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Irish central bank has UCITS worries

The Central Bank of Ireland has claimed that there are strong grounds for limiting the collateral diversification relaxation set out in the revised version of the European Securities and Markets Authority (ESMA) Guidelines on exchange-traded funds and other UCITS issues.

The relaxation, initially intended to apply to UCITS money market funds (MMFs), was extended to all UCITS funds in ESMA's final report in March, following market support for the move.

But the Central Bank of Ireland believes that the extension could result in funds holding on to sovereign collateral of deteriorating credit quality in stressed or market conditions.

ESMA's guidelines require all collateral to be "high quality" and no UCITS fund can have exposure of more than 20 percent of its collateral basket to any single issuer.

UCITS MFFs are exempt, as long as they receive securities from at least six different issuers, and no single issuer accounts for more than 30 percent of the collateral received.

The Central Bank of Ireland, in its 28 July consultation paper, said 'high quality' is not adequately defined to warrant the relaxation being extended to all UCITS funds.

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Short sellers increase interest in Russia

Short interest in Russia is climbing in the wake of tough sanctions from the west, according to Markit Securities Finance analyst Andrew Laird.

With the crisis in Eastern Ukraine showing no sign of abating, "recent sanctions and potential new ones could see a further breakdown in business relationships between the west and Russia", said Laird.

UK companies with large operations in Russia are "in an uncomfortable situation", he explained. "As a result, we've seen large jumps in shorting activity in [mining firms] Petropavlovsk and Evraz."

Petropavlovsk saw the largest amount of shorting as demand to borrow shares more than doubled to 16 percent of shares outstanding.

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Collateral becoming regionalised, says TABB

The first-order effect of the global effort to increase regulation of fixed-income trading has been to increase regionalisation in the treatment of collateral at European and US clearinghouses, according to fixed income research conducted by TABB Group.

Clearing has become the main focus for buy-side firms trading fixed income across the global financial centres.

According to Radi Khasawneh, research analyst for TABB and author of the paper, there is now a bifurcation between clearinghouses with global reach and those with a domestic focus.

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Irish central bank has UCITS worries

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"UCITS MMFs are subject to quite specific requirements with regard to credit quality, which means that even where collateral is not diversified, a UCITS MMF will still be required to hold collateral which, if rated, will have been awarded one of the two highest available short-term credit ratings by the credit rating agency that has rated the instrument or, if the instrument is not rated, it is of an equivalent quality as determined by the management company's internal rating process."

"The effect of the disapplication to all UCITS is that the only protection in place with regard to the kind of sovereign debt collateral a non-UCITS MMF can take is an undefined requirement that it be of 'high quality'."

"The vagueness of that requirement was acceptable under the original guidelines because it was counter-balanced by the precision of the 20 percent diversification requirement."

The Central Bank of Ireland wants a rule introduced requiring a UCITS fund to only be able to accept high quality collateral. A determination of whether the collateral is sufficiently 'high quality' would be made before accepting it.

Any acceptance that would mean that more than 20 percent of the UCITS fund's total collateral comes from the specific issuer would require a more detailed assessment of credit quality.

In the event of deteriorating credit quality, the UCITS fund would have to put into place and execute an action plan to deal with its exposure to the collateral, and cease holding and receiving collateral that does not have one of the two highest available ratings.

The Central Bank of Ireland stated: "We recognise that this would mean that Irish rules on UCITS collateral would be substantially different from other member states. If we can achieve a satisfactory risk mitigation effect without creating that difference we prefer to do so."

The central bank has invited all stakeholders to provide comments, with the responses to be assessed following 17 October.

Short sellers increase interest in Russia

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The percentage of Evraz shares out on loan jumped 50 percent in a week, reaching its highest level since the start of the conflict in Ukraine.

One surprise is Russian internet service provider Yandex, whose shares have seen a decline in short interest.

Demand to borrow shares in the firm is down almost two thirds to less than 1 percent of shares outstanding.

Russian focused exchange-traded products have also suffered 10 straight weeks of net outflows.

Laird said: "The large outflows out of Russian assets over the last two months have now topped $400 million, wiping out the inflows seen in April and May when investors saw the falling value of Russian assets as a buying opportunity."

