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SOLVING THE GOLD PARADOX

Tradewind Markets CEO Michael Albanese wants to overhaul precious metals settlement and enable gold to become a viable collateral source for SFTs

HSBC solves TTF blended tax handicap with "market first" look through model

HSBC has unveiled a "game-changing" new custody and fund administration technology and operating model for tax transparent funds (TTFs) that promises to galvanise the lending opportunities for fund operators such as life insurers, pension funds and asset managers.

Since their inception in 2013, UK TTF securities lending programmes were hamstrung by the inability to offer a fixed withholding tax rate on assets, thereby making them less attractive to brokers and borrowers, compared to those of other lenders.

Most traditional funds or lenders have a fixed withholding tax rate based on their entity type and where they are located.

The nature of a TTF means you apply multiple tax rates based on the underlying investors, which when a security is being lent out at the fund level results in a blended withholding tax rate representing the median of all relevant rates.

The new HSBC model seeks to level the playing field by enabling operators a "look through" to sort assets within a TTF at the share class level, meaning borrowers now have certainty on what tax rate the manufactured dividend will be set at.

Since 2015, HSBC's Securities Services has been administering TTFs, with more than 60 sub-funds now under administration, of which the bank says only a limited number are active in lending due to the tax challenges.

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HSBC solves TTF tax handicap with "market first" look through model

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Ed Turner, global head of insurance product in securities services at HSBC, tells SFT that the model will lead to increased utilisation by borrowers, thereby boosting revenue for lenders.

The new model is also expected to allow a greater variety of asset managers and owners to create a TTF as previously the operational efficiencies the fund type offered were nullified by the drop-off in securities lending revenue they also represented. This is predicted to cause a deepening of overall market liquidity pools once assets within TTFs gain parity with other lenders.

Creation of the new model was instigated by a UK-based client of HSBC seeking to establish a TTF without sacrificing lending revenue.

At present, the new model is only being applied to this initial client but will be offered to all TTFs going forward.

"This is potentially a game-changer for tax transparent fund operators," says Turner. "By being a first mover in the market with this new model for securities lending, HSBC can help asset owners and asset managers achieve better returns on their investments via tax transparent funds."

He adds: "TTFs have continued to grow in popularity largely due to the benefits they bring to asset owners and investors, including tax transparency, economies of scale from pooled investments, and their flexible structure that allows asset owners to unitise their portfolios."

J.P. Morgan becomes GLEIF's first LEI validation agent

J.P. Morgan has become the first validation agent in the Global LEI System under the Global Legal Entity Identifier Foundation's (GLEIF) initiative aimed at easing regulatory compliance burdens.

A legal entity identifier (LEI) is a 20-character alphanumeric code that allows regulators to identify individual parties in a transaction.

More than 10 reporting or transparency regimes require an LEI in the EU and at least two-thirds of LEIs globally pertain to European Economic Area (EEA) entities. The US is the single market with the most LEIs.

However, SFT has revealed that more than 31 percent of globally issued LEIs are now 'lapsed', meaning their owner has failed to renew them annually, and this percentage is growing.

This is partly driven by the fact that owning an LEI to conduct certain transactions is regulatory mandated but renewing it, even if a firm is no longer engaging in that activity, is not.

The mounting pile of lapsed LEIs risks undermining the integrity of reporting data and entities in-scope for LEI-requiring regulations will increasingly fail in their reporting duties.

In response, the Financial Stability Board-backed foundation, based in Switzerland, unveiled a validation agent framework in September and called on global financial institutions to become part of the LEI issuing process.

The scheme is based on the understanding that banks are considered a trusted data source and seeks to leverage this by making it their responsibility to conduct company

checks and then pass that validated data on to the LEI issuer as part of the LEI acquisition process.

Making banks validation agents would "simplify LEI issuance for their clients, reduce time-to-revenue, and future proof their institutions for digital innovation", the foundation states.

In turn, GLEIF says becoming an agent enables banks to improve their customer experience, accelerate client lifecycle management and reduce costs by using 'business-as-usual' know-your-customer and anti-money laundering onboarding procedures to facilitate LEI issuance for their clients.

J.P. Morgan and LEI issuer, Business Entity Data (BED), a subsidiary of the Depository Trust & Clearing Corporation, are the first to answer the call and have together issued an LEI under the new validation agent model, via BED's GMEI Utility service.

J.P. Morgan's managing director, reference data strategy, George Brandman says: "Working as a validation agent will allow us to improve our client onboarding experience as well as create valuable industry LEI reference data.

"If a majority of financial institutions implemented this service, it would greatly multiply the number of LEIs in production to the benefit of all."

Validation agents can additionally capitalise on new opportunities to add client value and achieve market differentiation, GLEIF says.

By expanding LEI issuance beyond clients that require an LEI for financial compliance, an agent can equip its whole business client base with globally recognised identities that can be leveraged in new services and across borders with any counterparty or supplier around the world, it adds.

Stephan Wolf, CEO of GLEIF, states: "Not only can J.P. Morgan streamline its client onboarding and lifecycle management processes, thereby improving its customer experience, it can also use the LEIs in innovative service offerings."

"Increasing LEI volumes and broadening their usage will solve the issue of trust in financial transactions globally," adds Wolf. "Validation agents like J.P. Morgan will play a key part in making this vision a reality. They contribute to growth across the entire financial ecosystem and ultimately will benefit all stakeholders and the broader global economy."

Elsewhere, GLEIF has also introduced the concept of the conformity flag, which will act as an indicator of the accuracy of an LEI record and will highlight how well an entity's LEI complies with overall conformity. When the flag is active the LEI is in full conformity.

The aim is to encourage LEI owners to keep them active and help indicate where one needs updating. In order to obtain a conformity flag, the LEI will undergo a series of checks against reporting criteria which will be published in the coming months. This is to be implemented during 2021, and in due course, it will be added to all LEI records.

Can securities lending programmes be too bespoke?

Should a beneficial owner strive to be generic and accessible or bespoke and specialist? A panel of buy and sell-side representatives discussed the optimal characteristics of a lender during an IMN's recent North American securities lending webinar.

From a borrower's perspective, panelist Roelof

Van der Struik, investment manager, treasury at PGGM Investments, believes that keeping it "as simple as possible" is the most effective way to construct a lending programme, and suggested that bespoke "generally means more operational risks and more work".

Whereas, fellow speaker Sunil Daswani, global head of securities lending at Standard Chartered Bank, suggested that it is "time for change" as "for too long the market has been dominated by large programmes".

Daswani argued that an individualised programme is "definitely the way forward" and that Standard Chartered as the "new kid on the block" has the engine of eSecLending behind it to offer an "a la carte option for a client's securities lending programme".

Panel moderator Bill Foley, director of SecFinHub, questioned the speakers on whether there is a danger with securities lending programmes becoming too bespoke.

Melissa Gow, managing director at IHS Markit, responded by saying that the simple answer is "yes", but the real question is "does it matter?"

She added: "You can customise something where there's no comparison set but we no longer see performance as a metric of a programme, that can include: risk, liquidity, index level return. Does it matter if you are thinking about full programme management?"

Foley posed the question of the potential challenges arising from a market full of bespoke programmes.

Thomas Poppey, co-head of global securities lending at Brown Brothers Harriman, suggested that "it all comes down to engagement with your clients and understanding their objectives with securities lending".

