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DTCC collaborates on SFTR requirements

The Depository Trust & Clearing Corporation (DTCC) has collaborated with EquiLend, Trax, IHS Markit, and Pirum, to streamline and enhance its global trade reporting capabilities in preparation for the upcoming reporting requirements contained within the Securities Financing Transaction Regulation (SFTR).

The regulation, which is expected to take effect in late 2019, will require firms that are subject to SFTR, to report securities financing transactions including repurchase agreements, securities lending and margin lending trades to a registered trade repository (TR).

According to DTCC, by collaborating with EquiLend, Trax, IHS Markit and Pirum, DTCC will be able to offer greater levels of straight-through processing, with links to mutual clients' existing technology, for a quick-to-implement and cost-effective SFTR reporting solution.

Each of the firms will build to DTCC's global trade reporting (GTR) and enrich data to SFTR reporting standards. EquiLend and Trax's SFTR service will connect to GTR via Trax's reporting hub for all SFTR-eligible asset classes.

IHS Markit and Pirum's fully integrated service offering will also connect to GTR via IHS Markit, providing data management and reconciliation capabilities and covering all SFTR reportable transactions.

This announcement comes after DTCC's recent efforts to further improve and enhance GTR, with the complete rearchitecture of its European trade repository.

Pierre Khemdoudi, managing director and global co-head of equities, data and analytics at IHS Markit, said: "We are thrilled to expand our strong relationship with DTCC in the regulatory space for SFTR coverage. Together, our deep expertise in data management, securities finance and repo markets will benefit a robust network of clients."

Rajen Sheth, CEO of Pirum, commented: "It has been clear that the service provider community needs to work collaboratively to deliver an effective solution for SFTR. This collaboration with DTCC extends that network to provide real value to mutual clients."

Brian Lamb, CEO of EquiLend, explained: "Straight-through processing is key for a SFTR solution. From our point of trade through to data enrichment and matching services, this should significantly enhance onward reporting to GTR."

Chris Smith, head of Trax, commented: "Given the complexities and manual nature in the securities financing trade lifecycle, key industry platforms must come together to provide holistic solutions. On behalf of EquiLend and Trax, we are excited to partner with DTCC to help mutual clients with their new regulatory obligations under SFTR."

Chris Childs, president and CEO of DTCC Deriv/SERV, concluded: "The industry has invested heavily in establishing an infrastructure for over-the-counter derivatives trade reporting and this is an example of identifying opportunities to expand the use of the existing platform for SFTR. We look forward to building upon our past efforts and in delivering a compelling solution that continues to define GTR as the world's trade reporting solution of choice."

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Publisher: Justin Lawson
justinlawson@securitieslendingtimes.com
+44 (0)203 750 6028

Acting Editor: Becky Butcher
beckybutcher@blackknightmedialtd.com
+44 (0)203 750 6019

Junior Reporter: Jenna Lomax
jennalomax@blackknightmedialtd.com
+44 (0)203 750 6018

Junior Reporter: Maddie Saghir
maddiesaghir@blackknightmedialtd.com
+44 (0)203 750 6019

Contributors: Barney Dixon and Brian Bollen

Creative Director: Steven Lafferty
design@securitieslendingtimes.com
+44 (0)7843 811 240

Marketing/Sales Support: Paige Tapson
paigetapson@blackknightmedialtd.com
+44 (0) 203 750 6020

www.securitieslendingtimes.com

Twitter: @SLTimes_

black knight media
Office fax: +44 (0) 20 8711 5985
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OCC securities lending activity sees increase

OCC has calculated that its securities lending activity was up 14 percent in May and 23 percent year-to-date.

Year-to-date stock loan activity increased 23 percent from 2017 with 1,154,218 new loan transactions in 2018.

The average daily loan value at OCC in May was $189.6 billion.

Total cleared contract volume in May reached 411,264,931 contracts, an eight percent increase from May 2017 volume, which stood at 380,010,098.

OCC's year-to-date average daily cleared contract volume is up 25 percent from 2017 with 21,321,765 contracts compared to 17,079,884 contracts in 2017.

Overall exchange-listed options volume reached 403,748,267 contracts in May, up 10 percent from May last year.

Equity options volume reached a total of 366,176,065 contracts, a 12 percent increase from May last year.

This includes cleared exchange traded fund options volume of 150,994,638 contracts last month, a 12 percent increase over May 2017 volume of 134,835,545 contracts.

Futures cleared by OCC reached 7,516,664 contracts in May, down 44 percent from May 2017.

OCC's year-to-date average daily cleared futures volume was 465,648 contracts, 15 percent less than 2017.

Clearstream enhances settlement solution for RepoClear

Clearstream is enhancing its settlement solution for RepoClear transactions, enabling customers to settle various European cash bonds and repo markets directly into Clearstream's international central securities depository (ICSD).

From October this year, Cleartstream's ICSD will offer a new power of attorney (PoA) service to customers who are clearing members or agents of clearing members of LCH SA/Banque Centrale de Compensation to settle German debt securities in commercial bank money.

According to Clearstream, this initiative will complement the existing ICSD and CSD PoA services for clearing members of LCH, as well as its CSD PoA service for clearing members of LCH SA—allowing settlement in both commercial and central bank money.

From December this year, Clearstream will add Austrian, Dutch, Finnish and Portuguese debt and then Irish, Slovakian and Slovenian debt. The supranational debt will be made available in early 2019.

The solution enhancements follow LCH Group's recent decision to extend the RepoClear service via its Paris-based entity, LCH SA.

Clearstream already covers the lifecycle of German debt securities from issuance, settlement in TARGET2-Securities (T2S), asset servicing and automatic lending and borrowing services.

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TORA teams up with Trax

TORA has partnered with Trax, the post-trade services and European market data division of MarketAxess, to help their mutual clients to meet the second Markets in Financial Instruments Directive (MiFID II) trade and transaction reporting requirements.

The new reporting requirements under MiFID II are designed to improve the pre- and post-trade transparency of execution prices and the actions of those parties involved in transactions.

Under the directive, investment managers need to send trade reports, including volumes, prices and instrument identifiers in near real time to an Approved Publication Arrangement (APA), while transaction reports, including timestamps, venue, asset type and trade size need to be sent to an Approved Reporting Mechanism (ARM) on T+1.

TORA's order and executive management system (OEMS), combined with Trax's regulatory reporting engine, provides clients a straight-through processing solution that enables clients to meet their trade and transaction reporting requirements of MiFID II.

OneChicago sees decrease in trading volume for May

OneChicago revealed that its May volume of 554,378, saw a decrease of 64 percent year-over-year.

In April, the exchange also saw a decrease of 66 percent year-over-year, clearing 514,176 transactions.

In March, OneChicago cleared 696,700 transactions, a decrease of 53 percent year-over-year, and in February it cleared 778,554 transactions, which resulted in a decrease of nine percent year-over-year.

However, for January, OneChicago cleared 889,659 transactions for the month, an increase of 14 percent year-over-year.

Calypso Technology joins UnaVista partner programme

Calypso Technology has joined UnaVista's partner programme as its 50th member.

The partner programme helps clients with reporting obligations including Securities Financing Transactions Regulation (SFTR). It also helps firms prepare and comply with MiFID II.

SFTR will require firms to report transactions including repo trades to an approved EU trade repository, which is expected to go live in 2019. Ahead of SFTR reporting go-live, clients will

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be able to test their reporting and perform data gap analysis using UnaVista's SFTR accelerator tool.

Wendy Collins, managing director of strategic partnerships at UnaVista, commented: "We are excited to expand the partner programme beyond MiFID II to other regulations including SFTR and EMIR."

She continued: "It has given us the opportunity to collaborate with leading technology firms like Calypso. Our partnership with firms for SFTR is designed to replicate the seamlessness and efficiency that the programme provided to firms for MiFID II go-live."

Mayank Shah, managing director of strategy, transformation and alliances at Calypso, said: "Calypso is always looking at ways to extend our front to back trading, collateral, securities finance and risk solutions to help clients adapt and respond to continuously changing regulatory requirements."

"The partnership with UnaVista enables us to offer to our growing list of customers a seamless option to meet their regulatory reporting requirements including trade reporting EMIR, MiFiD II and SFTR."

He added: "This partnership builds on our flexible, open application interface based technology and industry leading post-trade processing, collateral and securities finance solutions and offers our customers flexibility and reduced time to meet their regulatory reporting requirements."

HKEX to roll out MSCI Asia Ex Japan Index futures

Hong Kong Exchanges and Clearing Limited (HKEX) has received regulatory approval to launch MSCI Asia ex Japan (MSCI AxJ) Futures, linked to the MSCI All Country (AC) Asia ex Japan Net Total Return Index.

It is HKEX's first regional stock index futures, which is US dollar-denominated, launched on 11 June.

HKEX's MSCI AxJ Futures will be Asia's first exchange-traded futures linked to the index, a widely used benchmark that reflects the performance of Hong Kong and 10 other equity markets in the region along with mainland enterprise shares listed in the US.

Li Gang, HKEX's co-head of market development, said: "Investors in Asia will be able to trade futures on an important regional benchmark during their business day after we launch our MSCI AxJ Future."

He added: "We have found that there is potential demand for the product from investors in Asia

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and we are focused on delivering this futures contract to meet their diverse needs. We have invested a lot of effort in understanding AxJ fund managers who need this product in Asia and are optimistic we can build a good base of market participants."

APEX utilises Cinnober and Irisium

Asia Pacific Exchange (APEX), a new derivatives exchange and clearinghouse, based in Singapore, went live with core functions operating on technology from the Cinnober Group.

APEX's independent clearinghouse, Asia Pacific Clear, now runs on Cinnober's TRADExpress RealTime Clearing, for over-the-counter (OTC) and exchange-traded markets.

Irisium, a subsidiary within the Cinnober Group, provides APEX's market surveillance system.

According to APEX, by using Irisium's platform, it will be able to identify in real time and investigate manipulative and suspicious trading behaviours.

The first contract to trade on APEX is the US dollar-denominated physically-delivered Palm Olein Futures contract.

APEX is Singapore's third derivatives exchange after The Singapore Exchange and Intercontinental Exchange. At launch, APEX had six clearing members.

Eugene Zhu Yuchen, the firm's founder and CEO, said: "APEX's vision is to establish itself as an exchange that will be the Asian center for price benchmarks to be referenced by global market participants."

He added: "A fair and orderly market reflects genuine demands and supplies. We believe that through the close cooperation with Cinnober and Irisium, APEX is able to provide a fair, transparent and regulated trading venue to all participants."

Veronica Augustsson, CEO of Cinnober Group, commented: "It's a pleasure and privilege to be part of APEX setting up of a new derivatives market, and being able to contribute with our real-time technology and joint expertise and know-how across Cinnober and Irisium within post-trade services and market surveillance."

ESMA updates short selling Q&As

The European Securities and Markets Authority (ESMA) has updated its Q&A documents on the short selling regulation (SSR).

ESMA said the overall SSR Q&A revises a pre-existing answer regarding locate arrangements, further specifying the requirements for 'easy-to-borrow and purchase' lists.

The Q&A also aims to promote "common supervisory approaches and practices in the application of SSR", as well as provide investors and other market participants with clarifications on the

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applicable requirements. In its revised answer, ESMA said it considers an "easy-to-borrow or purchase list" as an "easy to borrow or purchase confirmation" only where it is complemented for each share in the list with an assessment of: the maximum amount of shares affected by the possible short sale, the market conditions at the time of providing the list, including the liquidity of the shares concerned, and any other information available on the supply of the shares.

ESMA updates key CSDR Q&As

The European Securities and Markets Authority (ESMA) has updated its Q&As regarding the implementation of the Central Securities Depository Regulation (CSDR).

ESMA said these provide common answers to questions regarding practical issues on the implementation of the new CSDR regime. The newest version concerns the CSD investment policy and clarifies the requirement to have access to assets on the same business day when a decision to liquidate those assets has been made.

The Q&As are described by ESMA as an important tool to promote common supervisory approaches and practices in the application of the CSDR.

The document is aimed at competent authorities under the regulation to ensure that in their supervisory activities, their actions converge along the lines of the responses adopted by ESMA.

It should also help investors and other market participants by providing clarity on the CSDR requirements.

ESMA said it will continue to develop the Q&As, reviewing and updating them as required. The authority added that questions on the practical application of any of the CSDR requirements may be sent to it using the procedure described on the relevant page of its website. The announcement follows the European Commission's release of its regulatory technical standards concerning CSDR Settlement Discipline on 25 May.

The CSDR Settlement Discipline package is due to come into force 24 months after the relevant technical standards are published in ESMA's Official Journal.

Hedge funds record positive inflows

Hedge funds recorded net inflows of $17 billion in Q1 2018, continuing a streak of five consecutive quarterly inflows, according to data provider, Preqin.

This represents a significant increase compared to the final quarter of 2017, which saw inflows of just $500 million. Q1 2018 brought total positive net asset flows to $61 billion since Q4 2016—the last time the industry saw net outflows—this has pushed total hedge fund assets to $3.6 trillion as of the end of the quarter.

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- **Most Innovative Technology Vendor - Infrastructure** - at American Financial Technology Awards (AFTA) 2017
- **Best RegTech Solution for EMIR and Regulatory Reporting** - Compliance Register Awards 2017

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Despite negative monthly performances in February and March, commodity trading advisers saw net inflows totalling $13 billion in Q1 2018, the largest of any leading strategy.

By contrast, the largest top-level strategies by assets under management—equity, macro and multi-strategy funds—experienced the largest net outflows of $7.6 billion, $1.3 billion and $500 million, respectively.

Geographically, managers based in North America saw the greatest inflows in the quarter, totalling $15 billion. This has driven aggregate assets held in the region to $2.6 trillion (73 percent of the global industry).

MAS to introduce SGX short selling reporting requirements

The Monetary Authority of Singapore (MAS) is set to introduce the Singapore Exchange's (SGX's) short selling reporting requirements from October 2018.

The initiative will require investors to report their short positions and short sell orders in securities listed on the SGX. According to MAS, this will improve transparency on short selling activities in the securities market and enable investors to make more informed trading decisions.

Under the new rules, investors with short positions above a specified threshold will have to report these positions to MAS through a new online portal, the Short Position Reporting System (SPRS).

MAS will then publish aggregated short positions of each security on Wednesday of each week.

Identities of short sellers will not be disclosed. Market participants can access the SPRS and familiarise themselves with the system, with immediate effect, before mandatory reporting commences on 1 October 2018.

The new rules will also provide statutory backing to SGX's trading rules, which already require securities brokers and banks to flag all investor short sell orders to the exchange.

There will be no change to the current arrangement for investors to inform their brokers when they submit short sell orders.

SGX will continue to consolidate the short sell orders of each security and publish the information daily.

The new requirements will be effected through the Securities and Futures (Short Selling) Regulations 2018.

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Time to mobilise

Andy Dyson, chief executive of ISLA, discusses its preparations for SFTR and what to expect from the association's conference in Lisbon

Jenna Lomax reports

What is ISLA working on at the moment?

