securities lending times

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After COVID-19, what's next?

EquiLend brought together a panel of experts to discuss the market's future

EMIR Refit

Last week's brought in delegated reporting rules for OTC derivatives, despite a lingering operational challenges

May's revenue

Securities lending revenue hit $813 million, representing a 14 percent YoY decrease. Sam Pierson breaks down the data

Malik's Memo

Seb Malik has his say on cum-ex tax fraud and securities lending

MUFG selects EquiLend Spire in push to upgrade securities lending business

MUFG Investor Services, the global asset servicing arm of Mitsubishi UFJ Financial Group, has selected the EquiLend Spire's securities finance system as its core global platform to expand its front, middle and back-office securities lending systems.

EquiLend Spire is the product of a partnership between EquiLend and Stonewain Systems and offers a modular and scalable securities finance solution for compliance, reporting, risk analysis, accounting, positions and trading.

MUFG Investor Services says it chose EquiLend Spire as its global platform as part of its "ongoing commitment to innovation by complementing cutting edge in-house technology with leading industry systems into front, middle and back-office offerings for clients".

The deal marks a major step forward for the bank's Global Securities Lending Solutions Group as part of its new mission to create a world-beating securities lending programme that will make MUFG the first Japanese banking group to become a global market leader.

The project began with the appointment of Tim Smollen from Deutsche Bank who assumed the new position of global head of global securities lending in January and brought in several old Deutsche colleagues to assist in upgrading MUFG's 20-year-old programme.

"EquiLend Spire is an industry-leading platform that will allow MUFG Investor Services to accelerate our workflows, improve risk management, make faster trades and streamline our operational efficiency," says Smollen.

Further announcements on new technology solutions are set to follow, Smollen confirms, all of which are aimed at improving MUFG's securities lending programme's effectiveness and automation and give its clients "a distinct competitive advantage in the global marketplace".

John Sergides, CEO of MUFG Investor Services, adds: "Even with all the uncertainty in the market brought on by unforeseen factors, we are continuing to invest in our people, strategy and technology."

"Our commitment to our employees and to our clients go hand-in-hand, and this is one of several major new core product initiatives this year including foreign exchange overlay, cash management and private debt."

Inside this issue


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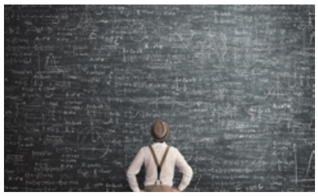

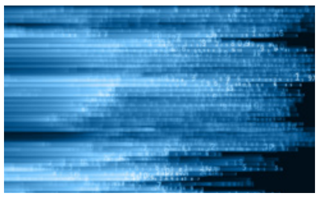

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Access Fintech partners with Clearstream to solve CSDR penalty challenges

Access Fintech has partnered with Clearstream the Deutsche Boerse owned international central securities depository (CSD) to allow mutual clients to benefit from more efficient management of potential penalties from failed trades as defined under the Central Securities Depositories Regulation (CSDR).

CSDR aims to improve settlement rates in securities markets by imposing punitive measures on firms that fail to settle trades and is due to come into effect in February 2021.

Access Fintech offers a CSDR solution that builds on the foundations of its established Settlements Product and aims to allow clients to manage the entire lifecycle of in-scope transactions.

Access Fintech says the workflow collaboration will explore giving mutual clients the ability to manage the penalties process through its infrastructure by minimising touchpoints, maximising efficiencies ensuring a robust audit history against impacted trades and bringing the network closer together.

Pardeep Cassells, head of financial products at Access Fintech tells SLT: "Clearstream has a critical role to play in the CSDR lifecycle. Their communication and consumption of related information will be a vital part of the process for all direct and indirect participants.

"We want to help the industry work together and manage the penalty challenge. We do this by making information accessible, used efficiently, and enabling the transparent flow of data."

Elsewhere, Access Fintech also recently enhanced its CSDR solution's attractiveness by partnering with Deutsche Boerse's buy-in agent, Eurex Securities Transactions Services (Eurex STS), to create integration between their complementary regulatory services.

In May, the two firms confirmed that their mutual clients will be able to manage buy-ins via Eurex STS through the Access Fintech infrastructure, thereby minimising touchpoints, maximising efficiencies and ensuring a robust audit history against impacted trades, the firms explained.

Don't cry wolf on the need for regulatory relief for COVID, warns ISLA CEO

The CEO of the International Securities Lending Association (ISLA) has warned market participants not to overplay their hands in pointing to the pandemic as a reason to delay incoming regulations.

Andrew Dyson says that regulators are now questioning the validity of some of the many requests for delays submitted to them in March and April, the worst period of disruption caused by the spread of COVID-19 so far.

The Securities Financing Transactions Regulation (SFTR), the Uncleared Margin Rules and Basel III were among the first regulatory frameworks to be pushed back as a result of the pandemic engulfing Europe and North America in March.

However, later delay requests based on the pandemic were rejected by regulators for the Central Securities Depositories Regulation

(CSDR) and the second Shareholders Rights Directive (SRD II), which suggests that the willingness of rule-makers to rip up their implementation schedule is wearing thin.

The ISLA chief's observations came as part of an hour-long discussion on how the securities finance market has weathered the COVID-19 pandemic so far held on the newly-launched Pierpoint Perspectives podcast hosted by Roy Zimmerhansl, practice lead and founder of Pierpoint Financial Consulting, a boutique securities finance consultancy.

Dyson explained that industry bodies, including ISLA, were right to highlight the struggles some asset servicing firms were facing in meeting SRD II's September deadline, but that the messaging had to be clear to gain regulators' acquiescence.

"The challenge here is that you can have delays for [good] reasons but there is also a school of thought that some of the delays that have been asked for ... are using the excuse of the pandemic," Dyson told listeners.

"We've got to make sure we are not being seen as just asking for delays and using the pandemic as an excuse," he explained, adding that any further advocacy work by ISLA must ensure it has "something new to say and have tangible reasons to support our requests".

The pandemic has created legitimate challenges for firms, Dyson explained, but it's vital to clearly lay out those concerns, such as around the availability of key resources, he added.

Dyson continued: "It's absolutely key that we have our messaging sharp on this because we do run the risk of people saying we're just using the virus."

He concluded: "My sense from talking to some in the regulatory community in the past few weeks is that there was a sense that, certainly at the end of March and early April when there was a whole wave of people asking for delays, there was that question mark around why are they asking for that, is it a real reason or are they using the pandemic as an excuse?"

IHS Markit adds iBoxx bond indices to securities lending reports

IHS Markit has added six global iBoxx bond indices to its monthly securities lending performance reports as part of the firm's expansion of its fixed income data analytics services.

iBoxx bond indices help investors manage the complexities of the bond market by bringing greater visibility to the illiquid asset class, offering broad benchmarking and liquid tradable index solutions that track bond markets globally.

The indices IHS Markit will now analyse include iBoxx USD liquid high yield, iBoxx USD liquid investment grade, iBoxx EUR corporates, iBoxx EUR sovereigns, iBoxx USD treasuries and iBoxx global government indices.

The performance reports leverage IHS Markit securities finance analytics on the current and five-year lending returns for constituents of each iBoxx index, expanding the first set of reports that IHS Markit launched for MSCI equity indices in April.

For each iBoxx index, insight will now be provided on monthly, quarterly and annual returns, utilisation levels, contribution by securities lending fee categories and

returns based on credit ratings and years to maturity.