"Working with clients and understanding their needs, what assets do they want to lend, increasing regulatory landscape and making sure the programme is constructed around their particular limits or constraints, how do they want to see the governance of their programme and working with clients in determining stakeholders," he explained.

Survey shows COVID-19 inspires derivatives post trade renovations

A market survey by Acuiti has found that almost all tier one and tier two banks queried plan to invest more in derivatives post-trade operations over the next three years than in the last three, as a result of the COVID-19 fuelled market volatility seen in the first months of 2020.

Almost half of tier one and two banks that responded to the survey are expecting to invest more than $5 million over the next three years in "long-awaited upgrades to post-trade processing capacity".

A whitepaper based on the survey results, titled 'The Growing Need to Invest in Derivatives Post-Trade' and sponsored by Broadridge, examines the pain points that the pandemic exposed in March and April which "pushed post-trade infrastructures to breaking point at several institutions".

The whitepaper concludes that the volatility induced by the crisis represents the "final warning for many firms that have long known they would need to update their post-trade technology platform but had been putting off investment on account of giving higher priority to investment elsewhere".

Areas of concern highlighted in the survey include the ability of existing post-trade infrastructures to handle high volumes, and a desire to lower running costs, are the key drivers of investment.

Brokerage payment and static data are the most inefficient processes for tier one and two banks; client and transaction reporting are the weakest areas for non-bank FCMs, the results also showed.

Additionally, 22 percent of overall respondents would consider fully outsourcing their post-trade operations to a managed services vendor if there was greater choice in the market; for non-bank futures commission merchants (FCMs) that number rises to 40 percent.

Turning to possible solutions to these problems, respondents suggest that artificial intelligence is predicted to be the technology that drives the biggest increase in post-trade efficiency over the next three years.

Additionally, executives across the sell-side are calling out for greater standardisation of data between the FCM and its central counterparty, and between the FCM and client.

"Post-trade has been an overlooked segment of the derivatives industry, but advanced new solutions are available to solve issues that the industry is currently facing with incumbent technology," says Justin Llewellyn-Jones, head of capital markets (equities, foreign exchange and derivatives) at Broadridge.

"Broadridge's continual investment in its technology stack means that we are in a strong position to help firms across the industry drive transformational levels of efficiency and adapt to the rapidly modernising post-trade landscape."

Elsewhere, Will Mitting, founder and managing director of Acuiti, suggests that the unprecedented volumes experienced during the spring volatility "confirmed what many in the market have known for some time: investment in post-trade has lagged behind other sell-side operations."

"There is no quick fix to replacing core back-office technology," he notes, adding that "firms that have invested report huge increases in efficiencies and reductions in operational overheads".

Survey data is based on responses and interviews with 109 senior executives across the sell-side institutions, of which 38 percent are tier one or tier two banks, 25 percent are regional and national banks. A further 20 percent are brokers and 17 percent are non-bank FCMs.

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DB completes RRH sale to MarketAxess

Deutsche Boerse has finalised the sale of its Regulatory Reporting Hub to MarketAxess, as of 30 November.

The reporting business was acquired by MarketAxess' Dutch subsidiary, Trax, and is predicted to have earned the German stock exchange group between €10 million and €50 million.

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Brexit: Euroclear UK & Ireland gains temporary equivalence extension

The European Commission has granted Euroclear UK & Ireland (EUI) the ability to continue to offer issuer central securities depository (CSD) services after the Brexit transition period ends on 31 December.

EUI will be able to settle Irish-domiciled funds and securities up until 30 June 2021.

Read full article online

WeMatch hits $45bn average balance for US and EMEA

WeMatch continues to boast "big traction" by achieving a record-high of $45 billion in its combined ongoing securities financing balance on its two platforms.

The milestone means that the ongoing balance matched and managed on the securities finance platforms has more than doubled since WeMatch hit its last checkpoint of $20 billion in July.

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Pirum-JPM launch triparty dual matching service

Pirum has added a dual matching facility to its partnership with J.P. Morgan triparty which allows collateral providers and receivers to fully automate the exchange process.

The tool allows both parties to fully automate their triparty required value processing, enabling them to automatically agree, match and instruct their exposures for efficient collateralisation.

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Bears lost up to $14.2bn in single trading day

Short sellers lost up to £14.2 billion on 24 November across US equity markets as stock markets rallied following news that the US presidential transition had begun, according to Ortex Analytics.

Total losses for short sellers in November are estimated to exceed $140.8 billion after the Dow Jones Industrial Average surpassed 30,000 points for the first time ever on 24 November.

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Avoid data silos on DLT, warns OECD webinar speakers

Interoperability within the financial services industry helps participants move information quickly and securely, says panellists.

In the DLT discussion, it was suggested that inter-platform connections is not just important because fintechs are building new technology, it is important because there are numerous crises globally in the world where the market wasn't able to react fast enough.

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Solving the gold paradox

Drew Nicol reports

Tradewind Markets, a DLT platform aiming to overhaul the settlement of precious metals, has recruited banking veterans, including J.P. Morgan's global head collateral chief Michael Albanese, who see blockchain as a way to revitalise liquidity pools and provide new collateral options

During a gold rush, sell shovels, as the old saying goes. One company to take this idiom to heart is Tradewind Markets. Founded in 2016, Tradewind is on a mission to apply distributed ledger technology (DLT) to the precious metals industry and break through the bedrock of cumbersome, costly and time-consuming pain points that are preventing gold from shining in financial markets.

Since the financial crisis, commodities markets have failed to innovate in the same way as other markets by embracing new technologies, such as blockchain, which could allow them to circumvent stubborn practical issues of tracking, storing and trading physical assets. The market has lagged to such an extend that a paradox has emerged: gold, synonymous with the concept of a safe haven asset, does not qualify as a high-quality liquid asset (HQLA) due to a lack of market transparency and poor price discovery. It is permissible to be posted as initial margin for over-the-counter derivatives captured by the Uncleared Margin Rules (UMR) but few, if any, are able to make use of it in this regard. In the insurance sector, the terms of Solvency II also takes a dim view of firms holding gold.

To meet this challenge head-on, in 2018 Tradewind created a product suite called VaultChain (a trademarked product of Tradewind), built on R3's Corda blockchain platform.

Tradewind's platform, aims to facilitate enrich price discovery and market transparency in gold markets, and, crucially, uncouple an assets physical location with the ability to settle trades.

It promises to securely digitise vaulted precious metals for the first time, removing structural and frictional limitations from the physical gold market which until now required shipping the metal around the world between vault hubs at great expense in order to settle.

Tradewind was initially backed by a cross-section of the DLT, commodities and mining communities and has gained tens of millions of dollars in funding rounds led by members of those markets. However, it has since caught the attention of participants of other financial markets, including securities finance, where it offers a way to leverage physical gold as collateral and different forms of margin, which is in greater demand due to UMR and other regulatory frameworks.

By transforming the slow and expensive process of physical settlement into an instantaneous, digital one, gold could be a viable addition to a firm's balance sheet of liquid assets and be used for a host of activities including being borrowed and lent like a securities or used to collateralise securities finance transactions.

The platform, Tradewind says, allows purchasers to own physical gold digitally and combines the simplicity of an exchange-traded fund or derivative with an assurance that investors can assume custody of their metal.

