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Basel implementation 'slow'

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Financial services institutions have launched projects to comply with Basel III rules and regulations, but implementation remains slow and organisational changes are a significant concern, according to the third annual survey by the Professional Risk Managers' Association (PRMIA).

The survey, sponsored by SunGard, addressed four main areas affecting risk management: central counterparties (CCP); credit valuation adjustments; Basel rules and regulations; and the organisation of risk management departments.

The survey found that 75 per cent of the respondents felt that central counterparties will not change the overall volume of derivative transactions they are undertaking, although roughly one third (38 per cent) said the mix of business would change.

More than half of firms believe that credit value adjustment (CVA) remains important in managing credit risk and more firms have implemented CVA calculations, 72 per cent of respondents either do not measure it at all or measure it for finance/accounting purposes only.

While the majority of institutions have now implemented reverse stress testing and credit stress testing, only 15 per cent (compared to eight per cent last year) have made reverse stress tests an integral part of their stress testing regime, even though it is a key element of Basel III. There were also few signs of progress towards the monitoring of wrong-way risk or the implementation of credit backtesting systems.

Responses about the greatest challenge to meeting the new rules showed the most significant change from last year's survey, with a jump from 11 per cent to 16 per cent in the number of people citing business realignment. Although each bank will have its own strategy and approach, this suggests that the new capital charges will affect the business model of many institutions. Further, many banks still treat credit and market risk separately.

"Three years after the start of the global financial crisis, discussions of Basel rules and risk measurements are moving outside of risk and compliance departments and firms are making organisational changes to support new regulations," said Mat Newman, head of product management for Adaptiv in SunGard's position, risk and operations business.

NEWSINBRIEF

NY Fed expands reverse repo counterparty list

The New York Fed has accepted a number of new money market funds as reverse repurchase transaction counterparties. This is in addition to the primary dealers and previously approved reverse repurchase transaction counterparties.

The funds include those run by BlackRock, Fidelity, Invesco, J.P. Morgan and Northern Trust. In total, 32 new funds from 17 investment managers have been added to the list.

Inclusion on this list means that, should the New York Fed conduct reverse repurchase agreements, those listed would be eligible to participate.

It does not mean that any listed eligible reverse repurchase transaction (RRP) counterparty is eligible for any other programme or transactional relationship with the New York Fed.

CI Investments chooses RBC Dexia

RBC Dexia Investor Services has been reappointed as investor services provider for CI Investments Inc. This service extension, the culmination of a comprehensive competitive bidding process, is the fourth successive five-year term that CI Investments has engaged with RBC Dexia to service CI Investments' $75 billion in assets under administration.

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CI Investments chooses RBC Dexia

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Under the new agreement, RBC Dexia will provide CI Investments with a range of investor services, including custody, fund administration, securities lending, foreign exchange and investment counselor services for their private client business.

"We have enjoyed a positive working relationship with RBC Dexia since 1996," said David Pauli, executive vice president and chief operating officer, CI Investments. "After a thorough review of the capabilities and offerings of the various providers in the marketplace, we found RBC Dexia's exceptional service proposition, people and competitive pricing all to be true differentiators and key drivers in our selection."

"Having CI Investments renew with RBC Dexia for a fourth successive term is proof of the strength of the relationship and our ongoing commitment to providing them with an evolving and dynamic service solution customised to their needs," said John Lockbaum, managing director, Canada, for RBC Dexia. "Having one of Canada's leading investment managers demonstrate its confidence in our people and the service offering we provide is a testament to our commitment to them and the Canadian financial marketplace."

CalPERS backs new investor guide

The California Public Employees' Retirement System (CalPERS) has strongly endorsed a new guide by the Investor Steering Committee of the Alternative Investment Management Association (AIMA), the global hedge fund association, to promote better alignment of interests between institutional investors and hedge fund managers.

"Public pension funds and other institutional investors account for most of the capital within the hedge fund industry," said Joseph Dear, CalPERS chief investment officer. "This guide by AIMA's Investor Steering Committee contains recommendations that will enhance our partnerships with fund managers. It's a good benchmark for this maturing industry."

The Investor Steering Committee paper, *A Guide To Institutional Investors' Views and Preferences Regarding Hedge Fund Operational Infrastructures* recommends, for example, that:

- Hedge funds' investment objectives and strategies should describe the assets to be invested, geographic sectors where the assets may be limited and management trading style;
- Hedge funds have predominantly independent boards of directors who are free of conflicts with the investment manager;
- Hedge fund risk reporting should give investors the necessary tools to understand how much risk managers are utilising within their portfolios;
- Investors should be able to track the performance of hedge funds based on quantitative and qualitative reports that are updated at least monthly; and
- Hedge fund managers should give investors the information they need to analyse a fund's goals, strategy capacities and resources to achieve those goals.

Pirum releases new reporting for SEC rule 17a-13

Pirum has released new reporting to facilitate compliance with SEC rule 17A-13, which requires borrowers to regularly confirm their on-loan positions with their lenders. This will benefit market participants looking to reduce the risk and burden of manual compliance with this requirement.

Pirum's solution automates the secure delivery of monthly, quarterly and year-end position reports to counterparties. Pirum's new reports automatically highlight any positional differences between a pair of market participants and are in a format ready for ready for sign-off by an authorised individual, eliminating the need to manually identify any discrepancies.

Rupert Perry, chief executive of Pirum explained: "We have developed this new reporting functionality following a number of requests from our customers to help them provide these control reports in compliance with SEC rules. Our customers tell us that these new reports will enable them to fully satisfy the SEC requirements with much less manual effort than is required today."

BNP Paribas, Goldman Sachs join ADS platform

Goldman Sachs and BNP Paribas will provide foreign exchange (FX) prime brokerage solutions on ADS Securities' trading platform.

Mahmood Ebraheem Al Mahmood, executive chairman of ADS Securities said: "This partnership allows us to provide our clients with some of the most efficient and secure clearing and counterparty services available in the international market. These services will help our clients maximise their investment strategies and control their investments efficiently. Our partnership with BNP Paribas and Goldman Sachs further raises the strength of the ADS Securities value proposition and strongly supports our worldwide business objectives."

Abu Dhabi-based ADS Securities is a brokerage and trade services firm that seeks to bring significant new opportunities to participants in the global and regional forex, precious metals, commodities, futures and options markets.

BNY Mellon wins AP7 mandate

BNY Mellon has won the bid to provide derivatives collateral management services to Sjunde AP-fonden (AP7) the Swedish state pension fund, which has over euro 8.5 billion under management.

Services are being provided via DM Edge, BNY Mellon's derivatives margin management platform. This allows customisation of the margin and collateral process which incorporates the processing, reinvestment and valuation activities associated with posting and receiving collateral for OTC derivative transactions.

BNY Mellon is using DM Edge in conjunction with its Triparty collateral management and money funds platforms to support AP7's equity OTC derivatives trading, assisting with raising cash as collateral, reinvesting cash collateral and calculating margin call amounts. This is the first time that three of the platforms have been combined, offering a collateral management service, which is tailored to the fund's complex requirements.

Andrew Demko, EMEA business manager for Broker Dealer Services at BNY Mellon said: "BNY Mellon has created a solution for AP7 which enables it to maximise the use of its equity collateral. The pension fund has previously found that many market participants will not accept equity as collateral under ISDA agreements. Our solution enables long equity positions to be turned into cash at short notice for use as margin, facilitating the business and avoiding extra costs."