"Following the successful launch of our monthly equity reports this year, asset managers and pension funds are keen to examine high-level metrics on securities lending performance in the fixed income space," says Paul Wilson, managing director and global head of securities finance at IHS Markit.

"With expanded coverage for fixed income, our monthly performance reports deliver unique analysis on 12 indices, providing securities lenders with better vision on potential portfolio returns across assets."

IHS Markit's expansion of its visibility of the fixed income space has so far revealed that utilisation of fixed income lendable assets increased sharply in March as valuations declined and borrow demand increased. The increased borrow demand, relative to lendable supply, pushed lending fees higher and delivered increased income to beneficial owners.

Meanwhile, some of the key findings from IHS Markit's initial review of the iBoxx bond indices shows that iBoxx USD Liquid High Yield Index return to lendable assets has declined by more than 50 percent year-over-year, while the iBoxx USD Liquid Investment Grade Index produced the lowest securities lending return, 0.3bps to 0.4bps, with general collateral credits contributing 84 percent of the return.

Other findings include:

> iBoxx EUR Corporates Index return to lendable assets increased steadily in March and April, before levelling off in May between 2bps to 3bps.

> iBoxx EUR Sovereigns Index returned 3.7bps to 5.4bps in May, with 50 percent of the revenue contributed from bonds with more than seven years to maturity remaining.

> iBoxx USD Treasuries Index returned 4.1bps to 7.5bps from securities lending fees over the 12 month period ending May 2020. The 6.4bps in quarter-to-date return nearly matches Q2 2018 returns, which were the post-crisis record for second quarter returns at 6.9bps.

REGIS-TR and Cappitech team up for end-to-end regulatory service

EU trade repository REGIS-TR and Cappitech, a regulatory reporting service provider, are collaborating to deliver a streamlined, end-to-end regulatory reporting service.

The firms say the partnership will link their complimenting services for the Securities Financing Transactions Regulation (SFTR), the European Market Infrastructure Regulation, and its UK iteration, along with Switzerland's Financial Market Infrastructure Act (FinfraG).

Cappitech, as the latest connection to REGIS-TR's partnership programme, aims to leverage its compliance platform to automate the reporting process and provide a full view on a single dashboard for reporting regimes across Europe.

Previous additions to REGIS's programme includes Sensiple, US data analyst and regulatory solutions provider, which joined up to the Deutsche Boerse subsidiary to enhance its SFTR solution.

"We are delighted to formally welcome Cappitech, a leading provider of regulatory reporting solutions, into our partnership programme," says Nick Bruce, head of business development at REGIS-TR.

"They are a significant addition to the existing list of market intermediaries that we closely collaborate with to deliver flexible, client-centric solutions, which is increasingly important at a time when market participants face the significant challenges of new and changing regulations, as well as provider consolidation."

The partnership comes after CME revealed plans to wind down its European TR and NEX Regulatory Reporting, which was expected to offer an SFTR solution, in May. Firms previously signed up to use NEX for SFTR reporting or the CME's TR's services will now have to switch to a new provider at short notice.

REGIS-TR and Cappitech say they "look forward to ensuring a smooth transition process for impacted clients who will be required to switch TR".

Ronen Kertis, CEO of Cappitech, adds: "We are pleased to partner with REGIS-TR who have substantial EU coverage for EMIR, SFTR, and FinfraG; bringing value to our clients with those reporting obligations.

By partnering with TRs like REGIS-TR and Unavista, Kertis explains that Cappitech is able to offer clients "the ability to decide which endpoint they want to report to and provides the flexibility needed especially given recent changes in this space."

Access Fintech's CSDR solution gains another asset manager user

Access Fintech, the financial technology firm, has brought on Janus Henderson Investors' Europe, Middle East and Africa (EMEA) arm to its solution for the Central Securities Depositories Regulation (CSDR).

CSDR aims to improve settlement rates in securities markets by imposing punitive measures on firms that fail to settle trades and is due to come into effect in February 2021.

Access Fintech offers a CSDR solution that builds on the foundations of its established Settlements Product and aims to allow clients to manage the entire lifecycle of in-scope transactions.

The fintech firm says that clients also

benefit from real-time insight into data from other stakeholders.

Janus Henderson Investors EMEA plans to complete the onboarding before the regulation comes into full force as there "are potential benefits to managing daily risk before CSDR go-live dates," explains Simon Clements, the firm's head of global investment operations.

Clements tells SLT: "One of the greatest benefits will be the transparency and data sharing between multiple organisations, providers as we all recognise that as close to real-time data will be critical in the new world of CSDR."

The global active asset manager is still finalising its exact model through the use of Access Fintech's CSDR services suite, Clements says, adding: "What we will definitely be looking to use is the methodology it will provide by being inclusive between buy-side and sell-side organisations clients, order management systems, custodians, service providers and other market participants."

Clements states that Access Fintech's solution was chosen as it will assist greatly in managing his firm's clients and leverage its risk and workflow risk-rules capabilities.

Other users of Access Fintech's CSDR solution include J.P. Morgan and Credit Suisse.

Elsewhere, Access Fintech also recently enhanced its CSDR solution's attractiveness by partnering with Deutsche Boerse's buy-in agent, Eurex Securities Transactions Services (Eurex STS), to create integration between their complementary regulatory services.

In May, the two firms confirmed that their mutual clients will be able to manage buy-ins via Eurex STS through the Access Fintech infrastructure, thereby minimising touchpoints, maximising efficiencies and ensuring a robust audit history against impacted trades, the firms explained.

Seb Malik
Head of financial law
Market FinReg

Cum-ex tax fraud and securities lending

Cum-ex dividend schemes are the greatest alleged tax fraud of a generation costing European countries an estimated €55 billion. Securities lending sits at the heart of this alleged fraud.

Litigation reached the English High Court last year. Depending on how litigation plays out, the industry's master agreement template, the Global Master Securities Lending Agreement (GMSLA) may find a key element of its structure under intense scrutiny by English courts.

To the extent possible in a short memo, I wish to share my views concerning the key issues and how they should be disposed of ahead of litigation in English courts.

At its core lies the claiming of two tax rebates from, say, the German government for withholding tax paid on dividends, when only one is ever paid. The profits are split between the participating (colluding?) parties.

The key chain is when the day before a dividend entitlement date, an entity (S) short sells the shares with ("cum") dividends to a buyer (B) for T+2 settlement. After the dividend entitlement date, S buys the shares without ("ex") dividends from entity O and delivers it to B for immediate settlement, thereby allowing S to settle his initial trade with B.

Since S's initial short trade was cum dividend, S pays dividend compensation to the effect that B receives the share with the dividends payment.

O was the holder on record on the record date and so legitimately claims its own tax rebate.

Following B's receipt of the shares and dividends compensation, B's custodian bank issues a tax certificate which allows B to claim withholding tax.

Thus both S and O have claimed a withholding tax rebate while only O has actually paid. This is where the profit comes from. The full scheme together with a schematic has been set out in [2019] EWHC 705 (Ch) at [30-32] (available on www.bailii.org).