First, is the extensive work that we are doing on the development of a new market standard agreement that will allow participants to move collateral onto a pledge rather than title-transfer basis, which is a new market wide agreement that is sitting alongside our other market standard agreements. And, that should be finalised in the next couple of weeks, ahead of our conference in Lisbon.

Secondly, there is work going on in regards with preparing for Securities Financing Transactions Regulation (SFTR). We are also carrying out background work on the UCITS landscape and their relative competitive position, and so when it comes to lending, we will be doing a lot of work there regarding regulators and policy makers trying to paint a picture around how UCITS should perhaps have a slightly bigger footprint when it comes to lending across European markets. Particularly so in the context of the Capital Markets Union (CMU) that will become more prevalent in a post-Brexit world. Those are the things that I would highlight at a top level.

Other things that we have been working on are our events, in particular our up and coming main conference in Lisbon, which is taking up quite a lot of resource at the moment.

How is ISLA preparing for SFTR?

SFTR is probably the single most important and wide-ranging reporting obligation that our market has ever seen, certainly in Europe, and it has its origins in the post-crisis regulatory agenda set by the Financial Stability Board (FSB) and particularly by the FSB workstream 5.

The SFTR covers: securities lending, repo, prime brokerage, and financing activities across Europe with a daily reporting requirement, our main focus is securities financing.

At the moment, we are still waiting for the European Commission to start the formal adoption process of the Technical Standards that were published by European Securities and Markets Authority (ESMA) in March 2017.

However, we feel that it is important for the industry to begin to mobilise and think about compliance because there is an awful lot to do once the commission fires the starting gun around implementation.

In this pre-implementation phase, we will be looking closely at their Technical Standards when they are published by the commission to ensure that they are consistent with the draft Technical Standards that were published by ESMA last year.

Meanwhile, alongside other firms and industry stakeholders, we are beginning to take a detailed look at two very important issues. The first one is data, and the second revolves around the generation of unique transaction identifiers (UTIs). Taking data first, there are 97 data points in a securities lending transaction that are required to be reported on a daily basis. Lenders have to furnish all 97 data reporting points as part of the dual rating reporting regime. Borrowers also have a similar obligation but around about a quarter, approximately 24/25 fields that the borrowers have to report they can only get from the lenders.

There is a high level of market dependency between the two, and to facilitate a better understanding of these data points we have published an initial data dictionary that looks at the relative responsibility for each of the data points in the reporting regime, both loans and collateral and highlights where that data should come from, namely from either a lender, borrower or potentially elsewhere, such as a tri-party agent.

We have also identified how easy or hard we think those data points are in terms of accessibility and interpretation. We have data points that are green and would appear to present no material issues to market participants. We have two further categories that are amber and red. The amber ones need further work to agree to a common approach across the industry, and the third red group would appear to presents significant challenges to members.

My objective, as chief executive of ISLA, is to get a common understanding around the data points and a common interpretation across the industry, so that everybody is starting from the same point.

I do not have a real interest, and nor should I, in whether firms decide to use one particular commercial offering or another. Our main focus is to get everybody to the same starting point around understanding and we think that's critically important, and we have so far received strong support from all elements of the industry to do that. We will continue with that work during the summer.

You recently said that SFTR is at "a very pivotal point". What developments have there been since then?

In addition to data, we have started work around UTIs, which are the link in the chain when the trades are reported to trade repositories. We have issued guidance about market best practices and have suggested how the industry can do a better job of UTI generation. There is still some work to be done. It is not a finished article yet. An industry-wide approach around UTI's will have considerable benefit to all concerned.

We have known for some time that a lot of loans come from lenders who are outside of Europe. About 60 percent of outstanding loans come from lenders outside of Europe, who themselves don't have a reporting obligation under SFTR, but they do have a requirement to provide certain details of their loans to the borrowers who do have a reporting obligation. That dynamic is now raising some interesting questions from those communities outside of Europe about the need to do this, their willingness to do this, and the cost involved. Therefore, there is more to come in terms of what to talk about in that space.

How can firms ensure they approach SFTR correctly?

SFTR itself is a large, unyielding, and fairly difficult reporting obligation. I would not underestimate the amount of work needed to make this happen. But I also think that if firms think about it in a slightly broader way then this could be a great opportunity to address data flows, information flows, data aggregation and collection within their firms, and sweep away some of the legacy systems and processes we have seen in the past.Therefore, it is a great opportunity. There is a strong link to one of my favourite topics, which is agent lender disclosure (ALD). The market should use the mandatory requirements of SFTR as a springboard to re-examine the continued sustainability of ALD. In the long term, the two cannot co-exist because it does not make sense practically and economically to have the two operating in our market. The market needs to spend some time thinking a bit more about that.

Aside from dealing with data, what other trends are you currently seeing in the securities lending space?

We continue to see a market that is still very much split between debt and equities, the equity market has always been a big component of our industry. In the last couple of years, we have seen the rise of government bond lending and HQLA assets, and that trend continues. Therefore, we see securities lending becoming an equity pump for the broader capital markets. One of the factors that we are seeing in particular is to comply with much of the regulation that we have before us. Last week's commission published a draft outlining their final technical standards on Central Securities Depository Regulation (CSDR)—the settlement discipline regime. To comply with all of this, you need to be a pretty large organisation to absorb all of these costs.

This means that having scale and significant size now appears to be an important factor in whether or not you're successful in this market. That does not mean to say that you can't be successful if you are small but I think it is more difficult. And that is completely out of line with what the commission would want here.

Regulators would generally like the markets to be full with people carrying out lots of things so that everybody has lots of choice. They like that in consumer markets and they like it in financial markets. But the burden of reporting that we've seen—particularly around financial services and our markets—means that increasingly firms just can't actually absorb these costs. This is an important trend that we are beginning to see play out in the discussions that we are having.

Lastly, the other big trend is the general drift towards passive asset management away from active asset management. This includes the rise of index funds.

Consequently, if you are managing to an index then securities lending becomes quite important because if you're not lending an index fund then it is unlikely that it is going to be a top quartile performer in its market. The relevance of lending in the context of changes in the asset management world is becoming much more prevalent.

Is the industry becoming more innovative in advance of the introduction of SFTR?

The regulation that we are seeing is demanding greater discipline and a greater transparency for things like SFTR. We should not forget that banks and institutions are subject to prudential capital regimes which will naturally restrict business.

They are looking for ever increasing ways to do business, to either minimise or use their capital more efficiently and that is why we have something like pledge coming along, which allows brokers to run their business in a different way, and reduce some of the risk weighted assets charges within their firm. Therefore, lending them through using a pledge model makes more sense from a capital efficiency perspective.

Another example is the use of central clearing, which offers similar benefits. We are also seeing a world where we all strive for more automation and straight through processing, and therefore reduced costs. But the business is actually getting more complex because even the choice of non-collateral, which you may choose to deploy in a particular trade could change the risk and capital dynamics of their transaction. Almost every single trade needs to be looked at in isolation, which is contrary to the idea of greater efficiency in automation. I am unsure of how that is going to play out—there are rather strong forces pulling in different ways.

The industry is currently waiting for the European Commission to start the formal adoption of the technical standards. What are you expecting these to consist of?

In looking at ESMA's draft standards, we can see that some of the amended texts and standards clearly reflect some of the work we and other associations undertook during the consultation phase. I believe that it is important to operate in an open and collaborative way to the benefit of our broader membership and other stakeholders.

We are hoping that once the commission starts the adoption process and goes through the scrutiny period, which is one to three months, then we should be able to fire the implementation starting gun.

It is fair to say, that our market is ready to start implementation and we cannot keep it hanging around forever, we need to get going on this as quickly as possible.

What are you expecting to be the big talking points at the ISLA conference in Lisbon?

Inevitably, the topic of Brexit and what the world will look like post-Brexit and, of course, SFTR. We will be showcasing our new legal agreements and the Global Master Securities Lending Agreement pledge framework that should be available shortly. This will then be discussed in some detail in addition to the technical side of business on the Tuesday afternoon.

We will be talking about Brexit and inevitably there we will be discussions about how regulation and Brexit will change the operating model around the business, and what that will mean in terms of structural organisation.

We will also be looking at the future of investment; what does it mean around the changes in asset management behaviour and the drift from active to passive management—what about exchange-traded funds and UCITS? And can they play a larger role in the industry across Europe?

We also have a panel that will look, in detail, at technology. We will try to be specific about what this technology means in the context of our markets and hopefully give some perspective there. Hopefully, they will give an idea of the key factors that will shape decision making over the next two to three years.

What challenges do you see beyond this year?

In some ways, the most important challenge facing the industry will be figuring out the implementation of SFTR. We should not underestimate the idea that it is quite likely to draw in resource from other areas and projects. We have to get this right as an industry as the eyes of the regulatory world are upon us.

Further, as people begin to learn about SFTR they are going to want to revisit business models. Therefore, we may well see borrowers in Europe wanting to borrow securities from lenders in Europe only because both sides of the transaction have the same reporting obligation. The challenge for us is how much we can do against the backdrop of a fairly deep regulatory agenda. The big unknown there is about what is going to happen around Brexit because we could be looking at it as 'business as usual' or we could have a very different dynamic around our business, which we, as an association, are going to react to.

What will ISLA be working on over the next 12 months?

Looking at our key messaging, we want to talk with regulators and policy makers about the role of securities lending, and how we get that message out to our members and other interesting stakeholders across Europe. We would also like more engagement from relevant stakeholder areas across Europe in order to get our message out: the importance of lending in the context of the CMU across Europe will be crucial. That is where you are going to see more of us in the coming months. **SLT**

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Stuck in the middle with EU

A review the current state of the European securities lending market, the biggest threats it will face and potential opportunities to be had

What trends are you currently seeing in the European securities lending market?

Simon Heath: I think the best way to encapsulate this is optimisation and efficiency—how lenders and borrowers shape their business to manage to navigate the binding constraints they face. The major trends are the acceleration in the response to these constraints. Thematically, I place these in three broad categories:

Capital:

- Pledge: Full expectation to see various agents have the pledge structures in place and trading on them
- Central counterparties (CCPs): We have seen a number of large borrowers and agents being open with their plans for adopting CCPs. Previously seen as an alternative to pledge and vice versa, we're seeing the pursuit of both to have in the tool-kit, especially in light of Securities Financing Transaction Regulation (SFTR)

Technology being the enabler to do more in the securities lending ecosystem:

- 'Plumbing' has increased: Next Generation Trading (NGT) volumes dramatically increased, greater use of Pirum live
- Greater adoption of analytical platforms to drive price transparency and revenue opportunities
- 'Smart bucketing' and broker-defined borrowing criteria: greater use of tools that allows for increased optimisation: types of collateral, risk-weighted assets (RWA), liquidity, net stable funding ratio (NSFR)

Collateral: At an aggregate level, there has been a widening of acceptable collateral within securities finance. We've seen a consistent broadening of collateral parameters from traditional main index equity, through to secondary indices, exchange-traded funds (ETFs), money market fund units and emerging market equity and debt collateral. Further down the line, more esoteric demands for sharia compliant, environmental, social and governance (ESG), for example, will be more common place.

Mark Jones: From an equity perspective, the broader global macroeconomic environment continues to be the major influence on revenue generation in general. Increased equity market volatility has certainly played into the hands of some parts of the hedge fund sector. Quantitative strategy hedge funds, that deploy algorithmic-based trading models, are characteristically more active in periods of increased equity volatility, and this has in turn helped support slightly higher loan volumes across 2018. More broadly, a reduction in quantitative easing (QE) is expected to help break down historically high levels of asset price correlation, which should provide a better environment for more traditional, fundamental based investment strategies going forward. Overtime, this ought to provide equity long/short hedge funds with greater conviction to deploy more capital on the short side, which should bode well for securities lending demand.

Similar trends are present in fixed-income markets, where new opportunities continue to present themselves as the regulatory and macro-economic environment evolves. To some extent the fee widening associated with lending European sovereign bonds has been replaced by a strong appetite to source US treasuries from the international borrower community. Market dynamics associated with cross-currency basis swaps have highlighted this opportunity, typically during regulatory-sensitive periods. Often, accepting traditional high-grade assets such as UK gilts or European sovereign bonds has allowed asset owners to extract maximum value from their inventory.

Technology continues to play an increasingly important role in optimising the supply of market liquidity. The growth in quantitative based trading strategies is emphasising this all the more. Borrowers are increasingly focused on executing and pricing securities lending transactions with lenders in a frictionless way as possible, as they seek to reduce execution latency and reduce human touch in the trade lifecycle. EquiLend's NGT is viewed as an important tool to leverage in this regard, as the industry looks at ways to increase efficiencies across global trading desks. Northern Trust's significant capital investment in the integration of NGT within its proprietary trading platform is allowing us to continue to be recognised as a market leader in this increasingly important part of an agent lenders product offering.

Revenue sources continue to show that collateral mobilisation and flexibility are key

Mark Jones
Head of securities lending EMEA
Northern Trust Capital Markets

Harpreet Bains: We are observing a continued increase in interest for securities lending as beneficial owners look for alternative and innovative ways to enhance performance against the backdrop of increasing market and regulatory costs to operate their business, as well as a means of managing their cash and liquidity needs. There is greater engagement to better understand the different strategies and the way in which securities financing across the chain can be of benefit. Demand for high quality liquid assets (HQLA) on a term across European fixed income markets remains robust. It continues to provide a consistent source of revenue and increased utilisation for those lenders that are willing to participate in collateral transformation transactions and longer dated transactions.

European interest for ETFs amongst investors continues to rise, partly driven by the positive effect of the increased transparency delivered by the second Market in Financial Instruments Directive (MiFID II). This flow is making its way into lending programmes both as supply and in the form of collateral. This is one area to watch over the next couple of years. From a borrower perspective, the impact of increased regulations on banks and balance sheet usage means that we continue to see borrowers put greater emphasis on differentiating client types on certain transactions. Borrowers have become increasingly focused on the principals they borrow from in securities lending transactions, with a move towards borrowing from the most capital efficient lender types.

What have European revenue sources shown in the past 12 months?

Bains: Last year, saw equity lending revenue held back by reduced volatility and weakened specials activity; however, financing opportunities such as specific evergreen transactions were prevalent. In Q4, we saw volatility return and directional activity increase in the UK equity market. This continues and is more diverse than that of 2017. During the same period, German equity markets rose due to reduced levels of liquidity in the market. We continue to see good interest in corporate action optimisation with a continued increase in lenders guaranteeing cash on their elections.

In fixed income, the trend for term financing in HQLA as part of borrowers' liquidity coverage ratio (LCR) trading strategies continues, especially in Germany and France. Demand for German specials has held strong, driven by a lack of supply as bonds left the private repo market due to the ECB asset purchasing plan (APP)—although pressure has been easing as more of these bonds found their way back into the market through the central bank's own lending programme. We closely watch the impact of the reduction in APP, which began in January 2018 and runs through September 2018, although we do not currently anticipate this to significantly alter the demand for repo. Similar to equities, we've seen demand increase for corporate bonds following a lack of volatility which affected revenues during most of 2017.

