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REPO GOES GREEN

Carsten Hiller of Eurex Repo launches first Green Bond GC Basket

Citi and HSBC lead the charge after QFII reform

Foreign investors can for the first time engage in securities financing transactions in Mainland China, with HSBC and Citi among the first custodians to facilitate trades for clients since the rules changed on 1 November.

The Qualified Foreign Institutional Investors (QFII) scheme, which governs investors abilities to interact with China's financial markets, launched in 2002 and has seen several key amendments in the past year to make it quicker and easier for global investors to apply for and gain QFII status.

The latest reforms that came into effect at the start of the month, are by far the most comprehensive and radically expand the breadth of trading activities foreign investors can conduct, including allowing securities financing and short selling transactions.

Other key changes include the merging of the QFII scheme with the RMB Qualified Foreign Institutional Investor, which launched in 2011, to streamline and simplify the system,.

In addition, the review period by the China Securities Regulatory Commission being slashed from 20 days to 10.

Other changes include the removal of the asset under management threshold for qualification.

Since the rule changes, a flurry of transactions have been executed.

Citi was among the first custodian banks in China to facilitate securities lending transactions under the newly-refined QFII scheme.

The bank's Direct Custody & Clearing (DCC) business completed a series of stock loan trades on the first day that the regime was reformed for a "prominent global client".

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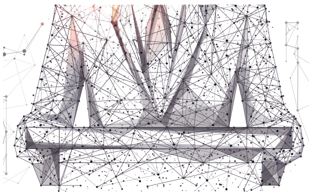

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Change in China: Citi and HSBC lead the charge after QFII reform go live

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Citi is assisting a "wave" of new foreign investors to apply for their QFII qualifications, including more successful applications for qualified hedge funds and private equity funds, according to Ji Yang, Citi's China head of markets and securities services.

This includes a quantitative hedge fund, which Yang notes is the first-of-its-kind under the QFII scheme and represents "another testimony of further China opening-up".

"With this new QFII regulation, we expect that global brokers and hedge funds can finally play an active role in China's A-share margin trading and securities financing, while private equity funds can enjoy a low-cost channel to invest in onshore companies with flexible repatriation, and asset owners and asset managers can lend out their securities for higher portfolio yield," he states.

Elsewhere, HSBC also facilitated two securities lending transactions on behalf of China Asset Management in Hong Kong and China AMC in mainland China, which were completed on the Shanghai and Shenzhen stock exchanges.

Brian Godins, HSBC's head of securities services, Asia Pacific, says: "The new QFII/RQFII rules mark a new milestone, as China seeks higher-level opening-up of its domestic capital market to foreign investors."

"Securities lending would help global investors realise flexible strategy deployment as they tap deeper into China's capital market," he adds.

AllianzGI to exit securities lending

Allianz Global Investors (GI) is shutting its fixed-income securities lending business less than a year after deciding to go-it-alone with its own in-house programme.

The German investment management and insurance firm will close its securities lending desk in London by the end of 2020, having only started to build it out in late last year.

An AllianzGI spokesperson tells SLT that the decision was made in order to focus its attention on "where we believe we can add the most value for our clients".

The spokesperson was unable to comment on the future movements of AllianzGI's four-strong securities lending team led by Rory O'Connor.

In November 2019, the firm informed clients it would seek to commence securities lending in relation to fixed income securities held in the company's sub-funds "within the next six months", with plans to expand into equity lending down the road.

Previously, AllianzGI said it ran a "modest" securities lending programme via an agent lender.

The move to now wind-down the business comes as part of a "comprehensive strategy review" aimed at allowing AllianzGI to "anticipate clients' future needs while building on core strengths".

As part of the global review, all existing business lines and products were put on notice but, currently, the only business to be axed entirely in the UK is the securities lending desk.

The review is on-going and streamlining and tweaks to other business lines and products are expected but further details are currently unavailable.

Actions already taken this year by AllianzGI

include the creation of an "integrated, global set-up for fixed income" and a "strategic partnership" with Virtus Investment Partners to address the US retail market more effectively.

Elsewhere, the firm says it continues to build out its private markets capabilities, including infrastructure debt and equity, private debt and private equity.

Other changes at AllianzGI include key changes at the top with Andreas Utermann set to be replaced as CEO by Tobias Pross, currently global head of distribution, as part of a succession plan as of 1 January 2020. Meanwhile, global head of alternatives Deborah Zurkow is also primed to take over global head of investments.

Wirecard: German regulators failed to heed red flags raised by short sellers and media

German financial market regulators were "negligent" in acknowledging and reacting to accusations of Wirecard's illegal activities by the media and short sellers in the years leading up to the former-Dax 30 member's demise, according to an investigation by the EU's markets watchdog.

An inquiry was instigated by the European Commission following Wirecard's collapse in June and spearheaded by the European Securities and Markets Authority (ESMA) to assess the roles of BaFin and the Financial Reporting Enforcement Panel's (FREP) in allowing rampant corruption and fraud to take place in Germany and worldwide.

The results of the fast-tracked peer review into these events identify "a number of deficiencies, inefficiencies and legal and procedural impediments" related to BaFin's oversight of the payment processing giant over several years.

Highlights from the investigation include the revelation that some members of BaFin's Market Abuse Regulation team traded in Wirecard shares and derivatives between 2018 and the first half of 2020.

The German regulator argues that this related to "only a very small proportion of staff with insider trading information" and that it had mechanisms in place to ensure there were no conflicts of interest.

BaFin and FREP were also found to have failed to respond to years of repeated warnings by short sellers and the media that Wirecard was not as it seemed.

ESMA notes that as far back as 2005 Wirecard has been dogged by accusations of various types of money laundering, fraud and a lack of transparency in its business model.

In its review, the authority further concludes that FREP "did not pick up signals" from these reports as an impetus to examine Wirecard between 2016 and 2018, "despite specific risks on Wirecard reporting which were left unaddressed".

ESMA adds that FREP should have been "more thorough in examining whistleblowers and media allegations".

Although in a different position compared to FREP in the German two-tier system, BaFin also did not request that FREP examine Wirecard reporting during that period.

When Wirecard was examined in mid-2018, the German market overseers failed to to investigate some of the concerns flagged by the media regarding inconsistencies in the firm's financial reporting.

This was in part due to a breakdown in communication between the two bodies and a lack of clarity on where their respective remits began and ended.

Of the report, ESMA chair Steven Maijoor says: "The Wirecard case has once again highlighted that high-quality financial reporting is essential for maintaining investor trust in capital markets, and the need to have consistent and effective enforcement of that reporting across the EU."

The review focused solely on the sphere of financial reporting and excluded an inquiry into the role BaFin and ESMA played in instigating a two-month short selling ban on Wirecard shares from February 2019 to protect Wirecard from what was described at the time as a as a conspiracy between the media and hedge funds to bring down the firm shortly after it was admitted into Germany's most prestigious index.

The ban has been widely criticised for representing a misuse of the Short Selling Regulation which is meant to help stabilise markets during extreme volatility, not protect individual firms accused of wrongdoing.

In the past, the European Commission did not rule out further inquiries into what now appears to be two regulators barring market participants from expressing legitimate scepticism of a firm's fundamentals.

Following the publication of the report, the commission says: "We must recall that under EU legislation, the role of national competent authorities in overseeing the activities of market players and business companies is very clear.

"It is for the national competent authority to carry out the daily supervision of listed companies," the commission adds.

"We will carefully assess the implications of the Wirecard case for the regulation and supervision of EU capital markets, and act to improve the EU's regulatory framework where necessary."

MarketAxess reports first returns from SFTR solution

MarketAxess earned just over $1 million from its Securities Financing Transactions Regulation (SFTR) reporting services and new data sales in Q3, which contributed to an overall year-on-year (YoY) uptick of 25 percent in quarterly revenue.

Revenue from the SFTR service — which launched in partnership with EquiLend in July for phase one and two firms — is collated as part of MarketAxess' information service and post trade services earnings, totalling $13.4 million for the quarter; a 14 percent increase on Q3 2019.

Of this total, the SFTR solution and new data sales contributed $1.1 million.

The service provider shows in its latest report that this figure also benefitted from the favourable impact of the weaker US dollar worth $600,000, which also contributed to the increase.

Post trade services alone brought in $4.69 million in Q3 up from $3.78 million in the same period in 2019, while January to 30 September revenue increased by just over $1 million to reach $12.9 million this year.

MarketAxess' total revenues for the third quarter increased by a quarter hitting $164 million, up from $131.6 million seen in Q3 2019.

Revenue for Q2 also increased 47 percent to $184.8 million, compared to $125.5 million in Q2 2019.

Meanwhile, operating income for Q3 was $87.8 million, up 33 percent YoY, while net income increased 26 percent YoY to $67.8 million.

Euronext Q3 results reveal VP Securities drives post trade revenue

Euronext, the pan-European market infrastructure, achieved a 45 percent year-on-year uptick in its post-trade


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revenue, worth €44.6 million, driven by the consolidation of VP Securities, the Danish central securities depository, which contributed €10 million revenue, and higher clearing revenue.

Clearing revenue alone contributed €14.9 million, up from €13.3 million in the comparable period in 2019. Meanwhile, trading revenue increased 7.3 percent to €75.9 million with €6.3 million contributed by Nord Pool power trading offsetting lower cash and derivatives trading volumes.

Q3 saw Euronext consolidated revenue increase to €204.8 million, up by 12.7 percent, primarily resulting from the consolidation of Nord Pool and VP Securities.