Among those who caught the glint of the possibilities the platform offers is former-J.P. Morgan managing director and global head of collateral management, Michael Albanese, who joined Tradewind as CEO in April 2019 after just over two decades in the traditional banking universe.

Before 2019, Albanese spent the prior 15 years with J.P. Morgan in several senior positions also including global head of securities clearance, and head of Japan Trustee business, overseeing the securities lending, repo, collateral management and derivatives trading for buy and sell-side clients.

At Tradewind, Albanese is reunited with Jose Maria, who has served as the platform's head of client insights and operations since 2017. Maria also spent the previous 11 years at J.P. Morgan as executive director within the global clearing business division, which encompassed futures, options and over-the-counter clearing, and was overseen by Albanese between 2011 and 2016.

Other members of the management team include Didier Bloch, who spent just over a decade managing SunGard's (now part of FIS) North East Coast IT infrastructure until 2012.

Since then, he served in a number of technology-focused roles before becoming Tradewind's chief information security officer in 2018.

Elsewhere, former-BNY Mellon managing director, technology, Leon Shklar is now Tradewind's chief technology officer, responsible for all aspects of the firm's technology including architecture, infrastructure, business applications and innovation.

SFT speaks to Tradewind Markets' CEO Michael Albanese to discover what drew the veteran banker to a take-on the challenge of reintroducing one of the world's oldest asset classes back into the mainstream through DLT.

You have been with Tradewind for a year, how do commodities compare to securities?

My time spent with J.P. Morgan was focused on securities market infrastructure, specifically with how equities and bonds were traded, cleared, settled, and mobilised as collateral. I had a front-row seat during several market crises and was able to see firsthand what can happen when there is extreme stress on the system. That experience taught me to reexamine the fundamental questions the securities market poses to lenders: Do you have the collateral you think you have? Where is it? Do you have rights to it? Are your assets segregated?

What drew me to Tradewind was the discovery that this overhaul of infrastructure had not yet occurred in non-securities asset classes, such as commodities. Areas of the market system, such as trade settlement, still require physical shipments of gold. Additionally, different market centres require gold in different formats to be used for settlement or collateral purposes. For example, London, which is a major hub for physical gold trading, requires 400 troy ounce bars (roughly 12.5 kilograms) for settlement, but if you try to hedge your London position in New York, the market has traditionally required 100 oz bars. Financing between the various market centres lacks the ease, cost-effectiveness, and capital efficiency we are accustomed to in securities markets.

Additionally, there tends to be no single, central record of ownership. Purchasers of gold, for example, can own assets in a vault in New York and another in London; however, the purchaser will then have multiple, siloed books and records of their owned commodities-- as will their counterparties.

The most significant difference between securities and commodities lies within price discovery. In the gold market today, fixed prices are determined twice a day by a group of banks in London. Unlike securities markets, there is little historical data available on trade sizes, prices, and market depth. Unfortunately for these reasons, gold does not qualify as HQLA, despite its prominence in government, institutional and sovereign portfolios. This renders gold an unsuitable asset for many otherwise interested institutional portfolios and makes gold costly to hold on a balance sheet. Comparatively, the equities and securities markets are decades ahead of this problem, which given the history of securities markets, means that commodities markets have a blueprint to follow.

What attracted you to Tradewind's solution to this problem?

I've known for a long time that it was costly, dangerous, and wasteful for one of the world's largest markets to have a settlement system like the one I've described. Tradewind was originally founded on the idea of making it easier for retail clients to buy and sell gold by leveraging digitisation and blockchain. Our current platform is essentially the official book, record, and digital ownership record for any gold bought and sold in the Government of Canada's programme.

The Government of Canada runs a sovereign mint, The Royal Canadian Mint, and gold vault with a large network of broker-dealers that trade gold and sell it to their customers. Through Tradewind's platform, broker-dealers are assured that their ownership is officially registered on Tradewind's ledger and the government recognises it as a record of good title.

Crucially, regardless of the physical format of that gold, the owner is assured of "good title." Additionally, regardless of the size of the bar or amount of coins, the owner can embed their gold with supply chain information about where and how the gold was produced.

I knew Tradewind had the potential to solve a much bigger problem for institutional markets by using the same distributed ledger technology (DLT) solution.

How have commodities been allowed to fall behind? Is that changing now?

We know that everything is fine until it's not fine, and what makes things not fine is when an unexpected market event occurs. In the securities markets, it was the collapse of Lehman Brothers and the eurozone crisis. However, the gold market has yet to have its "Lehman moment."

The gold market came pretty close to one in March. As a result of the COVID-19-caused disruption, the gold market seized up. Suddenly, if you were an institution buying gold in London and needed to settle it in New York, you couldn't find an airline willing to ship the bars across the Atlantic or a refinery able to melt the 400 troy ounce bars and recast them into 100 troy ounce bars. Airlines had curtailed flights and refineries had slowed activity.

As a result, the price of gold in New York skyrocketed about 7 percent, compared to London. This meant that banks lost money on their hedges. A sudden 7 percent swing in asset price will play havoc with the mark-to-market. That was a wake-up call. Surely, there must be a more stable, orderly, cost-effective way to improve settlement in a market as important as gold.

Now that the pandemic has revealed the issues with the gold settlement process, are there any more hurdles in your way?

There are more hurdles, but they are starting to erode as well. Even the best ideas in this space don't get traction until three things happen. One, regulators need to start getting involved. Two, institutions need to start feeling pain. Three, large institutions need to get egg on their face for not being prepared for certain market events.

Taking those points in turn, there are efforts to set a new standard for gold, most recently exemplified by Bank of England's FICC Market Standards Board's working group for precious metals.

Secondly, some of the major banks booked hedging loses in their portfolios in March — that's the second catalyst taken care of. Third, the London-New York settlement problem in March became a real problem for futures exchanges, where contracts had to be amended to change the definition of 'good settlement' to ensure settlement did not fail. In my experience, the combination of these three events is enough for a solution to gain traction.

Fast forward to today, what's next for Tradewind?

Tradewind is now looking to take what we've achieved in the retail market — which is to prove you can enable transactions for gold to be used as collateral, you can meet the standards of an AAA-rated sovereign government to recognise your ledger as legal title, and you can transfer gold regardless of the physical format – to other markets by plugging our ledger into other vault locations in major trading centres.

London and New York are the main two, but we are also in conversations with locations in Asia. The aim is to stitch together a network of vaults globally which will allow us to unleash the interoperability of VaultChain to free up assets, unlock balance sheets, and create a more stable and orderly market infrastructure.

If you're now able to track gold and discern where precious metals are ethically sourced, do you see gold being classified as an ESG-friendly asset?

This is absolutely possible when you have transparent information on hand regarding the provenance of the metal. We launched a new tool earlier this year, ORIGINS, which allows users to tag their gold with information that applies to environmental, social and governance standards.

We facilitated a trade recently where a Canadian bank sourced gold from a mine in which ownership records and information on where, when, how, and who produced that gold was embedded in the gold's digital record.