Jones: Revenue sources continue to show that collateral mobilisation and flexibility are key as regulatory requirements compel banks to segregate client and proprietary securities and capital. Elsewhere, the robust global demand for HQLA remains, allowing clients an opportunity to enhance revenue via collateral transformation trades. Meanwhile, in the credit space we have found growing demand and spread widening for corporate bonds. This can be attributed to the increased regulatory burdens and reductions in balance sheets,

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which means that banks are less able to warehouse risk and hold expensive corporate bond exposures. Correspondingly, assets are more in demand to satisfy market making responsibilities and cover settlement issues.

From an European equity perspective, revenue growth remains positive. The industry recently reported that European equities delivered $438 million of revenue in Q1 2018 (per data supplied by Markit), representing a 15 percent increase compared to Q1 2017 and a similar increase verses Q4 2017. A reduction in equity price correlation, coupled with an uptick in market volatility, has been the catalyst for an increase in investor's conviction to deploy capital on the short side. Europe's specials market has also performed better than in previous years. In the UK, Brexit concerns have contributed to stronger returns, while Europe's low interest rate environment continues to be a catalyst for increased corporate activity.

However, more broadly, demand from the borrower community continues to be focused around trading structures that provide greater efficiencies, whether that is in terms of collateral costs, or reduced balance sheet and regulatory capital consumption. As such, we continue to work closely with our beneficial owners to ensure they are well positioned to maximise revenue growth through opportunities including collateral expansion, term lending, new markets, and collateral pledge structures.

We've seen the implementation of MiFID II this year and SFTR is looming. Although they obviously differ, what can members of the European securities lending market learn from MiFID II that they can apply to help them prepare for SFTR?

James Day: Reporting is the key area when it comes to direct comparisons between MiFID II and SFTR. MiFID II greatly increased the number of instruments in scope for transaction reporting and the number of fields required to be reported increased to 65. The same challenges apply to SFTR: to identify the full universe of reportable transactions across the organisation and populate the 143 fields required. Where the two differ is that SFTR has a dual-sided reporting obligation meaning that there is a still a learning curve here. Utilising a contract compare service could improve the matching rates at the trade repository.

Jones: The securities lending market was not impacted across the board by the reporting element of MiFID II but some comparisons can be drawn with the experiences of that implementation, and going back further, that of EMIR.

Firstly, I think it has become very clear that taking a step back and looking at the overall systemic and operational model is going to be of paramount importance under SFTR, given the potential impacts to the way the market operates. This is not just a simple reporting regime where participants will be able to extract data and submit it—working practices will change and technology will play a key role in that.

Secondly, we have the advantage of having developed certain reusable methodologies and have gained experience in implementing key processes and controls that will be important under SFTR. A key lesson learnt is that standardisation of certain data points and processes across the industry will be hugely beneficial—we must learn from the pain experienced under other regimes where single digit matching rates were common. I feel that as an industry we are better prepared due to the significant levels of automation we already have in the post trade environment, and the collaborative approach that the majority of firms take to addressing the challenges we face.

Bains: Plan ahead and avoid the 'wait and see' approach. It's essential that firms start work as soon as possible on the process of understanding their obligations and requirements and begin locating the data that is needed. MiFID II presented challenges around missing legal entity identifiers (LEIs) for both transaction and investor protection reporting where clients hadn't yet applied for LEIs. With SFTR, LEI is

> ***MiFID II presented challenges around missing LEIs for both transaction and investor protection reporting***
>
> **Harpreet Bains**
> Executive director and global product head for agent lending
> J.P. Morgan

much more than just a reporting field—it's integral to the post trade reconciliation process, and therefore requires early attention.

Another lesson from MiFID II implementation cited recently by a leading consultant is underestimating the importance of a detailed initial impact assessment before diving into designing solutions. SFTR, like MiFID II, is going to be far reaching, with implications and changes required to more than one area of each firm, making it essential to understand the full scope in the process design.

SFTR in many respects is closer in design to EMIR than MiFID II so, in addition, we should leverage the learnings from EMIR.

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Heath: Do not underestimate how large the SFTR lift is and that whilst timelines may be pushed out, as an industry we can't afford any stragglers and late adopters.

Last year, was a big year for Target2-Securities (T2S). How has the transition to Target2-Securities affected securities lending so far?

Bains: The T2S initiative has been about European post-trade harmonisation, efficiency and enhanced settlement processing. Fully supported by J.P. Morgan, the transition was well prepared and settlement and asset servicing models were adapted to the new model with minimum disruption to clients. We haven't yet seen any significant impact to securities lending since implementation; however, we view the T2S project as a catalyst for further harmonisation of post-trade practices and regulations across Europe. This will continue to drive down the costs of securities settlement in Europe, as well as improve liquidity and collateral optimisation for market participants.

Do not underestimate how large the SFTR lift is

Simon Heath
Managing director, EMEA head of agency trading
State Street Securities Finance

What should beneficial owners be doing going forward to adapt their lending programmes as we look towards the future?

Jones: We encourage our beneficial owners to be leaders in the industry by implementing flexible programme parameters, by lending in new markets and by adopting new routes to market as long as those new strategies fit into their internal risk framework. For example, we are working with our beneficial owners to support capital efficient transactions such as collateral pledge as well as implementing new markets such as Saudi Arabia. The definition of a successful lending programme varies widely across different beneficial owners. For some, a low risk programme with modest returns that offset other asset servicing costs is sufficient, whereas others will be seeking to maximise revenue with a more aggressive attitude to risk. With the diversification of potential routes to market increasing, beneficial owners must decide which strategies fit their objectives and then challenge their providers to implement a programme that fits those objectives. At Northern Trust, we are proud of the flexibility our programme offers and our ability to meet the whole spectrum of beneficial owner requirements.

Bains: As an agent lender, we continue to react to changes in counterparty demand as a result of borrowers' need to comply with regulations, and it's key that the market dynamics as it relates to borrower demand preferences are understood by beneficial owners. Those that are willing to work with their agents to adjust programme structures, take a fresh look at non-traditional structures, and be open to re-evaluating their risk appetite to take advantage of non-cash and cash collateral reinvestment strategies can position themselves to monetise market opportunities and optimise revenue.

Specifically, borrowers are looking for greater collateral flexibility; therefore, it's important that beneficial owners consider both kinds of collateral and adjust their parameters and guidelines accordingly. This is especially true given the continued demand from borrowers for less balance sheet-intensive loans against non-US—non-cash collateral, as well as increased yields which create new opportunities for lenders to reinvest cash using different strategies to earn better returns in a risk controlled manner.

Further, we expect to continue to see borrowers allocate business based in a number of variables, including client types, as they seek out balance sheet relief. A consequence of this is that beneficial owners in certain jurisdictions are no longer lender of choice for a borrower and counterparty diversification becomes a necessary consideration for beneficial owners.

Day: The first thing that beneficial owners should understand, are the major binding constraints that borrowers and agent lenders are operating under: namely capital requirements, leverage ratios and balance sheet considerations. Understanding these dynamics and tailoring a lending programme that enhances the returns for beneficial owners should be the focus.

Secondly, broad collateral acceptance and eligibility will enable clients to maintain high utilisation levels as the makeup of available collateral on the street changes over time.

Capital efficient solutions are also coming to market. For example, accepting collateral under a pledge structure rather than a title transfer can enable clients to increase utilisation rates and revenue.

Finally, centrally cleared securities lending transactions are another capital efficient way to access the market. Clients signed up to a CCP via an agent lender are able to benefit and extract additional revenue from their eligible assets.

Heath: There is no 'one size fits all' with respect to a beneficial owners lending programme. Whether a beneficial owner adopts a principal, agency, exclusive or under an indemnity, will depend entirely on their own bespoke parameters, mandate and risk profiles. How they adapt these, like agents and borrowers themselves, will depend on their own binding constraints and their motivations for lending. Collateral flexibility, openness to pledge structures and CCPs will ensure beneficial owners assets remain competitive and relevant in a changing market landscape.

How does the European securities lending market compare to the US and Canada?

Jones: From a trading perspective, the level of granularity is greater in European markets. For example, lenders typically have to contend with a number of different lending markets, collateral types and asset inventory depots. This results in a more diversified trading book, though also brings a number of operational challenges. In addition, while the balance has started to change in recent years, we continue to see a heavier weighting to non-cash trades in international markets.

There are concerns in the industry that Brexit poses a threat to the harmonisation effect of the CMU. How is your firm prepared for what this could mean for securities lending and how are you prepared for this eventuality?

Day: It is important that the securities lending industry is able to continue to serve its function of providing liquidity and collateral into the market and enable it to function efficiently for all beneficial owners. BNY Mellon is working very closely with outside legal counsel and the regulators to find a solution post-Brexit that enables the business to continue to provide liquidity into the market efficiently and protect client revenues, while meeting local regulatory oversight and control requirements.

What is the biggest threat the industry faces right now?

Bains: Regulatory implementation remains a major influence on the industry, in particular, the unchartered landscape of SFTR. It's receiving a significant amount of the industry's attention given the breadth of the requirements and the challenging scope. The industry challenges that come with the implementation of one of the most detailed and complex reporting regimes seen in Europe are real, and will have impact to beneficial owners both within and outside of Europe due to the nature of the dual sided reporting.

Alongside those challenges, SFTR presents exciting opportunities for the industry to collaborate, embrace advances in technology and open doors to automation and standardisation. It could be the catalyst needed to force new operating models as we believe the likelihood of seeing both borrowers and lender alter their trading behaviour post go-live is high.

Jones: The ongoing impact of global regulation will continue to shape the market. Challenges associated with increased capital consumption, higher funding costs and ongoing limitations in balance sheet capacity continue to be key influencing factors for industry participants to navigate. We have also observed that regulations continue to prompt a greater focus on the type and jurisdiction of the underlying beneficial owner as country risk classifications drive borrower demand appetite and RWA usage. This has the potential to negatively impact client performance and revenue if remedial measures are not established.

When you add in SFTR, the forthcoming settlement discipline regime under Central Securities Depositories Regulation (CSDR), and other legislative changes such as the recent German Investment Tax Act updates, there is the potential that some supply could leave the market due to a perceived increase in risk or operational overhead. Our challenge is to meet these changes with solutions that address beneficial owner concerns and allow us to maintain the efficiencies that have made the industry so successful in the past.

> ***The biggest challenge for the industry will be preparing for the reporting requirements under SFTR***
>
> **James Day**
> Head of securities finance, EMEA
> BNY Mellon Markets

Heath: There are always threats, but SFTR has the potential to be very destabilising if all market participants do not solution for it in the correct manner.

Day: The biggest challenge for the industry will be preparing for the reporting requirements under SFTR. Businesses will need to understand all the activity caught under the regulation and where to source the information required for transaction reporting. Being

a dual-sided reporting regime, reconciliation of the data ahead of submission to the trade repository is essential.

Finally, where do you see the biggest opportunity?

Day: Without doubt, the biggest opportunity will be transacting under a pledge arrangement. As balances have increased across the industry and borrowers continue to focus on managing their resources, clients that are able to transact under a pledge agreement will be attractive counterparties for borrowers, which in turn will create improved utilisation and rates.

Heath: Paradoxically, the same threats presented by regulation and binding constraints have the biggest opportunity if lenders can solve for them. I would see pledge as the biggest opportunity in the short to medium term.

Bains: As banks have pulled back from certain transactions due to higher capital charges and balance sheet scarcity in recent years, new transactions are being developed. Consequently, alternative structures and supplementary routes to market are evolving into an important area of focus for the industry. We see this coming through with the development of pledge structures, slow but steady interest in CCP activity, the rise of peer-to peer and direct lending, and agency repo. There is opportunity for the trades to be structured in a number of different ways depending on the motivators—whether driven by cash, securities or risk management and for the participants to select the services most important to them. Agent lenders will need to adapt their offering to meet those needs, whether that be credit intermediation, valuation, operations, collateral management or a combination of all. We expect alternative routes to market to remain a hot topic for this year and beyond.

Jones: For Northern Trust, emerging technology is an area where we see massive opportunity for the development of our programme, and for the industry as a whole. The way we use data is critical, and leveraging technology such as machine learning and artificial intelligence to enhance our approach to loan pricing and market analytics is a key focus for us, with our aim to be able to break the cycle of demand driven pricing that has been dominant in our industry for many years, allowing us to predict and determine appropriate pricing levels for specials activity.

We are also of the view that distributed ledger technology has the potential to transform the way that market participants interact and conduct financial transactions. We are already seeing movement in this direction with a number of exchanges and regulators initiating projects to adopt this structure and allow more flexible access to markets. The potential for a wider range of counterparts to come together on this type of platform is potentially transformational. At Northern Trust, we believe that this technology will improve the transparency and efficiency of the market, as well as provide potential opportunities to achieve industry cost efficiencies across the value chain. **SLT**

Mark Jones
Head of securities lending, EMEA
Northern Trust Capital Markets

James Day
Head of securities finance, EMEA
BNY Mellon Markets

Harpreet Bains
Executive director and global product head for agent lending
J.P. Morgan

Simon Heath
Managing director, EMEA head of agency trading
State Street Securities Finance

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Synthetic exposure, the alternative hedging solution

Emmanuel Doublet and Olivier Lasserre of Natixis give an overview of what is rapidly becoming the new normal

Brian Bollan reports

Creating a global cross-asset business

A good number of column inches have been devoted by specialist publications in recent times due to the decision that Natixis made early last year, which was to merge its equity financing and fixed income repo desks into its securities financing business.

The move was conceived as a means of managing growing regulatory constraints, optimising the use of the bank's balance sheet, and to make it easier to offer cross asset/hybrid solutions for clients. The merger duly took effect in the second half of last year, creating the business known today as Global Securities Financing (GSF). The continuing development of GSF, as it maximises the benefits to be obtained by combining the firm's traditional expertise in derivatives with the experience in equities and fixed income financing, will surely attract more.

Clients have reacted well to the services offered by a team that has its foundations in a combination of acute expertise in pricing and financing, client relationship management and product development. Natixis expects that the globally merged desks will help clients to rationalise investments and finance needs. It also expects that it will benefit the bank by better use of its assets, assembling well matched teams of experienced, mature staff and achieving greater operational efficiencies.

Synthetic prime brokerage, an efficient alternative

One of the key units in the Natixis GSF structure today, is the synthetic prime brokerage (SPB) team. Headed by Emmanuel Doublet and Olivier Lasserre, the team has quickly established a presence in a fiercely competitive market.

Doublet has plied his trade as a delta one/securities finance trader for Natixis in Paris, Frankfurt, New York and currently London. Lasserre joined Natixis in 2006 and has been involved in many activities since then, including equities and derivatives. They both work in tandem to promote and develop their SPB platform (Natixis Synthetic Services).

Clients include a wide range of asset managers including, but not limited to, a number of hedge funds with needs that can be complex and demanding to satisfy. The Natixis SPB platform was built in-house from the ground up to ensure full compatibility with those client needs.

The very term SPB can frighten the life out of the lay person, but in essence it is relatively simple to define, if challenging to deliver in the most efficient and cost-effective manner.