The two acquisitions also led to non-volume related revenue accounting for 54 percent of total group revenue in Q3, increasing from 52 percent of total group revenue in Q3 2019.

Meanwhile, €3.5 million of exceptional costs were booked for the quarter, primarily in relation with the contemplated acquisition of the Borsa Italiana Group and restructuring costs.

Euronext predicts that Q4 revenue will be impacted by “exceptional costs” related to the contemplated acquisition of the Borsa Italiana Group and by provisions related to the integration of VP Securities.

Euronext confirmed its plans to acquire Borsa Italiana from the London Stock Exchange Group (LSEG) for just over €4.3 billion as part of its long-term strategy of becoming a pan-European market infrastructure powerhouse.

Stéphane Boujnah, CEO and chairman of the managing board of Euronext, says that business diversification initiatives in Q3 “continued to bolster growth, with the first impact of the consolidation of VP Securities, while the core business showed its resilience and translated into a double-digit growth of revenue at €204.8 million”.

Eurex Repo introduces new Green Bond GC Basket

Eurex Repo has added a new basket of green bonds for use as general collateral (GC), as of 2 November.

The basket encompasses euro-denominated debt securities that are issued in line with guidelines for sustainable bonds, including renewable energies, sustainable waste management, the preservation of biodiversity and sustainable land utilisation, as well as social bonds.

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ISLA to combine ESG initiatives after ICSF closure

The International Securities Lending Association is winding-down the Council for Sustainable Finance and absorbing its members and projects into its working groups.

Council chair Radek Stech, a senior lecturer at the University of Exeter's law school, has launched an independent entity, Global PSSL, which has a similar vision to ICSF for pursuing ESG adoption and standardisation but on a global scale.

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Credit Suisse on-boards to Torstone platform

Credit Suisse Securities (Canada) has gone live with the software-as-a-service platform from Torstone Technology, a provider of post-trade securities and derivatives processing.

The Toronto-based arm of the Swiss investment bank has a dedicated securities finance system that will now feed into Torstone platform, which captures all trades, including loans and borrows.

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Firms remain "in the dark" on SFTR, says Cappitech

A lack of expertise around the Securities Financing Transactions Regulation (SFTR) is among the industry's biggest challenges, according to Cappitech's latest global regulatory reporting survey.

Cappitech says that "many remain in the dark about how to interpret the new rules or are concerned about the practicalities and quality of the data that they will be asked to provide".

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DB predicts earnings from Reporting Hub sale

Deutsche Boerse is expecting net revenue in the range of "low to medium double-digit million euro" from the sale of its Regulatory Reporting Hub to MarketAxess later this year.

The sale is set to be completed this quarter, with the German exchange group marking earnings against 2020 and 2021.

Boerse's net revenue for Q3 was €707.5 million, down from €733.8 million in Q3 2019.

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Transcend secures $10m funding for EU growth

Transcend Street has raised $10 million in a Series A financing round led by Nyca Partners, a fintech venture capital firm, which will facilitate the US firm's growth in Europe, as well as new product offerings.

The funds allow Transcend to capitalise on its recent growth in clients, headcount and product offerings, as well as further pursuing its ambition to become a key service provider to the buy-side community.

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Securities Finance Technology Symposium goes digital

*Drew Nicol
Maddie Saghir
Natalie Turner
report*

Securities Finance Times' Technology Symposium, the market's first full-day digital event, saw industry leaders assemble (virtually) to discuss the latest innovations in liquidity management, blockchain, collateral and regulatory compliance

SFTR: building bridges or walls?

The story of the Securities Financing Transactions Regulation (SFTR) is one of technological innovation coming to the fore like never before. SFTR was a hot topic throughout the day and was zeroed in on by the morning's panellists who revisited the long journey leading the creation of the various technology solutions we have today, as well as looking at reporting challenges from a trade repository's (TRs) perspective.

The first of two SFTR-focused panels — the TR review — was hosted by representatives from international TRs who explained how they cleared the hurdles presented by the first three phases of SFTR and what the future may hold. A new market feature expected to emerge next year was the likelihood of regulatory divergence between the UK and the EU after Brexit, which was highlighted by Nick Larrieu, DTCC's head of sales for Europe, the Middle East and Africa.

The final and fourth phase of SFTR, which is set for 11 January, will see non-financial counterparties (NFCs) begin reporting SFTs in the EU, while the UK national regulator has scrapped the equivalent requirement as it falls outside the Brexit transition period that ends on 31 December. This, panellists noted, marks the first of several predicted areas of divergence.

Fellow speaker Catherine Talks, product manager at UnaVista, the TR owned by the London Stock Exchange, agreed with Larrieu that TR reconciliation won't occur between UK reported trades in the EU27 as they will come from separate regulations. However, Larrieu explained that "there will be similarities when it comes to updates for SFTR next year where both regulators will take a practical alignment in terms of rules in XML schema changes".

The second SFTR panel — the tech success story — focused on the question of whether the securities finance industry should have collaborated on a standardised solution to SFTR. Sarah Nicholson, partner at securities finance consultancy Consolo and panel moderator, queried if, in hindsight, market participants would have been better served by a single reporting solution, as opposed to the patchwork quilt of service provider platforms that now exist.

Panellist David Lewis, senior director, securities finance, at FIS Astec Analytics, suggested that in a perfect world, a standardised solution would be "ideal" but that in reality it "wasn't practical". The prospect of an industry reorganising its entire process was simply too many hurdles for firms to cross in order to come to a single way of doing things, Lewis concluded.

The panellists noted SFTR had stimulated a greater level of collaboration in the market but concluded that a single solution would have eliminated the "healthy competition" that often drives innovation. Joanne Salkeld, SFTR product manager at MarketAxess, suggested that multiple solution providers are necessary to protect end users against the scenario of the sole provider leaving the market for any of a number of reasons, including default. The example of CME's recent departure from the reporting space was offered to reinforce the point.

Elsewhere, Cappitech's recent regulatory reporting market survey was also raised to highlight that to the fact that although SFTR was close to being fully implemented, it will remain a live issue for some time to come.

Lewis noted that although collaboration had achieved great outcomes in the industry, it wasn't all "plain sailing" and the survey's results revealed that a significant portion of respondents believe SFTR will remain a major challenge in 2021. This was due to a combination of factors including a lack of funding to invest in compliance-related technology beyond the bare minimum and also a lack of internal expertise that bridged the gap between both technology and regulation.

As a result, service providers may need to extend a hand to one another to reinforce each others' strengths and weaknesses and create a complete offering, such as in the case of EquiLend-MarketAxess.

CSDR: Witchcraft, disorientating, too much rum?

The 'CSDR: the zombie regulation' panel began with panellists gamely trying to settle on the appropriate metaphor to describe the Central Securities Depositories Regulation (CSDR), which is arguably going to leave a bigger impression on financial market processes than SFTR

> *"Although collaboration has achieved great outcomes in the industry, it wasn't all plain sailing and as the Cappitech survey shows, a significant portion of respondents consider SFTR to remain a major challenge into 2021"*
>
> *David Lewis*
> *Senior director, FIS Astec Analytics*

— if it's settlement discipline regime ever comes into effect, that is. Whether it's best characterised as a cocktail with too much rum, a reincarnated, aimless corpse seeking your brain or, alternatively, a lost driver who refuses to ask for directions, we may never know. What the range of colourful metaphors did clearly represent was the diversity of opinions that CSDR has brought out from different corners of the market.

Before the nightmarish vision of hordes of the undead brandishing poorly-constructed alcoholic beverages at waylaid travellers could be dwelt upon too much, the panellists turned their attention away from questions of whether CSDR was fit-for-purpose and focused on what technology could do to help.

Pirum Systems' Robert Frost, global head of product development, offered a positive take, stating he was pleased to see firms use the regulatory-mandated nudge to examine where their transaction fails were coming from and ask why, and then seek solutions.

Karan Kapoor, Delta Capita's head of regulations and technology, concurred and noted that firms appear to be using the newly-confirmed implementation delay to 2022 to review their operational efficiencies and assess where technologies can improve their systems.

Frost added to this by recommending that audience members engage with industry working groups in order to stay abreast of any changes to the regulation that may appear in the next year and also advised against complacency as "a year may seem like a lot of time but there will potentially be a lot to do".

Moderator Matthew Johnson, ITP product management and industry relations at DTCC, asked panellists how much they thought firms were turning to new technology as the path to avoiding CSDR's mandatory buy-ins and cash penalties.

Kapoor stated that from his vantage point at a major consultancyand service provider, clients were currently focused on meeting the minimum requirements of the regulation, meaning a technology solution for tracking penalty accumulations and buy-ins. But, when it came to more sophisticated solutions,clients were often excited by the prospect of what some of the solutions can do to boost settlement efficiency, but, those conversations were "on-going", he added.

Adrian Dale, head of regulation and market practice at the International Securities Lending Association (ISLA) and amateur mixologist, explained that the discussions from the trade body's working groups had highlighted that a focus on increasing pre-matching rates (currently below 50 percent) was a key part of how to raise overall settlement rates, which are currently around 90 percent for the market as a whole.

Dale added that, similar to SFTR, manual processes and a lack of standardisation were the main barriers standing in the way of higher pre-matching rates.

The need to embrace technology to solve these issues was a central theme and panellists noted that, unlike other regulations of the moment, the innovations needed for CSDR have already existed for a while.

"It's not so much about whether technology is the answer," stated Dale, "it's about adoption".

Kapoor proposed that 2021 might be a good year to go window shopping and see what vendor solutions are out there to improve settlement efficiency.

