



Taiwan to relax securities lending rules

Taiwan's Financial Supervisory Commission (FSC) is set to relax rules on securities borrowing and lending from 1 January 2016.

At present, retail equity investors are only allowed to borrow securities from the Taiwan Stock Exchange, brokerages and other financial institutions.

Should the change occur, it will allow transactions between individual investors, securities finance companies and securities brokerages.

The country's FSC has recently relaxed the rules on day trading so that investors of a given stock are

allowed to buy first and sell later or sell first and buy later in a single session.

More than 400 stocks on the main board and the over-the-counter market are eligible for day trading.

According to reports, the FSC said that the move to allow retail investors to lend securities to brokerages is expected to create an alternative profit source from the new business for retail investors, while brokerages are expected to boost their securities stocks and make their investment strategies more flexible.

The FSC is also considering removing the \$639,550 cap on margin loans to individual investors, leaving brokerages

[readmore p2](#)

Cowen Group acquires Concept Capital

Cowen Group has completed an agreement to acquire prime brokerage service provider Concept Capital.

The transaction has been approved by the boards of directors of both companies, and, although financial terms have not been disclosed, Cowen Group has said it expects the acquisition to add to earnings-per-share in 2015.

The deal is expected to be finalised in Q3 2015, subject to customary closing conditions and regulatory approval.

Peter Cohen, chairman and CEO of Cowen Group, said: "Given the changing prime broker landscape, many investment managers are looking for alternative prime solutions and there are a limited number of organisations offering a similar kind of value proposition as Concept Capital on Cowen's platform."

[readmore p2](#)

Bank of England to accept equities as collateral

Banks will soon be able to offer the Bank of England equities as collateral, executive director Chris Salmon has revealed.

Speaking about the Sterling Monetary Committee's annual report, Salmon said that the Bank of England has "started work to ensure there are no technical obstacles" in its ability to accept equities as collateral.

Currently, the bank accepts government bonds, asset-backed securities and pools of raw loans, but will work towards accepting equities in a bid to improve flexibility.

[readmore p2](#)

Taiwan to relax securities lending rules

Continued from page 1

and financial institutions to determine the ceiling on a bespoke basis.

Operational complexity has been singled out as the biggest impediment to adding new inventory in Taiwan, but an increase in both supply and demand has been predicted to occur this year.

In China, the Shanghai Stock Exchange has similar plans to boost borrowing and lending. It wants to encourage institutional investors to participate from the outset of their establishment, and will let them negotiate rates and term length.

Cowen Group acquires Concept Capital

Continued from page 1

"Combining Concept Capital with Cowen's business will allow us to better service these funds by providing focused prime broker services, supported by non-conflicted trade execution and world-class equity research."

President of Cowen Group Jeffrey Solomon added: "Concept Capital has proven to be a value-added partner to its client base for a number of years. By joining forces, we have an opportunity to grow with Concept's existing clients and further develop its competitive offering for an underserved part of the emerging investment manager community that is looking to outperform."

The acquisition comes after Cowen Group closed its equity finance desk in January, after just over two years in operation.

Bank of England to accept equities as collateral

Continued from page 1

Salmon added: "Given the complexities involved, the project will take some time to deliver."

Work is anticipated to continue throughout 2015, and to be finalised at some point next year.

2015 looking good for Euroclear

Euroclear has reported success across the board for the first six months of 2015, including a 10 percent increase in daily volumes on its Collateral Highway and record levels of both collateral outstanding and securities held on behalf of clients.

The Collateral Highway saw an average daily volume of €971 billion transactions mobilised, 10 percent more than in the same period in 2014, while collateral outstanding reached a record level of €1 trillion.

The value of securities held on behalf of Euroclear clients increased by 11 percent compared to the first six months of last year, reaching a record high of €28 trillion.

Turnover for the value of securities settled also increased 10 percent to reach €339.3 trillion, and netted transactions settled increased 6 percent to reach just under 97 million.

Funds serviced by Euroclear's FundSettle increased in value by 17 percent, while the volume of fund transactions processed increased 18 percent to reach 11.4 million.

The increases have been attributed to a general rise in client activity across all business lines and favourable market conditions throughout the first half of the year.

Tim Howell, CEO of the Euroclear group, said: "Euroclear has delivered another robust operating performance in the first half of 2015, benefitting from prior investments in both traditional products and new services such as the Collateral Highway."

He added: "We continue to invest in supporting the development of efficient and stable capital markets while delivering the regulation-driven initiatives in our core European franchise, as well as capabilities and services that extend client value around the world."