In today's environment the costs associated with a transaction is a very important factor, SPB can help reduce these costs through netting, reduced balance sheet impact and transaction costs, which gives the client an advantage over a standard cash prime brokerage set-up.

Doublet comments: "SPB replicate investment strategies of their clients through swaps that generate performance and interest cash flows."

He explains that it is the solution of choice for managers who run alternative strategies on a large sample of assets, such as long/short (absolute return). However, they cannot take short positions (for regulatory reasons).

It also appeals to those who have a need for bespoke leverage to seize market opportunities and take advantage of promising market trends; who wish to save on operational resources (management of corporate actions, reconciliations with the administrator and margin calls are all handled by the synthetic prime broker); and who want to reduce operational risk (regulatory reporting, settlement).

Furthermore, SPB is secure, Doublet adds. It is secure under the International Swaps and Derivatives Association (ISDA) Master Agreement—the client benefits from standard market governance. It is

Swaps are a much more flexible instrument than futures as there is no need to roll contracts over

Emmanuel Doublet
Head of equity finance, UK, GSF
Natixis

secure under the industry's Credit Support Annex and clients enjoy the guarantee of daily margin calls based on marked to market positions.

Doublet explains: "Your SPB will send you important relevant information and alerts, such as details of election deadlines for conditional corporate actions."

According to Doublet, "SPB is also very versatile, for a number of reasons," but he indicates, "swaps are a much more flexible instrument than futures as there is no need to roll contracts over at expiry date and futures simply do not cover all underlying elements of a multi-layered investment strategy."

Lasserre adds: "SPB is also agnostic in terms of strategies that are implemented by asset managers (whether that be long/short, delta hedge of volatility arbitrage, miscellaneous equity, event-driven and others)."

He notes: "SPB also offers a smooth and fluid front-to-back office chain."

AMC's, the tailor-made approach

Closely related to the SPB solution, is the Natixis Actively Managed Certificate (AMC) programme. Lasserre explains: "AMCs are the solution dedicated regularly to mid-sized counterparties who want to run directional, alternative, multi currency, overlay and other investment strategies directly through a cross-assets approach including stocks, funds/exchange-traded funds, structured products, listed derivatives, bonds etc while also saving on operational resources."

"The AMC is a simple bespoke rules-based structure", he continues. "It is a tracker certificate indexed to the performance of an actively managed index, a synthetic replication of the performance of a portfolio advised by the Index Adviser. The bank that engineers the AMC acts as the Index Sponsor."

Lasserre adds: "The advantage of the AMC is the diversification that it offers fund managers; it is a single product that offers diversification of assets, geographies and industry sectors. The AMC is flexible, with tailor-made investment guidelines offering a broad market access with the full support of the Natixis infrastructure."

"The AMC is not labour-intensive; execution, reporting and settlement functions are outsourced to the bank entity that is engineering the AMC. All in all, this makes the AMC a very cost efficient solution allowing the client to rely on a fully automated system." **SLT**

The advantage of the AMC is the diversification that it offers fund managers

Olivier Lasserre
Head of synthetic prime brokerage sales, GSF
Natixis

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Don't delay, start today

Tom Morris of RegTek.Solutions gives his predictions for the securities lending industry and how firms should be preparing for SFTR

Jenna Lomax reports

You started your role at RegTek.Solutions in March. How have your previous roles prepared you for this position?

I have 20 years of experience working in post trade, and have specifically worked in the regulatory reporting space for over four years now. I've worked closely with investment firms on several major regulatory milestones: the Markets in Financial Instruments Directive (MiFID), The European Market Infrastructure Regulation (EMIR), and the second Markets in Financial Instruments Directive (MiFID II). I have witnessed firsthand the challenges that they have with implementing these big new reporting regimes. I decided to join RegTek specifically because they are a fast growing and interesting company. I very much buy into their mission of providing the industry with sustainable compliance solutions. Balancing the cost of compliance and non-compliance can be a perilous exercise, but we're here to help firms build compliance framework with a long-term view. RegTek's vision completely fits with where the industry is heading and the next stage of regulatory reporting management.

How is Regtek.Solutions preparing for SFTR?

In terms of how we are helping the industry prepare: our first solution for the Securities Financial Transactions Regulation (SFTR) is an enhancement of our leading industry-wide global validation/data quality insurance solution, which is called Validate.Trade. The software solution already incorporates over 700 validation rules for SFTR and allows firms an unprecedented opportunity to start testing their data now as they prepare for SFTR. We've got a number of G16 banks already using it and we are talking to a whole host of other firms who are looking to activate their SFTR reporting projects imminently.

What advice would you give firms currently working on SFTR implementation?

Don't delay—start today. Start testing your data now. You can leverage some of the tools available in the market to get a real head start in terms of readiness, whilst making your vendors selections for trade depositories in the background. Too often firms focus on just the reporting deadline but they need to also consider having tools to constantly monitor the quality of data, to make sure that they get high match rates at the start, and that they are minimising the number of rejections. The regulators have made it very clear that they are going to be monitoring data quality closely, much more so than before. In fact, they have dished up their monitoring capabilities, in terms of headcount and systems to look at the data in more detail.

Start looking at the coverage of the MiFID II—legal entity identifiers that you have for your trading counterparties, leverage the experience gained within the teams from individuals who worked on EMIR and Markets in Financial Instruments Regulation (MiFIR) implementation. I'm sure there is lots of useful experience that can be leveraged, not least because the securities lending area—the securities financing transactions area—has not been subject to any regulating reporting requirements before, so they are going to need all the help that they can get.

I would also consider synergy of other reporting regimes to see where you can leverage some of that data to ensure consistency in quality across the various reporting mandates that they have to adhere to. Lastly, getting on well with industry groups which are helping investment firms with best practice guides with SFTR is key, you need to make implementation as modern and as straightforward as possible.

Do you think SFTR will provide opportunity or challenge?

We would expect SFTR to make the SFT market much more transparent. The granularity of the data and resulting business intelligence will hopefully be available to everyone and lead to better informed trading decisions.

From that perspective, I think it is a real opportunity; it has not been the most transparent of markets up-to-date. We are going to see trading move onto more organised trading facilities because it simplifies their lives. As with all of these things, some will benefit and others will struggle. Regulatory reporting is essentially a tax on the firm's business, and is complex and costly to maintain. Some players might find it too costly to trade in certain products, time will tell on that one. Our mission is to assist firms with the tracking and implementing of these regulatory changes and neutralising associated social costs.

I definitely think that it is an opportunity to take a strategic approach to building out a reporting infrastructure that will allow firms to achieve more, using less resources. We're here to help them improve their data quality and mitigate the risks, whilst never sacrificing on the expertise and the knowledge that is required to keep on top of these ever-changing regulatory requirements.

Are there any other regulations on that are on your radar at the moment? What should be the next focus after SFTR's expected implementation in 2019?

The compliance deadline is never really the end game. For example, just because MiFID II has gone live doesn't mean that it's done and dusted. Impacted firms still have to employ resources for continuous data quality assurance. The regulators have been very explicit - as proven by RTS 22 Article 15 MiFIR which spells out that firms should have arrangements in place to be constantly reviewing their data for under and over reporting - that ensuring that the data they send to the regulator is as complete and accurate as can possibly be. This includes reconciling their books and records internally to make sure that what they have exactly matches the Financial Conduct Authority (FCA) rules. We are working with a large community of sell-side and buy-side firms, providing them with the control solutions they need to meet these regulatory requirements.

Other regulations we're working on, or keeping an eye out for, include the expected CFTC re-write, FinFRAG and many others. We are committed to building out a complete platform to meet our client's needs.

What is RegTek currently working on in the securities lending industry?

We are currently helping firms take full advantage of Validate.Trade's coverage of SFTR, our data quality assurance solution. A number of our G16 bank clients are already using it, and we are talking to a whole host of other firms who are getting going. The software is already benefiting from the community effect, and our regulatory experts are on the lookout for the messages to be approved and made publicly available to make sure these are included as an additional validation point within the rules.

Since the industry is new to trade and transaction reporting, we're really here to help firms build a sustainable framework which will prepare them not only for this challenge, but for upcoming ones, all in a cost-effective way.

What trends are you currently seeing across the industry?

We've been working with the buy-side a lot, especially since the regulators have now been very clear on the fact that they can't shift responsibility for their reporting data to third-parties. With MIFIR and MiFID II coming in, they have had to do direct reporting for the first time so they aren't 100 percent confident and don't necessarily have the right tools in place. They don't have the 10 years of experience that the sell-side have from MiFID I. They are currently looking to put controls in place to actively monitor their data quality to avoid errors and omissions, check for over and under reporting, and reconcile that the FCA is getting an accurate view of their data, one that matches their books and records.

Under EMIR, many have gone down the delegated reporting route, but they are now required to implement oversight solutions, to give them a view over the health of their transaction reporting across all of the regimes that they are impacted by. Because again, all buy-side firms are responsible for the quality of their reporting data, whether they chose to report themselves or go down the delegated route.

How have the rapid changes in technology challenged or assisted RegTek.Solutions in recent years? What are you expecting in the next five years?

Regulation is what we prioritise, it always comes back to the expertise in regulatory interoperation and implementations that make it successful. Firms are more and more open to the idea of using the cloud, which offers more opportunities. If it's good enough for the regulator then it should be good enough for any of the banks as well. By leveraging the cloud, it means that you have the time to go live on systems, it is much more accelerated. It dramatically reduces the time from implementation.

The FCA tech sprint is also underway; we are very much part of the round tables there and participating in the discussion about how machine executable regulating reporting in the future will look. It may take a few years before we see any sort of concrete results of that, but it is really good to see the industry coming together and collaborating on such initiatives. **SLT**

> ***Regulation is what we prioritise, it always comes back to the expertise in regulatory interoperation and implementations that make it successful***

Tom Morris
Head of sales, Europe
RegTek.Solutions

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Facilitating change

Laura Allen of Trading Apps discusses the changes in the securities finance regulatory and technology landscape

Maddie Saghir reports

What is Trading Apps currently working on?

We are collaborating with several vendors to offer systematic solutions to optimise profitability, increase trade automation and meet regulatory requirements.

What are the biggest challenges you are facing at Trading Apps? Is the shifting regulatory landscape creating further challenges or opportunities?

The biggest challenge we face at Trading Apps are convincing internal IT staffs that our solutions would be complementary to their current technical stack, affording the business quick access to market leading tools. Leaving them to manage critical firm software builds to meet the shifting regulatory landscape.

What affect is technology having on the securities lending industry?

Technology is facilitating change. The market has experienced a prolonged period of increased volumes with decreased spreads, which is not sustainable. Market participants have different asks; beneficial owners require transparency and the correct level of return versus risk whereas broker dealers seek opportunities to meet their capital needs. Vendors are reacting by providing alternative routes to market and establishing trade matching

services. Although these technology offerings challenge the status quo by encouraging disintermediation, they will allow the market to evolve and ensure that securities finance remains a key trading strategy.

Given the significant rise in multilateral trading facility, interoperability is key and the ability to seamlessly connect and auto-trade is becoming increasingly critical. Trading Apps recognises this and our Gateway, a digital highway between a securities lending business and mutual trading funds, allows our clients the ability to access and transact across multiple pools of liquidity.

Do you think technology poses more of a challenge or opportunity to firms?

Technology should never pose a challenge to individual firms, but offer solutions to problems that are known or not yet foreseen.

It should, however, challenge a marketplace that is fractured with many transactions still being negotiated via phone, email or Bloomberg.

The securities finance market is now embracing change as evidenced by the number of new technology vendors offering solutions. New trading platforms allow for a more sophisticated marketplace to support the various structures required to fulfill prudential liquidity management and regulatory compliance.

There are mixed opinions within the industry as to whether blockchain is a solution looking for a problem or a useful piece of technology, what are your thoughts?

I'd say we have moved beyond that question. All financial markets are moving towards a standard, integrated and more transparent model. Whether that's regulatory driven or just common sense, technology is constantly evolving to support the process. Although blockchain is somewhat a new entrant, it is a very viable vehicle that is perfectly tailored to support changes that were already happening. The industry is evolving from a siloed to a fully integrated structure, blockchain should continue to fuel that integration and along with it the standardisation of data and workflows.

What trends and influences are you seeing from clients?

Apart from seeking increased automation and efficiency, our clients are asking for pre-trade transparency, directed lending and price curves. More of our trading clients are spending more time analysing pricing trends and dislocations than responding to borrow and loan requests. As the speed and rate of automation continues more and more time will be spent in ensuring that trades are accurately priced for both profitability and risk.

Where do you see the industry in five years time? What are your predictions?

In the future, we will see much more emphasis on data analysis competencies in high functioning organisations. The ability to manipulate and use data will become a source of competitive advantage for many firms, as data is only powerful if combined with knowledge and an algorithm to find the patterns and trends within the numbers.

There will be a call for real-time data feeds, interoperability and disintermediation which will all drive change that will ultimately re-shape the structure of our industry.

Do I foresee robotics and artificial intelligence replacing traders? No, I don't. But I do believe securities finance traders will become more quantitative and technical in nature and will demand tools to manipulate the data according to their specific workflows, which Trading Apps fully supports. And finally, firms will continue to invest in leading technology to fulfill liquidity management and regulatory compliance. **SLT**

> ***Firms will continue to invest in leading technology to fulfill liquidity management and regulatory compliance***

Laura Allen
Director of sales
Trading Apps

The digital future

Walter Kraushaar of Comyno explains how competition in the securities finance market has changed from its historical ways

Historically, the securities finance market has been competing over products but in today's digital age, competition is rapidly increasing through the creation of platforms and networks, which offer straight-through processing and connectivity.

In today's world, the ultimate advantage over the competition will be achieved by building a better platform, rather than by continuing the use of existing outdated product suites.

Especially in light of the need for transparency, many market participants, regardless of being big or small, are burdened by the need to break off silos and fulfil all regulatory requirements. Since the financial crisis, banks, brokers and asset managers have spent a lot of time, effort and money introducing new business models, integrating acquired businesses, and modernising their technologies to bring the best solutions and products to the market and to reorganise their businesses.

However, these strategic investments have often led to a jumble of old systems, knowledge, processes, and corporate cultures.

At the same time, new digital companies are entering the market without legacy issues and with a new digital approach to today's markets and regulatory challenges.

As a result, digital platforms have been introduced to the market to handle the increased volumes of data more efficiently and with a variety of connectivity options to communicate with other IT systems.

In general, a digital platform creates a combined development and delivery environment that provides users with consistent, accurate and timely data.

A data management platform imports data from many systems and enables customers to view the data in a clear and concise manner. Comyno has gone a step further with it's C-ONE platform that combines data management technologies and data analytic tools into a single software suite with an intuitive and easy-to-navigate customised dashboard/cockpit.

With its plug and play technology, Comyno provides various tools such as, C-One Collateral, C-One Trading, -One Risk Management and C-One Reporting.