The Source RDX UCIT lost more than $100 million of assets in July, essentially halving the fund's aggregate assets under management in the last eight weeks.

"US-based investors are also wasting little time unloading Russian assets as the Market Vectors Russia ETF Trust, the largest Russian focused ETF, saw $90 million of outflows in July."

Collateral becoming regionalised, says TABB

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But this domestic focus can lead to a natural domestic bias, specifically for European entities that have the widest universe of accepted collateral.

Khasawneh said, as clearinghouses with global reach establish regional entity tie-ins with clear-

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inghouses in the rest of the world, a level of standardisation will emerge, which is already happening on the modelling side.

He added: “This will eventually lead to a shift to voluntary rather than mandatory normalisation of the current fragmented environment. We believe that many clearinghouses in the rest of the world will have to loosen the restrictions on collateral accepted from international accounts.”

SunGard sees US equity balance boom

Balances on loan for US equities have risen 70 percent since the collapse of Lehman Brothers, according to an analyst at SunGard’s Astec Analytics.

Astec Analytics data shows that balances on loan for US equities have grown from 13.5 billion shares in September 2008 to more than 23 billion at the end of June of this year, according to David Lewis.

“While our client base, and therefore the breadth and depth of the data we cover, has grown substantially over this period, that growth alone cannot account for all the observable increase in loan balances,” he said.

“Adjusting for our own growth of customers and coverage dulls this value somewhat, but it certainly does not take it into negative territory.”

Lewis also looked at the S&P 500, which recovered more than 189 percent from its March 2009 low, and argued that “significant” short positions investors may be “positioning themselves for a correction before the top has been reached”.

Stocks in companies from high technology markets such as biotechnology and social media are trading at “very high multiples”, suggesting that they could be behind the S&P 500 surge.

Lewis said: “Short interest for specific securities can tell us a great deal about the individual security, particularly when compared with its peers, but put together they can give some guidance as to the level of expectations that the bubble may indeed be about to burst.”

“Looking at all North American equities on loan over the last 12 months shows an increase in balance of about 35 percent. Some of this could be attributed to an increasing use of equities as collateral and a continuing growth in our customer base, but neither can alone justify a 20 percent increase in arguably the world’s biggest securities lending market.”

“With increasingly good economic news around the world, there could be new growth opportunities returning to the more traditional industries, which would in turn release investments from sectors that have arguably become too crowded, where the pressure to buy and be included has perhaps been a force for rising prices.”

Rise in GSF transactions for Clearstream

Growing industry demand for global securities financing (GSF) services caused Clearstream’s monthly average outstanding to increase to €619.5 billion for the month of July.

The combined services, which include triparty repo, securities lending and collateral management, collectively experienced an increase of 8 percent over July 2013, which stood at €575.1 billion.

Investment funds services (IFS) processed 750,000 transactions in July 2014, a 13 percent increase over July 2013.

IFS transactions have grown 10 percent from 4.62 million processed in July 2013 to 5.06 million in July 2014.

Stefan Lepp, head of GSF at Clearstream, commented: "The 8 percent increase in our [GSF] services in July shows that the ever-growing need for capital and collateral management continues to be a primary concern for our customers."

In July 2014, 3.7 million international central securities depository (ICSD) settlement transactions were processed, a 5 percent increase over July 2013. Of all international transactions, 85 percent were OTC and 15 percent were registered as stock exchange transactions.

In the same month, the overall value of assets under custody held on behalf of customers registered an increase of 6 percent to €12.2 trillion, compared to €11.5 trillion in July 2013.

Securities held under custody in Clearstream's ICSD increased 7 percent from €6.1 trillion in July 2013 to €6.5 trillion in July 2014.

Securities held under custody in the German CSD increased 5 percent from €5.4 trillion in July 2013 to €5.7 trillion in July 2014.

In July 2014, the combined value of assets under custody in the German domestic CSD and global ICSD business increased 5 percent compared to the same period in 2013.

Painful July for hedge funds

July was a volatile month for hedge fund performance with an aggregate performance of -0.35 percent for the month.