Svante Linder, chief operating officer at AP7, said: "BNY Mellon has helped us solve the problem of collateralising OTC Derivatives when using an equity based portfolio. The market is not favourable to using equities as collateral at the moment and working with BNY Mellon on a combined solution has helped us to overcome operational and legal hurdles."

Penson signs up with Broadridge

Penson Financial Services Canada Inc. is now operating live on Broadridge Canada's Brokerage Processing Services (BPS) solution and investor communication solutions for its securities processing and brokerage accounting businesses. In addition to these solutions, Broadridge is also providing its Business Process Outsourcing services to provide enhanced operational efficiencies and flexibility.

Broadridge has worked very closely with Penson throughout the entire conversion process and, in response to Penson's requirements, has further extended its breadth of processing and investor communications capabilities to include a wide range of new enhancements.

Broadridge's enhancements for securities processing include: enhanced correspondent services, holiday processing, additional French language support, and the integration of Broadridge's Aspire 2.0 Wealth Management Broker Desktop for real-time connectivity with Penson's Advanced Order Management service.

Penson is also utilising Broadridge's investor communication services. Its enhanced solutions for Penson include Smart Prospectus, electronic Smart Prospectus (eSP Lite), Trade Confirmations, Tax Forms Plus and PostEdge for document and report archival.

The availability of these new enhanced offerings continues Broadridge's focus on further extending the solutions available to its customers, and its ability to deliver the benefits of increased operational efficiencies and reductions in costs.

John Skain, president and chief executive officer, Penson Financial Services Canada, said: "Penson sees significant benefit in the technology and operational efficiencies that Broadridge offers. The move to Broadridge allows Penson to offer a wider range of products and services to our customers. Penson is committed to providing greater choice and flexibility in the services our customers expect."

Michael Dignam, president, securities processing solutions, Canada, Broadridge, said: "As the leading financial services solutions provider in the Canadian marketplace, Broadridge is pleased to provide a full range of products and services in support of Penson's business."

FINRA issues warning on stock-based loan programmes

The Financial Industry Regulatory Authority issued a new Investor Alert - *Stock-Based Loan Programmes: What Investors Need to Know* - to educate investors about non-recourse stock-based loan programmes, including the risks and rewards of these loans. Stock-based loans might be tempting for investors who need cash - or who want to tap the value of their portfolios without selling their investments. However, as recent FINRA enforcement actions confirm, stock-based loan programmes can be risky, especially when they involve non-recourse loans from unregistered, unregulated third-party lenders.

"Investors who want to tap into the value of their portfolio through a stock loan programme should realise that these programmes involve significant risk and cost, and may result in unintended tax consequences," said John Gannon, FINRA's senior vice president for investor education.

Stock-based loan programmes allow investors to pledge fully paid stock as collateral for non-recourse loans from third-party lenders, who are generally unregistered and unregulated. These programmes, typically marketed by financial planners, investment advisers, insurance agents and others, supposedly allow investors to borrow money against a substantial percentage of their portfolio without giving up the benefits of owning the stock.

Essentially an investor "pledges" stock that he or she owns as collateral to a lender, which lends the investor cash - often as much as 90 percent of the value of the stock - for a set period of time, such as two or three years. The customer agrees to pay interest - often above 10 per cent - and is credited with any dividends paid on the stock the customer pledged. At the end of the loan period, the customer generally has several options, including extending the loan or getting the stock back.

Investors using stock-based loan programmes should realise that whether or not the lender sells the stock during the loan period, the US Internal Revenue Service might consider the transfer of the stock to be a taxable event. As a result, investors might face unexpected tax liabilities and have to pay capital gains taxes upon receipt of the proceeds of the loan or upon the lender's sale of the stock.

FINRA advises that the best step investors can take is to ask questions and independently verify those answers. All investors considering these programmes should ask the following.

- Are the lender and promoters registered with FINRA or with bank regulators?
- Does the lender have audited financials?
- What happens to my stock once I pledge it as collateral?
- What benefit does the promoter receive for recommending the programme?

- If I purchase a financial product with the proceeds, what are the costs and risks?

Investors who are victims of stock-based loan programme scams are urged to file a complaint using FINRA's online Investor Complaint Center.

J.P. Morgan first foreign agent lender to execute in Brazil

J.P. Morgan Worldwide Securities Services has successfully executed and settled a securities lending transaction in the Brazilian market. In doing so, J.P. Morgan is the first non-domestic agent lender to complete a loan transaction in Brazil.

J.P. Morgan has conducted business in Latin America for over 100 years. J.P. Morgan's securities lending business also has a track record in emerging markets - the bank was the first agent lender to settle a non-domestic securities lending transaction in Korea and is the largest lender within many emerging markets, including Taiwan.

"As Brazil is a complex market, we have been involved in due diligence for quite some time and we are very pleased to now be able to enter such an exciting market," said Judy Polzer, global head of securities lending product at J.P. Morgan. "This development underscores our commitment to offering global access to our client base and to building upon our history as a leader in emerging markets."

Ricardo Nascimento, head of WSS business for Brazil, added: "The ability to offer securities lending services in the Brazilian market is part of our strategy to offer our global and Brazilian clients a broad range of local services to support their investment strategies."

Austria extends short selling ban

The FMA, the Austrian regulator, has said it will further extend the ban on naked short selling of financial companies' shares until the end of November.

The ban has been in place since the collapse of Lehman Brothers in 2008, and has been extended in three and six month periods ever since.

It applies to the shares of Erste Group, Raiffeissen Bank International, Vienna Group and Uniqa.

BATS Europe unveils preferred interoperable clearing service

BATS Europe has announced plans to launch an exclusive preferred interoperable clearing programme to allow trading participants the choice of a preferred clearer from three interoperating clearing counterparties (CCPs) from late July, pending regulatory approval.

With the new service, participants can elect a preferred CCP for clearing of all trades in a specific market segment on BATS Europe. The preferred CCP may be one of LCH.Clearnet, x-clear or EuroCCP, pending regulatory approval and implementation of interoperability arrangements between these three CCPs. Under the new preferred clearing service, if participants on both sides of a trade have selected a preferred CCP, then the executed trade will be cleared by the designated CCP(s).

"We have been very supportive of the CCP interoperability initiative because its development is consistent with BATS Europe's intentions of improving market structure in Europe through customer choice and competition," said Mark Hemsley, CEO of BATS Europe. "With preferred interoperable clearing, we are a step closer to a competitive European clearing environment that encourages efficiency and innovation."

EMCF will continue to act as the default CCP for BATS Europe.

ZKB signs on to use EquiLend's AutoBorrow

Zürcher Kantonalbank (ZKB) has signed on to use EquiLend's trading and post trade services. ZKB initially plans to utilise the automated securities finance platform to lend its securities via EquiLend's AutoBorrow and Availability services.

Laurence Marshall, head of EquiLend Europe, commented: "We are very pleased to welcome ZKB to our platform utilising both our trade and post trade services. As the 11th client to join this year, it highlights the growing importance of EquiLend to the European region.

Felix Oegerli, head liquidity management, short term interest rates and prime finance, ZKB stated: "We see the securities lending business becoming more competitive in the years to come. Maximised trading efficiency will be essential to implement as it results in lower unit costs. We look to the inherent capabilities of the EquiLend platform, such as automation and scalability, to allow us to maintain our competitive edge whilst reducing costs."

May volumes round-up

May decline but record year predicted for OCC

Total cleared volume in May at OCC reached 362,653,311 contracts, an 11 per cent decline from the May 2010 volume of 408,432,157 contracts.