You can't escape being impacted by CSDR, he argued, but you can control how negatively affected you are by getting your house in order ahead of go-live.

To conclude, an audience member questioned panellists on how high they felt settlement rates would have to go above the current 90 percent to make them view CSDR as a success.

ISLA's Dale suggested that moving up to 95 percent or, as high as 98 percent, was "within our grasp" using the technology we avaliable today but that 100 percent would be near impossible due to the complexity of the average transaction lifecycle.

The recipe for success in settlement rate perfection, it seems, is still up for debate.

Collateral optimisation: a ways to go

It will come as a surprise to few to hear that proficiency in collateral management is considered an increasingly important feature of a securities finance transaction's lifecycle.

To this point, it was highlighted by panellists that the rise of automation and overall sophistication of the process for over-the-counter (OTC) and exchange-traded derivatives (ETD) trades means service providers have their work cut out for them if they want to remain competitive in this fast-evolving arena.

Moreover, the combination of tightening margins, which played a significant role in the less-than-stellar revenue results seen this year, and the regulatory pressures from the Uncleared Margin Rules, and CSDR, are conspiring to apply acute pressure on all market participants to review their collateral processes.

Optimisation was another watchword of the day, and moderator Bill Foley, managing director of SecFin Hub, highlighting that collateral is becoming more complex to manage effectively. Foley described how collateral optimisation as an "ongoing process", and asked the panel for their views on where that process begins and ends.

Ted Allen, director of business development, securities finance and collateral management for FIS, noted that one interesting trend is how participants are not just looking at the assets they've already got but also the ones they could potentially gain access to.

"Considering how to automate the collateral transformation process within an optimisation strategy and how to

"Considering how to automate the collateral transformation process within an optimisation strategy and how to internalise it is an interesting trend I've not seen before"

Ted Allen
Director of business development, securities finance and collateral management, FIS

> *"We [as an industry] have to admit the total cost of ownership of platforms is not cheap. If you are looking at hosting a number of platforms due to historic purchasing then your total cost of ownership needs to come down"*
>
> *Neil Fowler*
> *Securities lending, product management, Calypso*

internalise it is an interesting trend I've not seen before," he said.

The conversation shifted from a focus on what is required of participants to how to get there. This inevitably turned to a debate on budgets and costs, and whether the sophistication of the market and increasing regulatory demands were putting off potential new market participants.

Grant Davies, EquiLend's head of sales for Europe, the Middle East and Africa, suggested there are "a lot of barriers to enter the market" from a cost efficiency point of view.

"We talk about efficiently optimising assets but optimisation, whether it be pre-trade and knowing what aset you've got and how you are going to employ it, and then post trade for the lifecycle of the transaction, is a complex market and we have to break it down," Davies told audience members.

Davies continued: "Rather than layer it we need to figure out how we can connect technology solutions. This is certainly a focus at EquiLend."

Neil Fowler, securities lending, product management at Calypso, stated: "We [as an industry] have to admit the total cost of ownership of platforms is not cheap. If you are looking at hosting a number of platforms due to historic purchasing then your total cost of ownership needs to come down.

"We need to look at the total cost of ownership. With SFTR there are lots of other things to take into consideration. As regulation increases we can only expect it to become more difficult for us to own platforms going forward. You need to take these factors into serious consideration before moving forward. It needs to come at a cost that is worth paying for."

But, Jerome Cardon, securities finance and collateral management, at Broadridge Financial Solutions, contradicted this. While he agreed the total cost of ownership is high, Cardon suggested the emphasis is more directed around having legal ownership and being regulatory compliant.

"There are lots of business solutions and software vendors dropping solutions exactly for the purpose of making it cheaper for people who want to have a smaller set of abilities that are cheaper to execute," he argued.

"For me, I think we are coming out of a long period where we were just keeping up with regulation. We are now into an innovation period. I am seeing a lot of innovation allowing much smaller participants to access that market," Cardon added.

Liquidity: quality and quantity

Market liquidity was another hot topic at the event with panellists stressing its essential part in a functioning securities finance market. All speakers agreed that liquidity is a question of efficient use of assets as much as the raw total of inventory available to lend.

Panel moderator Gabriele Frediani, independent advisor at ZBO International, explained there are many drivers pushing overall liquidity and the movement and use of collateral upwards.

Kicking off this conversation, CEO of HQLA^X Guido Stroemer said that his firm's tagline is 'to accelerate collateral capability', but added that what the blockchain-powered platform actually does is "improve the utility of assets without actually moving them" as a way of sidestepping some of the barriers to accessing liquidity in the traditional market.

"We are also working with our clients to expand the type of assets that can be used, we are looking to expand asset classes into money fund units," Stroemer explained. "We are also providing our clients with the capability to transact at very specific lengths of time. Lastly, we are also expanding the time horizon for which ownership can take place. Liquidity is important but it is also important to judge the type of liquidity, and judge volume and provide the market with different ways to raise liquidity."

The moderator then queried the panel on whether it is fair to compare how you manage equities and fixed income.

Mike Norwood, global product owner, trading, at EquiLend, suggested that comparisons can be drawn in terms of loan balances and inventory in the fixed income space and can be seen on par.

"Trades being made off platform, things being approved over email or a phone call can cause inefficiencies," he added. "When you look at the regulatory impact, all of the manual entry processing those traders create can cause an opportunity for a break. If it is executed via an electronic trading platform then for everything else it is additional cost and noise that reduces efficiency of trade."

David Raccat, CEO and founder of Wematch.Securities Financing, added that from the point of view of a trading platform provider today, "the really interesting part is the journey from onboarding to adoption and then the ultimate goal is to go into addiction".

"Addressing risks one by one and going into a digital solution is important and then you get the onboarding done. This has been done now with most of the players in the industry," he continued.

"Adoption is the second pillar; trying to sit down with the users and understand their workflow and trying to identify where the trader is losing a lot of time is a step that must be taken."

"Once you have completed adoption then the fun part begins. Get a trader who can turn the heat up into addiction to make sure it is completely embedded in their day-to-day workflow and activity. The whole liquidity issue is obviously inherent in everything we do."

We are coming out of a long period where we were just keeping up with regulation. We are now into an innovation period. I am seeing a lot of innovation allowing much smaller participants to access that market

Jerome Cardon

Securities finance and collateral management, Broadridge Financial Solutions

Blockchain: a team sport

The day's compere was former ISLA CEO Kevin McNulty who mused that when he left the industry some four years ago blockchain technology was merely a twinkle in the eye of those market participants that could claim to understand it at all.

Fast forward to 2020 and conversations have evolved from hazy, sci-fi-esque perceptions of assets beaming instantaneously between counterparts, paired with the 'blockchain 101' format presentations, to a panel boasting multiple digital solutions that are either live or soon will be.

Matthew Phillips, COO and head of delivery at Trading Apps, crystalised this notion by stating that it is now clear there are two main use cases for blockchain in securities finance: title transfer, and providing a shared database that can serve as a golden source.

Referencing the example of HQLA^{X} given earlier in the day, Phillips noted that the concept of a physical security being tokenised in order to allow title transfer to occur on a blockchain platform can bring major benefits to liquidity, avoids physical settlement and reduces intra-day exposures.

To the latter point, Phillips stated that one of most important utilities of distributed ledger technology (DLT) is what it says on the tin, i.e. offering an immutable database that can only be as accessible or private as needed and can only be updated by consensus.

Phillips went on to wryly describe how at its simplest, the market today represents two counterparties agreeing a loan, creating individual representations of the terms "and then spending their lives trying to keep those to records in sync across the two silos".

"It's not like a stock loan contract sits in a draw and is renewed once a year. It can literally be changed every single day," he stated, also referencing the need for back-dated changes and other administrative burdens.

Earlier, moderator Darren Crowther, general manager of securities finance and collateral management at Broadridge, began the session by noting that blockchain is best described as a team sport. "When there are two people involved that's great, when there are many people involved that's when it gets its real network value," he stated.

This, he added, is why market institutions such as Options Clearing Corporation (OCC), the Tel Aviv Stock Exchange, and other exchanges, are leading the charge in this arena as they can bring that "network effect". The second foundational point was that despite the hype of revolutionising the market as we know it, blockchain does not require a "big bang moment" and can instead be adopted in a piecemeal fashion, as needed.

All speakers reinforced the notion that DLT can be adopted "in slices" and also over a staggered timeline. All four offered examples of why it's important not to let perfection stand in the way of progress, meaning you don't need to wait for a major technology overhaul opportunity to propose pivoting to it. Instead, you can simply see a specific problem and apply DLT to it, and then build out from there.

Representing OCC, Matt Wolfe, vice president, securities finance, reinforced this point by noting that a hurdle he observed in gaining buy-in for the clearing house's securities lending blockchain platform was dispelling the myth that everyone must engage in the network natively. "You can choose to take a node or you can continue to receive the same messaging that you do today," he said.

"We did a proof of concept (PoC) and then shopped it around and got positive feedback," Wolfe explained.

Just over half of clients shown the PoC said they were "extremely likely" to interact with the solution natively, with another 35 percent saying "very likely".

Crucially, he said, it was able to meet all of the "non-functional criteria" the OCC needed as a systemically important financial institution. Axoni, who is spearheading the project, is about halfway through development and it is expected to be ready by July 2021. It will go live along with OCC's entire technology refresh in 2022.

Duncan Johnston-Watt, co-founder and CEO of Blockchain Technology Partners, which is assisting the Israeli exchange with its recently-launched securities lending blockchain platform, described the similar journey that took place in Tel Aviv.