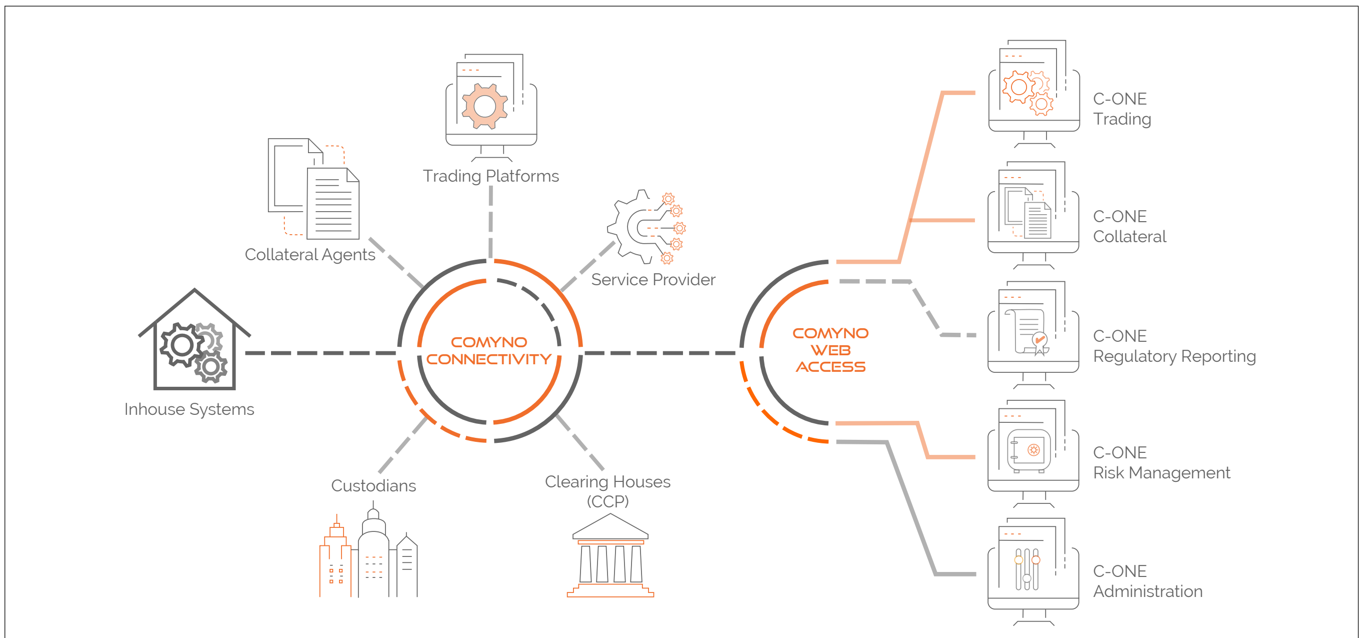
These tools give our clients the ability to cover all securities finance related topics as efficiently as possible. The tools will be designed for the clients solely based on their respective requirements. A key role of the C-ONE platform is that it collects structured and unstructured data from a range of internal and external sources and then integrates and stores that data. This platform also analyses and organises data to provide insight to data-driven parts of the business, such as securities finance trade, risk or counterparty analysis.The data incorporated into the platform can be first-party data, coming from an organisation's own applications, systems, websites and products, as well as second-party data from the outside world.

In addition, platforms use third-party data to fill in gaps in a company's own data environment.

Subsequently, Comyno's approach has always been to provide a proficient tailor-made securities finance platform that combines the client's specific business and reporting requirements with the necessary connectivity of the platform to almost any existing clearing house, tri-party agent, central counterparty (CCP) as well as other IT-system solutions for in-house trading systems in the securities finance world.

By building a digital platform one party can easily connect its business with another party to build products and services, co-create value and save costs.

This ability to 'plug-and-play' is the defining characteristic of 'platform thinking' and has resulted in the development of our C-ONE platform.



In the future, we will see more and more companies shifting from products to platforms and Comyno has already taken the next step to support that trend.

Some other securities finance systems, which are currently available on the market offer a rather standardised securities finance product suite, which comes at a high cost, licensing fees as well as complex interfaces. Unlike these systems, the Comyno platform will offer customised adaptors and functionality available in the form of specific tools and single products, which can stand alone or be combined in any possible way.

The clients will always decide based on their own business requirements, which combination of tools, products and other services they will need to build their own personalised C-ONE platform.

In addition, Comyno offers independent strategic advice to merge our clients existing infrastructure and personal requirements with the available tools of the C-ONE platform or in some cases we can develop additional customised tools as needed. Once all of this data is available on the digital C-ONE platform, the client is able to reshuffle the existing data not only extract several reports but also develop their own user interface.

Furthermore, it provides a tailor-made hosted solution with front end, middle- and back-office functionality at a reasonable cost for our clients. With the adaptor-based new platform technology, C-ONE does not need the programming and maintenance that is necessary for thousands of other interfaces and existing in-house systems. Moreover, our newly founded company Comyno DLT will add distributed ledger technology to the platform to support the world of crypto currencies and crypto assets soon.

This is what we at Comyno understand as the digital future of the securities finance industry. **SLT**

“Comyno DLT will add distributed ledger technology to the platform to support the world of crypto currencies and crypto assets soon”

Walter Kraushaar
Head of advisory services
Comyno

Driving innovation, creating more efficient and secure markets

Philippe Seyll and Marcel Naas discuss how Deutsche Börse Group is driving innovation with new technology solutions

How do you view the current market environment for securities lending?

Philippe Seyll: Data and technology is shaking up the way firms and markets are organised and function. Efficiency gains in trading and collateral management are supporting the market in adapting to the changing regulatory environment. Jointly with our partners, Deutsche Börse Global Funding & Financing (GFF), we are addressing the major issues in today's securities lending markets through innovative means.

Marcel Naas: Recent regulatory developments under European Markets Infrastructure Regulation (EMIR) in Europe and the Dodd Frank Act in the US to reduce systemic counterparty and operational risk, have imposed the requirement for financial counterparties to centrally clear eligible over-the-counter (OTC) derivative trades, and to post initial margin and variation margin against non-cleared derivatives transactions. Combined with Central Banks' Asset Purchasing Programmes, there has been an increasing shortage of high quality collateral in the market. The scarcity of high quality liquid collateral is stimulating the demand for securities lending to be increasingly utilised through secure and efficient securities lending programmes.

How is Deutsche Börse Group/GFF responding?

Seyll: Earlier this year, we announced our collaboration with HQLAx to provide market participants with a platform that helps improve collateral fluidity by creating a new, more efficient, more transparent and more cost effective marketplace for collateral swaps to steer coverage. Deutsche Börse is embracing distributed ledger technology (DLT) and complements it with a neutral and trusted market infrastructure role open to multiple custodians and collateral agents. This way, Deutsche Börse supports market participants to deal with the global regulatory framework whilst reaping the benefits of the leading edge DLT.

Deutsche Börse will support HQLAx, for both trade execution and post-trade processing. The trading layer is distributed by the Eurex Repo service, which enables market participants to leverage existing connectivity to the F7 platform. Deutsche Börse will in addition assume a lead role in the custody agnostic, post-trade processing layer, which is designed to interoperate with multiple collateral agents and custodians.

There exists a heightened need for a marketplace to facilitate large scale, cost efficient collateral transfers across the global financial eco-system. The main cost drivers and hurdles for traditional collateral transfers are the settlement and operational bottlenecks associated with the delivery of securities across a fragmented securities settlement system. The innovative digital collateral receipts (DCRs) will represent baskets of securities held for safekeeping at a trusted third party. The free exchange of DCRs will affect legal title transfer of the underlying securities that comprise the DCRs, thereby facilitating liquidity transfers without the operationally onerous requirement to move securities.

Naas: Eurex Clearing's established central counterparty (CCP) for securities lending, working with a core group of strategic partners such as BNY Mellon, BlackRock, Citi, PGGM, Natixis, Morgan Stanley and Deka Bank have been able to enhance the security and efficiency of a market that has been traditionally defined by over-the-counter (OTC) bilateral transactions. The Lending CCP service operates an integrated solution for securities lending transactions, while providing the possibility to maintain existing business relationships between market participants. Ongoing legal and regulatory developments such as Bank Recovery and Resolution Directive (BRRD), Basel III finalisation, The Central Securities Depositories Regulation (CSDR), liquidity coverage ratio (LCR), the Securities Financing Transaction Regulation (SFTR) and collateral pledge agreements are driving market participants to analyse the impact to the securities lending market. As a result, there is an increase in awareness of capital cost efficient methods of trading via electronic platforms and central clearing as a form of safeguard combined with enhanced operational efficiency ensues.

What does the Lending CCP service bring to the market?

Seyll: The business customs of the securities lending market strongly influenced the establishment of the Lending CCP. As such, the Lending CCP retains key components of the bilateral model while introducing CCP-specific benefits such as a favourable capital treatment and an expanded counterparty base. In addition, ongoing legal and regulatory developments are driving market participants to consider greater use of CCPs.

Naas: Eurex Clearing's Lending CCP provides clearing of securities lending transactions for fixed income securities and European equity

markets. Clients have the option to trade via an electronic market such as Eurex Repo F7 or via our two connected trade capture providers, EquiLend and Pirum. The Lending CCP offers flexible collateral options for both cash and securities as collateral and incorporates the use of tri-party collateral management services. A specifically designed clearing model enables participation for agent lenders and buy-side clients.

How are borrowers adapting towards the move for central clearing?

Seyll: Borrowers have indicated that more beneficial pricing is available by using central clearing to maintain cost-effective pricing. The Lending CCP allows for enhanced solutions for borrowers to take advantage from netting capabilities, increased margin utilisation across cleared products as well as a greater capability to allow for efficient re-use of collateral.

Naas: The requirement to implement netting across securities lending and repo transactions results in more effective management of regulatory capital requirements while the introduction of cross-margining capabilities on centrally cleared product ranges and asset classes creates a significant positive impact on the pricing, efficiency and attractiveness of the Lending CCP.

How is the buy-side reacting?

Seyll: Buy-side participants have considered a number of key issues as being most critical for their involvement in the Lending CCP. Given that a bank's capital and operational benefits are expected, the major determining factor is the opportunity cost and revenue generated for clients by selecting the Lending CCP over existing bilateral trading relationships.

Naas: The Lending CCP model is specifically designed for beneficial owners to enable their participation in a CCP model without a requirement to provide margin and pay default fund contributions. Any modification to a beneficial owner's existing lending arrangement or practice involves an education and approval phase, particularly when it involves using a CCP that is different to a bank that is typically involved in a bilateral transaction. We have worked directly with beneficial owners and jointly with their agent lenders to explain to various fund boards, trustees and risk committees on the mechanics of how the legal, operational and risk process is undertaken by a CCP. As a result, beneficial owners and agent lenders have agreed to use this specific model for their securities lending activities in Europe.

Eurex Clearing has been in discussions with a number of regulatory bodies as well as different types of beneficial owners alongside their agent lenders in regards to the multiple jurisdictions and regulations that govern such lending agreements and collateral arrangements. As an example, an established model for UCITS funds in Luxembourg is available that allows transfer of title of the collateral with a pledge-back to the CCP, this model enables the fund to participate without contribution to the CCP's default fund.

How is the securities lending market's acceptance to collateral pledge agreements progressing?

Seyll: Banks are working diligently to reduce capital costs; the use of a pledge agreement for the beneficial owners' collateral is one option that has been advanced over the past months. However, for some banks, the first instinct is to determine which business or trading segments can be centrally cleared due to the capital benefit that is more cost effective when a CCP is utilised.

Naas: For a borrower, moving from Title of Transfer of collateral to a pledge towards the beneficial owner, the capital charge will be considerably lower for their bilateral transactions. Nevertheless, with a CCP model, automatically that capital charge drops to a minimum of two percent. Lenders may have different opinions when it comes to pledge structures proposed by borrowers. To date, it has either been positively received by beneficial owners, objectively

Borrowers have indicated that more beneficial pricing is available by using central clearing to maintain cost-effective pricing

Philippe Seyll
Co-CEO
Clearstream Banking

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viewed due to a small element of risks which beneficial owners need to make an informed decision based on discussion with their agent lenders, or negatively received, as they prefer to maintain the existing title transfer arrangements and indemnification provided by their agent lender. Under Eurex Clearing's Specific Lender Licence, a CCP Secured Pledge is used to facilitate the collateral that is held at a collateral tri-party agent in favour of the beneficial owner. The collateral is ring-fenced and protected by the CCP in the event of a borrower's default thus eliminating any risk for the beneficial owner.

What is the Lending CCP's role in the market adoption of SFTR?

Seyll: Deutsche Börse's Regulatory Reporting Hub has been analysing and defining the data sources for all of the required reporting fields that are to be reported in order to ensure the CCP meets the requirements of this wide-ranging regulatory change while supporting the needs of our clients.

Naas: CCPs are obliged to report all securities financing activity to Trade Repositories for all cleared activity. Eurex Clearing, as the CCP, will generate the unique trade identifier (UTI) for each trade, and with our continued links to Eurex Repo, EquiLend and Pirum, report this information back to our mutual clients on those transactions. Along with the rest of the market participants, we are waiting for publication from European Securities and Markets Authority (ESMA) on the final technical standards.

Looking ahead, what is the immediate future for Eurex Clearing's Lending CCP?

Seyll: The Lending CCP has signed on a number of buy-side clients and agent lenders this year, the focus remains to broaden the range of clients, markets, and assets that can be cleared and look forward to maintaining our role as a leading market infrastructure provider and partner to our clients.

Naas: The daily average on-loan volume has steadily increased over the past year for both equity and fixed income segments across Eurex Repo F7 as well as EquiLend and Pirum. In total, there are 14 customers admitted to the Lending CCP; thereof, a number of participants are actively trading. Equity markets from eight countries are now available; these are Austria, Belgium, Germany, France, Italy, The Netherlands, Switzerland and the UK. Some of the essential and recently implemented unique service features include the CCP secured pledge model for buy-side clients and a full range of asset servicing capabilities for both mandatory and optional corporate actions.

The work to comply with the UTI generation for SFTR with direct reporting to trade repository has already been established with a connection to our designated trade repository, Regis-TR.

On the client pipeline, PGGM, the Dutch pension fund manager, has committed as the first direct buy-side client; are in the final stages of completing the admission and simulation testing in order to start their first transactions. Other clients make progress with their implementation once their final approval process is completed, this includes BNY Mellon, who are on-boarding their first beneficial owner that is due for completion in Q2. Additionally, BlackRock, Citi, Deutsche Bank Agency Lending, LBBW and UniCredit are all at various stages of implementation to commence trading in 2018. Earlier this year, BNY Mellon was made available as additional tri-party collateral agent alongside Clearstream and Euroclear.