While May volume is off against last year's peak volume at this time, OCC reported options, futures, and securities lending volume remain on track for a record year. OCC's year-to-date average daily volume of 18,072,968 is an increase of eight per cent compared to the same point in 2010 and year-to-date total volume is up 9 percent with 1,861,515,709 contracts.

Options: Exchange-listed options trading volume reached 359,310,820 contracts in May, representing an 11 per cent decrease from May 2010. Equity options volume declined nine per cent from the previous May with 336,176,810 contracts. Year-to-date average daily volume for exchange-listed options was up eight per cent compared to the same period last year with 17,908,933 contracts.

Futures: Futures cleared by OCC reached 3,342,491 contracts in May, up 30 per cent from May 2010. Index and other futures volume was up 51 per cent with 3,078,345 contracts. Equity futures volume declined 50 per cent with 263,912 contracts in May. OCC's year-to-date total futures volume is up 49 per cent in 2011 with 16,895,625 cleared contracts.

Securities lending: OCC's stock loan programme, including OTC and AQS, saw a 31 per cent increase in new loan activity over May 2010 with 64,015 new loan transactions in May. Year-to-date securities lending activity is up 47 per cent from 2010 with 330,777 new loan transactions in 2011. OCC's stock loan programme had an average daily notional value of $12,980,636,905.

Eurex falls to 13 million a day in May

In May 2011, the international derivatives exchanges of Eurex Group recorded an average daily volume of 12.9 million contracts (May 2010: 16.2 million).

Of those, 10.0 million were Eurex Exchange contracts (May 2010: 12.2 million), and 2.9 million contracts (May 2010: 4.0 million) were traded at the US-based International Securities Exchange (ISE). The decline of Eurex Exchange volume y-o-y – which peaked in May 2010 – is due to the lower volatility compared with May 2010 and the adjustment of contract specification of equity derivatives. In total, 219.7 million contracts were traded at Eurex Exchange and 60.6 million at ISE.

Eurex Exchange traded 64.3 million equity index derivatives contracts (May 2010: 101.4 million). The single largest contract was the future on the EURO STOXX 50 Index with 28.3 million contracts. The option on this blue chip index totaled 24.8 million contracts. Futures on the DAX index recorded 3.1 million contracts while the DAX options reached another 5.2 million contracts. The Eurex KOSPI Product achieved a new monthly record with more than 320,000 contracts, an ADV of more than 14,500 contracts.

The equity derivatives (equity options and single stock futures) segment at Eurex Exchange reached its second-best month with 96.8 million contracts (record month May 2010: 101.9 million). Thereof, equity options totaled 24.4 million contracts and single stock futures equaled 72.4 million contracts.

Equity derivatives volume y-o-y is influenced by the change of contract specifications: in Q1 2011, Eurex Exchange increased the contract size of most equity options and single stock futures to match international standards, with the effect of potentially lower turnover in these products. The adjusted figure of monthly volume in the equity derivatives segment would have been approximately 123 million contracts.

Eurex Exchange's interest rate derivatives segment grew by 11 per cent and totaled 57.9 million contracts (May 2010: 52.4 million). The Euro-Bund-Future reached 21.2 million contracts, the Euro-Bobl-Future 13.7 million contracts and the Euro-Schatz-Future 16.1 million contracts. The Euro-BTP-Future totaled around 134,000 contracts and the Short Term Euro-BTP-Future approximately 53,000 contracts.

The Eurex segment dividend-based derivatives recorded approximately 289,000 contracts. Volatility derivatives totaled 208,000 contracts. Agricultural derivatives tripled y-o-y and totaled around 7,800 contracts.

Eurex Repo, which operates CHF, EUR repo and GC Pooling markets, reported continued growth. All Eurex Repo markets grew by 43 per cent in May 2011 and achieved 288.6 billion euros average outstanding volume (May 2010: 201.5 billion euros). The EUR Repo Market reached a new monthly record of average outstanding volume with 137.5 billion euros in May, an increase of 15 per cent y-o-y. The secured money market GC Pooling recorded an average outstanding volume of 106.8 billion euros, an increase of 12 per cent y-o-y (May 2010: 95.1 billion euros). The CHF Repo market recorded the highest growth rate with 84 per cent y-o-y, reaching 151.2 billion euros.

The electronic trading platform Eurex Bonds, which rounds out Eurex's fixed-income product range, traded 10.36 billion euros (single counting) in May, compared to 8.76 billion euros in May 2010. In April 2011, volume was 8.95 billion euros.

OneChicago reports May volume

263,912 security futures contracts traded at the OneChicago in May 2011.

Open interest stood at 443,620 contracts at the end of May 2011.

• 43 per cent of May 2011 month-end open interest was in OCX.NoDivRisk products. The OCX.NoDivRisk product suite was launched in October 2010 as an equity finance tool which removes dividend risk from the security futures. OneChicago currently lists 1,100 OCX.NoDivRisk products.

• 224,697 EFPs (Exchange for Physical) and blocks were traded. May's block and EFP activity represented more than $1.1 billion in notional value. May EFP volume increased 73 per cent over April.

• 51,420 May futures valued at more than $268 million were taken to delivery, validating the use of single stock futures as an equity finance product. The May deliveries were 275 per cent of May open interest at the beginning of the month.

Mirror, mirror

How do investors deal with a tender where they want the bid to succeed without relinquishing their own shares?

TRADING STRATEGIES

When looking into a mirror right becomes left and left becomes right so when looking into that same mirror, we must act in what is a counter-intuitive manner.

This same counter-intuitive thought process might be helpful when looking at Total SA's (FP FP) tender for SunPower's shares as on April 28th 2011, Total SA announced a friendly tender offer to acquire up 60 per cent of each SunPower share class (NASDAQ: SPWRA & SPWRB) at a price of $23.25. Total SA has stated that the closing of the tender offer is conditioned on a minimum of 50 per cent of the outstanding shares of each Class is tendered. The tender offer is scheduled to expire June 14, 2011. The Boards of both companies have approved the transaction. Upon conclusion of a successful tender, Total SA intends to combine the two shares classes into a single share class.

In the majority of cases tenders are used by one company attempting to acquire another or by a company attempting to buy back its own shares. If successful, those acquisitions usually result in acquirer subsuming the target along with the requisite name and symbol change occurring.

Total is taking a different tack in that it only wishes to acquire between 50 per cent and 60 per cent of each of the share classes and plans to let the remaining shares continue to trade on NASDAQ.

In addition to acquiring a controlling interest, Total will guarantee $1 billion in credit lines for SunPower, thus freeing up $400 million in restricted cash, eliminating the need for collateral requirements and lowering SPWRA's (as the new entity will combine the current A and B classes) effective borrowing costs.

Gleacher & Company's Clean Tech Analyst, John Hardy, has a $28 per share target on SPWRA over the next 12 months based on the improved financing and other benefits the Total offer brings.

So why does one need a mirror to figure out this tender offer? The first reason is that unlike most tenders, investors with a long term bullish view on SPWRA want the tender to be successful. The reason being that if Total gets the portion of SPWRA they are looking for; SPWRA gets access to the financing that allows it to expand its profit margins.

These same investors are also hoping to retain as much of their existing position as possible and in a further bit of counter-intuitiveness this has the highest probability of occurring if holders not wishing to tender lend their shares to someone that does want to tender. Bullish on SPWRA but tendering? Glad you grabbed that mirror now, aren't you?

Putting the odds in your favour that most of your SPWRA's will be accepted if you are tendering or making incremental returns on your stock if you plan to hold through the offer can both be achieved by using the Single Stock Futures market.