There are alternate paths onto the system, he explained, including a conventional method. But, there are “incentives in place to encourage you to host one or more nodes”. One of these sweeteners is that those hosting a node means that access is integrated into your back office, rather than through a conventional application programming interface.

The project is aimed at invigorating securities lending in Israel and Johnston-Watt hinted, this means it could ultimately be opened up beyond the country’s ecosystem so that foreign market participants can join.

When questioned if the completed Tel Aviv platform could be “cookie cutter” copied elsewhere, Johnston-Watt noted that the bulk of the solution is middleware and therefore entirely transposable. Moreover, others, such as Nasdaq have created a digital asset suite that allows businesses to experiment with digital contract tools and create use cases much quicker and easier than was previously possible.

Panellists did acknowledge that DLT was not a panacea to all the market’s ills and widespread adoption will come up against challenges around books and records integration and standardisation of data, not to mention costs of investment, stakeholder education and market buy-in.

Here, however, the International Swaps and Derivatives Association’s common domain model (CDM), which is currently being adapted by ISLA for securities finance transactions, was held up as an escape from some of these pitfalls. Simply, the CDM offers a template for market participants to standardise contracts and data fields in order to enhance trade matching and reconciliation. “It’s a match made in heaven,” exclaimed Phillips.

Building on this idea, Johnston-Watt noted that Digital Asset has already created a set of digital contract templates that can be used by the market and that the CDM would eliminate the need for each participant to interpret those rules. Users can combine the two and ensure continuity across the market.

Before adjourning, an audience member cut to the heart of the matter by posing the question: will DLT save me money or make me money?

Wolfe took up the challenge and stated that in the near term it will save you money. But, “as we shift away from just standardising data and eliminating cost then we can begin to incorporate better processes, transparency, data availability and access to clients and vendors, and then go deeper into tokenisation of assets where you will be able to further optimise your rates and returns and, ultimately, make money”.

As we shift away from just standardising data and eliminating cost then we can incorporate better processes ... go deeper into tokenisation of assets to further optimise rates and returns and, ultimately, make money from DLT

Matt Wolfe
vice president, securities finance, *OCC*

Repo goes green

Drew Nicol reports

Carsten Hiller explains why Eurex Repo has launched a new Green Bond GC Basket and outlines what it is needed to bringing repo market into the modern ESG sphere

Where is the demand for the Green Bond GC Basket coming from?

It’s coming from sell- and buy-side clients. On the sell side, we have bank treasury desks that have an environmental, social and governance (ESG) focus as well as the big issuers of green bonds. Meanwhile, the buy side is already the driver of ESG products within the financial industry. The new green bond general collateral (GC) Basket perfectly fits into our overall buy-side strategy as it offers clients the opportunity to manage their short-term cash, i.e. money market positions, in an ESG and green bond-compliant way.

How was the basket constructed?

We decided to start with one basket for green bonds which includes government as well as non-government bonds.

As a first globally standardised ESG repo product, the Green Bond GC Basket encompasses euro-denominated debt securities that are issued in adherence with guidelines for green bonds. These include sustainable bonds of renewable energies, sustainable waste management, preservation of biodiversity or sustainable land utilisation classified as green bond by the data provider WM Datenservice.

We will build upon this and launch new baskets in the future, incorporating further ESG factors, if demand requires.

ESG is one of the main trends of 2020, do you foresee the demand for ESG-friendly collateral growing further?

The issuance of green bonds and other ESG-bonds is constantly increasing. In October there was a record volume of €77 billion issued in green and sustainable bonds. This is almost the same amount as for the full year in 2016 with a total of €81 billion. Moreover, on the 4 November, the German Finance Agency issued its second green bond, thereby further adding to the pool of available ESG instruments in the EU.

The EU has the ambition to become the world's largest issuer of green bonds. Last month the EU took another step forward in this aim by issuing €17 billion Sure bonds, with a social component, while €225 billion of the Next Generation EU scheme's €750 billion is set to fund green bonds.

As KfW's head of funding Otto Weyhausen-Brinkmann wrote on LinkedIn: "… in terms of ESG, this is a major step forward for the securities financing industry and will form an important part of the overall ESG value chain".

Claus Breternitz, a director on the repo desk at Commerzbank AG, also mentioned: "… this first Green Bond GC Basket shows the repo market is reacting to the increasing number of Green Bond issuances and the growing importance of the ESG segment."

With increasing investor demand, we expect differences in GC trading levels.

As a next step, asset managers and real money accounts which have already adjusted their investment policies in order to be ESG-compliant should consider the Green Bond GC Basket as a new segment to manage their money market activities.

We often hear about ESG in the context of securities lending and short selling, but how much has it penetrated repo markets?

ESG is still a niche and emerging segment in the repo market. With the Green GC Bond Basket, we launched the first standardised repo product and the eligible bonds have been traded already in the Special Repo segment on Eurex Repo.

Where will Eurex Repo go from here in supporting the growth of ESG in repo markets and beyond?

The new GC Green Bond Basket complements our buy-side initiative as a standardised and secured product for funding and financing activities.

We are planning further market consultations in order to customise additional ESG collateral baskets to our clients' needs, with the aim of offering a set of baskets which cover the full ESG spectrum. That means not only Green Bonds but the social and governance factors as well. The challenging part of covering the full range of ESG criteria is the quality of data and the availability of data.

asset managers that have already adjusted their investment policies to be ESG-compliant should consider the Green Bond GC Basket as a new segment to manage their money market activities

Carsten Hiller
Head of sales for Central Europe – fixed income derivatives, funding and financing
Eurex Repo

FIS Astec Analytics unveils Lending Pit 2.0

Drew Nicol reports

After more than 15 years serving traders, FIS Astec Analytics Lending Pit has been rebuilt from the ground up to meet the demands of the modern securities finance industry. David Lewis, explains all

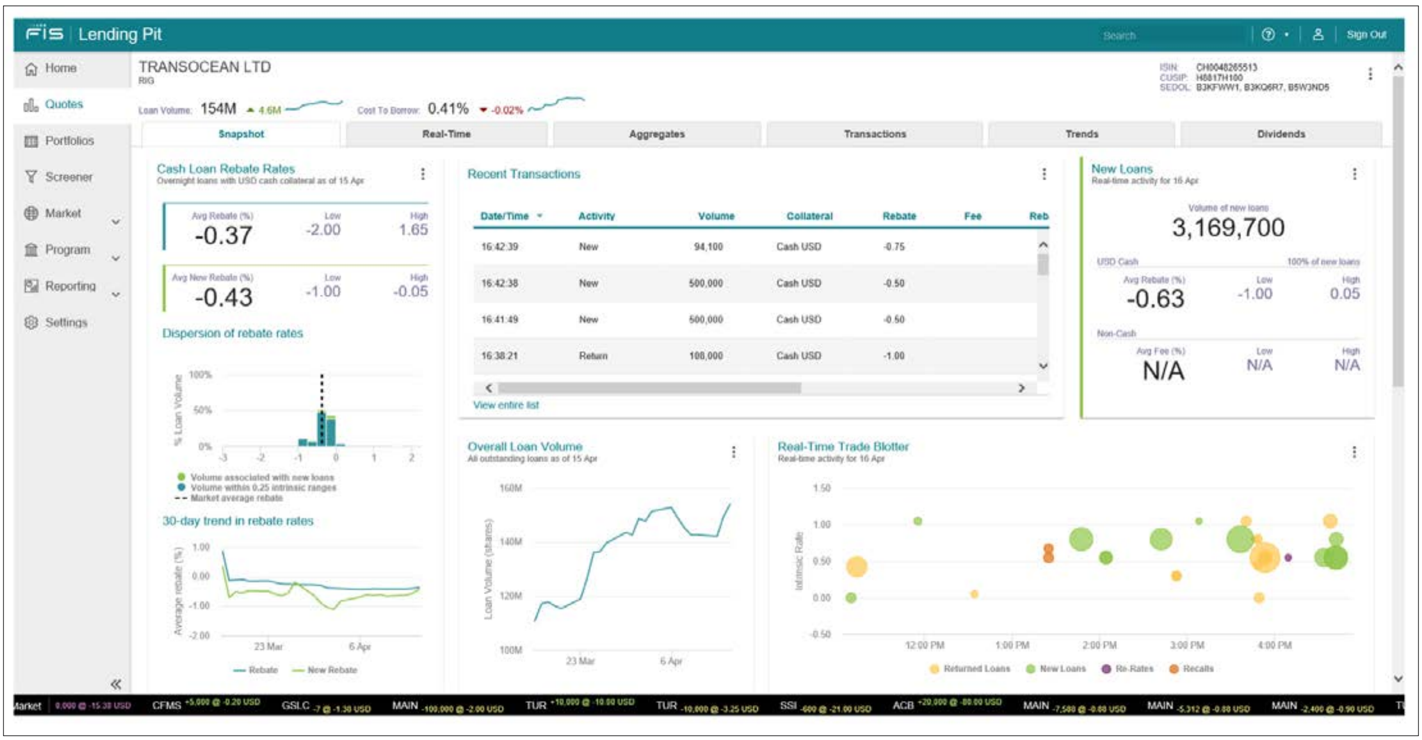
The Lending Pit dashboard has been a faithful companion to traders for many years. What drove the decision to update it?

Yes, that's very true. People certainly like what they know, and I did agonise for some time over how it might be accepted. However, Lending Pit has been around for over 15 years and, although it has undergone many enhancements over that time and reliably delivering around five million data items a week to its users, it was beginning to show its age a little.