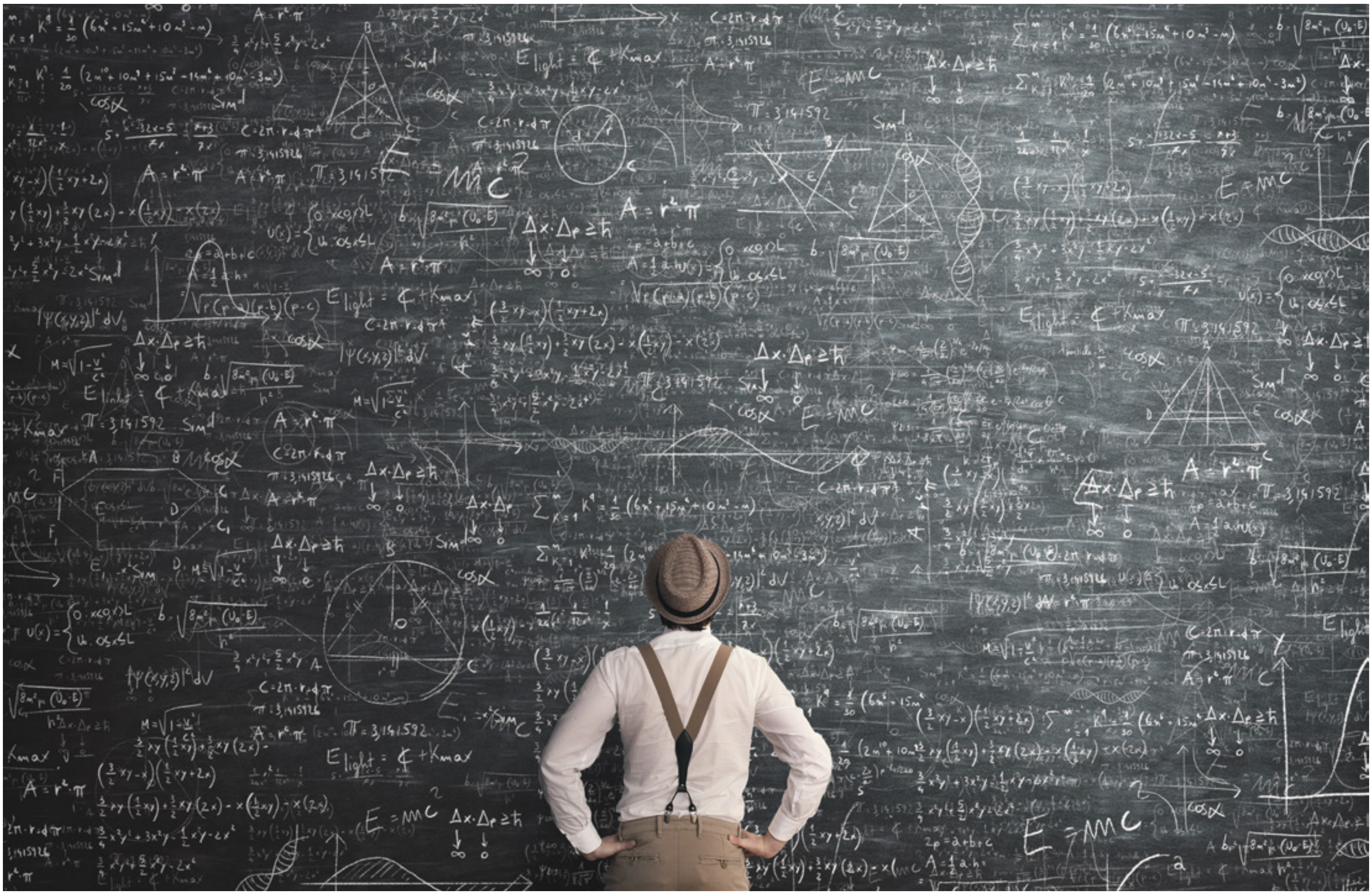
Law firms have written lengthy articles discussing the relationship between 'economic ownership' and 'beneficial ownership' and whether in a short sale beneficial ownership is transferred to the borrower or just economic ownership. I am not persuaded by this approach. The key point is this: on the dividend entitlement date, who had, at the very least, economic ownership of the shares? Clearly O did, so his withholding tax rebate is lawful, ignoring extrinsic considerations. But was S's tax rebate lawful? I submit not. This is at best an unlawful claim, at worst, depending on S's state of mind, a case of fraud.

The GMSLA is a master agreement that stipulates all borrowing and lending trades constitute a 'single agreement'. This allows for netting in the event of default and assets not becoming generally available on a 'pari passu' basis for creditors. Under point 4.2, there is an execution date – the date when the paperwork and legal contract for the individual securities lending is executed. Then there is a settlement date, typically T+2 or T+3 when the securities and collateral are simultaneously delivered to each other. At this point "all rights and title and interest" are passed from one party to the other. The lender also warrants that it is "entitled to pass full legal and beneficial ownership". I will return to the beneficial ownership shortly.

It is thus clear, on the date of execution of the lend, the borrower does not own legal title to the securities. This they only obtain on settlement date. So, in our cum-ex scenario, S did not legally own the securities before the dividend entitlement date and hence their claim for a dividend tax refund is baseless.

To me, this ought to dispose of the matter. But, if matters progress, I do not consider a GMSLA borrower to hold beneficial ownership, only legal title. The manufactured payment returning the dividend to the lender, coupled with a short timescale are strong indicators that the beneficial owner remains the same.

The industrial-scale pilfering of tax-payers' money in illegal, immoral and economically meaningless transactions is shameful. It is precisely the reason why the EU has opted for a highly-prescriptive regulatory regime. The next time you hear complaints of over-regulation, consider cum-ex and how many hospitals, schools or nurseries €55 billion could fund.



EMIR Refit may have regulators seeing double

Last week's EMIR Refit implementation day brought in delegated reporting rules for OTC derivatives despite a host of lingering operational challenges. And, further problematic waves are not far ahead

Natalie Turner reports

Last year, the European Commission published a series of amendments to the European Market Infrastructure Regulation (EMIR), known as Refit, aimed at streamlining and updating the ageing framework first implemented in 2012.

The purpose of Refit is to address disproportionate compliance costs, transparency issues and insufficient access to clearing for certain counterparties. Its aim is to simplify the rules and reduce regulatory and administrative burdens where possible, especially for non-financial counterparts (NFCs), without compromising the regulatory goal of EMIR.

Tomas Bremin, head of business product management at REGIS-TR, an EU trade repository, explains that EMIR Refit has been implemented in multiple phases to reengineer EMIR with lessons learned over the past six years as well as borrowing several concepts developed under Securities Financing Transactions Regulation (SFTR).

Image by frankie's/shutterstock.com

However, some of the regulation's constituents are voicing concerns that it's fallen short of achieving all it could have if a bolder stance was taken by regulators to address the problems and inconsistencies.

"What came out of Refit was severely watered down, what market participants were hoping would be addressed and what actually has been addressed are quite some distance apart," says John Kernan, senior vice president and head of product management and business development at REGIS-TR.

For example, market participants were enthusiastic about initial proposals to shift the responsibility for reporting exchange-traded derivatives (ETD) to central counterparties (CCPs). However, CCPs were "not overly keen on assuming responsibility," Kernan explains and the proposal was eventually dropped.

Elsewhere, David Nowell, senior regulatory reporting specialist at Kaizen Reporting, adds: "Undoubtedly this [EMIR Refit] is a worthy aim and the regulators should be applauded for this intention. Unfortunately, when it comes to trade reporting, many firms are bitterly disappointed with the outcome, as they were hoping for more fundamental changes to ease the compliance burden."