This marked the industry's fourth, non-consecutive, down month in 2014 and dropped year-to-date hedge fund returns to 2.62 percent, according to the eVestment July 2014 Hedge Fund Performance Report.

Hedge funds reported rising short exposure heading into July, with long/short equity funds' median net exposure being the lowest since February 2010.

Distressed fund performance was negative in July amid a sell-off across high yield markets, though the group still remains the best performing major hedge fund strategy in 2014.

Activist funds also declined in July, but at year-to-date returns of 2.98 percent, are still on track to outpace the aggregate hedge fund industry returns.

Commodity funds outperformed in July amid sharp price declines across the commodity spectrum, giving commodity funds a year-to-date performance of 3.12 percent.

The report does point out that this aggregate of commodity performance hides some big drops in specific commodity segments.

Large macro and managed futures funds were also hurt in July as the US dollar surged against all major currencies and equity market declines.

The only way is up

Eurex Repo has reported a strong July 2014 for the Swiss Franc Repo, Euro Repo and GC Pooling markets.

A 3 percent rise and an average outstanding volume of €164.5 billion was secured in the GC Pooling market, compared with July 2013.

In total, the Euro Repo market reached an average outstanding volume of €41.6 billion, which represents a 1 percent rise from July 2013.

Across the board, the Eurex Group achieved an average daily volume of 6.3 million contracts for July.

Deutsche Bank's July trends

Convertible bond issuance and M&A volume picked substantially in July, according to recent research from Deutsche Bank.

The increase has been seen particularly in Europe, with "some interesting deals in Asia as well".

Highlights included Dufry AG agreeing to buy travel retailer Nuance Group for $1.7 billion, necessitating a capital raise.

European drug manufacture Shire rejected an approach from US pharmaceutical company AbbVie but the deal appears to remain in play, according to Deutsche Bank, as AbbVie considers raising its bid for a fourth time.

Also in July, German travel company Tui announced a proposed all-share merger with UK subsidiary Tui Travel, which prompted some pre-positioning in the securities lending market.

Kakoa Corp, South Korea's largest mobile messaging company, acquired Daum Communications Corp, which lead to a stock rally of more than 40 percent.

European convertible bond issuance was very active in July, with many companies tapping capital markets for equity. Det Norske Oljeselskap raised $500 million to finance the acquisition of Marathon Oil Corp's Norwegian oil and gas business.

Volkswagen placed €2 billion in preference shares to finance its purchase of Swedish truck maker Scania as part of a broader effort to buy full control of the auto company.

Capital-raising was also a key theme in Asia in July. New World Development's plan to buy-out New World China Land failed to receive a majority of votes as 66 percent of independent shareholders rejected the privatisation proposal.

Ten percent increase for OCC in July 2014

OCC has announced a 10 percent increase in cleared contract volume for the month of July 2014 compared to July 2013, despite securities lending activity being down 14 percent in new loans.

The year-to-date stock loan activity is down 10 percent from 2013 with 691,990 new loan transactions in 2014.

OCC cleared 5,153,349 million futures contracts in July, a 21 percent increase from July 2014. OCC's average daily cleared futures volume also reported a 21 percent increase, with the year-to-date cleared futures volume up 14 percent from 2013.

Exchange-listed options trading volume increased 9 percent from July 2013 with 355,432,350 contracts. There was a 9 percent increase in average daily options trading volume and year-to-date total options volume is up 0.6 percent from 2013 with 2,438,523,550 contracts.

With the cleared contract volume standing at 360,585,699, this is the second highest volume on record behind July 2008's figure.

SunGard solution for Faisal Islamic Bank of Egypt

Faisal Islamic Bank of Egypt has selected SunGard's suite of enterprise risk management solutions to help build an operational framework for improved risk exposure, reporting and Basel compliance.

As a leading player in the Egyptian banking sector, the bank recognised a need to transform its risk infrastructure to comply with international and domestic regulatory standards, according to SunGard.

Using SunGard's solution site, the bank plans to centralise all of its risk activities to help identify, measure, monitor and manage risk more effectively.