With the speed at which technology moves forwards, along with the rising expectations of users, it was the right time to completely rebuild it. Lending Pit 2.0 is not an update as such, it is a brand new piece of software, built from the ground up using the latest technology and techniques to bring the greatest flexibility and speed of operation.

The new dashboard has a fresh colour scheme, but there is much more than that for users. Can you outline what's changed/been added/taken away?

We have included an option for the screens to have a dark background or a light one, so those that really miss the old black and gold scheme are catered for. I suspect that most will opt for the crisp



white background as this works better with the data visualisation work we have done. There are many additional data fields, such as the percentage of rerates going up or down by value, as well as more granularity on the recall and return data, but, even greater effort has been expended on workflow and visualisation. For example, all trade life cycle events have common colours across various screens enabling the user to immediately identify the type of activity going on in our intraday data.

Every year, data becomes a more intrinsic aspect of the securities finance market. What can the Lending Pit do in terms of crunching numbers?

Correct. Data is vital for effective programs, but that data needs to be presented as actionable information. One of the key enhancements we have added is the trade blotter. Intraday data is a key dynamic of the Lending Pit offering, being part of its DNA from day one. The intraday trade blotter gives users an instant visual understanding of what is happening in a given security, showing activity type by colour, value by the size of the bubble and located on the graph by trade timestamp and applicable rate (see figure 1).

I imagine there was a rigorous testing period. What did that teach you about your users' needs?

Indeed, there was a lot. This was a ground-up build in brand new software, so we needed to be sure it was industry-ready. Rigorous testing internally ensured that, but we also had a panel of early adopters. A selection of clients had access to our beta site and gave us great feedback about functions and flow, enabling us to tweak designs as we worked toward launch.

The revamped dashboard is also more closely aligned with FIS' other securities finance services, such as Apex. How did that streamlining operation go and what benefits does the new holistic offering bring?

That's right. We have been working on ever closer connectivity across the Securities Finance Product Suite. This reflects the direction the market is taking, demanding better workflow and more automation. Lending Pit 2.0 is built on an effective and resilient application programming interface platform which allows that same data to be easily incorporated into other systems. For example, we have enhanced both Apex Securities Finance and Apex Collateral to not only include Lending Pit data but to actively involve it in improving workflow and automation to improve program efficiency.

In conclusion, Lending Pit 'classic' as we now call it has served its time. Lending Pit 2.0 is now bringing new levels of functionality and analytics to our global intraday data.

Traders are creatures of habit. What has the reception been like so far to the new look and feel of the Lending Pit?

Yes, and that was a concern, of course. I had nightmares of repeating that terrible launch of the new taste of Coke some years ago. However, the reception has been even better than I had hoped. We hosted some product launch webinars in July which were well attended and started an avalanche of requests to have access. As the new Lending Pit 2.0 had been used in anger by several beta clients we knew we were ready to go but were not quite prepared for the speed of uptake I have to confess. By the end of August, we had transferred more than 800 users and now everyone has access to the new software. We will be turning off the old version at the end of this year, so we are actively transitioning anyone who has yet to move.

How did the roll-out go and what's next?

We took the decision to launch in July because the vast majority of functionality that our clients relied on was complete, along with many of the new functions and features. We have and are continuing to develop the service, however. I have more ideas to add and our clients are coming up with additional requests as we go along. Since July we have added functions in releases every two to four weeks and will continue to add enhancements as well as roll out new versions of our Excel add-in and benchmarking and reporting application.

The winning equation: Scale + experience + technology = SFCM FastStart

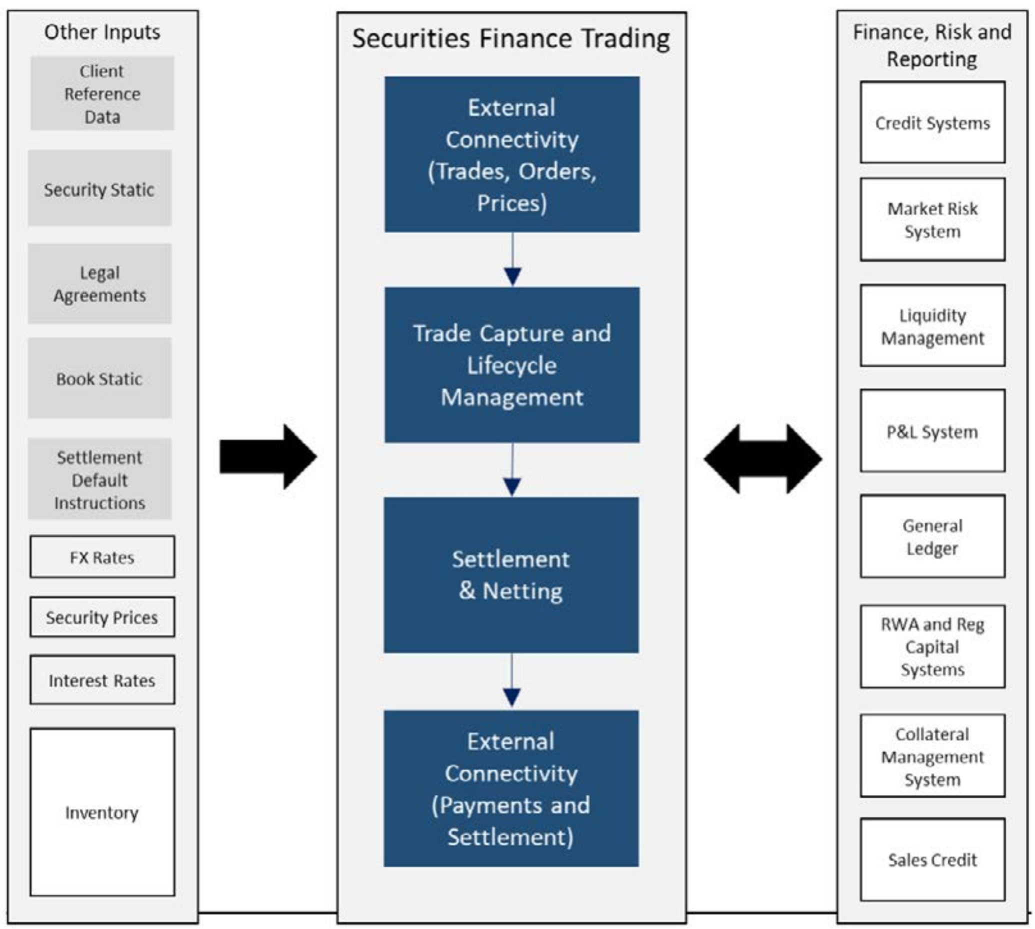
Darren Crowther
General manager
Broadridge Securities Finance and Collateral Management

Broadridge sets out its stall on why SFCM FastStart has something of offer securities finance market participants of all sizes and regardless of the scale or complexity of existing infrastructures

Are my needs complex?

Senior management in most firms understand that a holistic view across all business lines is intrinsically important, not simply for the operation of securities finance, but for the overall optimisation of the balance sheet firm wide. Securities and cash often live in separate silos with their risk profiling existing elsewhere. These silos include treasury, liquidity, fixed income and equities

Figure 1



securities finance, repo desks, prime brokerage, credit trading and collateral management.

The crux of installing an integrated system for securities and cash-based collateralised businesses is, therefore, the sheer number of systems that need integrated. It's a challenge, especially when attempted around a 'sticky' legacy platform core, which is why it's rarely achieved fully.

Fortunately, Broadridge Securities Finance and Collateral Management (SFCM) business has years of experience and our flexible exact transform and load (ETL) application programming interfaces for system integration, meaning that no client's infrastructure is too intimidating, regardless of how complex it might appear. Now with our new FastStart program, we can deliver a clean, SFCM platform 'blank canvas', deployable in just two weeks. It's a core securities finance foundation, to simplify and streamline at a low pricing point.

Now, ask yourself the question again: Are my needs really complex?

It's worth thinking deeply about this because the actual root level of complexity may be due to legacy issues, tech limitations, or a need to strip back and rebuild static data. Reviewing true complexity with a clean SFCM platform may be the way to see the wood for the trees.

Does it need to be complex? Sometimes yes.

Where the answer really is 'maybe' or 'yes', a cost-effective and rapid shift to a more efficient software-as-a-service (SaaS) platform, combined with our consultancy practice knowledge and the ability to apply it to your problem areas is the right solution. We help cut through complexity to its core — the difference between fast and efficient versus slow and painful progress. Which one would you prefer?

Being able to think front-to-back and having a holistic view of capital markets from both a business and technology perspective means the work we are called upon goes far beyond system integration. A better description of much of the work we are called on to do is 'solution design'.

We work with clients to create new infrastructure, new business processes; sometimes completely new businesses, allowing us to attract talent with the skills to continue this practice. SFCM is fully front-to-back in functionality, for buy and sell side alike, and so are our staff. Having completed more than 50 client rollouts we can see the big picture and tame complexity.

As a result, Broadridge has an established global consulting practice which provides a range of expert professionals to serve as designers, project managers, business analysts, project management office developers and testers. In the current climate, this is proving an essential service, with Broadridge providing project augmentation and testing-as-a-Service, bringing our clients the ability to rapidly deliver on their business plans and meet their financial objectives.