The aim is to stitch together a network of vaults globally which will allow us to unleash the interoperability of VaultChain to free up assets, unlock balance sheets, and create a more stable and orderly market infrastructure

Michael Albanese
CEO
Tradewind Markets

Beyond collateral optimisation

State Street's Owen Nichols and Paige Pratt discuss their perspectives on how the approach to collateral optimisation has evolved in recent years and what the road ahead is looking like for the investment industry

Collateral optimisation is an area of increased attention for the investment industry, due in large part to the Uncleared Margin Rules (UMR) that regulators ushered in after the 2008 financial crisis. This new regulation has spurred buy-side institutions globally to examine their collateral programmes and manage them more strategically. Organisations coming into scope for UMR compliance in phases five and six (2021 and 2022) are now looking at their collateral needs and capabilities in a new light. This is a welcome development, as increased complexity in collateral markets is changing the very nature of optimisation.

How are buy-side institutions thinking about collateral optimisation in light of UMR?

Owen Nichols: Based on what we've observed, only a small subset of institutions, primarily the alternative asset managers, demonstrate that collateral optimisation is truly embedded into their processes today. Many asset owners and traditional asset managers haven't yet needed to be compliant because they're in scope for phase five or six of the UMR – so accordingly, their level of readiness will vary.

Our discussions with clients have ranged from assisting them in understanding the regulation basics when calculating their aggregate average notional amount (AANA), as they may have paused readiness efforts when UMR implementation was delayed in 2020, to in-depth reviews of optimisation analytics and focused conversations on how they can transform collateral. A consistent theme we hear in these conversations is that technology budgets are limited. Teams are charged with preparing for the regulations, but they're stretched thin and their situation is further complicated by the challenge of working remotely.

Given the scale of this challenge, we're seeing institutions search for new ideas and they welcome external perspectives to help chart the best path. While each organisation is unique and outcomes vary, we've observed that investment teams appreciate a choice of modular components to address their gaps, especially when they know their service partner can help them simplify the contracting and technology integration with the key vendors. Often, these measures will enable timely adherence with the upcoming deadlines for UMR phases five and six, while the organisation works toward a more long-term, end-to-end solution. The overarching goals are to create operational efficiencies, achieve better transparency and minimise portfolio drag as much as possible.

How has the approach to collateral optimisation evolved in recent years?

Paige Pratt: The UMR have become a powerful catalyst for asset owners and traditional asset managers to take a deeper look at their collateral requirements. This is particularly true as the requirements expand in size and complexity.

Historically, collateral optimisation has meant some form of a 'cheapest-to-deliver' strategy. This means the trade is put on and it generates a collateral requirement, which in turn kicks-off a process to optimally meet that requirement. So, the measurement of 'cheapest' in this scenario can mean selecting operationally efficient collateral, which is often cash. It can also mean the implementation of a liquidity waterfall logic — for example, corporate debt, before government debt, before cash — with the aim of preserving the most liquid holdings.

The problem with the traditional 'cheapest-to-deliver' approach has been that is by nature reactive to the obligation created from trading, without being priced into the front-office decision-making process. It's executed in the middle and back office, without a clear sight-line into the front office, which means it is effectively disconnected from the broader trading strategy.

Prior to the implementation of the latter stages of UMR, buy-side market participants have been required to post variation margin or repo margin, but this is viewed as a cost of trading. It's the cost of doing business. The variation margin in these requirements is simply a result of the mark-to-market on the trade and is inherently aligned with the trading strategy.

The UMR requirements introduce a couple of layers of complexity. Margin requirements are set increase for buy-side participants, driven by the UMR's focus on bilateral trades. Bilateral initial margin under UMR, as well as cleared initial margin for central clearers, is founded on risk and portfolio-based calculations that are more complex but can be managed with the right tools.

What types of tools or approaches are needed to effectively optimise collateral management and manage these headwinds?

Pratt: We look at this issue from a couple different angles. The first is integrating the collateral impacts into the front-office decision strategy, ahead of those trades being placed.

Initial margin calculations performed by central clearing parties, as well as the standard initial margin model (SIMM) for bilateral derivatives, take into account whether the incremental trade either adds to or offsets the directional risks in an existing portfolio. So, if you place a trade with one broker, your margin could increase while placing the exact same trade with another broker could result in a margin reduction.

The key factor is how the addition of that trade affects the risk in the existing portfolio. One trade with the wrong counterparty might not have a large impact, but hundreds of misaligned trades certainly will. Therefore, it's key to give the execution desk transparency so they can reduce the overall size of the initial margin, but also account for the knock-on drag of that additional margin.

The second objective is getting a clear view into the portfolio collateral inventory optimisation. This means moving beyond basic cheapest-to-deliver strategies and implementing a more sophisticated algorithmic method, which accounts for eligibility and haircut placement impacts, as well as the associated funding cost and opportunity cost of the collateral types. Opportunity costs are critical drivers of a sophisticated inventory optimisation tool. Whether through the investment of cash or through securities lending, holdings can often be put to work to enhance portfolio returns if they're not going to be encumbered as collateral.

Not all assets are created equal here. Cash opportunity costs can depend on currency and investment guidelines, while lending value of securities can differ based on asset class and market demand for those securities. So, the best tools will integrate both of these facets of optimisation and define the clearest path for the front office.

What themes are surfacing in your conversations with buy-side institutions as they progress on their optimisation journey? What is your outlook for the industry?

Nichols: We are seeing encouraging signs of progress across the industry, with increasing focus devoted to collateral optimisation and a commitment to identifying more sophisticated solutions. There is a growing awareness and understanding of the complexities of initial margin, which often translates into a heightened urgency to put new analytical capabilities into place. Buy-side institutions naturally want to see a clear vision of the potential operating efficiencies and funding cost savings they can achieve, to help them justify new spend on these analytics.

At State Street, we believe that these analytic capabilities and improved connectivity with the front office are important risk mitigants, because they support the preservation of cash and high-quality liquid assets in an uncertain investment environment. Looking to the future, we think collateral optimisation will be an important differentiator for investment businesses in an intensely challenging and competitive industry.

Can cash collateral and negative rates mix?

Natalie Turner reports

With markets still in the throes of COVID-19, the threat of negative interest rates still looms large for the securities finance industry, with major consequences in store for those reliant on cash collateral and reinvestment. SFT delves into what happens if rates go south

Since COVID-19 upended global financial markets at the start of the year, negative interest rates have loomed as central banks around the world wrestle to restore each country's struggling economy. Since the global financial crisis of 2008, several central banks, including the European Central Bank, have employed the controversial policy tool to stimulate growth.

When rates are negative, it costs banks to hold money, which encourages them to lend it out. This is not a typical scenario, but it is most likely during a deep economic recession when monetary policy and market forces have already pushed interest rates to their nominal zero bound. With the future far from certain, some central banks hinting at where they sit on the matter, should markets deteriorate again next year.

Currently, interest rates across the world are at rock-bottom, hovering at zero percent or a fraction above. In the UK, the ongoing challenges of the pandemic coupled with the end of the Brexit transition period on 31 December, could see the Bank of England (BoE) resort to negative interest rates to keep the economy's wheels turning.

The BoE is open to cutting interest rates below zero next year and preparations were under way to allow it to support the economy with lower borrowing costs, in a move that would bring the BoE into line with the European Central Bank and the Bank of Japan. The UK's monetary policy committee said it was seeking to overcome obstacles to negative interest rates that would allow further cuts from the current 0.1 percent base rate.

In the US, the Federal Reserve reduced the federal funds rate and enacted lending programmes in a bid to protect the markets during the market turmoil in H1. However, since then, the central bank's chair Jerome Powell said negative rates are "not an appropriate or useful policy", believing the costs outweigh the benefits. The economic shock from COVID-19 may call for drastic measures, but negative interest rates are not one of them — not yet at least.