Those holders not electing to tender their shares can temporarily exchange their cash equity position with a July single stock futures contract and earn $2.00 - $3.00 per share for SPWRA and SPWRB shares between now and July 20th 2011.

Additionally, there is another way for investors to profit from the tender offer even if they have had not previously considered investing in SPWRA. According to Jim Delaney, Director, Equity Structured Products at Gleacher & Company new investors in SPWRA can buy shares in the cash market and immediately exchange those shares for an SPWRA SSF with a July expiration (currently trading at a $2.50 discount to the cash equity). This will result in reducing the investor's ultimate cost of the SPWRA shares by that same $2.50 and they will have the cash equity back in their account by July 20th.

Holders wishing to tender can use the single stock futures market to mitigate their proration risk.

The important thing to remember when looking in the mirror is that right is left and left is right. The important thing to remember when examining Total's tender for SPWRA is that you might get most out of what you get to keep by giving up some of what you have. **SLT**

***Article based on data from Gleacher & Co.**

Big interview

Following a year of steady growth, OneChicago's David Downey speaks to SLT about how the market is reacting to securities lending on exchange

BEN WILKIE REPORTS

SLT: When we met at the Beneficial Owners Securities Lending and Repo Summit in Arizona you said everyone there hated you! What's the real attitude of the securities lending community towards OneChicago?

David Downey: I speak a very different language than they do. They are in a very comfortable place dealing in a bilateral way with a loan - actually a disposition of an asset - whereby they get their forward agreements and they participate in splits. Their hands are being held by agent lenders and prime brokers, they get taken out to dinner and treated like royalty.

We came on the scene and explained there was another way to do this sort of lending without the ISLA agreements using transparent exchange trading and CCPs. Instead they can use EFPs (Exchange for Physical) with SSFs and that's a difficult adjustment to make.

It has taken time to get [participants] over the initial hurdle. Most pension funds are not traders, they simply collect the money and then decide who will be working it. Then a trader comes in speaking trader language and talking about doing things differently.

So the brokers in that room recognise this product could move their customers into different arrangements where the customer would get bigger benefits.

SLT: But surely there's room for both OTC and exchange-based securities lending in the market?

Downey: In every market there are organisations that move slowly and don't have the necessary infrastructure.

However, look at the mid-size organisations that have the technology and would like to loan out their portfolios but are frustrated that they have to go through brokers in order to execute and participate in these processes.

The regulatory winds of Dodd-Frank are moving OTC transactions on to exchanges naturally - we are seeing this in fits and starts. I think it's inevitable that OTC transactions will move to an exchange and be centrally cleared. Dodd Franks wants to promulgate rules that will encourage transparency.

So at some point participants will ask if they should spend the money on establishing a footprint, on hiring people, meeting regulatory requirements, building and documenting systems and interfaces, and then entice people to connect to that entity to create a facility for clearing OTC swaps including securities lending.

Or they could go to a clearing house that is accessible through the pipe they have already paid for and illuminate the port to an existing exchange - they can execute and clear these trades in a slightly different format but a lower startup expense.

At some point these firms will face that calculus.

SLT: How big an issue is transparency to the industry?

Downey: Securities lending rebates distort derivatives pricing as those pressures are priced in. There should be a more democratic nature to the market. All pricing on OneChicago gets disseminated in real time. We put out EFP pricing with attached interest components priced in relation to each other. This transparency will increase as more participants enter the market.

SLT: How much does OneChicago still use market makers?

Downey: The market makers on the CBOEdirect match engine make two sided markets in the majority of our products. Some of them also make two sided markets on our BETS execution platform for EFPs. for the smaller orders

On the instititutional size EFP side we don't really use traditional market makers although many of the participants act like market makers - there is a different size in that market where firms are trading three or four thousand EFPs at a time and as more of those participants come in to play the market will get deeper and more liquid.

SLT: What products are attracting the most interest?

Downey: The launch of our OCX.NoDivRisk contracts has been a huge success. Dividends are not priced in but rather settlement prices are adjusted on ex-date which eliminates one of the risks of derivatives trading in longer dated contracts. With our new contract you have the stock price and the interest rate, it's simple. You can hedge the interest rate risk easily with Eurodollars futures. But dividends are subject to change so with time the dividend risk becomes bigger - it means our volumes have been skewed to the short term.

With NoDivRisk contract, the dividend risk is taken out of the contract. On the morning of ex-date we adjust the price down by the then known distribution prior to the opening. This means the participants get the same benefit of a dividend without the risk it might change . We've seen a shift in our open interest to longer dated postions as people become more comfortable with longer timeframes.

We have been talking [to the authorities and our advisers] about EFPs using our OCX.NoDivRisk SSFs and feel comfortable that the trade meets the technical definition of Section 1058 of the tax code, which allows for non-recognition tax treatment on the initial sale of the stock and the eventual repurchase via expiry of the SSF.

SLT: Where else is the growth coming from?

Downey: We are attracting new clients, even though they can only come on to the market to the extent that the clearing member allows them access. And because clearing members make money from securities lending they are often reluctant to give the access to their clients but this is beginning to change with Dodd-Frank changes looming

We have spent a lot of time educating people about OneChicago and everyone recognises that OTC transactions are coming to exchanges and/or SEFs. This is where the interest is coming from. We believe the business will grow, even from those businesses that have so far kept as at arms length want to benefit from securities finance tools.

We continue to talk to international players. It's slightly confused with regard to withholding tax but they are coming to market. We've been more recently working with South American banks who are keen to use EFPs as a stock lending alternative. There is interest from European players, but I'm not sure they yet feel entirely comfortable from a compliance standpoint about doing these trades. Our view is that the benefits outweigh the risks so we should find some traction.

In anticipation of swaps and swap-like products moving to exchanges we have changed our pricing structure to reflect how participants are used to having swaps and the associated loans priced. So on May 1st of this year we began a two tiered fee structure of charging a per transaction fee of two tenths of a basis point in addition to a carry fee for every day the position is open of one one-hundredth of a basis point. Accordingly a position established and carried for a year will cost 3.85 basis points.

This highlights to all customers the real value in the equity financing transaction - the initial reaction for many in the market was that fees were going up which we could not argue with, but once we explained how much they will save by doing the financing here rather than elsewhere and that all the benefits will be embedded they were reassured. And as interest rates rise, the low rates we charge will become even better value. Our volumes have risen and our open interest has spread out to time as participants have realised that they only have to add a fraction of a penny to every trade, which doesn't seem so bad from the point of view of the superior financing, protections and transparency that are offered.

SLT: Are pension funds getting on board?

Downey: At one stage we thought pension funds would be the lowest hanging fruit as they had fiduciary duties and preferential tax status. But they're not traders, they're administrators, and they feel they have the relationships that can bring them value. They don't have the trading operations and they don't necessarily have the desire to increase their yields. They have to go to their boards to approve this type of trading - these boards aren't experts in this field and are likely to refuse permission.

But we are seeing a lot of interest from mutual funds, endowments, hedge funds and so on who are interested in increasing alpha through better financing terms.

SLT: How much algo trading is done through the exchange?

Downey: We're not seeing a lot of algo trading. We believe we will be able to attract them with the NoDivRisk product because at the moment they cannot accurately model the risk. In addition they look to arbitrage fleeting disparities and are not subject to onerous financing and carry costs. It might be something for the future.