Figure 2

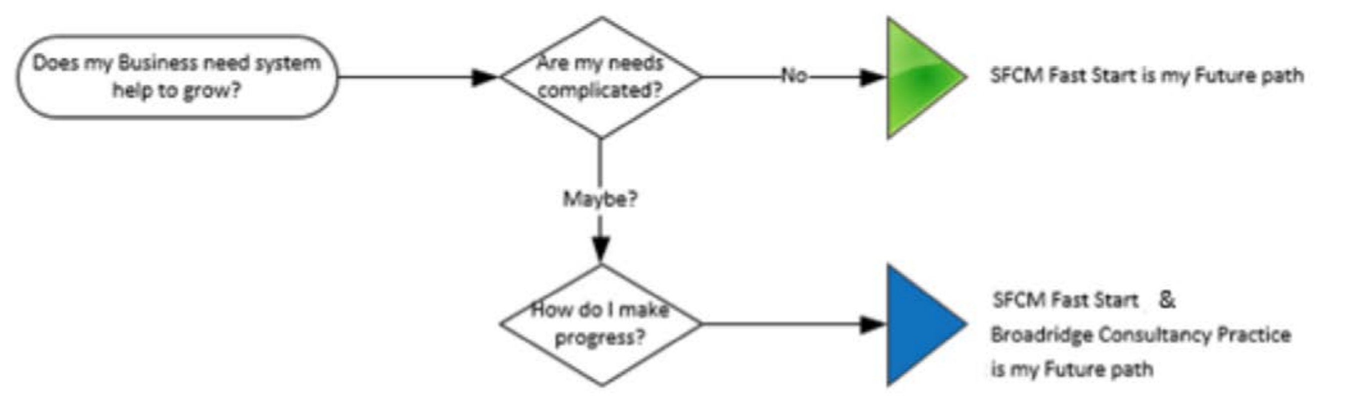
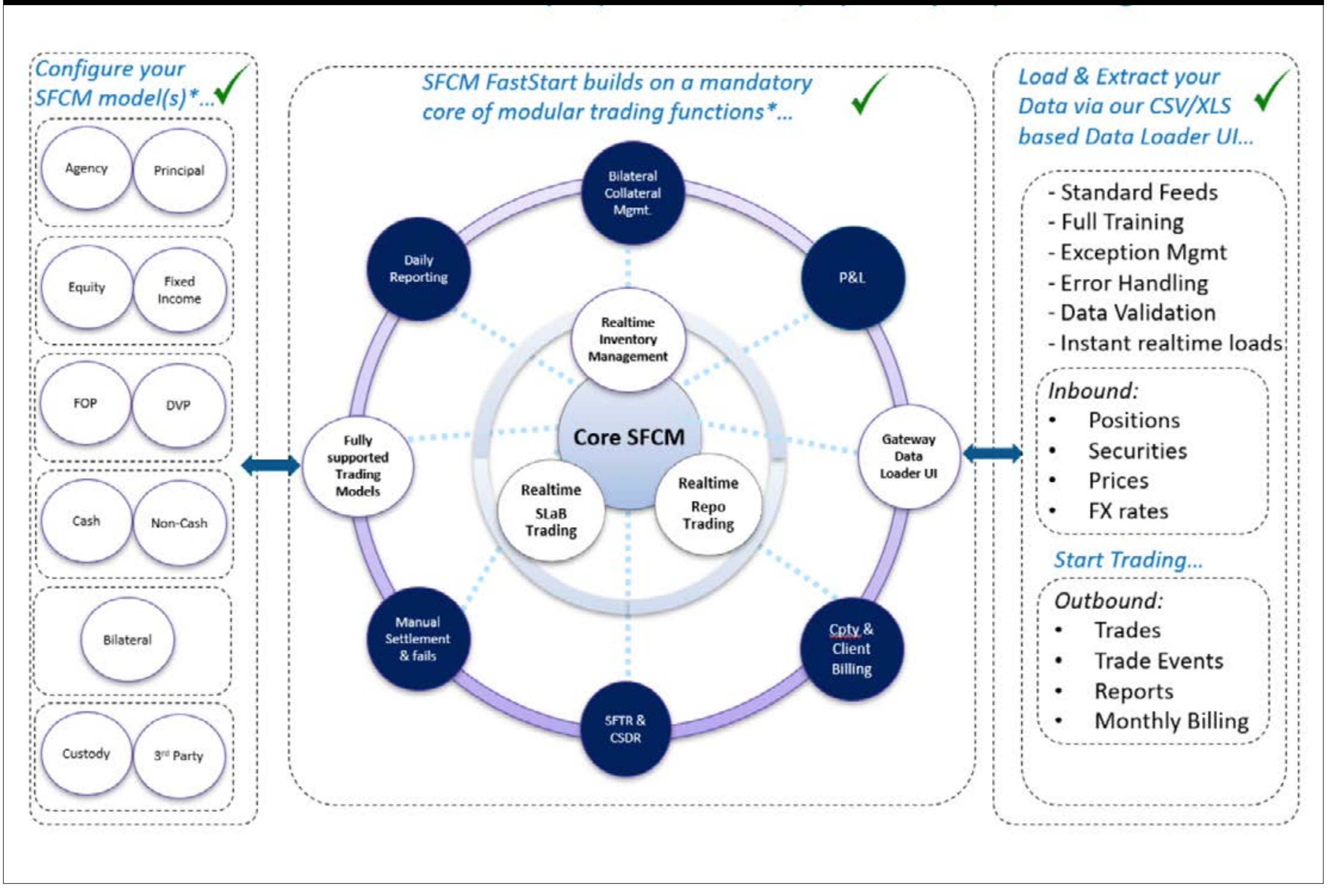


Figure 3: This is SFCM FastStart: a rapid, extensible, Spin-up Operating Model



This consultancy expertise, combined with a FastStart platform creates a clean, cost-effective live evaluation testbed with no legacy baggage. A clean starting point to build a new business or a way for smaller players to access a state-of-the-art platform previously out of reach due to high price point and get the help needed to scale it where and when you want and to your budget and return on investment expectations.

Does it need to be this complex? no.

When the answer is 'no', a cost-effective, rapid shift to an efficient SaaS platform like SFCM FastStart could very well be the solution. This is simplification and streamlining in action.

When you are at the smaller end of the market or starting a new securities finance business line from scratch there is a tendency to assume you may need to compromise on a solution; they're too expensive and costly to spin up. One thing is true. There is a core securities finance competency needed whether you're running a book of 10 trades on one site or a global book of 100,000, or if you're evaluating change in your business model. We're here to tell you that this does not need to be expensive, and it doesn't need to be complex.

Having run a start-up myself, I know how important it is to put in the right system in the right way on the right architecture. Budgets don't allow for costly refactoring of the consequences of bad choices, and levels of integration can be kept low without increasing full-time equivalent headcount.

The point of SFCM FastStart is to provide this core competency, get the foundations right but on a lighter footprint, provide a solid basis of training, then build on it and scale both with additional modules, integration and automation when needs and budgets allow.

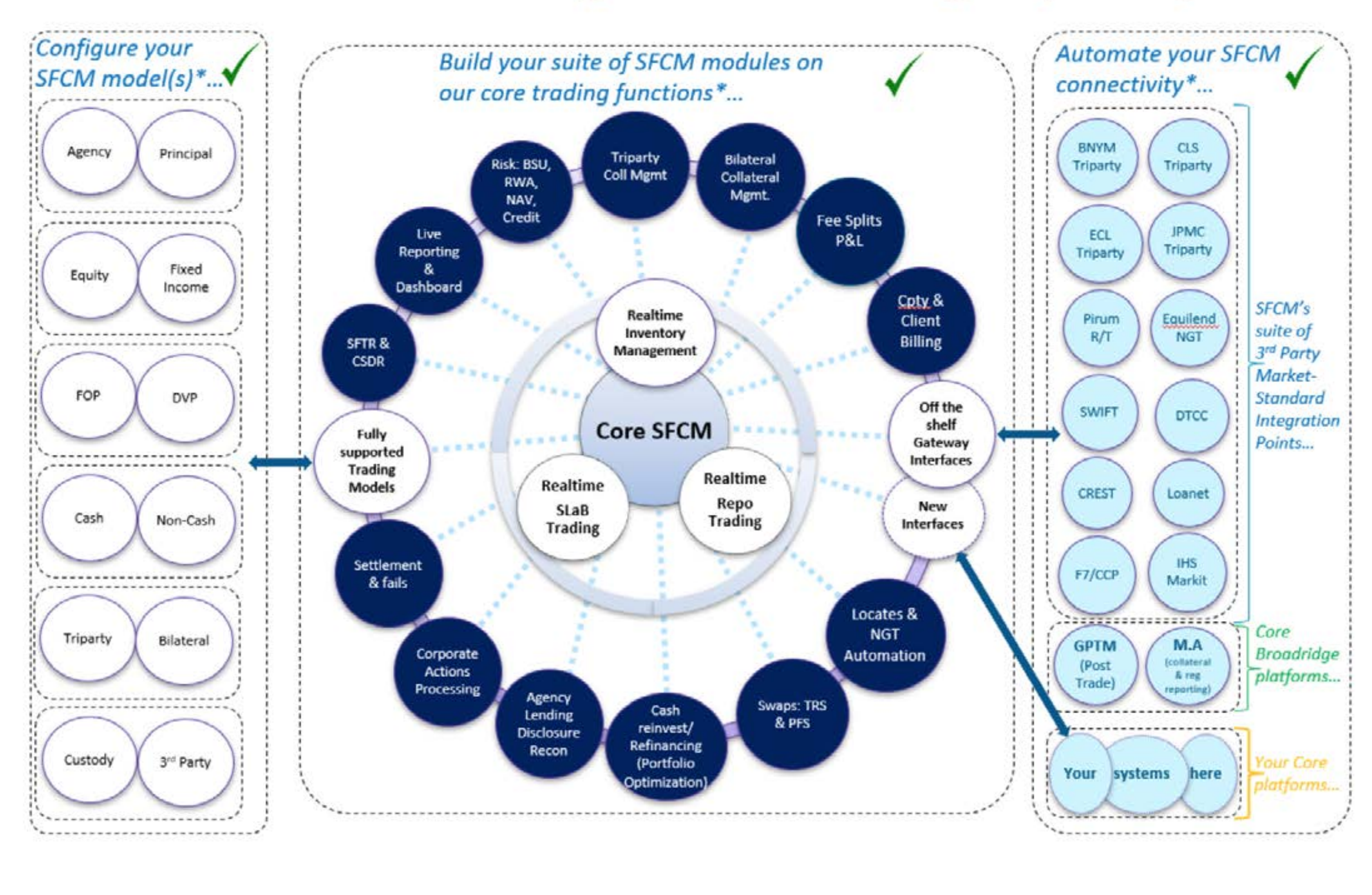
What does SFCM FastStart Provide?