By automating and centralising the risk management processes will help the bank increase risk exposure transparency and reduce reporting time. The bank will also benefit from the solution's best practice, out-of-the-box reporting and monitoring to help improve balance sheet management and drive value from more sophisticated, forward looking analysis.

Mohammad Abdulalim, head of risk management at Faisal Islamic Bank, said: "As a pioneer of Islamic banking in Egypt, when evaluation our risk and compliance requirements, we wanted to implement a solution that would help enhance not only our compliance capability but our competitiveness in this market."

"SunGard provides us with a fully comprehensive solution site underpinned by best practice and standards."

Wissam Khoury, managing director of the Middle East at SunGard, said: "Banks that continue to run legacy risk management systems face challenges in meeting today's risk and compliance requirements."

"Coupled with increasing central bank pressure to comply with international standards, we see these as key drivers to a wave of risk management transformation in the Egyptian banking sector."

"Faisal Islamic Bank of Egypt is taking steps to upgrade its operational capabilities and our technology will help them drive competitive advantage from their risk and compliance initiatives."

Y-o-Y growth for OneChicago

OneChicago has achieved a July 2014 volume of 811,260, a 39 percent increase year-over-year. Year-to-date volume through 31 July was

5,768,632, up 14 percent compared to the first seven months of 2013.

Open interest increased 10 percent year-over-year to 672,136 contracts on the equity finance exchange at close-of-market, 31 July 2014.

801,943 exchange futures for physicals (EFPs) and blocks were traded. July 2014 EFP and block activity represented $4 billion in notional value.

Fifty-eight percent of July 2014 month-end open interest was in OCX.NoDivRisk products.

M&A on the decline, says Lyxor

The M&A market has soared since the start of year, but recent conditions have proven more difficult, with two major merger deals collapsing, according to research from the Lyxor managed account platform.

On 5 August, 21st Century Fox (TWX) withdrew its $70 billion bid for Time Warner, sending TWX shares down more than 10 percent. On the same date, Sprint decided to withdraw its $30 billion offer to acquire T-Mobile.

Following the news, on 6 August the stock price of both companies tumbled. Their impact on the Lyxor platform, however, is not part of the recent performance calculations, which run from 29 July to 5 August.

It was a difficult week for event-driven hedge funds with every single manager ending in the red. Managers witnessed mark-to-market declines in several core positions.

On 1 August, the Botox manufacturer Allergan moved to sue both Pershing Square Capital and Valeant Pharmaceuticals claiming insider scheming ahead of the takeover bid with the hedge fund manager Bill Ackman. Analysts expect that the Allergan's lawsuit may delay the takeover.

High yield spreads widened in the same week, both in cash and derivatives. In Latin America, the effective default of Argentina, for the eighth time in its history, watered down investors' risk appetite for the other economies in the area.

The below-expectations primary surplus in Brazil did not help investors keep faith in the local credit market, according to Lyxor.

Those events had a dire impact on the platform. The underperformer was hit both by the demise of Argentina and Banco Espirito Santo (BES). The outperformer limited losses thanks to a different positioning in BES, leading to gains, as well as an effective macro hedge.

The Lyxor Hedge Fund Indices are based on the complete range of funds available on the Lyxor Managed Account Platform, a universe of funds eligible for inclusion in the indices is defined on a monthly basis.

A tale of two markets

The funded status of the typical US corporate pension plan declined 1.2 percentage points in July to 90.8 percent, as the steep drop in equity prices at the end of July sent asset values lower, according to the BNY Mellon's investment strategy and solutions group (ISSG).

"Funded status performance in July was a tale of two markets, [31 July] and the rest of the month," said Andrew Wozniak, head of fiduciary solutions at ISSG.

"For plan sponsors, [31 July] completely reversed what would have been a positive month for funded status, although losses at corporate plans were cushioned by their holdings in long duration corporate bonds."

"We estimate that the typical US corporate plan is allocating approximately 26 percent of its assets to long duration bonds as it implements liability driven investing (LDI) programmes."

The BNY Mellon Institutional Scorecard for July noted that assets at the typical corporate plan fell 1 percent and liabilities rose 0.3 percent during the month.