The collateral question

Securities lending participants are particularly concerned about the possibility of negative yields on cash collateral reinvestment funds and repos and how that could impact the economics of lending securities. This is especially true in markets with a significant cash-collateral market, such as the US, but would also impact those that prefer non-cash collateral, such as the EU and UK.

David Lewis, senior director of securities finance at FIS, says: "Logic suggests that negative interest rates would drive an increase in the use of non-cash collateral as cash is no longer king. In reality, not everyone will be able to switch to non-cash collateral overnight, so there will be a lag and some may never migrate fully, possibly even dropping out of the market altogether."

According to the Risk Management Association's (RMA) securities lending council in a recent whitepaper, negative interest rates could affect every aspect of securities lending, including borrower demand, investment valuation, taxation, accounting and operating models. According to the International Capital Market Association (ICMA), since 2014, negative rates have become persistent and widespread. The trade body suggests in a report that, initially, many cash investors have been reluctant to accept negative rates, including parties to repo transactions being remunerated on deposits of cash margin and on income due on securities they have given as collateral.

A frequently-cited concern associated with securities lending is cash reinvestment risk. From a beneficial owner's perspective, this is the risk that reinvested cash collateral becomes illiquid or decreases in value. A recent State Street whitepaper argued that "although the weight of evidence suggests that securities-for-cash results in minimal market disruption, 2008 laid bare the consequences of when cash reinvestment strategies become the primary purpose of a securities loan transaction".

For instance, State Street says that "skeptics of securities lending" will point to how one of the largest global insurance companies in 2008 almost collapsed due to lending activities. However, it is critical to note that even by 2008 standards, this firm took risks that stood far apart from their peers and industry norms. It is clear that some firms used cash collateral for the sole purpose of leveraging its portfolio, for example, having considerably more securities on-loan compared to its peers.

Before the crisis, repo was the only financial instrument which paid a rate of return that could become negative under normal market conditions. Negative repo rates can happen when a particular collateral security is subject to exceptional borrowing demand or reduced supply in the repo market.

While the probability of a negative interest rate policy in the US is low, the more prominent risk it presents to the cash-collateral-reliant securities finance market means lenders and borrowers should consider the implications across securities finance front-to-back, including loan demand, cash collateral yields, taxation, and operating models.

The RMA highlights that while lower interest rates generally can whittle down government debt, they also subtract from the returns earned by banks and individual savers. And when rates turn negative, it is not clear exactly what the bottom-line effects might be long term across the economy.

Bullet dodged?

Sam Pierson, director and product specialist at IHS Markit, is among those that believe negative rates are unlikely. "I would say that it's more that the market is back on the trend toward increased usage of non-cash after a counter-trend increase in cash usage this year," he explains.

Pierson highlights the big trend in collateral this year was increasing usage of cash as a percentage of total loan balances in March after the Fed rate cut when cash reinvestment was generating an excess return relative to the rebates paid to borrowers which were tied to overnight rates. He explains: "There is certainly a mix in products used for cash reinvestment, but the overall result has been that reinvestment returns have largely retraced to pre-COVID levels so the boost to returns has largely worn off."

Reinforcing this idea, Tim Smith, managing director at Hazeltree, believes it could be "politically unacceptable" to go negative. He is also more sanguine than most regarding the impact on cash collateral if it does happen, arguing that participants are already used to receiving negative rebates.

Elsewhere, Matthew Chessum, investment director at Aberdeen Investment, is of the opinion that with the recent good news of successful vaccines sending markets higher, the potential for negative interest rates seems to have eased somewhat. "We will hopefully see an upward movement in short end rates and avoid the base rate going negative," he explains. "It could be argued that just the talk of negative rates played a big enough part in implementing policy as treasury bill yields fell to negative levels and the short end of the curve remains at low single digits out to a year and in some cases beyond."

Given the challenges this past year, it's difficult to see at this point how long it will take for the economy to bounce back, adds Chessum. Industry experts in securities finance are fairly upbeat that we are going to come out the other side, if drawn out longer than expected. Chessum adds: "given the amount of quantitative easing and debt issuance that has already taken place, the Bank of England may still look at alternative policies to help stimulate the recovery."

Chessum concludes that the market is currently "experiencing the low and will see incremental increases in the curve from late January onwards".

He adds: "If this does happen then slowly but surely cash collateral will come back into play although yields have a way to recover just yet to ensure that all lending trades can be profitable."

PASLA promotes inclusivity in the securities lending industry

Natalie Turner reports

Valerie Rossi, treasurer of the Pan Asia Securities Lending Association, explains what is in place to tackle the problems currently facing inclusion in the securities lending industry

What are you trying to achieve with the PASLA Inclusion Network?

At PASLA, our purpose is to promote open, transparent and efficient securities lending in Asia Pacific by representing the common interests of everyone in the industry. Inclusivity is one of our core values and it's at the heart of everything we do.

PASLA values and respects all perspectives from within the industry and among our stakeholders. This is the right thing for us to do, but it also makes perfect sense for the future of our organisation and industry in such a diverse region.

This is why we look forward to establishing the PASLA Inclusion Network (PIN) at the start of next year. PIN is key to our efforts to build a more inclusive community for securities lending in Asia Pacific, leveraging the fantastic diversity of experience, knowledge and perspectives that we have. By creating this inclusive network, we aim to ensure that everyone in our industry is heard and no-one excluded. We genuinely believe that we are more together than we are in isolation.

PIN will facilitate the exchange of ideas so that we can all benefit from the diversity of our industry and region. It will also seek to unlock hidden talent by giving people a chance to speak up, and we believe this will benefit PASLA's member firms and the industry as a whole.

Lastly, we strive to raise awareness about the critical importance of inclusion in order to attract, retain and develop talent – as well as to secure the long-term growth and resilience of our industry.

We will be hosting an in-person launch event for PIN in Hong Kong early next year when social distancing permits. Once we have successfully launched in Hong Kong, we will endeavour to launch in Japan and Singapore as soon as we can.

What is the biggest challenge facing improving inclusion in the Asian securities lending industry?

The biggest challenge for inclusion in Asian securities lending is just how diverse the region itself and its markets are. Each market has its own understanding of what inclusivity means, and their own priorities for how to strengthen it, which are closely linked to their respective cultures in Asia.

As a pan-Asian network, our goal with PIN is to build some consensus about the importance of inclusivity for our industry, while respecting local differences. This mission is very closely aligned with PASLA's goal of working with partners to seek the gradual harmonisation of securities lending market standards across the region, while recognising that markets are at different stages of development.

What is in place to tackle the problems facing inclusion in the securities lending industry?

At the moment, members of PASLA are senior representatives of major financial institutions in Asia Pacific, which drive their own distinct diversity and inclusion agendas underpinned by their corporate values.

We are very privileged to be able to draw on this community, who are able to bring valuable insights into the inclusion challenges we face as an industry and share their ideas on how to address them.

To be more effective in doing that, though, we need to know where we are today. That's why we'll be releasing the results of a new industry survey, which includes responses on inclusion, in the first quarter of next year.

That will provide us with an evidence-based assessment of the current situation for the industry and help us understand the changes we need to make. All these results will be relayed back to the market and the survey participants for full transparency.