FastStart is exactly what it says on the tin. You can start fast, with a new SFCM platform. Use it to begin your Securities finance business, or to replace macros/excel where they limit growth. Build a new business line with a clean platform or use it to find the effective route to a legacy lift-out.

What are the Fast Start Benefits?

- Price: low entry point, attractive monthly cost
- Terms: accessible month-to-month contract in the initial period
- Speed: FastStart can be spun up in two weeks for up to six users
- Simplicity: UI-based, on-demand ETL and data management toolkit
- Core: trading, inventory and coll management, billing, reporting, profit-and-loss for repo and securities lending
- Infrastructure: 'all in' Broadridge AWS SaaS, DR, BCP, Support and managed service
- Scale: expand to full-service SFCM in four key areas:
  - **Cost** – pay for expansion points only when requirements and budgets allow
  - **Integration** – hook into where you need, for what you need, when you need it
  - **Modular growth** – use only the parts of SFCM you need, when you need them
  - **Knowledge** – Combine FastStart with Broadridge's consultancy practice experts

Figure 4: This is SFCM Full Service: A growth-oriented Target Operating Model



From collateral to covid

Natalie Turner reports

Former-head of COLLINE business solutions at Vermeg, Richard Gomm, is combatting the COVID-19 curve ball through his new venture offering 15-minute test kits and rapid office sterilisation

You have over 20 years of cross-asset class industry experience, tell us about some of the roles you held during this time?

It's fair to say that I started at the very bottom when I was fresh out of college all those years ago. My first role was a contract role within trade confirmation matching for a well-known asset management company. After 12 months, I took the leap and moved to Luxembourg and joined a third-party outsourcing company where I headed up the middle office function. From there I was moved into a front office role where I was responsible for foreign exchange and market maker execution.

Upon returning to the UK, I began working as a freelance consultant and it was from this point where I honed my skillset within the collateral management space becoming an subject matter expert in over-the-counter (OTC), repo, securities lending, clearing and optimisation.

During that time, I was fortunate to work for many industry leading hedge funds, asset managers, tier-one investment banks and more recently as head of Europe, the Middle East and Africa for collateral management and head of UK for business solutions for a fintech company.

COVID-19 has been a real curve ball thrown at the financial industry, whilst some volatility is good the overall sentiment is one of negativity caused by lockdown and failing businesses. What is your view on the Global pandemic?

I think the impact on the financial markets has been well documented. However, the rapid spread of COVID-19 also poses enormous health, economic, environmental and social challenges. This has severely disrupted the broader global economy with unemployment rising on an almost daily basis.

More than 200 countries globally have been impacted and are struggling to slow transmission rates whilst there is still an absence of any clinically approved antiviral or vaccines to treat the virus.

Whether we like it or not, this is likely to be the 'new norm' and therefore it is imperative that the world finds an intelligent and safe solution that enables all of the things mentioned above to return to a sense of normality.

There are untold problems caused by the pandemic but there are also opportunities that arise. Can you tell us about what you are working on at present?

On a personal level, sadly due to COVID-19, I myself was made redundant. However, being made redundant has given me the opportunity to retrain as a fully-qualified phlebotomist and become accredited for COVID-19 diagnostics and testing. This has enabled me to explore other avenues from both a career and industry perspective.

I am currently tasked with devising both a corporate strategy and bringing a COVID-19 secure solution to market. As a company we have been able to secure importation and distribution rights for rapid antigen and antibody testing kits and sterilisation gateways. By combining rapid testing with sterilisation gateways, we can deliver a fail-safe way of ensuring any premises are COVID-19 secure environments and thus returning risk of infection and transmission rates to almost zero.

What sort of accreditation have the solutions you are bringing to the market got?

First of all, I think it is important to stress that our lateral flow tests are independently sourced and therefore do not have a detrimental impact to the NHS with regards to testing capacity and capabilities. Furthermore, the provision, affordability and accessibility of private testing actually alleviates the burden currently being placed on the NHS and it's COVID-19 related services.

Our tests are not designed for self home use. It is imperative that all tests that include any swab testing are carried out by fully-trained and insured operatives. This is why all of our tests include an initial telephone consultation and the test itself is carried out by fully-qualified testing staff at either one of our COVID-19 secure testing facilities or onsite at our client's place of business.

Our tests are the only 15-minute Antigen test currently available in the UK and has recently been purchased, on a non-profit basis, in huge numbers by HM Government for use on the frontline in the battle against COVID-19. Our test is one of only three rapid lateral flow tests listed by the government and has been awarded the highest accuracy rating.

All rapid lateral flow testing kits have been imported via our partnership with a fully WDA licenced pharmaceutical company and are CE-approved.

(https://www.gov.uk/government/publications/assessment-and-procurement-of-coronavirus-covid-19-tests/lateral-flow-devices-results)

How can this assist the banking industry to get back to as close to normal as possible?

In conjunction with our sister company who offer sterilisation gateways, we are able to offer a three-step process which delivers the latest in tailored COVID prevention measures to places of work of all sizes. Our combination of advanced sterilisation gateways, office sterilisation and rapid 15-minute COVID-19 testing give businesses the opportunity to operate under business-as-usual conditions without the need to implement existing social distancing measures. Firstly, any place of business is treated with an advanced sterilisation spray to kill any existing bacteria and viruses on all surfaces.

Secondly, a solution that provides protection against bacteria and viruses for up to 90 days is also applied to all surfaces. Staff are then required to take one of our rapid lateral flow tests and will know within two to three minutes as to whether they are carrying the virus. If any members of staff test positive, evacuation procedures are then invoked, and the particular member of staff will not be permitted to enter the premises. Any member of staff who tests positive for COVID-19 will be given self-isolation support material and will be provided with a follow-up antibody test 15 days post infection.

Members of staff who produce negative results, will then be required to pass a thermo temperature test and pass through a sterilisation gateway which emits a mist that is clinically proven to kill 99.99 percent of all viruses on the skin, clothing and footwear. The solution emitted by the sterilisation gateway is 100 percent safe for skin, eyes, hair and fabrics.

All results from diagnostic testing are then linked to a cloud-based, data-driven digital tool that enables symptom tracking, test result management, risk assessment, estimated return to work date, contact tracing and a comprehensive reporting suite.

Therefore, we are able to offer scalable, safe and COVID-19 secure solutions enabling people to return to work and bring Britain back to business. We are currently in advanced negotiations with various types of businesses to include local councils, large construction contractors, music festivals and premier league football clubs. We will also explore making a charitable donation to the NHS on a per test basis and we have recently also made a charitable donation which has enabled COVID-19 free visitation to care homes. Although our company ethos is to protect lives and save livelihoods, we also want to give back to the community.

For more information and bespoke corporate quotations please contact us at info@15minutecovidtest.co.uk

> **“Our combination of advanced sterilisation gateways, office sterilisation and rapid 15-minute COVID-19 testing give businesses the opportunity to operate under business-as-usual conditions”**

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Optimize lending, funding and collateral decisions

Reduce counterparty and operational risks

Enable efficient and high-growth operations

Flexible to firms of all sizes in any location

Meet regulatory and market requirement

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Communications
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October securities finance revenue snapshot

Sam Pierson
Securities finance director
IHS Markit

Securities lending revenue reached $717 million in October, down 17 percent year-over-year. IHS Markit's Sam Pierson crunches the numbers

Global securities lending returns declined 19 perent year-over-year (YoY) in October, however, the $717 million in revenue did reflect a 10 percent increase compared with September. The YoY shortfall was primarily driven by Americas and Asia equities.

The US equity market continues to fall short of a stellar 2019, however, the revenue trend is upward, while Asia equity returns remain in a downtrend. European equity revenues remain elevated as the result of hard-to-borrow shares which started in Q3. Overall, October saw an increase in financing activity, following up on trends which emerged toward the end of September and appear likely to persist going forward. Those trends include increasing capital raises both for distressed enterprises as well as initial public offerings. While equity lending revenues have benefitted substantially from corporate actions, and the event-driven fund managers who trade them, a new trend may have emerged in October which could set the stage for broader equity short demand over the last two months of 2020.