Where we're seeing the major volume growth is in block trading and EFPs which are financing tools like swaps and securities lending. We're finding low transaction/high volume trades of large notional value. These customers are interested in getting the trade done correctly, rather than this very second. With EFP, there is no real need for speed.

SLT: Is the OneChicago model one that can be expanded internationally?

Downey: We are restricted as to the stocks we can list, and we can't list foreign stocks - only ADRs. We are seeing securities futures in South Africa and India and it's interesting that in those countries there is not a developed prime brokerage community to provide friction in those countries.

We believe the securities lending aspect is something portable to any exchange in any country. We have recently had a contingent from China who were very interested in what we were doing - I feel we really struck a chord. They may be able to use this activity as a form of securities lending surrogate.

We probably couldn't jump our borders, but I can certainly see other countries setting up an exchange like ours.

SLT: What does the future hold for OneChicago?

Downey: I've never been more confident.

The future at the moment is a bit muddied and confused as the final rules are still be discussed with the timeframes still uncertain. However it is clear that OTC trading, including securities lending transactions will be moving to regulated, centralised market centres with attached central counter party clearing organisations which we are prepared for. **SLT**

David Downey
CEO
OneChicago

Ireland

Battered by the financial crisis, Ireland's banks are struggling to turn the tide

BEN WILKIE REPORTS

A decade ago, Ireland was held up as a model for how the European Union was bringing countries wealth and comfort. The Celtic tiger roared as the low-taxation environment brought billions in fund assets to the nation, creating opportunities in the middle and back office, international companies relocated their headquarters, and Irish firms (and individual investors) expanded outwards.

Dublin became a boom town. In the financial world - as well as, to a lesser extent, technology and other sectors - the issue wasn't about locals getting a job, it was about employers attracting and retaining staff. Salaries rose, property prices rocketed and luxury brands poured into the country. Ireland went from being one of the poorest members of the European Union to one of the richest in the space of a generation.

And then it all went wrong. Much of the country's prosperity had been built on property and when the credit crunch hit, everyone suffered. Property values reached a peak in 2007, and have seen some of the biggest falls in the world - many properties are now worth less than half what their owners paid for them. Development companies, expecting the boom to last for ever were left with a stockpile of homes they were even unable to sell at a huge loss.

Unemployment started to rise, going over 300,000 or more than 11 per cent of the population. And Ireland returned to its historic status as a net exporter of talented and motivated professionals. The Irish Stock Exchange Index, which had hit a peak of over 10,000 in 2007, fell to a 14-year low of 1,987 less than two years later.

All of this had the obvious effect on the banking sector. While Ireland is home to hundreds of banks, most of the international names didn't have a huge footprint when it came to domestic retail or property transactions. Instead, it was the domestic banks who had taken on all the debt, and almost all of the risk - although some UK banks did have significant business in the country, simply adding to their woes at home. Following the Lehman collapse, there were significant worries about the same thing happening to the Celtic providers. The Irish Government stepped in, guaranteeing the savings of everyone who had an account with an Irish bank, even those with savings in their international subsidiaries.

Technically, no Irish bank did go to the wall, but it was a close-run thing. As the global crisis began to bite, things went from bad to worse, and state support was needed. A hidden loans scandal at Anglo Irish Bank, where the chairman admitted to 87 million euros of additional debt at the bank led to its nationalisation, while Allied Irish Bank and Bank of Ireland required Government recapitalisation. The cost to the state has run into tens of billions of euros.

And the Government simply couldn't afford it. Officially, the bank liabilitied are around 109 per cent of the country's GDP, but this counts all the foreign banks and funds that domicile in Ireland but have few of the problems the locals have - and few of the responsibilities. In reality, the figure is likely to be over 300 per cent,

So it was inevitable that Ireland became the second EU country - after Greece - to require a bailout. At the end of 2010, Ireland received 85 billion euros from a number of resources within the EU and the International Monetary Fund. While this has put a plaster over the wound, there remain fears that it won't be enough and that Ireland may have to do an Iceland - or at least work quickly to restructure some of its debts.

Politically, the downturn has been a disaster. The Government fell, and while there hasn't been the violence seen in Greece and elsewhere, there have been serious demonstrations about spending cuts and bankers' recklessness, while the country has come under intense international criticism over its low-tax environment that some countries say siphon off the revenues due to them.

Surprisingly, though, the institutional finance industry has fared rather well. As global sources of funding dried up, so of course did funding in Ireland. But what appears to have happened is that Ireland has been one of the destinations investors have gone to in their flight to quality.

Total assets under administration in Ireland have reached a record high and are fast approaching the €2 trillion mark, according to the Irish Fund Industry Association. At the same time it claimed that the Irish funds industry is now credited with servicing an estimated 43 per cent of the world's hedge fund assets.

Figures from the Central Bank and IFIA show that total assets under administration in Ireland hit an all time high of €1.88 trillion at the end of 2010 – up from €1.4 trillion at the end of 2009.

Recently published figures from the Central Bank reported that the value of Irish domiciled investment funds had reached an all high time of €964 billion as at the end of December – up nearly a third (29 per cent) on the same time last year from €748 billion. Some €914 billion worth of assets held in non Irish domiciled funds is serviced in Ireland.

The IFIA also highlights that the Irish funds industry now services a whopping 43 per cent of total assets held in the world's hedge funds – up from an already impressive 42 per cent, according to analysis of the latest available report from HFM Week.

Gary Palmer, chief executive of the IFIA, says: "This is excellent news and the fact that both domiciled assets have reached an all time high and that fact that Irish funds industry companies now service some 43 per cent of all hedge funds is truly testament to the excellence, innovation and reach the jurisdiction provides. This growth continues to highlight the opportunities, solutions and efficiencies Ireland offers to the international funds industry."

It's now estimated that over 850 fund providers from more than 50 countries use Ireland as their fund domicile and asset servicing centre. While there have certainly been job cuts, the country's fund industry remains a major player.

But it's not really the domestic banks that are offering securities lending any more. In an attempt to repay debts and improve their balance sheets, many of the subsidiary businesses of the banks have been put on the market, with the major international players snapping up the business.

In October last year, State Street Global Advisors (SSgA) agreed to acquire Bank of Ireland Asset Management (BIAM) for 57 million euros.

With approximately EURO26 billion in assets under management among more than 500 clients the firm offers a broad range of investment solutions to institutional investors and intermediaries including global fundamental equities, fixed income, cash, asset allocation, property and balanced funds.

"This acquisition enables SSgA to expand its range of investment capabilities to include active fundamental management," said Scott Powers, president and chief executive officer of State Street Global Advisors. "As our clients look for more solutions-driven investment management strategies that span the risk spectrum, the addition of this team and capabilities will enhance our ability to deliver on these needs. Like SSgA, Bank of Ireland Asset Management's investment philosophy is rooted in a disciplined, team-based approach and has a strong track record of excellent performance. We look forward to building on this track record and extending its capabilities to our global client base."

This was followed by Northern Trust's acquisition of the fund administration, investment operations outsourcing and custody business of the Bank of Ireland Group, Bank of Ireland Securities Services (BOISS).

Northern Trust will pay up to €60 million (approximately US$82 million) to acquire the business.

"Ireland is one of the largest European domiciles for cross-border fund administration," says Northern Trust chairman and chief executive officer Frederick H. Waddell. "We look forward to combining this business with our existing activities in Ireland and continuing to provide the exceptional client service and solutions for which Northern Trust and Bank of Ireland Securities Services are both known."