Refit reporting

EMIR Refit first began its implementation in June 2019 by redefining what is considered a financial counterparty (FC) and NFC and also introducing the category of a small FC (FC-) and an NFC- based on a clearing threshold for over-the-counter (OTC) derivatives.

As we slide along the legislative timeline, we've come up against the next phase, which went live on 18 June, and brought in rules that handed the responsibility for reporting OTC derivatives trades to FCs on behalf of their NFCs that are deemed NFC- under regulation's new designations.

In a nutshell, FCs are only obligated to report OTC derivative trades on behalf of an NFC-, not the NFCs above the clearing thresholds; ETDs are excluded from this rule change.

Although simple in principle, many market participants under EMIR's remit believe unanswered questions around certain elements of the rules leave the door open to messy unintended consequences that undermine the rule's effectiveness.

The clearing obligation requires all counterparties, including those already subject to it, to calculate the notional month-end average positions for the previous 12 months for each asset class to determine whether any asset classes cross the clearing threshold. If any asset class exceeds the threshold, related trades must be cleared and reported to the relevant national competent authority (NCA) via a trade repository (TR).

An NFC- may choose to continue reporting trades itself either by asset class or in total, but it's FCs need to be kept aware of whether they are required to report on an NFC's behalf or not – and therein lies the problem.

While many FCs have done considerable work to prepare for the reporting obligation, they are very dependent on the responsiveness of their NFC counterparties. The NFC needs to confirm whether it intends to self-report to prevent the risk of double reporting, or a failure to report by either party. Flaws in the data transfer methods and general shortcomings in the average level of communication between NFCs and FCs means that this system is expected to lead to issues with duplicated reporting. At the same time, the COVID-19 pandemic is also expected to compound these challenges for both the FCs as well as NFC- to provide the required reporting information.

If an NFC and its FC report to the same TR any double reporting should be caught by the TR's infrastructure, but if they don't then that error will only be caught during a national competent authority's (NCA) reconciliation of reported data.

Nowell, highlights: "The main concern is that the NFCs and FCs might end up reporting to different TRs. In a perfect world, this process would be seamless; in real life, there is plenty that could go wrong, leading to rejections from the trade repositories and resource-intensive investigations by firms."

Ian Thomas, a regulatory solutions specialist at financial services consultancy at Quorsus, agrees. There's plenty of talk on the real risks of duplicate reporting, both when the rules are implemented or in future should a counterparty's classification move between NFC+ and NFC-, as it will have to communicate effectively with its FC and may have to go through the porting process. In each case the risk of over and under-reporting is key," Thomas adds.

In extreme examples, it has been suggested by industry experts that some NFCs will simply stop reporting and leave everything to their FCs.

REGIS-TR's Bremin points out that this will include "the maintenance of their outstanding reports which won't work without some action on behalf of the NFC. There will be some double reporting by the NFC that hasn't informed their FC that they will report for themselves, and consequently by the FC that follows the Refit mandatory delegation requirement."

To address these concerns several trade bodies, including the International Swaps and Derivatives Association, the Association for Financial Markets in Europe and Securities Industry and Financial Markets Association, among others, wrote to EU regulatory authorities in April to request clemency.

The letter, addressed to the chair of the European Securities and Markets Authority (ESMA) Steven Maijoor, called for NCAs to be advised to "not prioritise supervisory actions in relation to the EMIR Refit mandatory delegated reporting requirement" for five months after 18 June.

However, Bremin explains that a high volume of portability events will "consume time and resources for the TRs for a long period of time".

"In some cases, the NFC has FCs that don't all use the same TR, and this requires partial portability which until now has not been in scope of the inter-TR procedures for portability," he adds.

Thomas reinforces this concern, concluding that "portability was not designed for this reason and EMIR Refit has potentially very messy and complicated consequences".

Recipe for distress

While in principle the regulation's upgrade is necessary to better manage and monitor risks arising from derivatives markets, the flaws in the rules could extend to future phases of EMIR Refit.

We will have new implementing technical standards, probably next year, which are set to add unwanted additional complexity to reporting and will make 18 June seem like a minor blip

As well as the technical challenges of reporting and sharing information, the letter also highlights the on-going business disruption caused by the pandemic as another reason for regulators to look the other way.

It also points out that given that reporting is already taking place, a failure to move to the new method on time does not necessarily lead to a reduction in transparency, since the old method will still be in place.

At the time of writing, ESMA is yet to publicly state if it will acquiesce to this request.

TR troubles

In the instance where the NFC and the FC use different TRs, ESMA is suggesting that the TRs use a process called 'portability' to migrate the open trades across from the NFC's TR to the FC's TR.

ESMA is currently consulting on changes to implementing technical standards to bring them into line with international standards proposed by the Committee on Payments and Market Infrastructure of the International Organization of Securities Commission. This, Nowell says, "would be good from a regulatory point of view as it can facilitate a global view of systemic risk (if the individual regulators can agree to share data)".

The potential for EMIR Refit to achieve its aims of building upon EMIR and SFTR for the benefit of the whole market is still there. But, indicators of how the rule-writing has gone so far have left some believing the worst is yet to come.

Nowell says: "We will have new implementing technical standards, probably next year, which are set to add unwanted additional complexity to reporting and will make 18 June seem like a minor blip in comparison."

Securities finance: The future

Drew Nicol reports

EquiLend brought together a panel of industry heavyweights from trade bodies and prominent firms in the securities finance space to discuss the market's future

In the wake of what may ultimately turn out to be only the first wave of market disruption brought on by the COVID-19 pandemic, EquiLend (virtually) assembled a panel of industry veterans to dissect what exactly happened in Q1 and offer their insight on what's on the horizon.

Despite each panellist boasting decades of experience in the securities finance industry, discussions more often than not strayed off the well-trodden path of the usual industry talking points; with a few exceptions. Instead, panellists examined less industry-centric lessons that could be learned from the pandemic and the new normal of remote working, including a better work-life balance and the importance of looking at business-continuity-plans and outsourcing through the lens of longevity and sustainability. More mainstream topics, such as what the latest market crisis means for the adoption of central counterparties (CCPs) and incoming troublesome regulations did feature but they didn't dominate the hour.

In part, such an introspective discussion of industry norms was enabled by the fact that the market, according to consensus across the panel, proved to be remarkably resilient in the face of a global economic shutdown. Trading venues saw volumes soar to record-breaking levels as equity markets tanked, settlement fail rates spiked and long-planned regulatory timetables were torn up, but the market appeared to take it all in its stride. At one point, Andrew Dyson, CEO of the International Securities Lending Association (ISLA) noted that, unlike previous crises, the volatility seen in February and March was typified by the lack of a big failing counterparty.

That is not to say that lessons can't be learned and improvements made. Although the pandemic is primarily a healthcare crisis, it also exposed deficiencies and weaknesses across global economies, which for the securities finance market primarily meant liquidity concerns, and action must be taken to avoid the situation deteriorating further. This is especially true in the EU, where the Central Securities Depositories Regulation (CSDR), due in February, is predicted to be an acute pain point in this area. Elsewhere, trade bodies were also roused into once again combatting the age-old reflex of regulators to blame short sellers for exasperating the downturn in equities markets. The latest round of bans, which have since been lifted in Europe, prove that that particular battle is far from over for the industry, but this latest clash indicates that some ground may have been won since 2008.