Seyll: Over the coming years, CCPs will continue to progress and become even more important. All the advantages of central clearing lead to greater safety and integrity in the financial markets. As both are objectives that market participants have in common, we expect further demand for these services. As a result, we will further enhance and strengthen the group's role in the securities finance markets. **SLT**

> ***The daily average on-loan volume has steadily increased over the past year for both equity and fixed income segments***

Marcel Naas
Head of GFF
Deutsche Börse

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Cooking up a collateral treat

Ed Hellaby, business development director of FIS, suggests it is time to 'mise en place' your collateral operation

Have you ever wondered how it is that a professional chef can turn out a full service of dishes in parallel, while your attempt to whip up anything more than an omelet and coffee at the same time leads to a trail of destruction and charred pans? You could say it is a skill that the chef has honed over years of cooking—and it is, of course, true; years of practice go a long way toward being able to master a myriad of dishes and the associated time management to ensure they all come out together. Or perhaps you would put it down to the quality of the equipment they have at their disposal—but then, you also know that some restaurant kitchens in our capital cities are no larger than a suburban closet. For the real 'secret sauce', we must look to a French term well utilised in the culinary world, 'mise en place'. Unlike most

of us, professional chefs do not prepare each step of a menu as they arrive upon it; instead, they will ensure each and every ingredient is pre-washed, weighed and prepared. They mise en place their kitchen, which simply means, 'to put everything into place'. This allows a chef to efficiently assemble dishes by adding their ingredients at just the right time, in just the right quantity. At this point you may be wondering what any of this has to do with collateral management—and my answer would be: quite a bit.

Over the past two years, we have seen a swathe of regulation generate the need to raise and mobilise both cash and non-cash collateral on a T0 or T1 basis. As the uncleared margin rules (UMR) continue to come into effect for new waves of market participant, the demands on liquidity and operations processing is set to climb. At a recent collateral forum, an industry veteran estimated that upward of $105 billion is now collected daily to cover initial margin (IM) obligations off the back of UMR for the phase one and two participants. This is on top of the existing margin requirements for cleared and non-cleared trades.

One of the key challenges facing collateral management teams on the buy side is ensuring there is sufficient liquidity available to meet their variation margin (VM) calls on a same day basis, while maintaining the lowest possible cash buffers to avoid a drag on performance. An intrinsic part of a collateral manager's daily job is now to ensure they can accurately determine tomorrow's VM and ensure they have worked with treasury to ensure they raise the cash they need. This mise en place of the cash is generally achieved by lending out their assets. The sooner and more accurately you do it, the better the outcome. Advanced collateral management solutions, such as FIS's Apex Collateral, are able to perform these kinds of 'what-if' calculations for VM to produce reports that can be passed to the treasury and funding groups automatically.

In a similar ilk, the buy-side can also expect to be hit hard by the demand to post IM for their uncleared trades. IM requirements for the most part must be satisfied with high-quality liquid assets (HQLA), something an asset manager may not be holding in sufficient quantities. An increasing trend on the buy side is to leverage post-trade optimisation to ensure that they are effectively using their existing portfolio of assets to its full extent. However, where there are shortfalls in inventory, they will likely have to turn to the securities lending markets to perform upgrade trades to raise sufficient levels of HQLA. As we are still two years away from the margin rules being fully in effect, we cannot be certain what kind of liquidity squeeze this will place on the market. However, we can be sure of one thing: with a rising interest rate environment and an increased demand for HQLA, we will see higher costs of borrowing in the securities lending markets. While this may be a boon for the beneficial owner community, it will likely eat further into the shrinking margins for actively-managed funds.

Due to growing demand for access to the repo and securities lending markets, the buy side are increasingly looking at setting up dedicated collateral financing/trading desks tasked with executing repo and securities lending transactions to raise the right kind of collateral. For those organisations new to this space, trying to determine where this process will fit in their overall process and system architecture is no simple task. Those lucky enough to already have an enterprise collateral management system with a real-time view of global inventory that can also support repo and securities lending trading, it may be as simple as flipping a switch to activate this functionality. For others with legacy in-house technology, or just a collateral operations solution, the road ahead may be a little more convoluted. Complex integration with trading platforms or third-party agents will need to be done to ensure that as the desk executes a trade and raises collateral, the positions show as available inventory for use within the collateral platform. This real-time flow of data is essential for anyone who may be looking to use any form of optimisation engine to most efficiently allocate inventory across the competing requirements for VM, IM and alpha generation through the lending programme.

We can think of the next chapter of collateral management the same way as we would a chef walking on to the line for a busy Saturday service. If we put into place a process that lets us determine and source exactly what collateral we need, where and when we need it, we put ourselves in the best position to succeed. And just like a chef, if we fail to mise en place our collateral operations, we will quickly find ourselves looking for a new kitchen. **SLT**

If we fail to mise en place our collateral operations, we will quickly find ourselves looking for a new kitchen

Ed Hellaby
Business development director
Apex Collateral, FIS

An evolving collateral ecosystem

Graham Gooden and Tim Meredith of J.P. Morgan discuss macro-level themes that are currently influencing counterparties and other ecosystem participants

Managing collateral has become highly strategic. A complex ecosystem that encompasses providers and takers, agents and vendors, venues and clearing houses, it facilitates the interplay of regional and global demands.

In conversations with clients and industry partners to assess the global state of collateral, we've identified 10 macro-level themes. Learn how these are influencing counterparties and other ecosystem participants as they make decisions, evaluate opportunities and deploy their resources.

Focus on growth

Across the industry, we are seeing a subtle shift: a focus on revenue growth and profitability as institutions have become more efficient at managing and adapting to regulatory change. In tandem, demand for scalable and cost-effective solutions is increasing, even as firms focus on optimising their management of collateral.

Taking a global perspective, we see balances growing but with an important caveat: borrowers tell us that this growth is driven more by that focus on optimisation instead of a rising balance sheet.

Drive for efficiency

As institutions met the regulatory requirements of the last decade, financing and lending activities kept pace. Not surprisingly, the individual developments needed to comply with multiple waves of regulatory change have not necessarily resulted in an optimal operating model. Post-implementation, firms are looking to fine-tune and drive for efficiency, seeking to maximise the effective use of collateral and manage their internal capital utilisation across specific desks, regionally and on a firm-wide basis before going out to the market.

Interest in sensible standardisation

While standardisation is essential in order to achieve desired efficiency, it should not be at the expense of innovation. Many believe that the creation of new market constructs for the future should be agreed upon rather than defined or imposed by any one single industry participant. It is, however, important to agree on best practices so that counterparties are able to effectively interact with one another. That could come either through industry conversations on best practices, based on the experiences of individual firms, or by normalisation and acceptance of models put forth by external providers. The key will be to balance the flexibility needed by individual firms with the benefits that stem from common processes.

Desire for control

Institutions are focused on where they can effect change based on the things they can control, such as identifying and creating a target operating model, directing investment, managing price and optimising their collateral. Tri-party provides one engine to facilitate the deployment of those optimisation strategies, with capabilities that support margin management, stock loan and repo.

Changes to traditional approaches

While the operational management of collateral remains in the middle and back office, its importance has made it a front-office concern. Trading desks increasingly focus on the cost or availability of collateral, or the collateral requirements of a transaction, as part of their decision-making process. Furthermore, collateral itself has value: depending on the type, source, term or counterparty, excess collateral could be traded like any other scarce financial resource.

The ability to mobilise collateral across regions is also essential: this requires knowing what assets you have, where they are and how you can move idle or unused collateral to the right place. In certain Asian markets, tri-party structures are helping to unlock assets trapped in illiquid markets for use in onshore and offshore financing.

However, legal entities create additional layers of complexity, particularly for large universal banks. This is due to the need to manage complex internal connections and adhere to different jurisdictional or cross-border requirements.

Demand for quality, in counterparty and in collateral

The quality of the counterparty remains paramount, but your counterparty, and how you face it, is evolving:

- If you use a central counterparty (CCP), the CCP becomes your counterparty and your credit decision is effectively outsourced under the CCP's mutualised risk model
- Alternatively, peer-to-peer networks facilitate bilateral arrangements, requiring a direct review of counterparty quality

Lending counterparties are also evaluated for credit quality and to determine whether they will be able to provide meaningful supply and liquidity during times of high demand.

Finally, collateral quality remains a keen focus. High-quality liquid assets are in high demand, particularly for broker dealers managing against complex balance sheet, capital and liquidity constraints.

Anticipation of future integration

Interoperability and industry solutions, such as CCPs, vendor solutions and the ability to assemble components into partially bespoke solutions are giving institutions more choices in managing their financing and collateral portfolios.

The traditional supply chain is likely to expand in order to include non-traditional solutions. However, new options will require adaptation and adoption to be effective. For example, peer-to-peer platforms will

require critical mass and scale to make them attractive in terms of access and liquidity, and counterparties will need to conduct their own due diligence on the institutions they face in these bilateral platforms.

Agent lending models are also evolving to attract new borrowers and lenders and expand the available pool of assets.

Push for flexibility

Tri-party structures continue to expand beyond traditional stock loan or repo. Pledge structures, which were originally discussed as a solution to manage haircuts or margin, could be used for the entire loan exposure amount following the successful use of pledge models in tri-party for segregated initial margin. These structures leverage the existing market infrastructure, and may be quicker to market than other emerging options, such as CCP structures for securities lending.

The pace of change also depends upon the appetite of buy-side institutions to adopt new structures. This continues to be the topic of significant conversations amongst collateral borrowers, lenders and agents, given the introduction of uncleared margin rules.

Investment in technology

Intense investment spending to comply with regulatory change over the last decade is now giving way to more flexibility in allocating spend. Investment funding is focused on increasing efficiency, reducing costs, improving the customer experience and increasing connectivity. Online tools facilitate eligibility schedule management and collateral allocation deployment, while big data initiatives and advanced analytics aid decision making. Being able to combine data across an institution, for one common source of information, is critical, particularly across multiple desks or regions.

Technology that supports interconnectedness and interoperability amongst members of the collateral ecosystem will ultimately create additional efficiencies. As individual firms continue to innovate internally, we expect that financial technology will help to connect the dots between different institutions in order to improve the broader model.

Role of the agent

As with any ecosystem, participants must remain adaptable in order to thrive. For agents, that means going beyond the critical service of mitigating operational and counterparty risk. As the management of collateral becomes more sophisticated, agents must now be able to:

- Provide collateral eligibility and allocation services that are nimble and can support complex, bespoke and fluid counterparty requirements
- Support a wide variety of asset classes, underlying principal trade structures and markets to facilitate the global deployment of collateral across multiple client legal entity structures
- Work closely with clients, providing tools to help them achieve the optimal use of their collateral in accordance with their own internal demands and binding constraints (for example, capital, liquidity)
- Deliver on-demand reporting and transparency to facilitate intraday collateral and funding requirements

We expect the pace of change to accelerate as innovative technology and new platforms create evolutionary opportunities, and traditional barriers continue to soften, and we will continue to work closely with borrowers, lenders and industry partners to identify and adapt to emerging opportunities. **SLT**

Tim Meredith
Managing director
Investor services sales, EMEA
J.P. Morgan

Graham Gooden
Executive director
Collateral management
J.P. Morgan

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ICOs: a hype or here to stay?

Valeria Hoffman of Dentons gives an overview of the phenomenon of coin and token offerings, as well as their legal background

Initial coin offerings (ICOs) or initial token offerings (ITOs) seem to be the rising star of the alternative finance industry over the past two years. Its supporters and opponents are divided into two hostile camps, where the respective rhetoric ranges from the accusation that most ICOs are scum and fraud to the glorification of ICOs, leaving blockchain as the beginning of a new era of technical progress and innovation. As is often the case with new developments that have great public resonance, both parties are equally right and wrong.

On the one hand, a lot of ICOs indeed make use of the current hype and broad public interest, as well as taking advantage of the fact that investors—especially retail investors—generally tend to be over optimistic and are prone to herd behaviour. Early bird offerings, 'take it or leave it' procedures and unlimited funding periods, where the issuer can just wait until the required amount of financing is raised, increase the psychological effects on the investors and promote a lack of information and transparency. Even when sufficient information about the ICO is available to them, investors tend to invest just because it is an ICO. The useless Ethereum Token ICO is a great example of this, having raised contributions amounting to $178,223 despite the responsible persons clearly stating that the token is absolutely useless and that the money will be used to buy televisions.

On the other hand, blockchain technology does indeed provide many benefits. Here it is important to understand that blockchain was not initially developed with the finance industry in mind, although bitcoin—the most famous example of a blockchain application—clearly has a financial connection. However, blockchain technology as such can be used for a plethora of purposes, such as logistics tracking, counterfeit protection and origin tracking with regard to various products. For companies seeking financing an ICO can be a measure of last resort or an easier and less expensive strategy to raise money. Blockchain technology enables the creation of new tokens via a so called 'smart contract' which is a computer programme, functioning on an 'if-then' basis. Usually, the issuer will use the Ethereum blockchain and issue a so called ERC20 token. However, there are also other distributed ledger technology providers, which allow the definition and launch of tokens such as the smart asset system of the NEM blockchain. When compared to a traditional debt or equity financing, token issuers face fewer administrative burdens and intermediary costs, as well as being able to approach investors directly—at least at first sight.

A closer look, however, indicates that the charming simplicity of ICOs and the assumed lack of regulatory and administrative hurdles is deceptive. Although the crypto token hype initially took the supervisory authorities around the world by surprise, they have sprung into action these past couple of months, making it abundantly clear that players in financial markets are subject to existing regulations whether they use blockchain for their activities or not.

Accordingly, it all comes down to the classification of the respective tokens and the assessment of the rights and benefits which are attached to such tokens. As for Germany, the German Financial Supervisory Authority differentiates between so called utility tokens, security tokens and currency tokens. Utility tokens grant the investor the right to participate in a certain network created by the issuer and to obtain products or services via this network. Security tokens are tokens bearing security like rights and are comparable to bonds or shares. One could also say that they are 'tokenised' debt or equity instruments, where the issuer could have opted for the traditional financing route via an IPO or private placement but decided to use blockchain technology instead. Finally, currency tokens like bitcoin are designed for payment and are widely accepted as a means of payment between various parties. Interestingly enough, security tokens are the easiest to handle. This is because once the token is classified as a security token, the regulatory demands and requirements are easily determinable. A token which is comparable to a bond will be treated as a bond and a tokenised share will be treated as a share. The issuer will certainly need to comply with the respective provisions of the applicable prospectus regime or the Market Abuse Regulation (EU) 596/2014 and the respective intermediaries will need to ensure compliance with the German Banking Act, for example when advising investors with regards to such tokens, but the regulatory framework is more or less clear and contains few uncertainties.

However, issuers frequently try to avoid the aforementioned regulatory regime, as well as the application of the security regime, by claiming that they only have a utility token or, alternatively, a hybrid token combining the elements of a utility and currency token. The regulatory treatment of such tokens is harder to determine as the supervisory authorities decide how to proceed on a case-by-case basis, usually after undertaking a detailed assessment of the token's features.

The most important thing to note with regards to the German Financial Supervisory Authority's stance, however, is the classification of virtual currencies (and comparable instruments) as 'accounting units' in terms of sec. 1 (11) Nr. 7 second alternative of the German Banking Act.