And it's unlikely to end there - while the underlying business continues to grow in Ireland, the country's domestic banks are on their knees and simply unable to compete. **SLT**

Soft shell creep

Securities lending is feeling the impact when exchanges halt trading for Chinese RTOs, says SunGard's Andrew Shinn

DATA ANALYSIS

In the February 15th edition of Securities Lending Times, I wrote about the challenges of investing in Chinese reverse-merger companies. In a reverse merger, a Chinese company will acquire a shell company that has a stock listing in the US, merge with the shell company, and thereby secure a listing on Nasdaq or NYSE. The Chinese company benefits by avoiding the more rigorous disclosure of an initial public offering.

When there is less disclosure, however, there is an opportunity for unscrupulous behavior. When I wrote about the situation in March, there were allegations that several Chinese reverse-merger companies had issued fraudulent financial statements. Some companies were alleged to have inflated revenue; other companies supposedly made up clients out of whole cloth. But it was difficult to determine the accuracy of the allegations because they had been issued by hedge funds that had short positions.

Nevertheless, many investors believed they knew enough about the situation and took long and short positions as well as purchased or wrote options contracts. However, while investors were prepared for stock prices to fluctuate, it seems that few were prepared for trading to be halted by Nasdaq and NYSE.

For instance, after it appeared that China Media Express (NASDAQ:CCME) had successfully defended itself against two hedge funds that reported that CCME had inflated its revenue, CCME's auditor and CFO resigned and its shares were halted on Nasdaq on March 11 at $11.88. Stock exchanges have the power to halt trading in any stock if a company has news that is material to the price of the stock. A halt with code T1 is for pending news, but in the case of CCME, the resignation of the CFO and auditor caused Nasdaq to issue a halt code T12. Code T12 indicates that Nasdaq has asked the company to provide additional information. In the case of CCME, Nasdaq gave the company until the end of the month to provide a 'plan of compliance' regarding the fact CCME hadn't yet produced a 10K for the last fiscal year. However, as it turned out, CCME's shares did not resume trading for two months.

The extraordinary thing about the trading halts was that short sellers could not exit their position. Instead, they had to continue to pay high rates to maintain borrowed positions. If an investor sold CCME short on March 1 for $12.27, he would have had to pay 10 per cent per month to maintain his position.

For the short seller of CCME, the trade worked out despite the high borrowing costs, because CCME finally started trading again on May 19 at $2.16, allowing the short seller to close out his position for a gain of 82 per cent. If CCME was able to answer its critics' questions and the shares opened higher than $11, it could have been much worse.

While short sellers had to continue to pay borrowing costs on a halted stock, holders of put options suffered much more. Because CCME's shares were extremely hard-to-borrow in the securities lending market, many investors were not able to borrow shares in order to deliver them to put option writers. For put options that expired when trading was halted for CCME, investors had to let their put options expire worthless, even if those put options were in-the-money, leaving them with nothing.

A trading halt is not something that most options investors would have ever imagined. A representative at the OCC said that he was fielding dozens of calls from options investors who were shocked to learn that their options would expire worthless unless they could borrow stock. But going forward, especially when it involves options on Chinese reverse-merger stocks, investors will at least know that there's a chance that trading may be halted.

The SEC and the US House of Representatives have already begun to take a look at the issue of Chinese companies coming to the US capital markets through a reverse merger. The SEC has filed lawsuits against some firms that have helped companies execute reverse mergers. But it remains legal for an auditor to outsource to a local Chinese auditor, so unscrupulous companies can still take advantage of the system.

There are still twenty companies whose shares remain halted on US exchanges. The longest-standing halt is actually on Vitacost.com, a vitamin company based in Boca Raton, Florida. Its shares have been halted since December 7, 2010. More than half of the twenty stocks, however, are Chinese reverse-merger stocks.

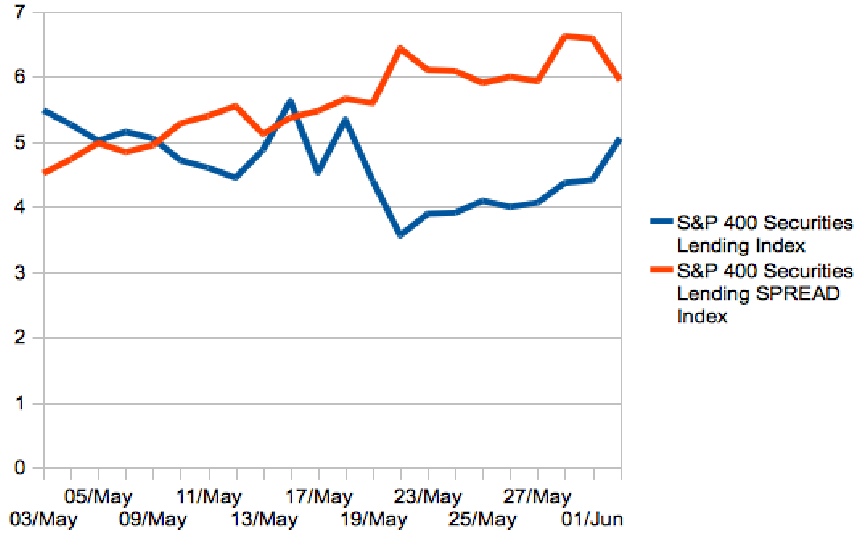
Below is a list of the most expensive-to-borrow Chinese stocks that trade on US exchanges. The list includes companies that issued an IPO as well as those that conducted a reverse merger. **SLT**

	Ticker	Shares borrowed	Intrinsic rate (%)
CHINA AGRITECH INC	CAGC	1,115,966	88.89
DEER CONSUMER PRODS INC	DEER	929,140	69.87
CHINA MEDIAEXPRESS HLDGS INC	CCME	2,031,594	67.25
CHINA-BIOTICS INC	CHBT	2,369,022	65.42
FEIHE INTL INC	ADY	1,162,995	60.54
CHINA GREEN AGRICULTURE INC	CGA	1,884,269	55.61
YONGYE INTL INC	YONG	3,276,270	48.63
SYNUTRA INTL INC	SYUT	1,278,600	23.47
ORIENT PAPER INC	ONP	650,816	19.81
CHINA MARINE FOOD GROUP LTD	CMFO	1,534,563	16.69

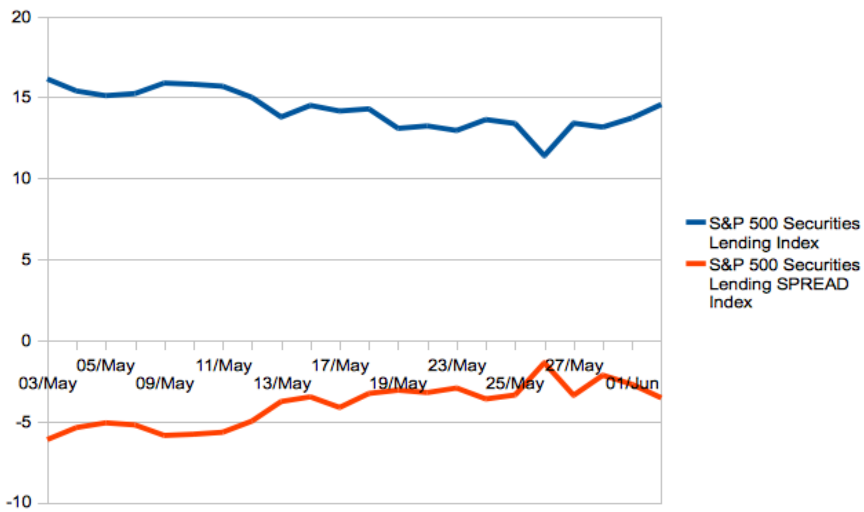
Andrew Shinn
Vice president, sales and development
SunGard Astec Analytics