All this and more was discussed in front of an audience of more than 480 viewers at its peak. Whether you were among the viewers or catching up now, here are some of the key takeaways from EquiLend's 'Securities Finance: The Future' panel discussion.

Crisis? What crisis?

When asked to outline the challenges brought on by the recent COVID-19-fuelled market disruption in February and March, CIBC Mellon's chief capital markets officer, Rob Ferguson, described them as "relatively minor" adding that one of the only stand-out hurdles was adapting to virtual meetings.

In the securities lending market, Ferguson acknowledges that clients did initiate sales that required recalls but noted that this was a very manageable process. "We are doing the same things we were doing prior to the pandemic, but in a different way," he concluded.

ISLA's Dyson embellished this analysis by explaining that the work firms had put in since the Global Financial Crisis to sure up their business continuity plans (BCPs) has put them in good stead to manage the latest troubles. In addition, Dyson noted that some of the buffers regulators have inserted since the 2007/08 crisis to ensure banks had enough liquidity had worked well.

"In March we saw some significant changes in volumes because of volatility and we saw equity markets falling exponentially, which was causing challenges for people using equities as collateral because they were struggling to post new equities as fast as they were falling," Dyson explained. “This meant you saw the emergence of more fixed income into collateral pools. But, the point is the system worked.”

Dyson continued: “When you bring together market stress and the fact that organisations were having to work in ways they had never contemplated in the past we can all take a huge amount of credit in achieving what the UK’s Financial Conduct Authority (FCA) told me was absolutely crucial, and that was to keep markets functioning.”

Fran Garritt, director of securities lending for the Risk Management Association (RMA), added that one noteworthy feature for the US was that there were “a few shocks here and there” in certain pockets of financial markets. This included the fact that some of the prime funds got close to their liquidity thresholds and had to be ready to pull up the gates on outflows. “This probably sparked a little bit of concern,” he added.

But, ultimately, Garritt echoed the sentiment of other panellists and said the US market likewise handled the increased volumes and volatility “very well”, with the liquidity there to meet the higher demand for fixed income.

The buy side did not flinch

Ferguson had even more good news for viewers: that the buy side, at least not CIBC Mellon’s clients, had stood firmly by their lending programme amid the mass equities sell off.

He noted that most of CIBC Mellon’s clients were with it during the credit crisis and they “expressed confidence in our ability to manage the volatility again”. Moreover, CIBC Mellon has seen new clients join the securities lending programme since February and several existing clients have also expanded their programmes.

The key lesson from the credit crisis, according to Ferguson, was the importance of having “regular and timely” dialogues with clients, particularly during stress events.

As such, Ferguson said the Canadian asset manager was focused on ensuring its underlying clients were aware of its BCP during the upheaval seen in Q1. “As the pandemic unfolded we reached out to clients to inform them of our BCP roll-out and update them on what was going on in the market to provide assurances that the risk controls were in place and answer any questions,” he explained.

Are we over reliant on central banks?

The question was posed by the panel’s chair, Grant Davies, whether the active role played by central banks in the market today to inject liquidity and provide a backstop to pricing is likely to be a permanent fixture from now on.

To this point, the International Capital Market Association’s (ICMA) Godfried De Vidts outlined how central banks in Europe have all increased their holdings significantly but that this is a temporary feature. “I have had a long career and seen rates of 5,000 percent in Sweden and negative rates of Saudi Arabia in the 1980s and neither were here to stay. Things will go back to normal,” he reassured viewers.

Offering a US perspective, Garritt stated the “going negative” is unlikely to offer the same economic boost that some might hope. Instead, he predicted the US Federal Reserve will continue its balance sheet expansion. “It doesn’t mean you can’t go negative but you wouldn’t get that economic stimulus,” he said. “We’ve seen negative rates in Europe and the world hasn’t ended, from a macroeconomic perspective, but you also haven’t seen the impact that the central banks might have hoped.”

Retail investor will pick up the bill. Again.

When asked whether CSDR would mean illiquid assets were “in for bumpy ride from next year”, De Vidts revealed himself to be far more sanguine about the controversial regulation than some of his colleagues at ICMA.

“Yes, bumps will come but we have seen bumps all the time,” he explained.

De Vidts offered an anecdote of when he was visited by the UK’s FCA to discuss the EU repo markets and how he had to outline to them that although the new regulation might be well-intended, they inevitably led to banks re-pricing their assets to reflect the new environment.

“In the future, we are going to see this more and more, such as with the cost of collateral and capital in particular. The Capital Markets Union and the Banking Union projects are ongoing in Europe and have to be absorbed. But, it’s not the banks that are going to pay for it. It’s the people who use the banks, the buy side.

De Vidts explained that the buy side is already “screaming that the cost of short term funding is too expensive”, add that although rules such as the net stable funding ratio contain some risks for banks, they also just push those risks on to the buy side.

Regulators say they don’t have a view on the buy side, De Vidts noted, and the Securities Financing Transactions Regulation (SFTR) will help this. However, it doesn’t remove the fact that banks will push costs to the pension and insurance funds who will push them on to the retail market.

“CSDR is also a tough nut to crack but much more can be done and if we as a market can make ourselves even more robust then the public will never have to bail out the banks, the pension funds or whoever,” he extolled.

Reinforcing this point, Dyson stated: “The rising costs of liquidity with SFTR and SFTR will always find its way through to the retail investor and the costs we all pay for our pensions.”

Short-sighted bans

Continuing the focus on Europe, EquiLend’s Davies picked panellists’ brains on their views on the spate of short selling bans that came about in March and were only lifted in May. Bans also appeared in Asia and remain in place in a handful of markets, including most notably, South Korea. Regular readers of SLT will earn no points for guessing that the panel unanimously expressed deep scepticism of the effectiveness or appropriateness of the bans.

Dyson noted that ISLA is an outspoken critic of such bans and has published multiple papers laying out the academic and economic arguments on why they are misguided and fail to achieve their aims.

“When you’re a regulator in a crisis and you need to be seen to be doing something and putting in a short selling ban is a relatively easy way to demonstrate you are,” Dyson stated.

He conceded that “in some cases, they may actually have some limited short term benefit”, but went on to note that the evidence from Europe suggests that those markets that banned shorting did not perform any better in terms of their price volatility than those that didn’t.

“Equity markets didn’t go into freefall because of short sellers. They went into freefall because the long-only traders were selling off assets,” he concluded.

Elsewhere, it was noted that the major markets of the US, Canada and the UK did not impose bans, whereas they did in the previous crisis. The market authorities in Canada and the UK even publicly endorsed the role of the short sellers in a developed market, suggesting that the hearts and minds campaign by ISLA is having a positive effect.

It was the wrong type of crisis for CCPs

The pandemic’s ability to create a new world order does seem to have its limits, and panellists were unconvinced about whether the crisis had materially moved the needle on the debate around the business case for central counterparties (CCP).

“We have to let the economics of what’s in front of the institutional investor drive this and when it makes sense they will come. For whatever reason, right now it doesn’t make sense,” stated Dyson. “The product is pretty much there and has been for a while … but there are many facets to the question.”

Dyson went on to note that the busy pipeline of regulations still to come, in particular Basel IV, included some new rules that would tip the scales further in the favour of using CCPs as a mitigator to those challenges in the years to come.