In 2016, the German Financial Supervisory Authority qualified bitcoins as accounting units pursuant to sec. 1 (11) Nr. 7 second alternative of the German Banking Act. According to this qualification, accounting units are comparable to foreign currencies without being legal instruments of payment. This also includes any substitute currency that is used as means of payment in multilateral payment networks under private contracts. This legal classification applies to all virtual currencies, according to the German Financial Supervisory Authority, and does not depend on the underlying software or encryption technology. Although the market is currently slowly learning to distinguish between 'tokens' and 'coins', one can assume that the German Financial Supervisory Authority did not intentionally restrict their assessment to 'coins' (for example, excluding tokens) in 2016. Broadly speaking, a crypto coin can be limited to a means of payment, while a token has wider functionality. In general, a utility token will also have a 'payment' aspect; usually being a hybrid token and therefore also a 'means of payment'. Accordingly, compared to other European (and global) regulators, the

German Financial Supervisory Authority is in a more or less comfortable situation with regards to virtual currencies—and any kind of (payment) tokens—nearly all of them can be classified as accounting units and therefore as financial instruments in terms of the German Banking Act.

The mere issuance of such 'accounting units' is not subject to a licence requirement under the German law, so far; however, further services related to crypto assets, such as investment advice, investment brokerage, financial portfolio management etc. will likely raise some issues with the supervisory authority.

Considering the EU Commission's ongoing effort to simplify (traditional) public funding for small- and medium-sized enterprises (SMEs) on the one hand and to ensure a harmonised regime for European crowdfunding service providers on the other, one has to question the actual scope of and need for ICOs. The new Prospectus Regulation (EU) 2017/1129, which will be fully applicable from 2019 onwards, provides for several exemptions from the prospectus obligation for public offerings. In all probability, the most important exemption will already be applicable from 21 July 2018 onwards, namely prospectus free offerings up to €8 million. The German draft implementing the legislative proposal makes clear that Germany is going to make full use of this open clause and the €8 million threshold. Another attempt was made with the new proposal for a regulation on European crowdfunding services providers introducing a new European label for investment-based and lending-based crowdfunding platforms (European Crowdfunding Service Providers for Business) and aiming to enable crowdfunding platforms to easily provide their services across the EU.

Platforms will only have to comply with one set of rules, both when operating in their home market and in other EU countries (the so called passporting regime). These and other measures targeting SMEs are based on the EU Commission's regulatory approach towards increased availability of market-based financing across the EU since launching the Capital Markets Union (CMU) in 2015. It will, therefore, definitely make sense for blockchain related issuers and projects to raise money via an ICO or ITO. Other issuers without any connection to blockchain should ask themselves whether they are indeed on the right track with an ICO or whether traditional debt or equity financing would be more suitable. After all, the next two years will show whether ICOs will be regarded as an industry-specific financing option or whether the market is heading towards the tokenisation of traditional finance instruments. **SLT**

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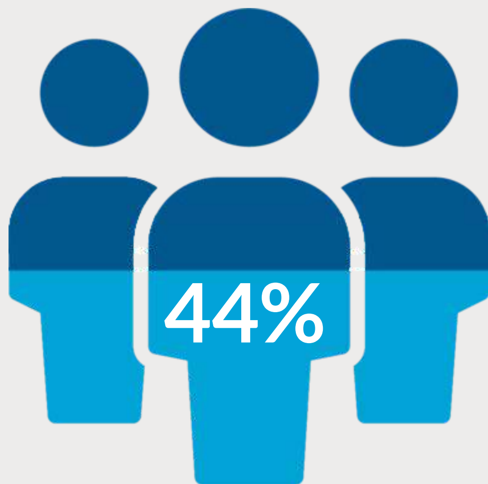
Broadridge

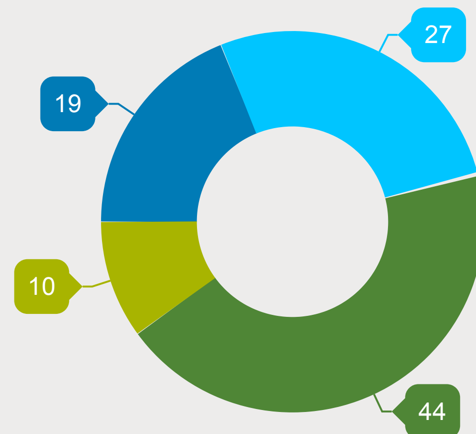
SFTR: Securities Finance Industry Survey

Broadridge surveyed 132 Securities Finance market practitioners on their preparations for the forthcoming Securities Financing Transactions Regulation (SFTR)

What stage have you reached in your SFTR preparations?



Participants surveyed who have not yet started preparing for SFTR



- Not started yet - 44%
- Defined target operating model but not yet selected technology vendor/TR - 27%
- Defined target operating model, selected technology vendor and TR but not yet begun implementation - 19%
- Implementation project commenced- 10%

Which areas of SFTR are you finding most complex?

31%
Reference Data

46%
Collateral Reuse Calculations

31%
Loans & Collateral Data

39%
UTI Generation/ Dissemination

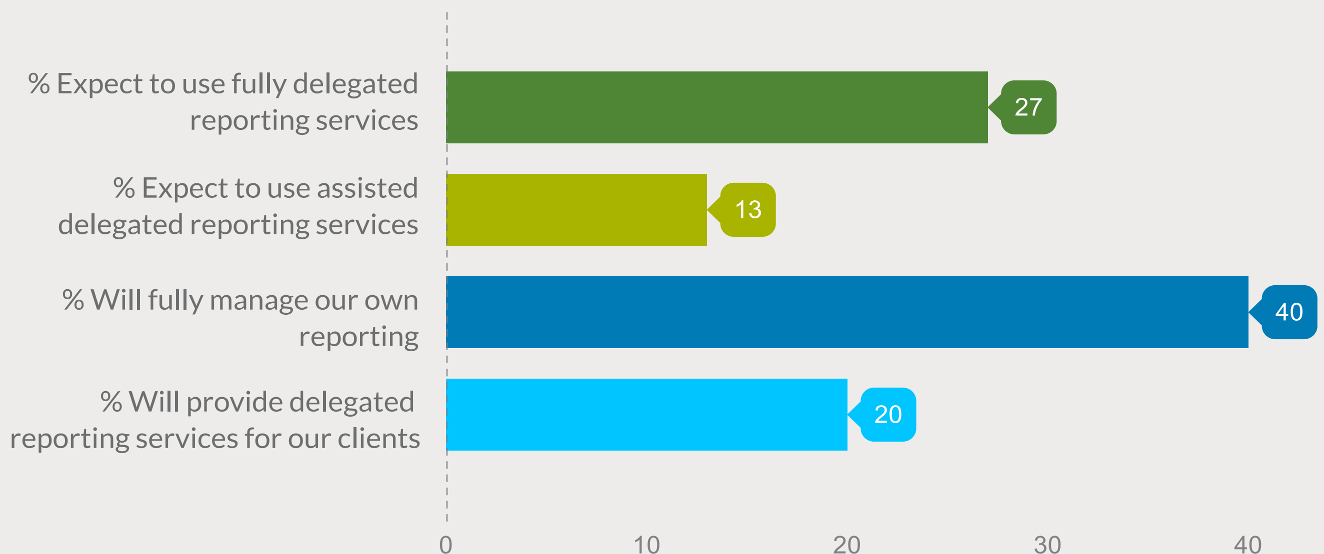
28%
Margin Lending

15%
Margin Data

21%
Agent Lender Disclosure

28%
Target Operating Model

What is your approach to delegated reporting?



Collaborate with the right technology partners

Choose a vendor with a proven track record

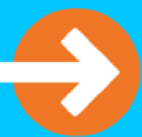
in helping clients comply with transaction reporting mandates, and a deep expertise in securities finance.

Grasp internal requirements

and the process changes required early on. Start planning to identify data gaps and coping strategies.

Select technology partners

with a long term vision around how SFTR and other reporting mandates can provide competitive advantage and who can provide a consultative approach.



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Rising high

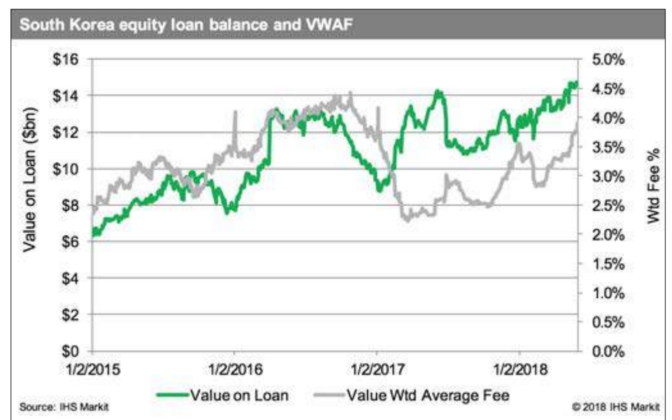
Samuel Pierson of IHS Markit discusses why emerging market borrow demand is on the rise, increasing by $4 billion a year

Borrow demand for emerging market equities is increasing—by $4 billion a year to date as of 31 May—and currently sits at a total of $33.4 billion. That follows an increase of more than $6 billion last year. Emerging market equities now represent more than 3 percent of all equity loan balances, which is up from 2.8 percent at the start of last year.

EM top lending mkts	Lendable Assets ($bn)	On Loan Balance ($bn)	Value Weighted Avg Fee
South Korea	$133.9	$14.9	3.7%
Taiwan	$61.6	$9.8	2.6%
South Africa	$64.1	$5.3	1.2%
Singapore	$54.9	$2.1	1.7%
Ireland Equity	$21.2	$1.4	0.3%
Thailand Equity	$16.3	$1.1	1.8%
Mexico Equity	$25.0	$1.0	1.0%
Malaysia Equity	$14.9	$1.0	3.3%
Turkey Equity	$8.8	$0.8	3.5%
New Zealand Equity	$6.6	$0.8	0.6%

Increasing borrow demand last year was against a backdrop of emerging market outperformance, with the EEM exchange-traded fund (ETF) advancing more than 30 percent, while SPY ETF gained 'only' 19 percent, and the ACWI ETF gained 21 percent. The narrative may be shifting in 2018. After a blistering rally in January, which saw EEM shares advance 10 percent in the first two weeks of the year, shares have reversed course and were down nearly 2 percent for this year, as of the end of May. Investors have responded to the sell-off by yanking more than $2.5 billion in assets from EEM, nearly 7 percent of the fund's assets under management, per the exchange traded product dataset from IHS Markit.

The price decline at the start of the year was welcomed by short sellers, particularly those in South Korea and Taiwan, the markets with the largest borrow balances, as well as the largest year-to-date increase in balances. With that said, the primary indices in both markets have rallied off the February lows and currently sit roughly halfway between the year-to-date high and low, though the volatility has provided some short-term trading opportunities.



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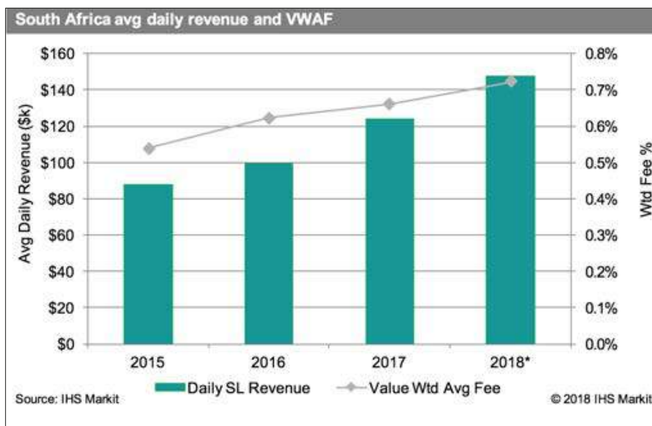
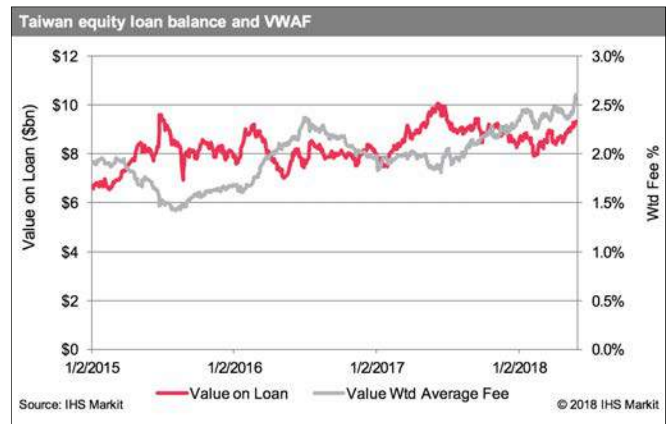
Short sellers of South Korean equities have been undeterred by the rally off the February low, with borrow demand continuing to advance. The total loan balances are at the highest level recorded, nearly $15 billion. The $1.8 billion increase in demand comes largely from Celltrion Inc, whose balances advanced $1.3 billion or 70 percent of the country's net increase. The increasing demand is good news for beneficial owners, whose lending revenues took a hit in 2017, largely as the result of the borrow fees for Celltrion declining as compared with 2016. With the Celltrion fee moving higher this year, we estimate that the record South Korea balances will return $340 million in revenues in 2018, an improvement of 8 percent compared with 2017, assuming that the remainder of the year will match the latter half of last year.



Prospects for beneficial owners are looking up in Taiwan as well, where loan balances are up 11 percent year to date, with average fees also increasing. There has been a greater demand for specials, most notably Yageo Corp, whose 200 percent share price advance has drawn in short sellers. Bets against the firm have increased from less than $20 million at the start of 2018 to nearly $500 million at the end of May. Other stocks with increasing special balances include Walsin Technology Corp and Wistron Corp, which have both seen significant increases in demand so far this year. The increasing fees and balances are driving toward a 6 percent improvement in revenues in 2018, compared last year.



The third largest emerging market by loan balances is South Africa, where increasing balances and fees have improved lending revenues, currently pointing towards $147 million revenue for this year. That would be a 20 percent improvement compared with last year, assuming the latter half of this year is similar to last year. One stock, which helped drive the improving revenue is Capitec Bank, whose shares came under fire after analysts at Viceroy Research put out a negative report at the start of this year. The shares traded down as much as 25 percent from where they started 2018, however, they've since recovered nearly half the loss. The report was given substantial air time in the press and drew a rebuttal from the firm's CEO, which is understandable given that Viceroy's last South African research subject was Steinhoff International, whose shares are now more than 98 percent below where they traded in December of 2017. Overall, South Africa equity loan balances have increased by $130 million year to date, bringing the total to $5.3 billion.