The slight increase in liabilities for corporate plans in July was due to the Aa corporate discount rate remaining at 4.32 percent, according to the report.

Plan liabilities are calculated using the yields of long-term investment grade bonds. Lower or flat yields on these bonds result in higher liabilities.

Year-to-date, the funded status of corporate plans is down 4.4 percentage points, according to the scorecard.

On the public side, defined benefit plans in July missed their target by 2 percent as assets fell 1.4 percent, according to the monthly report. Year-over-year, public plans exceeded their target by 3.7 percent.

For endowments and foundations, the real return in June was -2.4 percent, as assets declined 1.7 percent.

Sharp declines in small cap and private equities led the decline, while foundations and endowments are ahead of their target by 2.7 percent, year-over-year.

Just 4 percent of banks ready for collateral changes

Many financial firms are still yet to finish preparations for collateral management of centrally cleared derivatives, according to research by 4sight and Rule Financial.

Their survey, Buy Side Collateral Management: Challenges and Opportunities, was completed by 25 firms across the buy- and sell-sides and asked how prepared they were for the new operational and technological complexity around collateral management of cleared over-the-counter derivatives.

The survey found that only 4 percent of respondents had completed preparations with 46 percent in the process of implementing their target operating model.

Only 27 percent had defined their target operating model but were yet to start implementing it. Out of the respondents, 23 percent had yet to begin defining their target operating model.

Co-author of the paper, 4Sight's Martin Seagroatt, said: "As ever, in solving the collateral conundrum, there is no substitute for mobilising as soon as possible."

"For those who have yet to decide on a collateral management strategy, the risks are becoming even greater for operating with a substandard, non-optimal system; incurring the high costs associated with non-compliance and inefficient and tactical solutions."

"Firms that take an active approach and see collateral management as a core competency will outperform those taking a more passive stance."

FINRA okays Wells Fargo's new self-clearing prime product

Wells Fargo Securities will go-ahead with the launch of its self-clearing prime brokerage platform after receiving approval from the Financial Industry Regulatory Authority (FINRA).

FINRA gave Wells Fargo Securities the nod to expand its prime brokerage offering to provide additional financing and services to manager clients.

The new self-clearing product, which has been planned since Wells Fargo bought San Francisco- and New York-based prime brokerage services and technology provider Merlin Securities in April 2012, will initially be focused as a prime brokerage offering within a US broker-dealer structure and adhering to regulatory margin rules.

Head of prime services Eamon McCooey will be in charge of the prime brokerage team, which consists of approximately 70 front-office personnel across sales, trading, capital introduction, relationship management, product development, transition/onboarding, and client services.

Wells Fargo has also brought in additional personnel within legal, risk, compliance, securities lending, operations and information technology to service the new product offering.

Commenting earlier this year, McCooey said: "Initially, we will be offering prime brokerage services for US-based assets but we anticipate having non-dollar capabilities by year end."

"The asset classes that we will offer prime brokerage services (clearing, margining, securities lending) will include equities, listed options, convertibles, corporate and other DTCC-eligible asset classes."

On track for the future

BNP Paribas Securities Services has had a productive year, says John Arnesen

JUSTIN LAWSON REPORTS

It has been a busy 12 months for BNP Paribas. What has stood out for you as a highlight?

We have a very clearly defined technology roadmap to ensure we meet the requirements of our clients and remain competitive. That plan is on track and it has indeed been very busy over the last 12 months. New business mandates is a notoriously competitive process, as it should be, and we added a number of new clients to the programme in the last year.

A highlight for me was winning a mandate from an Asian asset management client with a very strong pedigree. It validates that we are providing a programme that resonates with the needs of our clients from a global perspective.

BNP Paribas is extending its interactive reporting solution, Data Navigation Analysis, to its agency clients. What can you tell us about this?

The agency lending programme at BNP Paribas was well equipped in terms of reporting, from data files, to SWIFT messages, to standard fixed reporting, to bespoke reports. We are always looking for improvements and so set about finding a solution that could deliver on three aims.