Ferguson also mulled whether there were any challenges caused by the crisis that could have been helped by a CCP and concluded it’s difficult to know for sure.

Garritt concurred with Dyson that the nature of the crisis had not allowed CCPs to act as the market’s white knight but this was in part because the market hadn’t needed saving.

Dyson noted that the volatility seen in February and March was typified by a lack of a large counterparty failing and as such what the market went through wasn’t the type of crisis that a CCP’s services are built for.

Going further, Garritt states that what would have helped would have been if the securities lending market had gained the much-anticipated changes to SEC Rule 15c3-3, which currently limits the use of equities as collateral in the US.

To outsource or not to outsource?

For many years, the risks associated with outsourcing included infrastructure stability, technology, personnel skill sets and geopolitics, but panellists agreed that the pandemic may now cause firms to re-evaluate this criteria.

CIBC Mellon's Ferguson noted that firms evaluating outsourcing proposals probably ignored factors such as the underlying healthcare system of the location.

"The pandemic has motivated us to review everything we do, including outsourcing arrangement," he stated.

Outsourcing serves to diversify your geographical reach but until now plans had maybe not been in place to address the possibility of global disruption, which is what the pandemic brought, Ferguson explained. As such, firms must now consider how to reinforce those outsourced locations against future risks or consider moving out of those locations if that's not possible.

"Insourcing does not solve pandemic risk," he stated. "You need to be able to move operational activity from region to region dynamically based on where the risk is. Will outsourcing stop? No. But we are going to pause and think beyond just the bottom line of the cost-of-service and elevate factors such as the resilience of the workforce and society underpinning the service centre."

"Simply, don't put all your eggs in one basket," he concluded succinctly.

Garritt, who also holds a risk management role within the RMA, offers a different perspective, saying he has seen a lot of previously outsourced services come back to the US from India and Asia and moved to lower cost-centres in the US.

Moreover, post-crisis regulations also require entities to establish a more meaningful presence in their markets to avoid shell entities being used to shift risk and profits. In the US this further incentivises finding domestic outsourcing locations away from high-cost centres, such as New York.

Although this trend of rowing back from global outsourcing did not start this year, Garritt believes the pandemic will accelerate it.

WFH

The government-mandated work-from-home orders across the world have provided an unexpected case study to test what happens when the concept of flexi-working is taken to its most extreme. Those in client-facing roles, of which there are many in a securities lending business, not to mention actual traders, were all forced to adapt overnight to entirely new ways of working.

With businesses now assessing how to move forward in a post-lockdown world, the question is how much of this novel work environment should be kept? Panellists noted that some will jump at the first opportunity to be back in the office while others will wonder why they even have an office at all.

ICMA's De Vidts says that the normalisation of video conferencing is a double-edged sword. On the one hand you get a much better quality of life, not least because you don't face the morning commute or semi-regular business trips that, in hindsight, maybe could have just been a video call.

However, he also noted that video conferencing is often less productive and prone to disruption or allowing participants to be distracted.

Meanwhile, the new normal of home working brings new issues for firms that will need to reinforce home workers' systems in the same way they do in their offices, added Ferguson. Power back-ups and telecom redundancies are just some of the infrastructure investments that will need to be made to ensure compliance rules are met.

Dyson further noted that "certain red lines that were set by regulators, particularly in the UK about trading from home were always considered to be unmovable but when the pandemic hit they were lifted within 24 hours".

"Initially, policy had to be developed on the run, but now things have settled down a bit we see a level of pragmatism that's needed to get markets to where they need to be, and that's no bad thing," he added.

EquiLend's Davies concurred and noted that regulators may find it difficult to get the genie back in the bottle with those regulations that have been eased or amended during the crisis.

Securities finance May revenue

Samuel Pierson
Director, securities finance
IHS Markit

Securities lending revenue hit $813 million, representing a 14 percent YoY decrease. IHS Markit's Sam Pierson breaks down the data

- Revenues for May was down 14 percent year-over-year
- Government debt and ETF utilisations remain elevated
- Convertible issuance supports US equity borrow demand
- Dividend delays and cancellations depress EU revenues

Securities lending revenue totalled $813 million in May, a 14 percent year-on-year (YoY) decline. With the March market shock receding into the rear-view, exchange-traded funds (ETFs), Americas equities, and government bonds delivered YoY revenue increases in May as a result of varying drivers pushing on demand and spreads. In this note, we'll explore some of those drivers along with some perspective on quarter-to-date

Global Securities Lending Snapshot - May 2020

Asset Class	SL Revenue ($M)	Rev YoY %Chg	Avg Balances ($B)	Bal YoY %Chg	Avg Fee	Fee YoY %Chg	Avg Utilization	Util YoY %Chg
All Securities	$813	-14%	$2,100	2%	0.43%	-13%	7.6%	1%
Americas Equity	$331	36%	$443	-13%	0.75%	30%	3.7%	-15%
Asia Equity	$124	-20%	$199	4%	0.81%	-25%	5.9%	-2%
EMEA Equity	$139	-58%	$203	-9%	0.65%	-35%	6.3%	2%
ADRs	$11	-62%	$21	-56%	0.96%	-1%	6.6%	-58%
Exchange Traded Fund	$33	49%	$65	27%	0.65%	15%	12.7%	23%
Government Bond	$132	24%	$965	18%	0.16%	-2%	24.2%	12%
Corporate Bond	$35	-33%	$181	-8%	0.25%	-24%	4.1%	-18%

Note: Includes only fee revenue

(QTD) and year-to-date (YTD) returns.

Americas equity revenues came in at $331 million for May, putting the YTD total at $1.4 billion, an increase of 18 percent YoY. May returns were the most for any month of 2020 so far, as a result of balances bouncing back while spreads widened. With $31.7 million in monthly revenue, Match Group continues to be the most revenue generating equity globally; May returns were supported by increasing shares on loan and share price. Surging borrow demand for American Airlines (AAL) pushed the lending fee for new loans to nearly 80 percent on 11 May, and generally drove the average fee higher over the course of the month, making AAL the second most revenue-generating equity in May.

Convertible bonds have become an increasingly popular funding source for US firms, with over $45 billion raised YTD through 29 May, constituting 31 percent of all equity and equity-related issuance per IHS Markit capital markets analytics. The increase in convertible issuance is driving a corresponding increase in equity borrow demand from arbitrageurs, who short common shares as a hedge based on the proximity of the share price to the conversion price of the convertible bond. Issuers of convertible notes with conversion prices near the common share price at issuance will see a greater initial borrow demand for common shares, as the delta for the convertible's embedded call option will be higher.

For example, Carnival Corporation issued $1.75 billion of convertible notes with a conversion price only 25 percent above the concurrently

offered equity shares on 31 March; borrow demand soared following issuance as the share price increased past the conversion price. The fee for Carnival shares increased in May, making it the 15th-most revenue generating US equity for the month.

Canadian equity lending revenues declined in April, largely driven by lower returns in the Cannabis sector. That trend reversed course in May with Canopy Growth fees increasing sharply in the last two weeks of the month. Aurora Cannabis is another notable firm in the sector whose fee for new loans surpassed 100 percent during the third week of May. Overall Canadian equity lending revenues were $39 million for May, a 20 percent YoY decline. That puts the YTD total at $232 million, a 2 percent YoY decline, with January and February being the best months of the year thus far.