SLTINBRIEF



Latest news

Clearstream adjusts securities borrowing and lending service rates for equities

page3

Latest news

Linear Investments acquires the assets of AQX Securities

page6

Collateral column

Buy-side firms do not want to hear about optimisation when being sold a collateral management solution, says Charlotte Griffiths of CloudMargin

page10

New market

John Arnesen of BNP Paribas Securities Services provides an update on the bank's agency lending business in the US

page11

Data analytics

The growing popularity of European bond ETFs has been reflected in the securities lending market, with growing numbers of investors borrowing the newly accessible bond ETF supply in the wake of the recent market volatility. Markit's Simon Colvin reports

page12

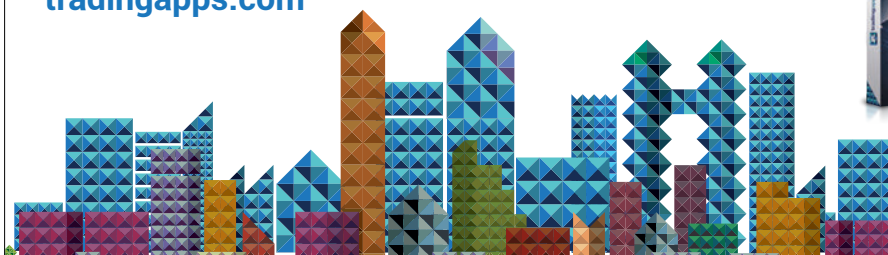
People moves

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page14

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Euroclear also announced that it has made progress with the expansion of its international exchange-traded fund (ETF) structure. The structure was selected by the China Construction Bank for the first euro-denominated money market international ETF, with listings in London and Paris.

Clearstream adjusts AUD and NZD rates

Clearstream has adjusted its securities lending and borrowing service rates for equities and debt for the Australian dollar (AUD) and New Zealand dollar (NZD), effective from 1 August.

For securities lending transactions in AUD, the lending income rate for debt securities will be set at 0.75 percent, reduced from 1.25 percent in July, while borrowing fees will also drop from 2 percent to 1.5 percent.

Rates for equities in AUD for lending income will see a dip from 1.25 percent to 1 percent, and borrowing fees will be reduced from 2 percent to 1.75 percent.

Lending income rates for debt securities transactions in NZD will increase from 1.75 percent in July to 2 percent in August, and borrowing rates will increase slightly from 2.5 percent to 2.75 percent.

Rates for equities in NZD will remain the same, set at 2.25 percent for lending income, and 3 percent for borrowing fees.

Clearstream has also made improvements to its settlement communications platform, the Bridge. The electronic platform facilitates settlement of securities transactions between counterparties in Clearstream Banking Luxembourg and Euroclear Bank.

The improvements intend to aid the liquidity flow within Clearstream's Automated Securities Lending (ASL) service, and ASLplus, leading to increased opportunities to open and close loans, and the ability to move collateral on the same day.

The changes to the Bridge will be effective from 28 September.



Understanding is key to cracking Asia

It's important for investors to be aware of the subtle differences between key Asian countries, according to a survey by BNY Mellon and analytics and advisory firm Oxford Metrica.

The study looked at trends across Singapore, Taiwan, Hong Kong and South Korea, and noted that the differences between the markets also applies to distribution channels, and other factors that have an impact on the market.

For example, Hong Kong retailers showed a preference for low-cost fund complexes that could meet all of their needs, while Taiwanese retailers appeared to be more inclined

towards appointing specialist managers for each category.

The report also highlighted the comparatively high costs faced by retail investors in South Korea, compared to institutional investors, and noted that in Singapore and Taiwan, more importance is placed on investment performance, while in Hong Kong, the security of a well-known brand takes prevalence.

There were also differences in price sensitivity. While retail investors in Singapore, Hong Kong and South Korea that invest cross-border are sensitive to pricing by investment firms, this is not such a concern in Taiwan.

South Korean institutional investors enjoy the lowest fund prices and, at the same



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time, regulatory developments in South Korea are geared towards attracting more international assets.

Product range preferences also vary. A one-stop shopping solution is popular among retail investors in Hong Kong, and they tend to favour firms that can provide funds suitable throughout different market cycles. Hong Kong institutions, however, generally favour niche providers that can provide specialist expertise.

Retail investors in Taiwan and South Korea were inclined towards funds offered by specialist providers, and the retail market in Taiwan has even greater product diversity than Hong Kong.

For retail and institutional investors in Singapore and Taiwan, and, to some extent, South Korea, the

report suggested that a fund's relative performance to the index is important. In Hong Kong, however, brand security tends to hold more weight.

In Hong Kong, brand security appeared to hold greater weight than outperforming the benchmark in the long-term, however cumulative returns over one-year, three-year and five-year periods were shown to be a strong driver of sales for retail investors across all four markets.

Singapore, Hong Kong, Taiwan and South Korea are all markets where the European UCITS structure is widely accepted, and so represent accessible entry-points for non-Asian investment managers looking to sell funds.