What is the future looking like for inclusion in the Asian securities lending sector?

Inclusion is front-and-centre for all the financial institutions we work with but they are at different phases of awareness and implementation.

At PASLA, we take inclusion very seriously and it is not just a 'check-list' exercise for us. As an advocate of inclusion, we want to initiate some hard but important discussions and rectify some old habits that have limited inclusion in the past.

In my view, building awareness is key. It begins with all of us as members of the securities lending community to lead by example, revisit the way we do things and try to make a difference.

With us collaborating closely as an industry and taking small steps together, I believe the future is bright for inclusion in the Asian region.

Clear Street's founders, Sachin Kumar (CTO), Uriel Cohen (Chairman), and Chris Pento (CEO), from left to right.

Building the prime we need

Chris Pento
Co-founder and CEO
Clear Street

Clear Street says it is embracing discomfort as part the challenge of building a new kind of prime brokerage

Like many of you, we've been paying close attention to changes in the prime industry. The market is evolving. Primes aren't. If anything, they're shrinking.

The primary problem is infrastructure. Primes run on clearing and custody systems that are old and brittle. They increase costs and limit service capacity, creating insurmountable hurdles for a growing number of fund managers who no longer make the cut. They also keep the customer experience stuck in the past.

Clearing and custody systems are the beating heart of a trading business. Replacing them is risky and complex. It's understandable why primes are hesitant to make these changes, despite their growing costs.

A secondary problem is capital. Primes have access to vast financial resources, but those resources are increasingly being rationed. The largest and most profitable funds get access to the bulk of those resources, while smaller funds make do with less.

It's hard to begrudge anyone, especially a player in this industry, for making a profit maximising decision. At the same time, don't smaller funds also deserve access to the resources they need to grow their businesses?

Enter Clear Street

As my co-founders and I looked around the industry in 2018, the conditions were right for a new player, but no one had stepped up to the plate — and we knew why. It's incredibly difficult to enter the prime brokerage market: client requirements are incredibly complicated, the regulatory environment is intense, and the capital requirements are significant.

Luckily, 'embracing discomfort' is a keystone of our culture at Clear Street. We believe that hard things are worth doing, because they help you grow. And that's exactly why we chose to embrace the challenge of building a prime brokerage: to help the industry grow.

We want to build a new kind of prime brokerage. One that we, as former fund owners, operators, and developers, would want to use ourselves. One that's simple, modern, and efficient. One where everyone gets access to great service, whether they manage an emerging fund or operate a multibillion dollar hedge fund.

That's what we hope to achieve with Clear Street. It's going to be a long road, but we are well on our way and moving fast.

Rapid growth

In a little over one year, we have:

Launched our clearing, settlement, and custody platform. We're building our prime offering on a better foundation — an entirely new clearing and custody platform that's engineered to help clients grow.

Started offering services such as execution, securities lending, financing, and more. We have recruited leaders with decades of experience to build out institutional-quality services.

Added over 40 clients. Our clients range from emerging funds to funds well in excess of $1 billion. Growth has been organic, largely driven by referrals from satisfied customers.

Grown our team from 50 to 150. We've attracted top talent from leading banks, brokerages, and technology companies. Also, Fortune Magazine named Clear Street one of the best places to work in New York.

We're off to a great start. Our platform is live, core services are up and running, clients are happy, and the business is growing. Now, we are turning our focus toward expanding our initial prime brokerage offering and serving far more customers next year.

Preparing for prime

We are working quickly to deliver more of the services that are standard for any prime brokerage — services that require a good deal of time to set up.

We are also working quickly to add support for additional asset classes. Over the next several weeks, we will begin to offer invitation-only access to US options, so that when our initial prime product is complete, clients will be able to execute, clear, and custody US equities and options.

In time, we plan to offer access to every major asset class in every major market — fixed income, futures, derivatives, international securities, and more — using our brand new, cloud-based clearing and custody platform.

Multi-asset traders will be able to change when, where, and how they trade, just by changing the code. Clients will be able to expand trading into new asset classes in minutes, instead of months. They will also have access to clear, real-time data across their accounts.

Our goal is to have the fastest rate of innovation in the industry, so that the value of being a customer on the Clear Street platform is always increasing. And that's what makes us different. At a time when most primes are pulling back, we are all in.

Chris Pento
Co-founder and CEO
Clear Street

The largest looming issue to affect firms is Brexit, says Cappitech's regulatory expert

Natalie Turner reports

The new Cappitech industry survey reveals that most companies are battling with elements of their reporting. Ron Finberg, regulatory specialist at Cappitech, highlights inefficiencies and errors as a reason to change reporting, with new and changing regulations, Brexit and coronavirus as key concerns

Your survey mentions new or changing regulations as a key issue, including, of course, SFTR. What does this look like in the next 12 months?

At the moment, the largest looming issue to affect firms isn't, per se, a change in regulation, but Brexit. Brexit requires firms to keep in mind how they will adapt to reporting under two similar but split regimes. Areas affected are maintaining dual lists of in-scope products, tagging counterparties as EU or UK based and submission changes applicable to delegated reporting under European Market Infrastructure Regulation (EMIR) and Securities Financing Transactions Regulation (SFTR).

How will things change for vendors? Do you see changes in your business?

For vendors, any change in regulation means being prepared not only for a new framework but also for any challenges clients are having. At Cappitech we have contracts and connectivity with approved reporting mechanisms (ARM) and trade repositories (TRs) in place to ensure we can seamlessly report client information to the correct destination without clients needing to make changes on their end. Due to the challenges of delegated reporting under Brexit that some of our clients are experiencing we have also added features in our technology to best support these needs.

For SFTR in particular, respondents have commented on this as a specific challenge, what does this look like over the next 12-18 months?

SFTR was the first EU reporting regulation to move to the XML ISO 20022 standard for submissions. This is a major hurdle for the bulk of companies to adapt to since you need technical expertise to convert data to this format, and manual submissions are nearly impossible to maintain now. We believe that the next 12 months or so will be focused on ensuring report formats and data capture is correct.

If expertise is a problem with SFTR, and presumably other new regulations, what is the solution?

For us, this trend has made us focus on being up to date on regulation and how best to assist clients with questions. While in the past we may have been able to focus more on the 'tech' in regtech, now every vendor in this space needs to also be equipped with the 'reg' know-how.

On an investment firm side, we believe that companies can pick up a lot of knowledge from joining industry associations such as the Alternative Investment Management Association, the International Capital Market Association and International Securities Lending Association as well as speaking with peers from other firms to learn what they are doing.

Unsurprisingly, COVID-19 has been a real issue. Where have you seen firms doing well during the crisis and what have been the biggest challenges?

Aside from the first two months or so, which was a new experience for everyone, companies are now reporting that they have adapted to the 'new normal'. After seeing a pause on new initiatives, we now rarely encounter firms that aren't back to business as usual for handling new deployments. I believe part of the success to handling COVID-19 has been the high-level adoption of remote group settings and the way teams have got comfortable with presenting ideas and troubleshooting in this environment.

If Coronavirus means that there are reduced budgets and resources, but there's still plenty to do in terms of maintaining and adapting for regulatory reporting, how are firms managing this? Are they focusing on certain issues over others or coming up with innovative solutions to manage the problem?

