will play a critical role in strengthening our relationships with clients across Europe and helping them achieve their key business objectives."

Broadridge gets Fellah

Broadridge Financial Solutions has appointed David Fellah as vice president of AI trading solutions, effective 16 October.

Based in New York, Fellah will report to Roger Burkhardt, enterprise head of AI and data, and chief technical officer of capital markets at Broadridge.

In this newly created position, Fellah will use data, AI, and analytics to deliver solutions that enable the firm's clients to improve trading strategies and reduce costs.

Fellah brings nearly 30 years of expertise in trading technology, quantitative research, and advanced analytics, as well as leadership experience, to the role.

Most recently, he worked as a researcher at Icosa Computing and IMMIX.

Prior to that, he was the head of international quantitative trading strategy at Instinet for nearly five years.

Earlier in his career, he spent nearly eight years at J.P. Morgan as global co-head of quantitative research.

Between 2007 and 2010, he served as manager of quantitative trading strategies at Liquidnet.

FinOptSys selects DiMaggio

FinOptSys has appointed Salvatore DiMaggio as strategic advisor to the CEO.

In this new expanded role, DiMaggio will provide guidance and advice on overall business strategy, outlook and growth aspirations, as well as insights into sales and marketing, client acquisition and target market penetration.

He first joined the financial technology company in October 2023 as part of the firm's advisory board to accelerate FinOptSys' solutions in global buy and sell side markets.

DiMaggio has extensive experience across capital markets, including in collateral lending, liquidity and financial resources management, as well as securities lending and asset-backed securities repo.

During his long career, DiMaggio was senior vice president of D.E. Shaw and a member of the group's treasury department.

DiMaggio joined D.E. Shaw in 2008 after a 25-year career at Bear Stearns, where he acted as senior managing director and global head of bank relations and business development.

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