Top revenue generating equities for May 2020

Ticker	Name	SL Revenue	Market	Industry Group
MTCH	Match Group Inc	$31.7	US Equity	Media and Entertainment
AAL	American Airlines Group Inc	$18.3	US Equity	Transportation
SDC	Smiledirectclub Inc	$12.8	US Equity	Health Care Equipment & Services
GME	Gamestop Corp	$9.7	US Equity	Retailing
TLRY	Tilray Inc	$9.6	US Equity	Pharmaceuticals, Biotechnology & Life Sciences
SPCE	Virgin Galactic Holdings Inc	$9.6	US Equity	Capital Goods
WDI	Wirecard Ag	$8.5	DE Equity	Software & Services
AMC	Amc Entertainment Holdings Inc	$8.2	US Equity	Media and Entertainment
ACB	Aurora Cannabis Inc	$8.1	CA Equity	Pharmaceuticals, Biotechnology & Life Sciences
INO	Inovio Pharmaceuticals Inc	$7.5	US Equity	Pharmaceuticals, Biotechnology & Life Sciences
BILL	Bill.Com Holdings Inc	$6.7	US Equity	Software & Services
SAN	Sanofi Sa	$6.6	FR Equity	Pharmaceuticals, Biotechnology & Life Sciences
WEED	Canopy Growth Corp	$6.3	CA Equity	Pharmaceuticals, Biotechnology & Life Sciences
CODX	Co-Diagnostics Inc	$6.2	US Equity	Health Care Equipment & Services
LHA	Deutsche Lufthansa Ag	$5.5	DE Equity	Transportation
HTZ	Hertz Global Holdings Inc	$4.9	US Equity	Transportation
MNK	Mallinckrodt Plc	$4.7	US Equity	Pharmaceuticals, Biotechnology & Life Sciences
028300	Hlb Inc	$4.5	KR Equity	Consumer Durables & Apparel
345	Vitasoy International Holdings Ltd	$4.4	HK Equity	Food, Beverage & Tobacco
VAR1	Varta Ag	$4.3	DE Equity	Capital Goods

Source: IHS Markit Securities Finance

Equity lending in Europe continues to lag, with $138 million in May revenues reflecting a 57 percent YoY decline. Dividend delays and cancellations complicate the YoY comparison, however a clearer picture of total impact likely won't be known until later this year after all delays run their course. Wirecard Ag continues to be the most revenue generating security in the region, with $8.5 million in May revenue. Overall Europe equity lending revenues are down 39 percent YTD through the end of May.

Asia equity lending revenues remain subdued compared with prior years. May revenues of $124 million reflect a 19 percent YoY decline. The blame for the shortfall continues to be lower fees, with balances in the region increasing by YoY in May. One bright spot was Hong Kong-listed Vitasoy International Holdings, whose share price and borrow fees increase dramatically on 15 May, boosting returns sufficiently to make Vitasoy the second most revenue generating Asia equity in May with $4.4 million.

Global ETF revenues were $32.6 million for May, a 49 percent YoY increase, however the elevated fees for high-yield credit ETFs are a distant memory from March and early April. In May, increasing ETF loan balances mostly offset decreasing average fees. Returns were relatively flat compared with April, however they were down 39 percent compared with March. Asia ETF lending revenues continue to increase, with $3.1 million in May revenue the most for any month YTD.

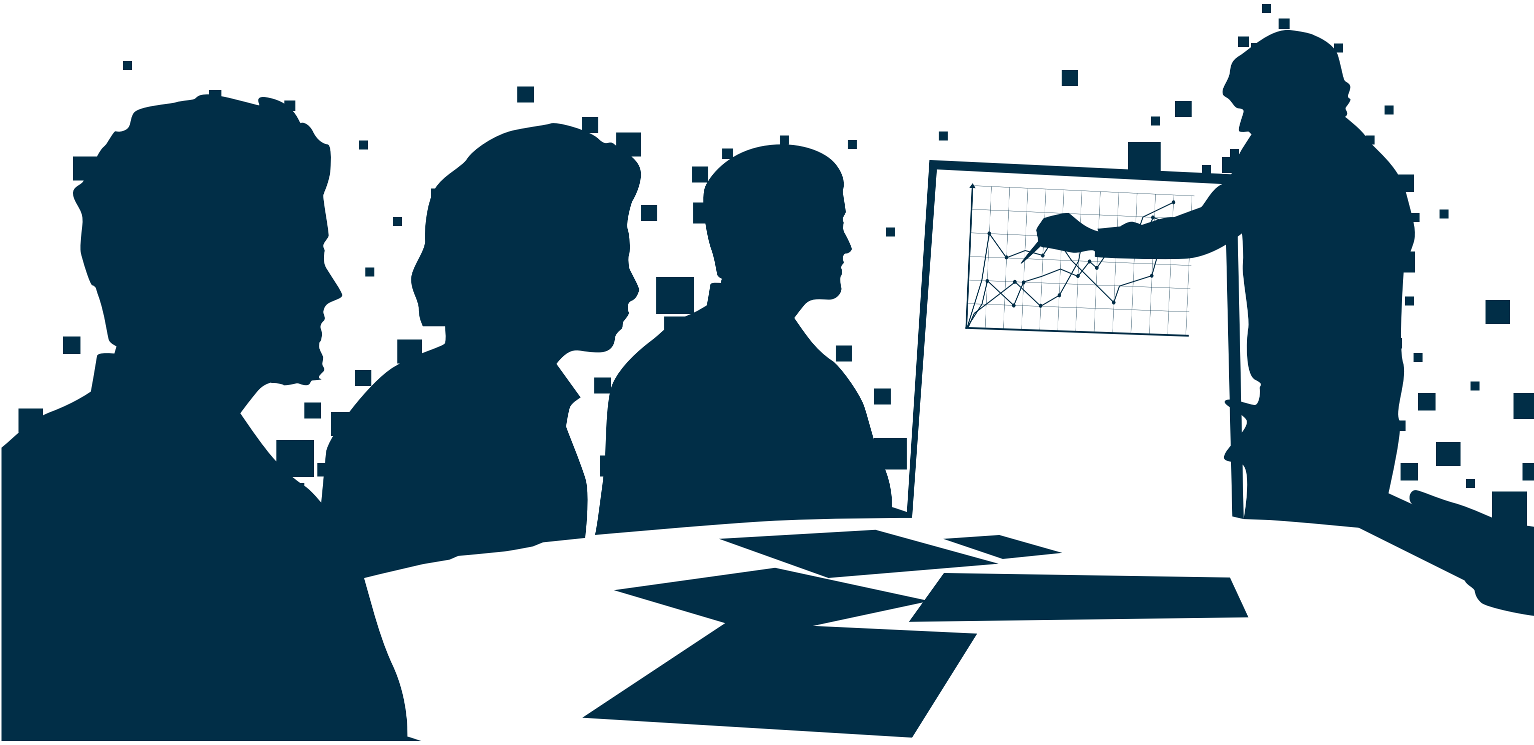
Corporate bond lending revenues continue to fall short of 2019 comparison, mostly as the result of declining fees, however balances have also declined YoY. Corporate lending returns came in at $35 million for May, a 33 percent decline YoY. The YTD total revenue is $191 million, a 29 percent YoY decline. Central bank support for global credit may be dampening borrow demand at present, but distress hasn't been vanquished entirely and the demand to borrow credits may yet catch up to the supply, which has increased over recent years.