S&P INDICES

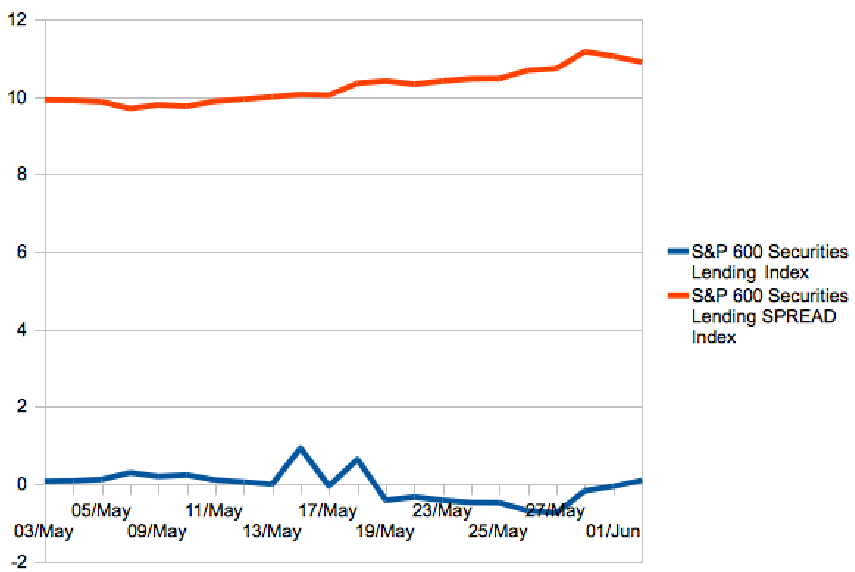
Volatility was markedly less pronounced than in previous months, with overall levels down. The lending index appears also to be moving away from its track of the Spread index, in a way that was common only a few weeks ago.



It's slow and steady for the S&P 500 Securities Lending Index, with a negative outlook on the Spread Index. There is a move upwards on the Spread, however.



Again, the S&P 600 Securities Lending Index saw higher volatility than the Spread in mid-April, although the downward trajectory continued.



Training and Education

16-17 Jun	**Singapore**	**Collateral Management Market and Documentation** This sophisticated 2-day course will be delivered by three key industry experts who will be covering the key issues of collateral explained from an operational, risk and legal perspective.	**Marcus Evans**
23-24 Jun	**London**	**Collateral Management Market and Documentation** This sophisticated 2-day course will be delivered by three key industry experts who will be covering the key issues of collateral explained from an operational, risk and legal perspective.	**Marcus Evans**
5-6 Jul	**London**	**International Securities Lending** A two-day course which delves in to the business covering the motivations and roles of market players, the main demand drivers, risk and return, counterparty selection, alternative lending options, and the current state of the market.	**FinTuition**
21-22 Jul	**Singapore**	**Repo and Securities Lending** You will be taken through the operative terms of the agreements, events of default, and the termination and close-out provisions. In addition, the role of custodians and agents will be explored, including a detailed discussion of the tri-party agreements that are used to facilitate these discussions.	**Euromoney Training**
27-28 Jul	**London**	**Global Collateral Management** Explaining the rationale and current best-practice functioning of collateral management programmes for financial institutions. The course is therefore suited to individuals who are either starting up a collateral management function or seeking to improve their unit's capability.	**FinTuition**
1-3 Aug	**New York**	**Repos and Securities Lending: Negotiation and Documentation of New York and English Law Documentation** This course will offer a start to finish discussion of the key terms of the Global Master Repurchase Agreement and the Global Master Securities Lending Agreement, as well as the agreements used in the US domestic market.	**Euromoney Training**
18-19 Aug	**London**	**Repo and Securities Lending** This course will offer a start to finish discussion of the key terms of the Global Master Repurchase Agreement and the Global Master Securities Lending Agreement, as well as the agreements used in the US domestic market. Attendees will be taken through the operative terms of the agreements, events of default, and the termination and close-out provisions.	**Euromoney Training**

Industry Appointments

Citi has appointed **Rimmo Jolly** and **Rebecca Woo** to its global markets relationship team in Asia.

Jolly, who previously ran regional prime finance sales, will now focus on the region's hedge fund community as well as working with European and American relationship managers for hedge funds that are establishing operations in Asia.

Woo will focus on regional priority clients as well as global platinum accounts that have a presence on the continent.

The International Capital Market Association (ICMA) has appointed **Cyrus Ardalan** as the Association's new chairman. Ardalan becomes chairman with immediate affect having been elected by the Board of ICMA during the 43rd AGM and Conference being held in Paris.

Ardalan succeeds Hans-Joerg Rudloff, who has served as chairman since June 2005. During Rudloff's tenure, ICMA divested its commercial operations and refocused entirely on its core mission - improving the efficiency of the cross-border securities markets - while continuing to set standards of best market practice against the backdrop of the most severe financial crisis that most people can remember.

Rudloff said, "A great deal of change has taken place at ICMA in the last six years as we have restructured ICMA to become a fundamentally more efficient and financially sound organisation to give effective support to our members and markets at a uniquely challenging time for the industry. This would not have been possible without the support of the ICMA Board, its chief executive Martin Scheck and president René Karsenti. Cyrus Ardalan is supremely well fitted for the role of chairman as ICMA carries forward its work in strengthening the framework of the international capital market ".

Ardalan is vice chairman of Barclays Capital, responsible for the firm's investment banking activities with sovereigns and government agencies in Europe, the Middle East and North Africa and supranational institutions globally. He joined Barclays Capital in November 2000 from BNP Paribas where he held a number of senior positions between 1990 and 2000. Previously he was a managing director at Chemical Bank and division chief of treasury operations at the World Bank in Washington.

Northern Trust has hired **Clive Bellows** as country head, Ireland.

Bellows, who will be based in Northern Trust's Dublin office, will have responsibility for leading the company's Irish operations. He will also play a key role in ensuring the smooth integration of Bank of Ireland Securities Services, which Northern Trust announced it intended to acquire in late February this year. Bellows will report to Toby Glaysher, head of Global Fund Services in Europe.

Technology consultancy Capco has appointed **Alex Corsi** to lead the company's UK technology services domain. As a partner in Capco's London office, Alex will specialise in setting up and managing complex delivery models in the Capital Markets sector.

Penson Futures has named **Steve Leone** as chief operating officer (COO), a new position. As COO, Leone will have responsibilities over global clearing, information technology, finance and accounting.

J.P. Morgan has appointed **Dinkar Jetley** to the position of CEO of its Worldwide Securities Services (WSS) business.

Jetley will report to Mike Cavanagh, CEO of J.P. Morgan Treasury & Securities Services (TSS), and will be a member of the J.P. Morgan Chase and TSS Executive Committees. He joins J.P. Morgan on June 16 and will be based in New York.

Jetley joins J.P. Morgan from Deutsche Bank in London, where he was global head of trust and securities services and cash management for financial institutions, and a member of the Global Transaction Banking business leadership team.

Conrad Kozak, the current CEO of WSS, has been named vice chairman of TSS. In this role, Kozak will be responsible for senior client coverage of select clients and will continue to report to Mike Cavanagh. Kozak is a 33-year veteran of J.P. Morgan and its predecessor firms. He will continue to be based in New York. **SLT**

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ISLA 20th Annual International Securities Lending Conference

Date: 28th-29th June 2011
Location: Penha Longa (Lisbon/Sintra)
Website: www.afme.eu/isla2011

ISLA is pleased to announce the date and venue for its 20th International Securities Lending Conference. The event will take place between 28th and 30th June 2011 in Penha Longa (Lisbon - Sintra).