Daron Pearce, global investment manager segment head for investment services at BNY

Mellon, said: "Sales success in Asia's major cross-border funds markets requires a deep understanding of the different factors that inform retail and institutional demand."

He added: "As one might expect, retail investors are generally more price sensitive than institutional investors. However the interplay between price, product range and performance is finely balanced across all markets analysed and, as such, close attention to the realities of individual markets is required by fund promoters."

July slump for SS&C GlobeOp

SS&C GlobeOp's Forward Redemption Indicator for July 2015 shows that notifications have dipped to 2.08 percent, from 4.72 percent in June.

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Bill Stone, chairman and CEO of SS&C Technologies, partly attributed the drop to "normal seasonality", however, the reading is lower than July 2014's figure of 3.15 percent, and equal to the lowest ever July figure since the index was established in 2008.

The figure of 2.08 percent is also nearing the index's all time low of 1.85 percent, recorded in January 2012.

Stone said: "This is consistent with other recent SS&C GlobeOp data suggesting that investors are keeping their hedge fund allocations largely in place despite turmoil in international markets."

The indicator represents the sum of forward redemption notices received from hedge fund investors divided by the assets under administration at the beginning of the month for SS&C GlobeOp fund administration clients. It reached an all-time high of 19.27 percent in November 2008.

Data on the platform represents about 10 percent of the hedge fund industry.

The SS&C GlobeOp hedge fund performance index reported a flash estimate of -0.65 percent for July. Year-to-date the performance has achieved 6.74 percent, while the last 12 months has seen an increase of 8.52 percent.

Linear Investments acquires AQX Securities assets

Linear Investments has acquired the assets of the AQX Securities agency execution business from the Aquila Group.

The acquisition will enhance Linear's existing execution-only services and broaden its reach across asset classes, from equities, exchange-traded funds, futures and options, to cash and fixed income.

Paul Kelly, CEO of Linear Investments, commented: "Our acquisition of AQX Securities's execution business further enhances our multi-asset execution and outsourced trading desk capabilities."



He added: "By combining the two businesses our mutual clients will benefit from the competitive advantages associated with increased trading volumes and the broader umbrella services that we can now offer them all."

Sam Merali, head of agency brokerage at Linear Investments, added: "This is an exciting new chapter for Linear Investments as it on-boards and services AQX Securities's pan-European buy-side clients."

Prior to the acquisition, Merali was joint managing director of AQX Securities in the

UK, responsible for pan-European sales and business development.

Computershare acquires SIX SAG

SIX Securities Services is selling SIX SAG, its business in share register services and general meetings for third parties, to bank-independent issuer service provider Computershare.

Computershare will take over the full SIX SAG business, including its 25 staff members, in an acquisition expected to be completed in Q4 2015.



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Along with share registry, special register services and conducting general meetings, SIX SAG assumes administrative tasks on behalf of clients, allowing them to focus on their core business. Under Computershare, these clients will gain access to additional products and specialist services.

Thomas Zeeb, division CEO of SIX Securities Services, said: "We are delighted that SIX SAG will be optimally placed under the umbrella of the major international company Computershare to meet growing regulatory requirements, continue to grow and thereby consolidate its leading market position in Switzerland."

"Its disposal to Computershare not only guarantees continuity but opens up new horizons for our staff and clients by enabling them to capitalise on Computershare's wider spectrum of services."

Steffen Herfurth, CEO for Computershare in Europe, added: "We're excited to have this opportunity to extend our core businesses further across Europe and look forward to welcoming SAG clients and employees to Computershare."

"Our ability to add value to this business, given its alignment with our core competencies, provides tremendous opportunities for all SAG clients and their stakeholders."

DataLend infographic reveals industry's size

The value of available inventory stands at \$13.22 trillion, according to a new infographic on the global securities finance market from DataLend (see right).

Of the available inventory worldwide, \$1.72 trillion was out on loan as of 22 June.

The value of equity on loan was \$851 billion, while fixed income on loan stood at \$876 billion.