In relation to transaction reporting, the overall theme of 2020 has been: if it's working, don't touch it. This means there are companies that have manual processes in place that don't want to make changes due a preference for not overburdening staff during the pandemic. As such, the focus is purely on handling imminent issues such moving repositories if they are affected by the CME regulatory reporting business closure in Europe, complying with the new SFTR deadlines or preparing for Brexit.

Firms say they want to continue improving their reporting, what will this entail? What are most firms thinking about and are there any gaps where they're missing opportunities?

At the very least, firms should be cross referencing their reports with common errors raised by regulators such as those found in Market Watch's published by the UK's Financial Conduct Authority. Also, companies can apply periodic reconciliations between their front and back end systems to ensure trades that are under scope are being captured by their transaction reports of EMIR, SFTR and Markets in Financial Instruments Regulation.

What about Brexit? Firms seem to be ready or mostly ready but where are there still likely to be challenges?

For the most part, a big question mark regarding Brexit for firms that aren't operating dual entities is around reverse solicitation. This affects how they are legally allowed to market to existing customers while decreasing outward messaging to new prospects out of their jurisdiction.

Is delegated reporting a specific issue following Brexit?

One of the changes of Brexit is that EU reports need to be submitted to an EU TR or ARM and vice versa for UK reports. Therefore, firms providing delegation for their clients need to apply a system to identify their customers' country and relevant EU or UK entity for submitting reports under EMIR and SFTR.

CME and Deutsche Borse's exit are both flagged up as having had an impact on the market, how do you see the market consolidating in 2021?

At the moment, there doesn't appear to be any imminent threat of further market consolidation expected in 2021 among TRs and ARMs.

New metrics for lending programmes

Sam Pierson
Director
IHS Markit

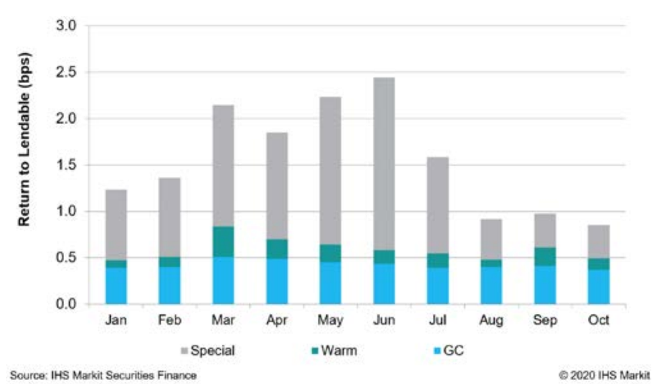
IHS Markit and Credit Benchmark are seeking to overlays credit and stability on lender performance

IHS Markit Securities Finance recognises the focus and effort the industry put forward to improve data reporting and we are proud of the role we play in transforming data submissions into actionable data. In this note, we'll discuss some third party partnerships and new thinking on data aggregation which we hope will provide additional insight for lenders and agents seeking to perfect the understanding of program management for all stakeholders.

Through an agreement with MSCI and iBoxx, IHS Markit Securities Finance has published monthly reports on lending returns for 12 key MSCI Equity and iBoxx Fixed Income Indices for the last year to aid in the general understanding of broad market trends affecting lenders. These reports are made available to the public via the Securities Finance page on the IHS Markit website.

The MSCI World Index is a broad global equity index representing large and mid-cap equity performance across all 23 developed markets countries. The index covers approximately 85 percent of the free float-adjusted market capitalisation in each country, making it an ideal lens for a broad view of global equity lenders. Revenues generated by lending the MSCI World portfolio have lagged 2019 comparable for every month of 2020 except for June and July, per the October report.

Figure 1 MSCI World - return to index lendable assets



Credit Benchmark (CB) constructs a consensus credit risk dataset, which aggregates the views of thousands of institutional credit analysts to deliver timely standardized metrics for more than 50,000 global counterparts. IHS Markit Securities Finance has partnered with CB to deliver the first integration of credit risk metrics alongside securities finance data. By linking the LEIs for lenders reporting to the IHS Markit performance reporting with the CB Consensus dataset an unprecedented profile of lender credit risk emerges.

Figure 2 MSCI World Index - lender breakout by CB credit consensus bucket

CBR7 Consensus	Avg Lendable Assets ($B)	Available to Lend ($B)	Value on Loan ($B)	Utilization (%)	VWAF (Bps)	SLRTL (Bps)	Pct of Tot Lendable
AAA	$35	$33	$2	5%	39	1.85	0.3%
AA	$9,081	$8,801	$281	3%	39	1.21	77.2%
A	$1,009	$964	$46	5%	46	2.07	8.6%
BBB	$700	$645	$55	8%	37	2.88	6.0%
BB	$104	$97	$6	6%	41	2.57	0.9%
MSCI World	**$11,764**	**$11,307**	**$457**	**4%**	**38**	**1.47**	**100%**

Source: IHS Markit Securities Finance, Credit Benchmark & MSCI © 2020 IHS Markit

Visualising the breakout of lender activity by credit 'bucket' reveals the variation between them, suggesting peer group comparisons could be improved by incorporating this data. Borrowers can reduce risk-weighted assets and cost-of-borrowing by allocating borrows to higher credit quality lenders, so all else being equal the expectation would be greater utilisation for AAA/AA and less for A and BBB, sequentially. Observing that this thesis doesn't hold warrants further investigation, which reveals that BBB lenders gain in utilisation owing to greater collateral flexibility. Breaking the returns out by fee buckets we observe a similar trend where greater collateral flexibility helps BBB returns in GC, however, higher-rated lenders outperform within warm and special buckets owing to greater utilisation.

Lendable stability is a novel metric for lender inventories, derived from the change in portfolio securities over the preceding four quarterly observations. Lendable stability metrics were originally designed to assist traders with gauging the stability of inventory behind on-loan balances and reported availability; they will soon be released into the performance measurement tool as an overlay for lender peer groups.

When the MSCI World index GC lendable is broken out by stability score the group with the greatest stability outperforms lower stability lenders when lending the harder to borrow shares in the index (fee greater than 100bps); lower stability lenders outperform in general collateral lending, which appears similar to the credit breakout as largely the result of collateral flexibility.

A challenge for securities lending program management comes in finding peer groups which are alike, but not so overly specified that a group average is too narrow or volatile based on individual contributors. IHS Markit Securities Finance actively contributed to the development of ISLA Securities Lending Performance Measurement standards for data aggregation and calibration of performance-related metrics for securities lending and have deployed resources to aide contributors with compliance.

In addition, lenders seek novel metrics to improve the marketability of their portfolios to borrowers. The high-quality liquid assets status of lendable portfolios are now available, with classifications provided gratis to securities finance clients by the IHS Markit Fixed Income Pricing product.

The development of new metrics and refinement of inputs jointly push forward the tools available for lending program managers. These new tools will also benefit borrowers who will be able to improve counterparty selection and provide superior colour to their internal stakeholders and buy-side clients. At IHS Markit Securities Finance we welcome and encourage these developments and look forward to the role we are fortunate to play in bringing them about. Feedback and suggestions are, as always, welcome and encouraged.

Sam Pierson
Director
IHS Markit

Latest appointments at South Street, AccessFintech and Pirum

South Street Securities, a US specialist securities finance platform focused on hard-to-borrows, has expanded its securities lending team with two new hires, Frank Giusti and Doug Wilkinson.