First was to offer a reporting medium that allows clients to be more hands-on with their data. By that I mean that they should be able to interrogate, filter, question or ultimately draw down subsets of current or historic events. Second was to reduce the burden, on both us and the client, of bespoke reporting. Although bespoke designs have their place, it's better to offer a simple and efficient solution that empowers clients to manage their own data then keep bespoke as a backup solution.

The third aim was to offer a data and reporting solution that is really competitive with that provided by our peers. With Data Navigation Analysis, which is one of many reporting capabilities within the BNP Paribas group, we exceeded the market standard and have plans to evolve our capabilities further.

BNP Paribas moved into the US market earlier this year. How is that going?

Actually, we launched the project phase in February 2013 and have been diligently setting up the governance both internally and externally, which is a given pre-requisite before activity begins in earnest. Feedback received is that our expansion into the US comes at a time when the market is ripe for an alternate provider with our capital strength. We will introduce the first three clients during the summer and have a well-developed strategy to add to that supply over the coming year.

The market is as competitive as ever and the complexity of requirements has certainly increased but we have anticipated that and feel our product is quite compelling.

What are the advantages of being a part of Euroclear Bank's Collateral Highway?

This forms part of BNP Paribas's Collateral Access - Connect architecture, to enable our broker-dealer and bank clients to mobilise sub-custody assets into the triparty collateral programme of infrastructures such as Euroclear and Clearstream. Our clients then benefit from an automated process developed to scan, select and settle available collateral, hence offering an efficient gateway between both worlds.

Are you seeing a shift in collateral trends and is there a big difference between collateral used in the US compared to Europe?

In Europe, we are seeing recognition by those clients with ultra-conservative guidelines that in order to generate revenue when lending certain assets classes, those guidelines had to expand. The demand for high-quality liquid assets has reduced the supply of these government bonds and made it more expensive to post, so where possible we look to take other bonds and certainly equities.

Of course, during the spring, primary index equities, particularly European, are equally scarce. The frequency of requests to receive more varied asset classes such as exchange-traded funds, Spanish covered bonds, mortgage-back securities, asset-back securities and convertible bonds has certainly increased.

The US remains dominated by cash collateral and will continue to do so and that remains the single biggest difference between the two. The subsequent reinvestment of that cash has become more stringent over the years and the number of asset managers that manage the cash themselves is trending higher.

There are similarities in the reinvestment vehicles on both sides of the Atlantic, but the scope of suitably rated products has narrowed.

What do you see as the biggest challenge facing the industry at present?

Regulation is challenging but not necessarily a challenge in itself. Markets have a way of innovating when faced with change, so perhaps the biggest challenge in generic terms is the uncertainty of what the industry will look like in the future, and that leads to more caution over committing resources to innovating product development.

If you could change one thing about the industry, what would it be?

To improve the relationship between stakeholders engaged in the industry to improve understanding and get to the crux of the broader benefits that the industry actually provides. Not just in terms of revenue generated but to the capital markets in general.

This has been and still is a highly organised, well managed, low risk and meaningful business to the buy side, and I'd like to see more engagement from them in public debate. **SLT**

John Arnesen
Global head of agency securities lending, market and financing services
BNP Paribas Securities Services


BLUE SPIRIT
The greater the challenge, the more important your partner.

The wiley fox

Short selling watchers should stay tuned to 21st Century Fox and Time Warner, says David Lewis of SunGard's Astec Analytics

Mega brands and mega deals seem to be the style in the media industry. By the very nature of the business, little is done subtly or quietly.

21st Century Fox, under the leadership of its prominent chairman and chief executive Rupert Murdoch, is certainly one of the loudest and most influential media conglomerates in the world. Its bid to buy Time Warner, another sprawling media organisation, has grabbed the attention of the markets and analysts the world over, successfully making itself the story rather than the news it reports. As of 5 August, the bid has been withdrawn and the merger has run off the rails—or has it?

The withdrawal of the bid to acquire Time Warner could, of course, be just a negotiating tactic, engineered to bend the Time Warner board to what Fox describes as a "friendly" proposal with "significant strategic merit and compelling financial rationale". Looking beyond the press release rhetoric, mindful of the fact that the publicity surrounding the bid is being supplied by a company whose professional role is one of delivering compelling messaging to consumers around the world, it should not be ruled out that another, perhaps more hostile bid is waiting in the wings.