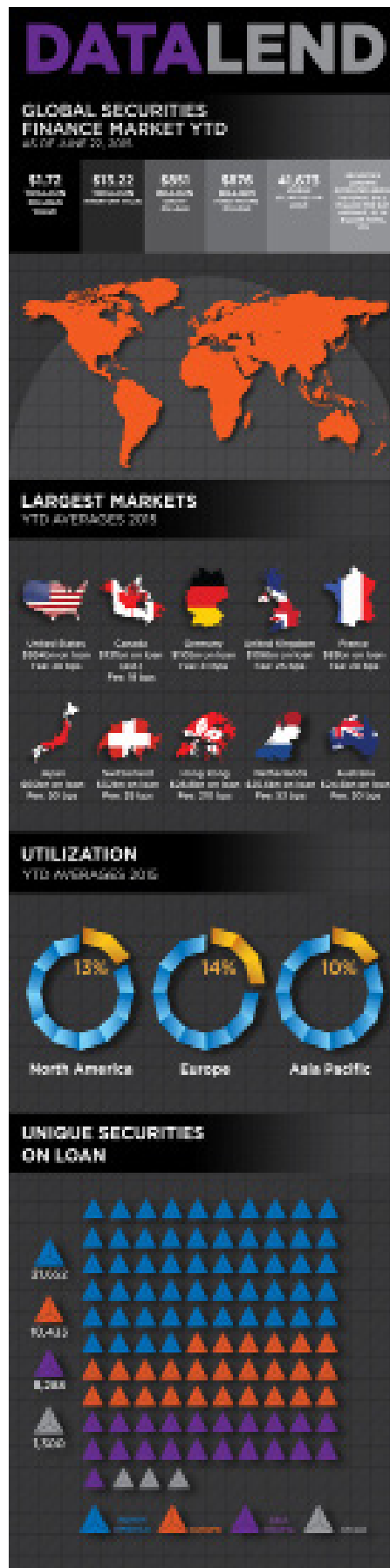
Some 41,673 unique securities were out on loan, according to the infographic, yielding an estimated gross revenue of \$19.2 million per day on average, which equates to \$2.26 billion for the first half of 2015.

The US is still the largest market with \$954 billion out on loan as of 22 June. Canada is the closest market in size, with an estimated \$131 billion of securities out on loan.

Despite its size, the US commands a fee of 38 basis points (volume-weighted average, year to date), whereas Hong Kong, which has \$28.8 billion out on loan, yields fees of 210 basis points.

Shaky June for Clearstream securities financing

Clearstream's global securities financing business reached an average outstanding



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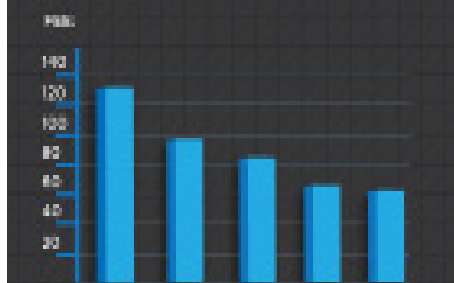
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of €609.3 billion in June, with the combined services of triparty repo, securities lending and collateral management registering a 3 percent dip from €626.9 billion in June last year.

Year-to-date 2015, however, the global securities financing monthly average outstanding reached €624.2 billion, a five percent increase on the same period last year, which totalled €624.2 billion.

Clearstream also saw a 9 percent increase in assets under custody compared to June 2014, and a 10 percent increase year-to-date.

June's settlement transactions on the international central securities depository increased 4 percent compared to 2014, while the domestic central securities depository saw a 20 percent increase compared to last June.

Year-to-date, combined settlement transactions registered a 12 percent increase compared to the same period in 2014.

SEB expands relationship with 4sight

SEB has successfully expanded its use of 4sight's Oneworld Settlement system for its derivatives business.

The settlement system will enable SEB to process domestic and non-domestic equity

and derivative trades on the Oslo, Eurex and Nasdaq OMX exchanges.

SEB has used 4sight's settlement solution for equities trading, but the bank wanted to replace multiple legacy settlement systems across different business lines with a single solution.

The project involved adding the settlement of new product types to the 4sight OneWorld Settlement system, establishing connectivity with a number of central counterparties and data migration from SEB's legacy systems.

Sven Andersson, head of electronic execution equities at SEB, commented: "The 4sight system will enable us to increase trading volumes as our business expands and achieve significant operational efficiencies from using a single system solution to manage our clearing and settlement process across multiple business lines."

Alastair Chisholm, managing director of 4sight, added: "We are delighted with the success of the implementation and the close working relationship we have developed with SEB. This project adds to the growing use of 4sight's software products in Nordic region, with a number of Swedish banks now using 4sight's settlement, collateral management and securities finance solutions."

BNY Mellon has a jolly good Q2

BNY Mellon earned seasonally higher securities revenue of \$40 million during Q2 2015.

Securities lending revenue was higher during the last quarter than Q1 2015, when the bank earned \$34 million. It was also up on Q2 2014, by \$5 million.

Asset servicing fees earned overall during Q2 2015 hit \$1.1 billion, an increase of 4 percent year-over-year and 2 percent sequentially.

BNY Mellon explained in its earnings report: "The year-over-year increase primarily reflects organic growth, due in part to global collateral services, net new business and higher market values, partially offset by the unfavourable impact of a stronger US dollar. The sequential increase primarily reflects organic growth and seasonally higher securities lending revenue."

Financing-related fees, meanwhile, were \$58 million in Q2 2015 compared to \$44 million in Q2 2014 and \$40 million in Q1 of this year.

"Both increases primarily reflect higher fees related to secured intra-day credit provided to dealers in connection with their triparty repo activity," said the bank.