Fee-based revenue for US government bond lending came in at $83 million for May, a 50 percent YoY increase resulting from wider spreads and larger loan balances. For beneficial owners, returns from lending US sovereign debt in 2020 have been substantially bolstered by reinvestment, with the May total return including reinvestment more than doubling YoY. Returns from lending European sovereigns were $37 million for May, a 6 percent YoY decline as the result of both lower balances and fees. Global government bond fee-based revenues are up 12 percent YTD through the end of May.

Conclusion:

YTD lending revenues total $3.8 billion across all asset classes, reflecting a 9 percent decline compared with the same period in 2019. A single digit decline in fee-based returns belies the internal change, with US treasuries, North American equities and global ETFs seeing large YoY increases in returns while corporate bonds, ex-NA equities and EU sovereign debt have generally lagged.

The short sale bans put in place during the crash have not been renewed, which is supportive of global borrow demand, though it has been a challenging environment for directional short selling since the start of April. Going forward, corporate actions seem likely to be a significant driver for lending returns, with capital markets re-opened and firms seeking to optimise their structures for the new reality.



Upcoming Securities Finance Training

Corporate Events in Securities Finance

Date: 25 June 2020 15:00 BST

Location: Online

Provider: Consolo

This live on-line training course is designed for anyone who needs to know the background, structure and obligations of Corporate Events in the Securities finance industry

European Regulation Impacting Securities Lending

Date: 30 June 2020 15:00 BST

Location: Online

Provider: Consolo

This live on-line training course is designed for anyone who needs to know the background, and application of core European regulations

Comings and goings at ISLA, Deutsche Boerse and more

Citadel, a US multinational hedge fund and financial services provider, has enticed long-serving securities finance participant, Anthony Luisi, away from Citi after a decade with the investment bank.

Luisi, who is based in New York, joins Citadel as an operations associate focusing his efforts within its securities lending business.

He leaves his role as vice president, prime finance technology, with Citi, which he held since September 2019, the latest in a series of securities finance roles he held since joining in 2010.

Luisi entered Citi as a securities lending analyst and served in various similar roles before becoming a securities lending team lead and assistant vice president in December 2015.

He moved on to oversee the middle office funding for North America as well as trade support for Citi's international securities borrowing business in 2017.

Citadel declined to comment on the hire.

MUFG Investor Services has gained the services of Steven Cassidy who left Deutsche Bank in November 2019 and has now taken on the role of lead technologist in the Americas for the Japanese bank's new Global Securities Lending Solutions team.

SLT understands that Cassidy, who is based in New York, will report to Tim Smollen, global head of global securities lending, and will work alongside the current global head of technology for the business, Bronwen Simms.

The hire comes alongside the news that MUFG has signed up to use EquiLend Spire as the technology foundation of its new-and-improved securities lending business that Smollen was brought on to overhaul.

EquiLend Spire, which is the joint front, middle and back-office securities lending solution offered by EquiLend and Stonewain Systems, will act as the core platform for the banking group's global securities lending system.

Smollen and Simms both joined MUFG in January as part of a cohort of more than half a dozen Deutsche Bank senior executives that left to answer the call put out by MUFG for a team to overhaul its global securities lending infrastructure.

Other former-Deutsche Bank alumni now at MUFG include Jay Schreyer, former head of agency lending for Europe, the Middle East and Africa, and Asia Pacific, and Anthony Toscano, former co-head of agency lending for North America.

Smollen, Schreyer and Toscano have maintained a professional partnership on-and-off for more than a decade, having first joined forces to develop Dresdner Bank's securities lending business in the early 2000s, before it was acquired by Commerzbank in 2009 for €9.8 billion.

They later joined forces again at Deutsche Bank in 2009 to develop its agency lending business following the financial crisis, where the bank suffered worst than most.

Meanwhile, Cassidy has been working with this team since 1997 when he first joined Deutsche Bank's London office as a senior developer and project manager while Smollen was head of marketing and sales for the bank's securities lending business in Europe, the Middle East and Africa.

Cassidy rejoined the team in 2002 at Dresdner Bank for more than six years and then again worked alongside the team at Deutsche Bank in 2016 for three years.

He also spent time working at Citibank in securities lending.

Deutsche Boerse is set to gain Paul Hilgers, currently a member of the supervisory board of Dutch central counterparty EuroCCP, as managing director of its cash market business as of 1 September.

The German exchange's cash market segment comprises, among others, the Xetra market, the Frankfurt Stock Exchange, the primary market business and the Deutsche Boerse Venture Network.

Hilgers has almost 30 years of capital market experience, having started his career in the early 1990s as a trader in the derivatives market.

In 2003, he took over the management of the European trading business at Van der Moolen in Amsterdam.

In 2005, Hilgers became commercial director for Fortis Clearing Asia Pacific in Sydney.

Two years later he joined Amsterdam-based Market Maker Optiver as director of market structure Asia Pacific, where he was promoted to CEO Asia Pacific in 2010. He was CEO of Optiver from 2014 to 2017 before moving to his current position at EuroCCP.

Of his impending new role, Hilgers says: "I am really looking forward to my new role at Deutsche Boerse, which I have known for years from a customer perspective. The cash market is a versatile business area with a significance and appeal far beyond the trading business."

He will be reporting to Thomas Book, executive board member of Deutsche Boerse Group.

Book is also due to see his remit expand, as of 1 July, to become responsible for trading and clearing, encompassing all of Deutsche Boerse's trading and clearing platforms, including Eurex and Eurex Clearing.

"The cash market is the nucleus of Deutsche Boerse and of special importance for the financial centre and the German economy," Book explains. "We want to further expand the strength in our home market and position ourselves even better internationally.

"With Paul Hilgers, we succeeded in hiring an internationally experienced manager as head of our cash market, who is completely aware of our customers' needs and has a deep understanding of the European market structure."

"By bundling all asset classes, our customers will also benefit from further synergies on our trading and clearing platforms. Together, we will focus even more on finding innovative answers to the structural changes in the markets," Book continues.

Shone resurfaces with ISLA to push digital agenda

The International Securities Lending Association has brought on State Street's former architect of its Securities Financing Transactions Regulation (SFTR) solution to support its new digital working group as a contract consultant.

David Shone, operating through his new consultancy firm DASHMAX, will work with ISLA to assist its aims of encouraging digitalisation in the securities finance market, which includes the Common Domain Model and other objectives outlined in its Agenda for Change.

Based in London, Shone has joined the association for a four-month contract with the door open to extending as needed.

Prior to forming his consultancy, Shone served for six years at State Street where he most recently led the development of its SFTR solution, before revealing plans to step away from the project in April once it was complete.

He also brings experience from a four-year stint at UBS where he contributed to its derivatives business.

Meanwhile, ISLA's digital working group launched in April and is initially focused on forming its responses to consultations being run by the European Commission and the Bank of England on how to advance the digitisation of financial markets.

It also aims to use the raising of standards around data and technology inspired by SFTR as the jumping-off point for encouraging greater digitalisation of the securities finance market.

ISLA is currently calling on members to express their interest in contributing to the group.

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As the world's largest equity derivatives clearinghouse, OCC is committed to providing market participants with high quality and efficient clearing, settlement and risk management services. As a Systemically Important Financial Market Utility, we work to enhance our resiliency in order to reduce systemic risk, increase market transparency, and provide capital and collateral efficiencies for the U.S. capital markets.

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