Taken together, the increased volatility in emerging market equity markets, along with some stock specific risks, are driving an increase borrow demand. Given that equity indices are off of the year-to-date lows, this is an added benefit to beneficial owners, who are receiving both strong lending revenue and share price returns in Q2. If the current trends persist, emerging market equity lending revenue could exceed $1 billion for the first time in 2018. **SLT**

"Taken together, the increased volatility in emerging market equity markets, along with some stock specific risks, are driving an increase borrow demand"

Samuel Pierson
Director of securities finance
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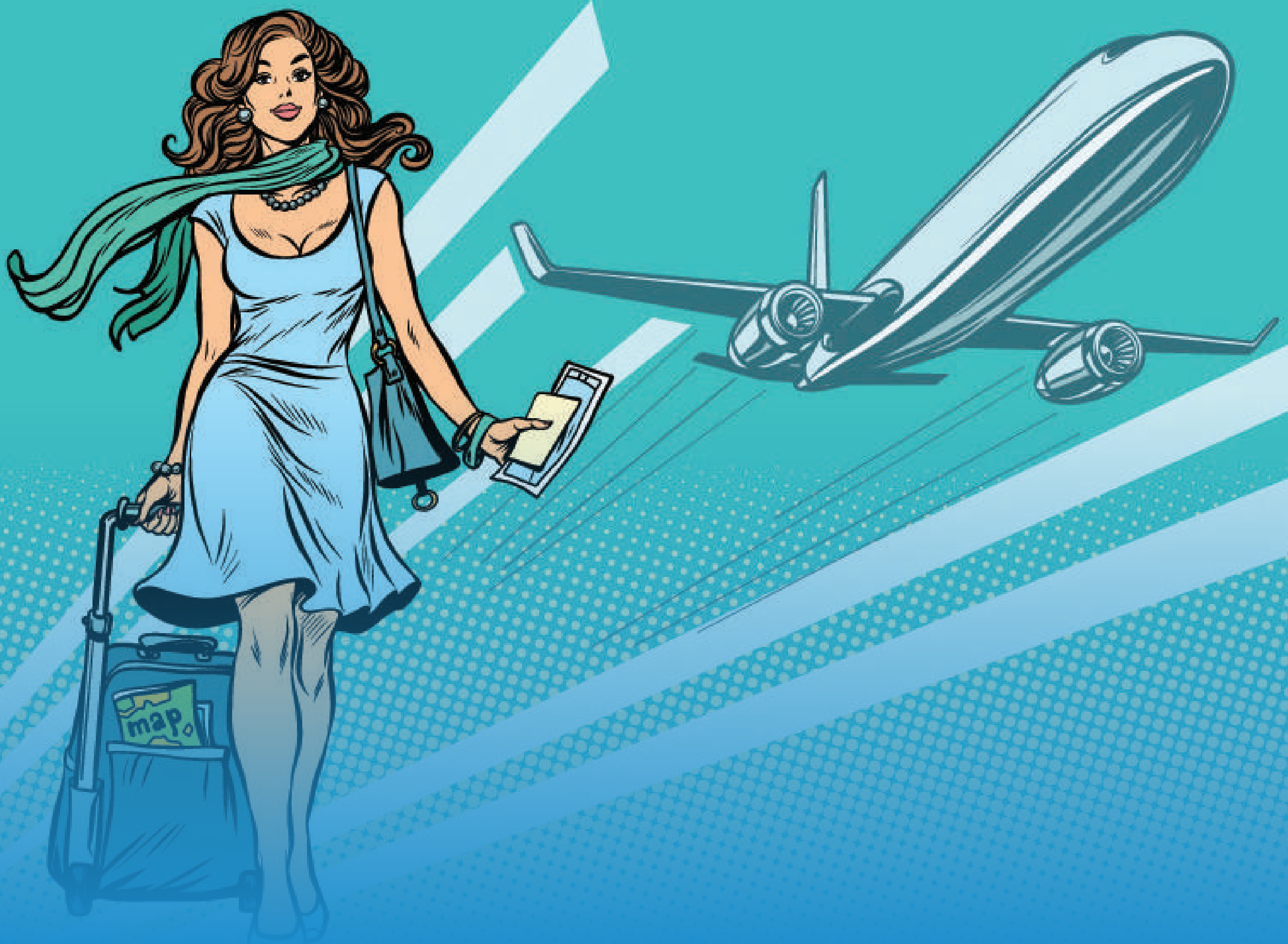

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Appointments at Wedbush Securities, BNY Mellon, EquiLend and more

Wedbush Securities has appointed Rich Jablonski and Gary Wedbush as co-presidents.

Jablonski and Wedbush will be jointly responsible for all aspects of Wedbush Securities' management and the strategic direction, development, and growth of all client services.

Prior to his new role, Jablonski was executive vice president, COO, head of futures, securities finance and rates, and prime brokerage.

Meanwhile, Wedbush has held roles as executive vice president, head of capital markets, and head of correspondent services.

Both Jablonski and Wedbush serve on the firm's management and executive committees.

Edward Wedbush, founder and chairman of Wedbush Securities, said: "I am pleased to announce Rich Jablonski and Gary Wedbush's appointment as co-presidents of our firm. I have given much serious thought about this very important and natural advancement for Wedbush Securities, for my own career, and for the many valued services for which our clients depend on our company."

He continued: "I am confident that Wedbush and Jablonski are ready and able to take on this tremendous challenge and responsibility. I will remain available to them as a mentor to ensure a successful and stable transition."

Eric Wedbush, chairman of Wedbush Securities commented: "Management succession planning is a high priority for the board of directors, and we know the firm's senior leaders well through substantial interaction with them. Both Wedbush and Jablonski possess the necessary leadership capability, intellect, and character for their new roles."

Jablonski said: "It is a serious privilege and responsibility to be named co-president of an institution with such extraordinary opportunities and I look forward to partnering with Gary Wedbush to drive those firm-wide opportunities."

Gary Wedbush added: "I am deeply honoured and humbled to be given this responsibility, and I am committed to our clients, colleagues, and shareholders, to building on the firm's exceptional success."

Philip Schneider has been appointed as vice president and client executive within BNY Mellon's global client management team.

Based in New York, Schneider will be responsible for supporting BNY Mellon's key relationships.

Previously, he served as vice president at Citibank from 2017 to 2018. Prior to this role, he was assistant vice president at Citi from 2011 to 2016.

EquiLend has appointed Rory Zirpolo to its business development team focusing on post-trade services in the Americas.

Based in New York, Zirpolo brings with him over 30 years of experience in the securities finance industry on both the buy and sell side.

Most recently, he served as managing director at WallachBeth Capital. He has also worked in management positions within the securities finance businesses of Cantor Fitzgerald, Cowen, Kellner DiLeo and Credit Suisse.

Brian Lamb, CEO of EquiLend, commented: "We are very excited to have Rory Zirpolo join the EquiLend post-trade team. His expertise in all aspects of the securities finance industry, and his knowledge of EquiLend's services as both a user and a former board member, are great assets to the firm and will help us to continue extending operational efficiencies throughout the market."

Commenting on his appointment, Zirpolo said: "I have been a long-time user and advocate of EquiLend's trading, post-trade and market data services, which are second to none in the securities finance industry."

"I am thrilled to join EquiLend and contribute to its best-in-class post-trade suite."

Crédit Suisse has confirmed that a number of appointments have been made at its prime services team in the Asia Pacific (APAC) region.

James Scully will join as managing director, head of prime product sales, APAC, Robert Cheeseman will serve as head of prime derivatives services, APAC and Kieran Murphy has been appointed director, head of prime consulting, APAC.

Scully brings 22 years of experience in the financial services industry, including 10 years in the prime business.

Most recently, he served at BNP Paribas, where he started out as head of securities lending and synthetic sales trading in Asia in 2012.

Cheeseman brings more than 15 years of experience in listed derivatives sales and trading in APAC. Before working at Morgan Stanley, he spent almost ten years at Goldman Sachs in listed derivatives sales trading in Hong Kong and London. He will begin his new role at the end of May.

Both Scully and Cheeseman will report to Ken Hon, head of prime products and trading, APAC.

Murphy joins from Bank of America Merrill Lynch, where his primary responsibility was to provide detailed consulting to established and emerging hedge funds in the region.

Starting in July, Murphy will report to both Simon Chow, who leads the prime brokerage sales function, and Raza Jafree, who heads the prime services for private banking sales team in APAC.

In a statement, Crédit Suisse said: "We are pleased to announce several key appointments in prime services in APAC to further strengthen and enhance our product capabilities and the delivery of solutions to our clients."

Crédit Suisse also announced two new hires last week with Advanced Execution Services (AES) in Australia. The new hires, Eugene Budovsky and Melissa Cooper, in the AES team form part of its continued effort to strengthen our electronic trading franchise in Asia Pacific, which is rated highly in the market.

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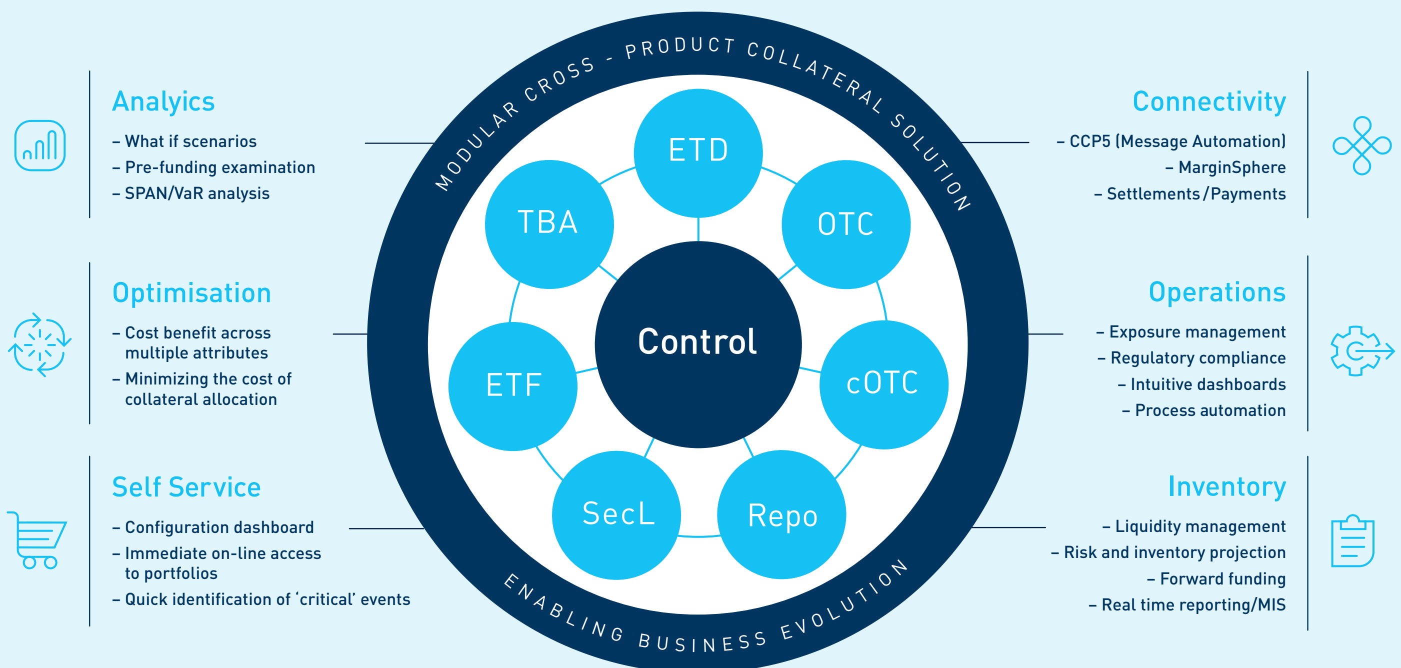

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John Shellard and Matthew Sarson are leaving J.P. Morgan.

Shellard, who joined the bank in 1998, will be leaving his role as global head of trading and agent lending.

Sarson, who started working at J.P. Morgan in 2004, will be departing as global head of agent lending, asset management.

Securities Industry and Financial Markets Association (SIFMA) has appointed Jelena McWilliams as chair of the Federal Deposit Insurance Corporation (FDIC).

The announcement was made by Kenneth Bentsen, junior president and CEO of SIFMA.

In a statement, SIFMA said: "SIFMA congratulates Jelena McWilliams on her confirmation as chair of the FDIC."

"We look forward to working with Jelena McWilliams on issues of importance that will ensure our financial system continues to operate effectively to help stimulate the economy and promote job growth."

IHS Markit has hired Paul Wilson as managing director and global head of securities finance, effective 4 June.

In his new role, Wilson will expand the commercial strategy and product set of the IHS Markit securities finance business working with the firm's growing client base.

Based in London, Wilson will report to Pierre Khemdoudi in London and Edward Marhefka in New York, both who serve as global co-heads of IHS Markit equities data and analytics.

Previously, Wilson worked at J.P. Morgan for 33 years, most recently serving as managing director and global head of agent lending product and portfolio advisory.

He also co-chaired a Bank of England industry group in 2017, developing the UK Money Markets Code, which sets standards and best practice to industry players in the deposit, repo and securities lending markets in the UK.

Marhefka said: "Paul Wilson has a reputation as a strong leader and trusted advisor for executives at large, complex financial institutions."

"We are delighted to bring Wilson on board to strengthen our management team, and look forward to delivering the next generation of securities finance services to the market."

"As we continue to expand our product set, Wilson will steer the holistic functionality of these offerings, increasing our relevance and core value to clients."

Commenting on his appointment, Wilson added: "I am excited to be joining such a dynamic company as IHS Markit, which is the market leader in securities finance data and analytics."

"IHS Markit is well-regarded for its industry leadership, technological innovation and collaborative approach with clients."

State Street Corporation has appointed Robin Kidman as a fixed-income lending trader within its securities finance team in Asia Pacific (APAC).

In this newly created role, Kidman will be responsible for enhancing State Street's fixed-income securities finance programme in the region and supporting APAC clients in their programme participation. He will be based in Sydney.

During his 15-year career at State Street, Kidman has been responsible for managing the lending of government and corporate fixed income to repo and financing markets in Europe, the Middle East and Africa.

He relocated from London to Sydney in May. Prior to joining State Street, Kidman was a fixed income analyst at Thomson Reuters and GFI.

Commenting on Kidman's appointment, Jansen Chua, head of securities finance for State Street APAC, said: "We continue to see increased demand for high-quality liquid assets, and strong growth in the balance of fixed income securities on loan in the APAC region."

He added: "Robin Kidman has extensive knowledge of the fixed income and financing markets, and his expertise and experience will be of great benefit for our securities finance clients in the region."

Brown Brothers Harriman (BBH) has appointed Carla Jane Findlay-Dons as chief global regulatory and market strategist.

Based in London, Findlay-Dons will lead the global regulatory and market strategy group, and develop BBH's point of view on market and regulatory events.

According to BBH, under Findlay-Dons leadership, the group will ensure a global voice on regulation, and develop solutions that help clients respond to a quickly changing regulatory landscape.

Findley-Dons joins BBH from Goldman Sachs Asset Management (GSAM) where she was an executive director for regulatory management with a particular focus on Europe, the Middle East and Africa regulation.

Prior to that, Findlay-Dons led GSAM's client services fixed-income team for the Americas.

Findlay-Dons also serves as a member of BBH's European Diversity and Inclusion Council.

BBH said: "Carla Jane Findlay-Dons brings a wealth of experience and insight to the BBH team from her diverse background in asset management, law and the arts."

It added: "Findlay-Dons is an accomplished public speaker and passionate commentator on the importance of creating a diverse workforce and the benefits that diversity of thought can bring to business." **SLT**

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