Gerald Hassell, chairman and CEO of BNY Mellon, said: "Our strong Q2 results

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demonstrated our execution of our key priorities. We are growing our earnings, investing in next-generation operating platforms and risk management controls, attracting new clients and driving the long-term value of our firm for the benefit of our clients and shareholders."

Clearstream partners with Indian CCP

Central counterparty (CCP) the Indian Clearing Corporation Limited (ICCL) has joined Clearstream's integrated collateral management engine, the Global Liquidity Hub.

The partnership intends to allow clearing members and custodians to manage the margin requirements resulting from trades on the Bombay Stock Exchange (BSE) platform.

Collateral belonging to Clearstream and partner banks will be pooled at the Global Liquidity Hub in a bid to avoid bottlenecks in sourcing high-grade collateral to meet margin requirements.

It means foreign investors trading on the BSE platform will be able to deposit AAA-rated foreign sovereign bonds to ICCL as collateral, all within an automated and efficient triparty environment.

The partnership is based on guidelines issued by local regulators the Reserve Bank of India and the Securities and Exchange Board of India.

It follows the objective of strengthening the stability of Indian capital markets through using high-quality collateral for risk management, while also allowing access for foreign investors, therefore making India globally competitive.

Stefan Lepp, head of global securities financing and a member of the executive board at Clearstream, said: "This new partnership is part of our strategy of enabling customers to use the Global Liquidity Hub as a single source of liquidity to collateralise multiple global exposures in a streamlined and optimised manner."

K Kumar, managing director and CEO of ICCL, added: "[We are] committed to providing enhanced clearing, collateral management and risk management services to help members comply with new regulatory requirements and to bring Indian trading practices in line with the best in the world."

The collaboration is part of a wider partnership between BSE and Deutsche Börse. Clearstream is also in discussions with Indian market regulators and BSE over introducing models for government and corporate bonds intended to make access to the Indian market easier for international investors.

ICAP expands partnership with AcadiaSoft

ICAP has increased its investment in AcadiaSoft, an electronic margining provider of over-the-counter (OTC) derivatives.

The investment is a joint venture between markets operator and post-trade risk mitigation service provider ICAP, DTCC and Euroclear, along with four banks and six additional investors.

ICAP's TriOptima has also entered in to agreements with AcadiaSoft, DTCC and Euroclear in plans to link AcadiaSoft's messaging service, MarginSphere 2 with TriOptima's ITC trade reconciliation service and DTCC and Euroclear's joint Margin Transit Utility.

This network intends to create a smooth end-to-end collateral processing hub for non-cleared derivatives.

Michael Spencer, group CEO of ICAP, said: "This cooperation between AcadiaSoft, TriOptima, DTCC-Euroclear and our partner banks is very exciting and we look forward to working with the other shareholders to create a true industry solution."

"We will combine TriOptima's expertise through its triResolve portfolio matching service with AcadiaSoft's margin messaging platform which will facilitate regulatory compliance and a reduction in operational costs and risks."

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Collateral optimisation: is it a case of The Emperor's New Clothes?

Buy-side firms do not want to hear about optimisation when being sold a collateral management solution, says Charlotte Griffiths of CloudMargin

Everyone has heard the tale of The Emperor's New Clothes—a fairy tale about an emperor who pays a lot of money for something that can only be seen by 'wise' people.

The clothes do not really exist, much like the need for many buy-side firms to pay a lot of money to optimise their collateral.

The term 'optimisation' has been prevalent over the past few years. You can barely read an article about collateral management without being told that the sky is going to fall down unless you optimise your collateral. You also have articles pushing the idea of the 'collateral squeeze' that is yet to materialise, and that adopting n-level optimisation algorithms is essential for almost all buy-side firms.

Although many consultancy firms privately admit optimisation is mostly smoke and mirrors, legacy collateral technology vendors still need to over complicate the issue to justify their huge cost base and extortionate prices. Selling million-pound technology solutions requires a climate of fear in the market, so that anyone not spending huge sums of money isn't 'wise' enough to see the emperor's clothes.

Buy-side firms need to remember that vendors need to sell an issue to support their own

agenda. They need to make the world seem as scary and over complicated as possible.

The truth is that the majority of the buy side just wants visibility of a single, collated and consolidated collateral pool with the ability to make the best use of what they have—the focus is not on over-complicated optimisation, yet. They need to be able to assess what they have in a small amount of time to make decisions that have a great impact on the business as a whole.

In fact, the head of treasury of a leading bank recently commented on what is important to them: "I'll give you the 3 Cs—clear, un-cluttered and concise. We need to know what we have available day to day, and more importantly, in times of market stress."