12th Annual Collateral Management

Date: 7-9 September 2011
Location: London
Website: http://www.marcusevans.com

This collateral management event, brings together senior figures from the collateral world in order to address key topics including regulatory reform, automisation, optimisation and how to attain best practice in operational procedures.

The Finadium 2011 Conference

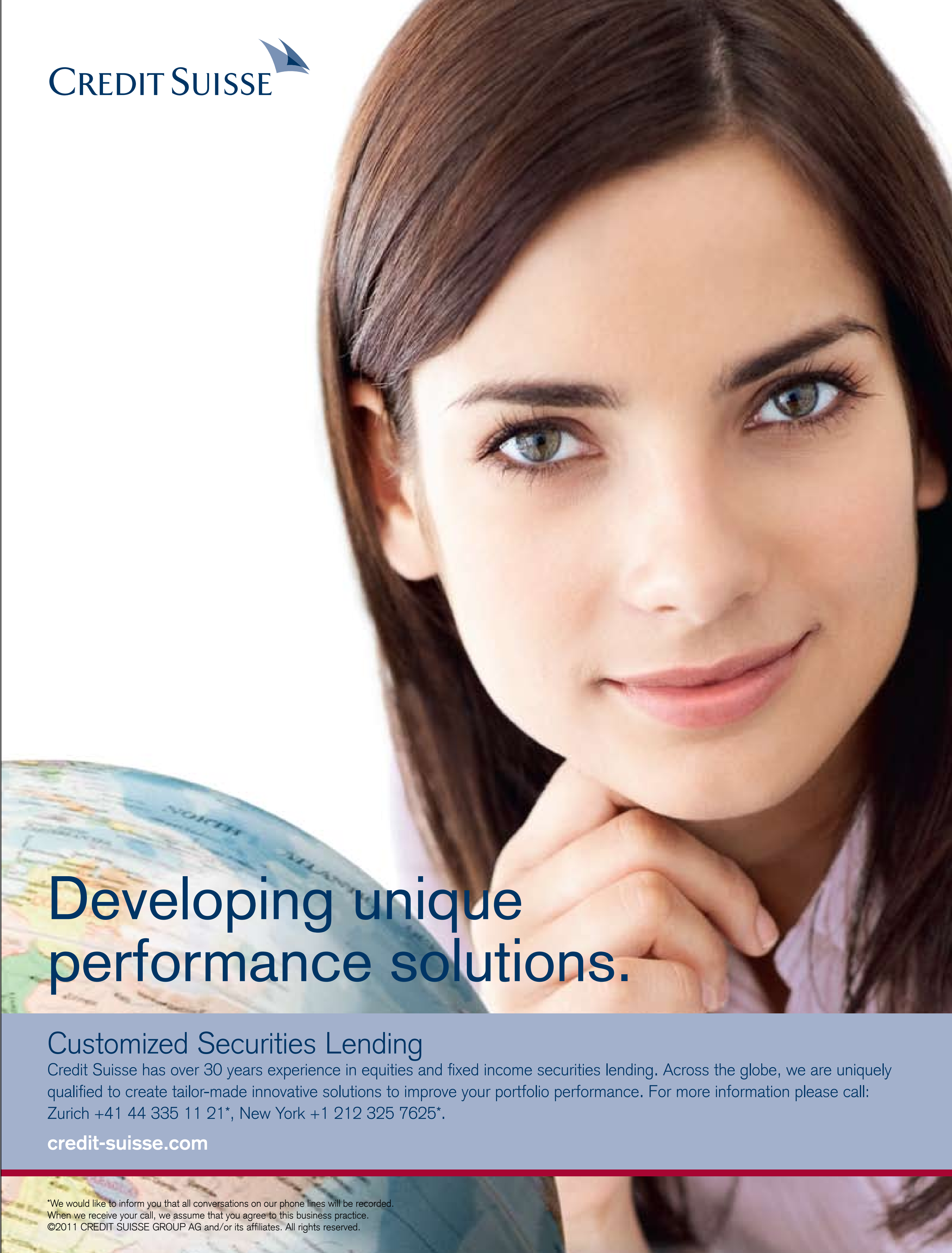
Date: 20 September 2011
Location: New York
Website: www.finadium.com

Themes for this year's conference include ETFs in securities lending, transparency in financing for hedge funds and their investors and the impact of CCPs on collateral management. Lunch is provided and networking is encouraged.

16th European Beneficial Owners' Securities Lending Conference

Date: 26-27 September, 2011
Location: London
Website: http://www.imn.org/Conference

For nearly 20 years we have been dedicated to meeting the needs of the European beneficial owner community and are proud to continue assisting beneficial owners in mapping a strategic course to navigate the opportunities and challenges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Justin Lawson reports from the Data Explorers New York forum

The latest Data Explorers Securities Financing Forum took place on 26th May at the Four Seasons Hotel in New York.

Mark Faulkner, founder and head of innovation at Data Explorers kicked the day off with a presentation on the current trends facing the industry.

The voting during the conference generated some interesting results. During the regulatory panel discussion the majority of attendees (54 per cent) admit they are “a little” worried about short selling disclosure regulations impacting their business in a negative way. 50 per cent do not intend to respond to SEC’s consultation paper on short selling disclosure regulations, with 34 per cent saying they will, and only six per cent having done so already. Later on, the difference between the hedge funds view on their prime brokerage relationship (as a ‘service provider’) and the prime brokers view (wanting to be viewed as a ‘trusted partner’) was made clear.

The panel looking at; Hedge funds – In a difficult environment how can the securities financing industry best serve their needs? was serviced by John Egan, Director, Global Prime Finance, Deutsche Bank, Alexander Lange, Managing Director, Head of Equity Finance, Americas, ABN AMRO Securities, Marty Malloy, Managing Director, Head of Prime Brokerage, Barclays Capital, Rory Zirpolo, Principal, Portfolio Manager, Kellner DiLeo & Co and moderated by Michael Santoli, Associate Editor, Streetwise Columnist, Barrons

During the panel discussing the ways the securities financing industry can better support hedge funds, Kellner DiLeo’s Rory Zirpolo highlighted a need for “good penetration from some of the mini-primes, they can do more and are more accessible”.

Not all of the panelists were of the same opinion. They did agree, however that the industry needs and has space for the mini prime brokerages.

In general the consensus around CCPs was that there is still a lack of volume and that fees need to come down to make them more viable in the securities lending space.

Mark Payson of Brown Brothers Harriman asked the panel whether they felt the beneficial owners are asking too much in terms of the risk/reward balance. Chris Poikonen from eSecLending said beneficial owners are not too interested in the yield with Reeve Serman from RBC Dexia adding: “they expect some yield but are not prepared to reach for it”

The day was rounded off with a debate from the industry leaders, a panel made up of Timothy Douglas, Citi, Brian Lamb, Equilend, Ugyen Sass, Fidelity, James Slater, BNY Mellon and moderated by Mark Faulkner, Data Explorers.

The debate rounded on the feeling that not even the regulators know what is the right thing to do and what is to be implemented yet, however there was high praise for the work the RMA’s committee on securities lending is doing.

Next up for securities lending is the ISLA Conference in Portugal.

Photos courtesy of Data Explorers