The New York-based firm has been in the securities finance market since 2004 and the business is headed by Tony Venditti, managing director and head of equity finance.

Giusti, has been hired as a director to focus on equity finance and securities lending matched book trading. He has 12 years of industry experience and joins from Societe Generale, where he managed its hard-to-borrow specials book.

Prior to that he was vice president of the securities lending desk at MUFG Securities where he spent seven years. He was responsible for growing and maintaining securities lending and repo triparty books.

He also worked out of London in their Europe, the Middle East and Africa office by providing coverage on US treasuries and French and German government bonds.

Giusti took on his first junior trading role in 2008 on the securities lending desk at Newedge, where he specialised in stock loan and the equity finance space for four years.

Meanwhile, Doug Wilkinson has been appointed as vice president and will focus on operations for securities lending.

Wilkinson joins from Cantor Fitzgerald where

Clearstream International SA appoints new CEO

Fabrice Tomenko has been promoted to CEO and head of digital trust at Clearstream International S.A., one of many Clearstream entities, based in Luxembourg.

Tomenko, who has worked at Clearstream for 12 years, most recently served as head product development banking funding and financing.

Prior to this, he worked as head business and product development global funding and financing, and before that he was head of collateral management, product management.

Before joining Clearstream, Tomenko worked at BNY Mellon as head of collateral management, operations and client services.

In addition, within the board of directors at Clearstream International S.A., Tilman Fechter has been appointed as chairman of the board.

Fechter, who is also head of banking, funding and financing, has worked at Clearstream for 13 years.

J.P. Morgan enhances US/EU securities lending and collateral teams he served as vice president from 2017 to 2020. He oversaw the daily operations of securities lending that included collateral, settlements, trade bookings, billing, recalls and daily balancing. He also worked closely with the sales desk to stream functions within the groups.

Prior to that, Wilkinson was a securities associate director for securities lending at UBS for seven years.

BCS Global Markets, has appointed Grigoriy Kozin as its new head of business development for its prime services division.

Kozin will be responsible for spearheading the development of the prime brokerage and securities financing business lines.

He will also be responsible for strengthening the firm's multiple revenue streams and driving innovation within BCS's existing international product suite, as well as developing and showcasing new products and services.

Kozin will be based in BCS's London office, reporting to the firm's UK CEO, Tim Bevan.

Kozin joins BCS from Sova Capital where he spent just over five years as the firm's head of prime services.

He was responsible for prime brokerage, electronic execution, custody and clearing across Sova Capital's multiple asset class offerings.

AccessFintech has named Boaz Zilberman as executive vice president for business development.

Zilberman will be responsible for go-to-market, channel sales, ecosystem alliance partnerships, developing the commercial model, AccessFintech's scalability and data monetisation.

During his career, Zilberman has worked at IHS Markit between the years 2004 and 2016 where he managed legal, business development, and alliance partnerships.

In addition, he handled mergers and acquisitions, strategic initiatives and new ventures across IHS Markit's information, software and processing divisions.

Zilberman joined IHS Markit during its early stages and worked closely with the company's founders and senior executives over 12 years.

Roy Saadon, CEO of AccessFintech, says: "In Boaz Zilberman, we have gained an outstanding professional with a proven track record in methodologically accelerating early-stage new service opportunities and who can apply his expertise to mature the company life cycle: from value proposition to execution."

Saadon adds: "Zilberman joins us at a crucial time in our journey as we have received another vote of confidence from our investors. He will take all of our achievements to date and leverage them and continue growing our ecosystem."

Pirum Systems has appointed Matthew Lilien as a director within its business development team as part of its North America expansion.

Lilien, who is based in New York, joins Pirum after 14 years at J.P. Morgan, where he has served as international equity finance vice president since August 2013.

Prior to that, he worked in hedge fund credit as an associate for just under two years, and before that held roles in public finance as an analyst and in structured credit.

"Pirum is a great company with a market-leading product suite offering," says Lilien. "It's also a trusted provider to many of the largest and most important financial institutions across the globe.

"I am excited to be joining the team and leveraging my experiences to help lead the continued growth of its North America presence."

Previous senior management hires include Alex Rothwell who joined Pirum earlier this month as its first chief technology officer, Karl Wyborn who joined Pirum from CloudMargin as chief commercial officer and global head of sales, and Jat Soomal Pirum's chief financial officer.

Speaking exclusively to SFT in September, Morgan outlined plans to double the firm's North American presence as part of a "natural evolution" to meet the automation requirements in its clients in the US and Canada.

"We will also be adding products in the coming year and we are very fortunate to have the support of some major market participants in this pursuit," he said.

J.P. Morgan has bolstered its US and EU securities lending and collateral services teams with three new hires.

Karima Taouche has joined the securities lending relationship management team in Luxembourg where she is responsible for J.P. Morgan's key European client mandates across both agency lending and alternative finance.

Taouche brings a wealth of experience across the securities finance industry, having established key relationships with hedge funds, agent lenders, prime brokers and institutional clients, the bank says.

Her career to date includes 15 years with Goldman Sachs, ending in 2014, where she mostly focused on delta one trading and equity finance in European markets.

Meanwhile, in London, Zoe Balkwell will be joining J.P. Morgan's Europe, the Middle East and Africa (EMEA) agency trading team at the end of November.

Balkwell is making the move after a three-year stint as a securities finance trader with State Street and will be responsible for cross-asset trading as well as partnering with J.P. Morgan's quantitative research and analytics teams.

She will report to Marcus Rudler, head of EMEA agency lending trading at JPMorgan Chase.

Finally, Michael Calandra has joined J.P. Morgan's collateral services business in the Americas, based in New York. Calandra is focusing his efforts on strategic initiatives and organic business growth.

Calandra joins from BNY Mellon where he served as vice president, global client management, with a focus on banks and broker-dealers, from 2017 until October.

The hires were confirmed alongside news that the bank is committed to opening a new agency lending desk in Tokyo next month, which will be led by Kasumi Shibano.

As Japan's new head of agency securities lending trading, Shibano will report to Simone Broadfield, head of agency securities lending trading for Asia Pacific, who is based in J.P. Morgan's Hong Kong office.

Palmeri and Losurdo to lead securities finance for Muriel Siebert & Co

Siebert Financial has hired Anthony Palmeri and Jerry Losurdo to lead the securities finance group.

Palmeri joins Siebert from JPMorgan Chase, where he was an executive director, while Losurdo joins from TD Prime Services where he was managing director leading its securities lending and equity finance division.

Palmeri and Losurdo, both based in New York, bring 75 years of combined industry experience which they will use to leverage their expertise and connections as well as the current strength of the division to further drive results, says Siebert.

Of his new role, Palmeri says: "I know our team, alongside the current employees, can make this division an even bigger powerhouse for Siebert. We're looking forward to continuing Siebert's growth story and expanding upon the strong foundation that has been built."

Losurdo adds: "It is exciting to join a securities finance group that has already shown incredible potential and growth. Siebert is an extraordinary firm with an entrepreneurial spirit that understands growth and risk management in today's competitive world, and we are excited to provide additional leadership and expertise to take this division to new heights."

Elsewhere, controlling shareholder and board member of Siebert Gloria Gebbia says: "Palmeri and Losurdo and their team are great additions to the Siebert family. This very dynamic team will build upon the success of our current securities finance group, and will be critical to getting it to the next level."