For most of the buy side, of course there are going to be exceptions, the challenge isn't sophisticated optimisation of collateral, but making efficient use of what they've got. Getting visibility over what their firms are holding and being able to cope with increasing volumes of calls "without having the operational headaches of volume sensitivity" is among the main priorities.

Many buy-side firms already have assets just sitting around waiting to be used.

Asset managers will usually have pools of eligible assets available and corporates and insurers are often long in cash, so the challenge is to efficiently mobilise these assets. Due to the levels of interest rates at the moment and the cheap price of cash, many brokers are pushing their buy-side clients to renegotiate credit support annexes or at least commit to only margining in single currency cash, making optimisation impossible. Therefore, a collated view of collateral pools and where they can be used is much more beneficial than over priced optimisation algorithms.

Although expensive legacy systems need to sell the idea of optimisation, to justify their existence, we have spoken to a number of buy-side firms and they simply do not want to hear about optimisation when being sold a collateral management solution. They want to get away from sending emails and faxes, using spreadsheets and being completely reactive at managing collateral.

The Emperor's New Clothes can be likened to the tale of optimisation and its so-called importance. Both are stories about situations where 'no one believes, but everyone believes that everyone else believes'. [SLT](#)

The land of opportunity

John Arnesen of BNP Paribas Securities Services provides an update on the bank's agency lending business in the US, revealing a big update from beneficial owners

MARK DUGDALE REPORTS

How has your agency lending operation in the US progressed since it launched in 2013?

The business has grown rapidly in the US. Our first go-live client was in Q4 2014, so we're now fully established and are operating in business-as-usual mode. I've found that the BNP Paribas name resonates with clients in the US as our strategy is very much about risk control and client focus.

The third-party lending model in the US is also well established. There are a number of institutions here, through their sheer size, that will diversify their lending agent, but may not necessarily want to make custodial changes. Therefore, as opposed to the European model, which tends to be less third-party agent orientated, the opportunity for us here is compelling because we're a new entrant, we have the backing of a group with a strong balance sheet and prowess. To put that into context, in the next quarter we're going to increase our lendable base 12-fold.

How are you targeting new clients?

We want to appeal to those clients that need a high-touch approach and various degrees of customisation. We've made it clear to clients that they will have direct access to the people who are going to run their programme. So in the case of Mike Saunders, who is our head of trading and investment, he provides colour to clients directly, which they certainly appreciate. When it comes to regulation and an expert opinion on those issues, we have Frank Souder, who has been in this market for about 40 years.

Clients feel comfortable and like that they're in safe hands, and that is being reflected in our growth. If we have challenges, it's in onboarding clients rapidly, because they're coming thick and fast. We will add six clients in this quarter. Our pipeline is incredibly healthy—we're very much in onboarding mode.

Which assets are you working with at the moment?

The portfolios we're seeing currently are US-centric to a certain extent. I can never talk highly enough about the opportunity in the US—it's greater there than anywhere. The US has half of the world's assets and it's pretty diverse, too. We're not only going to see US equity, fixed income and corporate debt, there's also a huge holding of international securities. We intend to mobilise all asset classes as we gain more clients.

We've found ourselves attracting clients that believe they're perhaps underutilised, and we've had some success being appointed from other programmes because of this. There is perhaps some advantage in being a new entrant and growing into a space that has less demand. There has been deleveraging globally, so there have been clients of some very large programmes that may feel they have been getting less activity as a result of the drop in demand. Perhaps we can fill that gap for them.

We may be a new provider but we have established partnerships with broker-dealers. I think that's where we've been successful, because we've been able to use assets where others have been struggling to do so. The lending of high quality liquid assets (HQLAs) is something we do well. We do it on a fully indemnified basis and you only have to look at market data to see where we rank in the league tables.

It's of interest to me, after years in this business, that I can utilise US treasuries in as great a fashion in Europe as I can in the US against cash collateral. I see the greatest demand for HQLAs coming out of Europe includes US treasuries, which I didn't think I'd ever say. With interest rates as they are, intrinsic value lending prevails, which of course should have been the approach, without deviation, from day one.

What's your position on new regulations—are they being done right?

We have to accept that regulators are doing extensive work globally and they are attaching all kinds of requirements and guidelines to securities lending. I would say that some of the new rules lack clarity, particularly on the effect they may pose to us as an agent for our underlying clients. That work is ongoing both in Europe and in the US. The industry in the US is very much focused on liquidity and capital ratio issues. Under the Dodd-Frank Act's 165(e) rule and aspects of the Collins Amendments, it's challenging, there's no question.

But there are some interesting changes on the horizon. There's a potential change to Rule 15-3-c, which may expand the ability to accept various forms of collateral, particularly equities. If that happens, the non-cash market in the US will grow relatively quickly, although I'm not over enthusiastic about how long it might take for that amendment to happen.