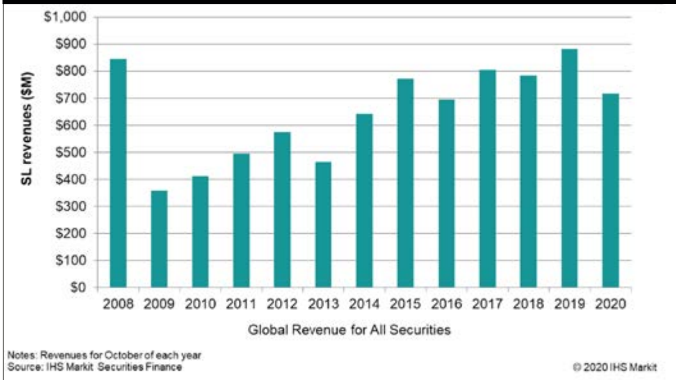
European equity revenue increased 17 percent YoY for October, following a strong Q3 result where revenues increased by 10 percent YoY. The European upswing continues to be concentrated in Germany and the Netherlands, with the rest of Europe combining for a 12 percent YoY decline in October. German equity lending revenue was bolstered by hard-to-borrow shares, with three of the top five revenue generators being listed there. Varta Ag delivered $16.3 million in October revenue, the third consecutive month that the German battery maker was the top revenue-generating security globally. German equity lending revenues totalled $31.6 million for October, a 104 percent YoY increase and a 4 percent month-on-month (MoM) increase.

Rights issues continue to drive borrow demand for European equities, with Danish airlines SAS AB shares being the most recent to see soaring borrow cost for common shares as arbitrageurs pay a steep price for hedges. Dutch firm Unibail Rodamco Westfield Se was the second most revenue-generating European equity for the second consecutive month, with increasing fees offsetting a decline in shares on loan. On a related note, Italian firm BPER Banca (BPE) generated just over $3 million in October revenue as the result of a capital raise required to purchase assets from Intesa Sanpaolo SpA. The increase in revenue from BPE shares boosted October Italy equity lending revenues by 21 percent YoY; the only month of 2020 where revenues increased compared with 2019.

Americas equity revenues came in at $281 million for October, a 27 percent YoY decline. As noted in the September snapshot, the YoY comparison suffers from a particularly strong return in 2019. The October return increased by 25 percent compared with September as the uptrend from the August doldrums remains in place.

US equity revenues came in at $259 million, a 21 percent YoY decline and 30 percent MoM increase. A few examples of 2020 vintage initial public offerings (IPOs) generating outstanding returns include BigCommerce Holdings and Lemonade Inc, which generated $6.3 million and $6.2 million in September revenue, respectively. With further conventional and special-purpose acquisition company IPOs on deck, notably including the long-awaited Airbnb listing, it's likely that US equity returns maintain the current uptrend through the latter two months of Q4. The two most revenue-generating US equities, INO and SRNE, are both related to the COVID-19 vaccine and treatment pipelines, a trend of borrow demand likely to persist for the duration of virus impact. US equity 'special' balances, defined here as loans with fee greater than 500bps, increased from an average of $8.2 billion in September to $9.8 billion in October (remaining well below the $18 billion YTD peak observed in June).

Figure 1: October securities lending revenues through the years



Asia equity lending revenues continue to fall short of 2019, with October revenues of $116 million reflecting a 31 percent YoY decline, and the lowest monthly return YTD. The largest market, Japan equities, delivered $55 million in October revenues, a decline of 26 percent YoY. Hong Kong equity lending revenues mounted a modest recovery in October, with $25.5 million in revenues reflecting a 9 percent YoY and a 12 percent MoM increase.

The short sale ban in South Korea continues to limit lending revenue, with $9.5 million in October revenue being the lowest for any month of 2020. Australia posted the first YoY increase in monthly revenues YTD, with $8.3 million in October revenues reflecting a 1.3 percent YoY increase.

Through the first 10 months of 2020 global securities lending returns of $6.9 billion reflect a decline of 11 percent compared with the first 10 months of 2019, a result almost entirely driven by lower fee spreads. Global loan balances increased by 2.3 percent YoY. Revenues have been highly dependant on corporate actions and will likely remain so, however, the relative decline in the most-shorted equities may augur well for market liquidity and borrow demand for the remainder of 2020.

Figure 2: Top revenue generating Europe equities - October 2020

Ticker	Name	SL Revenue	Market	Industry Group
VAR1	Varta Ag	$16.3	DE Equity	Capital Goods
URW	Unibail Rodamco We Stapled Unt	$10.9	NL Equity	Real Estate
LHA	Deutsche Lufthansa Ag	$2.7	DE Equity	Transportation
SAS	Sas Ab	$2.5	SE Equity	Transportation
GLJ	Grenke Ag	$2.4	DE Equity	Diversified Financials

Source: IHS Markit Securities Finance

Upcoming Securities Finance Training

Securities Lending Fundamentals

Date: 18 November 2020 17:00 (GMT)
Location: Online
Provider: Consolo
This live on-demand training course is designed for new entrants to the industry who require an overview of the securities lending transaction and process involved in execution

Advanced Securities Lending

Date: Get in touch for dates
Location: Online
Provider: Consolo
A two day course that builds on a basic understanding to consider the current market as well as future developments and initiatives European Market Infrastructure

Comings and goings at DTCC, Hazeltree, Sharegain and more

Susan Peters has joined Sharegain as head of operations for the Americas, representing the securities lending platform provider's first US hire.

Sharegain's platform aims to offer private banks, asset managers and online brokers a way to earn additional revenue by lending their securities with a high level of control, transparency and automation, along with no upfront costs.

Based in New York, Peters will act as the vanguard of Sharegain's move into the US following what it describes as a "significant uptick in demand" from US financial institutions for its services this year.

"The COVID-19 pandemic has been a major catalyst to our business, so now is the right time to bring forward our global expansion plans," says Sharegain CEO and founder Boaz Yaari.

"Susan's experience and her network within the industry will play a critical role in building our North America operations."

A spokesperson for Sharegain tells SLT the firm has plans to establish a US office and a local team in 2021.

Peters will work closely with Yaari and Sharegain's US-based board member Alex Ehrlich, former global co-head of prime brokerage at Morgan Stanley.

She has held multiple leadership roles at various financial institutions, fintechs and

DTCC hires former BBH head of custody product Bob Stewart

Bob Stewart has been appointed executive director of institutional trade processing (ITP) at DTCC, based in Boston, Massachusetts.

In his new role, Stewart will be responsible for leading industry initiatives that drive further automation in the institutional post-trade process.

He will partner with the industry to drive an integrated post-trade lifecycle through settlement finality, develop solutions to help clients prepare and manage the Central Securities Depositories Regulation (CSDR) requirements, as well as focus on the continued adoption of Alert, DTCC's standing settlement instruction database.

Stewart joins DTCC from Brown Brothers Harriman (BBH) where started working in 1995.

Most recently, he served as head of custody product at BBH, after taking on the role in November 2018.

consultancy firms in recent years but may be best known as the co-founder and CEO of eSecLending the specialist agent lender services provider.

eSecLending was founded in 2001 and Peters served as CEO until it was sold to a private equity firm in 2007.

Before that Peters spent seven years at State Street developing its securities lending products before moving to Credit Suisse in 1998 to set up its agency lending desk in New York.

From there she went on to form eSecLending.

Hazeltree has appointed Jonathan Spirgel as managing director and global head of cash and liquidity management, based in New York.

Spirgel, who joins with more than 30 years of experience, has experience in building liquidity, collateral and segregation solutions for institutional clients.

In his new role, Sprigel will help clients with operational efficiencies, risk mitigation, and yield optimisation related to their aggregated cash and liquidity needs.

He joins from BNY Mellon where he was a member of the senior management team.

Sameer Shalaby, president and CEO of Hazeltree, comments: “Jonathan Spirgel’s proven track record building businesses and solutions will be crucial to help our clients address the many challenges they are facing, from turbulent market conditions to uncleared margin rules compliance requirements, to the low-interest-rate environment.”

Earlier this year, Hazeltree partnered with J.P. Morgan on an integrated cash and liquidity management platform for private equity, private credit, real estate and infrastructure funds.

Former-AIG collateral management chief Sue McGillion-Moore has been appointed as Margin Reform’s new partner and Americas Practice lead, a newly created role.

McGillion-Moore, who is based in New York, joins from MBO Partners, where she worked as a contractor, specialising in collateral management assisting KPMG US to build out its collateral and liquidity management framework.

She also spent two years as KPMG US’ global head of collateral management from 2012.

Prior to her contracted work, McGillion-Moore was a director at AIG where she served as global head of collateral management for three years working across the global capital markets.

Before then, the collateral management industry expert operated as an executive director at UBS for one year, specialising in prime brokerage, stock borrow loan margin and collateral.

McGillion-Moore also worked for JPMorgan Chase in the nineties for six years in a number of roles including vice president for North America in over-the-counter derivatives collateral management.

She moved over to Merrill Lynch in 2000 focusing on equity finance before returning to JPMorgan Chase in 2007 to spend three years as executive director and global head, strategic prime brokerage margin and collateral programme.

Calypso Technology’s former market specialist Martin Wingate has joined FIS as its business solutions consultant.

Calypso Technology’s former market specialist Martin Wingate has joined FIS as its business solutions consultant.

Wingate left Calypso, the software application provider, last month after just over seven years liaising with prospective and existing clients to ascertain their needs and system requirements.

He also provided recommendations on best market practice and regulatory initiatives to assist with product development.

Prior to that, Wingate was a COLLINE product consultant at Vermeg (formerly Lombard Risk), the Tunisian financial software developer, where he served for 18 months.

Before then, Wingate served at Daiwa Capital Markets Europe for six years as head of collateral management.

He also worked as OTC head of collateral management for Morgan Stanley from 2000 to 2005.