It would seem that not every observer favours the original $75 billion proposal to purchase Time Warner. Following the announcement of the bid, shares in Fox fell around 10 percent, which not only sent a message to the management board at Fox, it also instantly devalued the shares and cash offer that Fox was putting on the table in front of Time Warner.

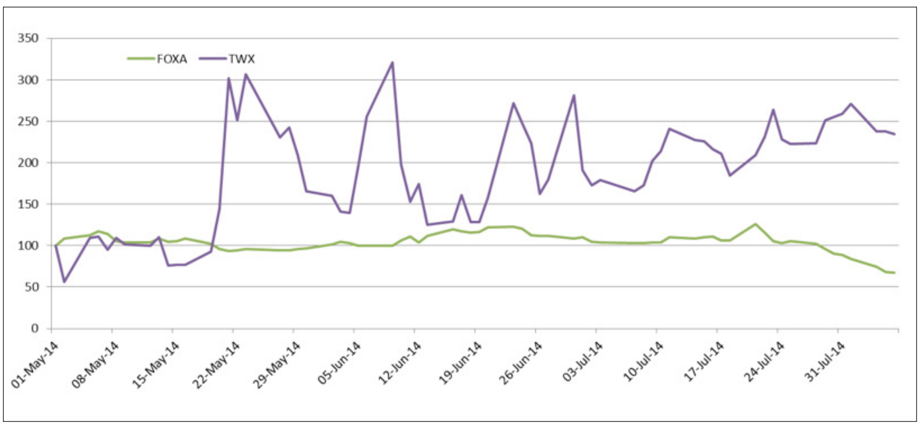
Short interest in Fox has been on a steady upward trajectory over the last 12 months, recently peaking at a little less than three times the volume of 12 months ago following a 25 percent hike while the Time Warner bid was on the table. Figure 1 shows the balances on loan of both Fox (FOXA) and Time Warner (TWX) since 1 May, bringing into sharp relief both the rise of short interest in FOXA as the bid begins to unravel, and the dramatic drop in volume on loan ahead of the bid being withdrawn.

In a very well-timed move, nearly half of the short positions in the market were closed out before the share price rally began on 5 August, seeing the shares rise 8.5 percent to close at $33.96 (from $31.30) on 7 August. With share prices rising immediately when the bid was withdrawn, investors have dealt a double nosebleed to the management of 21st Century Fox. Adding insult to injury, on average volumes and price changes between 21 July and 5 August shows an indicative profit in excess of $60 million for the short positions put on in the last six months and closed out over those days.

Time Warner shares, by contrast and not untypical for a target company in an acquisition deal, have seen their share price boosted, seemingly by the unsolicited approach from Fox. Immediately following the bid announcement, TWX soared 23 percent to peak at $87.36 on 21 July. Short interest balances grew by a third between then and 1 August before falling back around 10 percent, where they still remain. Once the bid had been withdrawn, TWX fell back to its pre-bid level of about $72, but unlike Fox, the short side did not take advantage of this rapid rise and fall to any great extent. Balances on loan remain relatively high, suggesting that some position takers believe TWX may indeed fall further.

Fox has since announced that there is a backup plan and that it would embark on a $6 billion share buy-back programme. This does seem to be a rather anticlimactic result for such an audacious bid by a notoriously aggressive media magnate. If this was to be Murdoch's "crowning glory" as some have indeed suggested, it may not be turning out quite as he intended. With other mega brands with cash to burn, such as Apple and Google, TWX may indeed yet find a buyer, but it may yet be premature to write off Fox as a potential protagonist in any upcoming bidding war that will, in itself, make great viewing. SLT

Figure 1: Shares on loan for FOXA and TWX, indexed to 1 May 2014.
Source: SunGard's Astec Analytics



David Lewis
Senior vice president, Astec Analytics
SunGard

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SLT SECURITIESLENDINGTIMES
SAVE THE DATE
TUESDAY
NOV18
SECURITIES LENDING:
2015 OUTLOOK
Location: Citi's Stirling Square offices at 8am

19th Annual European Beneficial Owners' Securities Lending Conference

Date: 16-17 September 2014
Location: London
www.imn.org/eurosec14

With an agenda constructed with the support of an industry-led event advisory board, IMN's highly renowned event has been Beneficial Owners' meeting of choice for nearly twenty years and attracts 300+ attendees, 100+ of which are beneficial owners.