It's also worth bearing in mind that we operate as a branch of a foreign bank here in the US. It's not as stringent for us as it is for others when it comes to capital and liquidity standards. It's a fact of life and there is some advantage there. I don't see any barrier to us in the US, but there is some work to be done in the finer detail. [SLT](#)



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European bond ETFs shorted amid volatility

The growing popularity of European bond ETFs has been reflected in the securities lending market, with growing numbers of investors borrowing the newly accessible supply in the wake of volatility. Markit's Simon Colvin reports

Bond exchange-traded funds (ETFs) have had a successful start to the opening months of the year as investors turned to the asset class in the wake of the European Central Bank quantitative easing programme. This macro-driven play saw investors add more than €11.4 billion of new assets into the around 450 European listed bond ETFs in the opening quarter—over twice the previous record inflows seen in Q4 of last year. Bond ETFs have continued to resonate with European investors in the subsequent months, with funds gathering €3.6 billion since the end of March.

One significant result of this surge in assets under management is that European bond ETFs are now much more readily available to short sellers.

ETF lendable surges

A portion of these inflows have been making their way to securities lending programmes, as the value of European bond ETFs sitting in lending programmes has jumped by €1.7 billion since the start of January to a new all-time high of €4.5 billion.

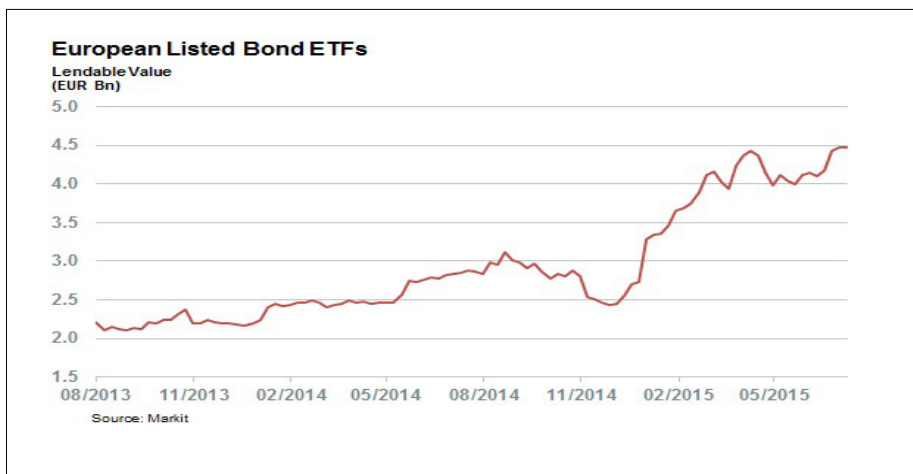
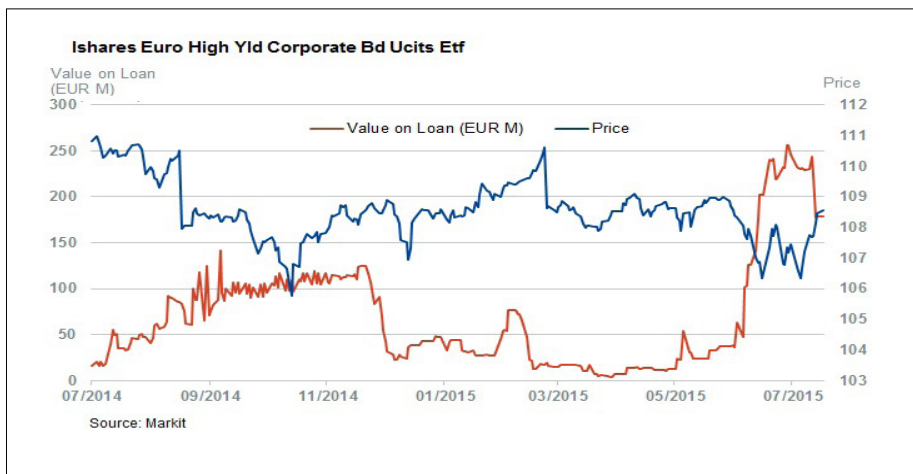
This boost in new supply means that 58 percent of the current European bond ETF landscape by assets under management has ample availability in the securities lending market, as defined by having a lendable inventory greater than €10 million.

This increased availability also appears to have benefitted borrowers, as the fees charged by lenders have fallen in step with the new inventory. The weighted average fee to borrow a European bond ETF stood at 2.2 percent two years ago. The rise in lendable inventory has seen that number fall by more than 50 basis points and the fee has now hovered in the 1.5 percent range over the last 12 months.

Bonds shorted amid bond volatility

This rising supply has come at an opportune time for lenders as the recent bond market volatility has seen the demand to borrow European bond ETFs jump to a new all-time high.

Both corporate and government bonds sold off heavily in the six weeks since the end of April, driven by the Greek crisis and a surge in bund yields. As a result, the aggregate balance of European bond ETFs crossed the €500 million



threshold for the first time ever in the first week of July.

This represents a doubling of the aggregate demand to borrow the same group of ETFs from the start of the year. The growing demand to borrow highlights that the end usage of European ETFs continues to grow in sophistication as investors chose the asset class to express both long and short views on the bond market.

The funds that have proved most popular for short sellers in the last few weeks have been high yield and emerging market products, both of which have been historically more susceptible to wider market downturns.

On the high yield space, the iShares Euro HighYield Corporate Bond UCITS ETF was the most popular with short sellers. Its borrow topped out at €255 million in the recent downturn.

Dollar-denominated high yield also attracted significant numbers of short sellers in the last few weeks, with the iShares \$ High Yield Corporate Bond UCITS seeing its borrow approach the €100 million mark in April.

The fund of choice for investors looking to express a view on emerging market bonds has been the iShares J.P. Morgan \$ Emerging Markets Bond UCITS whose borrow crossed the €100 million mark recently. [SLT](#)



Industry Events

IMN's 20th Annual European Beneficial Owners' Securities Lending & Collateral Management Conference

Date 17-18 September 2015

Location London

In light of significant regulatory and market developments, IMN is proud to announce a new title - and expanded focus - for its Beneficial Owners' Securities Lending event series.

32nd Annual RMA Conference on Securities Lending

Date: 12-15 October 2015

Location Florida

This conference brings together all the players involved in the business of securities lending. It is designed by securities lending and borrowing professionals for individuals from banks, brokerage houses, pension funds, endowments, and regulatory agencies in both the US and Europe. Topics include collateral management, international market updates, performance measurement, and legal/regulatory updates.

Industry appointments

Lothar Dussmann has joined SEB as a senior sales trader on the equity finance desk.

He joins from Credit Suisse Zurich where he spent nine years as a repo trader for specials, collateral and triparty for all asset classes.

Dussmann will report to Steffen Jordan, head of securities finance.

Jordan said: "With his background and experience, Dussmann will have an important role in further developing our repo, financing and cross asset capacity."

Stephen Grazioli has moved to Cantor Fitzgerald to join up with Rory Zirpolo.

Grazioli joins Cantor Fitzgerald as vice president. Zirpolo, who joined the firm as managing director and head of securities lending at the beginning of February, is charged with growing the securities lending and prime brokerage offering.

Grazioli previously worked with Zirpolo at Cowen and Kellner Capital, where he was vice president of equity finance. He also previously worked at J.P. Morgan.

The recruitment of Grazioli follows the arrivals of **Daniel Gee**, **Marylou Carluccio** and **Christopher Masse** in February.

The team all worked with Zirpolo at Cowen and Kellner. **Patrick Chisholm**, who has been at Cantor Fitzgerald since December 2013, also previously served at Kellner.

Carluccio, who specialised in exchange-traded funds at Cowen, has worked at Penson Financial Services and Quadriserv.

Gee held trading roles at both Cowen and Goldman Sachs. Chisholm, who has 20 years of experience in financial services, also worked at Goldman Sachs.

Masse previously worked as director of equity derivatives sales and trading at Gleacher & Company Securities.

He has also been director of equity derivatives sales and trading at Saratoga Capital.

Consultancy Holley Holland has appointed **Marty Rose** to head up its US business, based in Charlotte, North Carolina.

Rose joins from Bank of America where she served for more than 20 years.

Most recently she was COO in the bank's risk group and also held the position of programme and governance executive for the global recovery and resolution and global stress testing group.

Andrew Holley, co-founder of Holley Holland, commented: "We are delighted to have Rose join us. Her extensive technical experience is the perfect match for our business. She will be responsible for building out our US business, focusing on immediate opportunities in Charlotte while expanding our regional footprint."

Rose commented: "Holley Holland is a very different type of consultancy—the team is made up of senior people from the industry. At a time of such complexity, the need for long standing financial services experience is crucial: I know from experience you want advice from people who have been in your shoes."

DTCC has appointed **Stephen Scharf** to the newly created position of chief security officer.

Mark Clancy is stepping down as chief information security officer to focus on his full-time role as CEO of Soltra, DTCC and FS-ISAC's joint threat intelligence platform.

The new role is intended to help centralise and align DTCC's information security, physical security, crisis management functions and employee safety, while also increasing resilience throughout the company.

Scharf joins from Experian, where he was global chief information security officer, responsible for strategy, leadership and governance in

information security. Previously, he was global chief security officer for Bloomberg LP.

Andrew Gray, managing director and group chief risk officer at DTCC, commented: "Risk management remains a top priority across the industry, and we look forward to Scharf's contributions as we continue to protect DTCC and the global markets."

Scharf added: "Financial services remains one of the most heavily targeted industries. To continue safeguarding our industry from threats, we must remain vigilant and focused." **SLT**

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