Collateral World Summit

Date: 23-24 September 2014
Location: London
www.collateral-world.com

Prepare your company to manage, optimise and monetise collateral to reduce your trading costs, strengthen liquidity and manage your liabilities. Over 150 buy and sell side experts will gather at the Collateral World Summit to evaluate the business cases and operational models available to better allocate collateral and take advantage of opportunities in collateral transformation and trading.

RMA Conference on Securities Lending

Date: 13-16 October 2014
Location: Miami
community.rmahq.org/SLConference/Home/?ssopc=1

As an active member of the securities lending industry, you should be attending the most important securities lending conference in the US, offering a forward-looking view of the industry.

Industry appointments

Eurex Clearing AG supervisory board has appointed **Matthias Graulich** as member of its executive board.

He joins current executive of the Eurex Clearing AG board, Thomas Book.

Graulich will continue in his current role as chief client officer, managing the department of client and markets. He has served as head of department since April 2013.

He joined the Deutsche group in 2001 and has held a number of senior positions where he has been responsible for strategic projects such as the introduction of EurexOTC Clear and Securities Exchange.

Graulich has been a part of Eurex Clearing since 2010 where he implemented Eurex Clearing's strategic project portfolio and regulatory affairs.

Lombard Risk has appointed **George Leckie** as part of the expansion of its compliance asset solutions services.

Leckie will be based in London, where he will lead sales and business development for Lombard Risk's new product, Compliance Assessor.

He has more than 25 years experience in software solution sales. Leckie has also led business and strategic and account management for ethics and compliance solution provider LRN.

David Wilford, director of compliance products at Lombard Risk, said: "We welcome Leckie to the team as he brings significant experience not only in providing compliance solutions to highly regulated firms but in business ethics."

"I was attracted to join Lombard Risk's compliance team because of its excellent reputation for providing financial institutions with regulatory reporting and compliance solutions," said Leckie.

The International Swaps and Derivatives Association (ISDA) has hired **Scott O'Malia** as CEO and director of the association, effective 18 August.

He joins from the Commodity of Futures Trading Commission (CFTC) where he held the title of commissioner.

O'Malia succeeds ISDA's former CEO, Robert Pickel. He announced his retirement in April.

Following the appointment of O'Malia, Pickel said: "O'Malia will be a tremendous asset to ISDA in the years ahead."

Prior to his work at the CFTC, O'Malia worked on the rules and standards for corporate risk management at GenOn Energy Holdings, formerly Mirant Corp.

Stephen O'Connor, chairman of ISDA, said: "The board is excited and confident that O'Malia is the right person to lead the industry and ISDA through the many structural changes."

O'Malia added: "I look forward to working with ISDA's board, staff, members and external constituencies to address the challenges and opportunities ahead."

Goldman Sach's lead director and chair of the board, **James Schiro**, has retired. **Adebayo Ogunlesi** has been elected to take over the role.

Schiro served on the bank's corporate, governance, nominating and public responsibilities committee.

Lloyds Blankfein, chairman and CEO of Goldman Sach, said: "Schiro has been an exemplary board member who made outstanding contributions to our firm and our shareholders."

"His deep experience across financial services, nuanced judgment and the seriousness with which he carried out his responsibilities, will leave an indelible mark on our board."

Michele Burns will also become chair of the risk committee and **Peter Oppenheimer** will assume the role of chair of the audit committee.

Ogunlesi currently serves on the board of directors on both Callaway Golf Company and Kosmos Energy.

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Burns previously served as CEO of the Retirement Policy Centre, sponsored by Marsh & McLennan Companies.

Oppenheimer is a retiring senior vice president at Apple. He held the title of CFO for 10 years.

Blankenfein commented: "Ogunlesi has had extensive experience across finance and global capital markets, helping lead both large financial institutions and global investing organisations." **SLT**