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Barnier to tighten EU rules

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Michel Barnier, member of the European Commission responsible for Internal Market and Services, has called for tighter, more harmonised rules when it comes to short selling and securities lending.

"Financial markets cannot be left without adequate supervision," said Barnier in a speech celebrating the launch of European Securities and Markets Authority (ESMA). "And we need more – not less – European supervision in the Internal Market.

"We are moving towards a single European rulebook, with more directly applicable legislation. Rules which will be imposed on everyone and will have to be interpreted in the same way across Europe, unlike what has been happening until now... It is one of the objectives of our draft Regulations on OTC Derivatives and short-selling."

Barnier also demanded that short selling be more transparent across the EU, and that regulators have the power to limit such trades at certain times.

"Our proposals on ... short-selling will bring about far more transparency, and give wide-ranging powers to ESMA," he said.

"On short selling, ESMA can and must play a central role in ensuring a consistent and effective European response in exceptional situations. During the financial crisis, we saw the uncertainty and ineffectiveness of fragmented national responses, with Member States temporarily restricting short selling at different times and in different ways. I trust that the European Parliament and Council will preserve the level of ambition of the Commission's proposal so that ESMA is given clear powers to coordinate and, if necessary, act on short selling in exceptional situations.

"It is an issue of political responsibility and democracy. Who can justify and accept that private companies have such power over populations who are committed to efforts which are unheard of?"

NEWS**IN**BRIEF

Italy tightens short selling rules

Consob, the Italian regulator, has approved a new disclosure regime on short sales.

Investors must now report their material downward positions on shares traded on the Italian regulated markets to Consob. This requirement aligns Italian law to the regimes already in force in other major European countries, firstly Germany. This measure strengthens Consob supervisory powers in the current high volatile market context.

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SG selects Lombard's COLLINE

Société Générale is to use Lombard Risk's COLLINE collateral management solution. This major contract is expected to generate revenues of more than £2 million in the first two years and contribute to future years.

Colline is a web-based solution designed for end-to-end, cross-product collateral management. It provides a consolidated solution for mitigating credit risk while meeting the growing demand for multiple global entities, cross-product margining, central counterparty clearing (CCP), MIS reporting and electronic messaging.

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INSIDE SECURITIES**LENDING**TIMES

Italy tightens short selling rules

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Particularly, any net short positions on shares of companies listed in Italy shall be reported to Consob whenever they trigger certain thresholds. The first reporting obligation shall apply when the net short position becomes equal to, or exceeds 0.2 per cent of the issuer's share capital. The following obligations apply in connection with any variation equal to or exceeding 0.1 per cent of the share capital.

The new rule will apply until 9 September 2011.

SG selects Lombard's COLLINE

Continued from page 1

Société Générale Corporate & Investment Banking will use Lombard Risk's COLLINE system to handle its global collateral management operations in six countries across Europe, the Americas and Asia. The bank has licensed the full suite of collateral management modules to create a solution that covers all the financial product sectors (ie, OTC derivatives, repo and securities lending) and has full clearing and MIS reporting functionality.

John Wisbey, CEO of Lombard Risk, commented: "We are delighted to have Société Générale as another tier one client for COLLINE and our first tier one client for our new advanced MIS Reporting module. Two of the most active trading banks in Europe have now chosen COLLINE to manage their collateral worldwide".

Innodata launches docGenix division

Innodata Isogen has announced the launch of a new division, docGenix, providing software products and services that help financial institutions manage large portfolios of legal and trade agreements.

docGenix provides web-based applications that enable financial services firms to generate, negotiate, monitor and analyse the negotiated provisions of Master Agreements and Credit Support Agreements published by the International Swaps and Derivatives Association as well as financial and legal documentation relating to repos, securities lending, prime brokerage, investment management and clearing.

Using the docGenix product suite, firms can proactively manage risks embedded in these documents - such as ratings downgrade and Net Asset Value triggers - by performing deep portfolio analysis and stress tests. The docGenix applications also provide Web Services data feeds designed to interface with in-house applications (such as collateral and risk management systems) as well as third party systems (such as swap data repositories).

The docGenix applications and data feeds are enabled by an XML data model that represents derivatives and other financial/legal documents as computer-readable algorithms. This XML data model was developed over the past several years and represents over 27,000 man-hours of development by finance lawyers and XML architects. It contains a standardized yet flexible reference model of the universe of legal and financial terms utilised in Master Agreements, Credit Support Agreements and other financial agreements.

Since financial services firms typically warehouse large portfolios of master agreements, credit support agreements and other financial documentation as images or PDFs, docGenix provides a fully managed service to digitise the documents at high accuracy levels and then analyse and extract critical data elements using specially trained staff and technology. Recently, Innodata had on staff over 800 attorneys performing data extraction from complex legal documentation.

"The problem with a large portfolio of legal agreements is that critical data contained within the agreements is effectively obscured," stated Jack Abuhoff, Innodata CEO. "Take, for example, a major financial institution with billions of dollars of risk in several thousand derivatives contracts - if there's a general market deterioration or if even just one of their counterparties fails or even just begins to deteriorate, the institution could lose tens of millions of dollars in the time it takes to have their lawyers read and analyse hundreds of pages of complex legal documents. With a docGenix data solution, not only can the institution react quickly with certainty - it can even be "war gaming" in advance, testing its portfolio under different scenarios. Moreover, the docGenix approach will enable institutions to future-proof against anticipated reporting requirements.

"The Financial Crisis Inquiry Commission noted in its 2011 Report1 how the existence of millions of opaque derivatives contracts governed by Master Agreements and Credit Support Agreements between systemically important financial institutions triggered a panic that resulted in the failure of prominent financial institutions and costly government-sponsored bailouts. It is therefore not surprising that the April 2011 CFTC and SEC Congressional Study2 under the Dodd-Frank Act suggested that information contained in master agreements and credit support agreements may also be used by regulators for the analysis of systemic risk. The docGenix approach will enable institutions to future-proof against anticipated reporting requirements in addition to proactively managing their credit and legal risk."

Mizuho selects Helix

Mizuho Securities has chosen HelixRepo as its front office trading platform. HelixRepo facilitates the integration of MSUSA's repo business onto a platform designed to enable traders to manage its repo and financing business.

HelixRepo replaces MSUSA's prior vendor system, improving productivity by automating several processes, including internal cost of carry and trade entry, eliminating latency, and providing accurate, real-time positions and P&L data.

"We are really pleased to be working with Helix. They clearly understand our business and were partners with us throughout the duration of this complex migration. We are extremely happy with how flawlessly this implementation has gone," said Mark Cartier, managing director, fixed income short term products, MSUSA, and Sandy Kapoor, chief technology officer, MSUSA, in a joint statement.

This migration also completes Helix's bilateral interface to all major back office systems and cements the company's strength within the fixed income repo trading market.

"We maintained a very close and transparent relationship with Mizuho Securities USA throughout the entire process. This translated into an extremely smooth transition to HelixRepo. We are thrilled to have them as a client and really look forward to a long and successful partnership." said Todd Berlent, president of Helix Financial Systems.

CASLA and FinTuition launch new course

The Canadian Securities Lending Association has selected FinTuition as its partner in launching its new education initiative. CASLA and FinTuition will offer a one-day course designed to give attendees an introductory overview of securities lending, examining its features, characteristics and operations both in Canada and abroad.

"We are extremely pleased to partner with FinTuition to bring an accessible introduction to securities lending to Canada," said Robert Chiuch, president of CASLA. "Launching this course is an important step in our efforts to help both market participants and the public better understand both the practices and the impacts of securities lending."

"Regulators around the world have acknowledged the critical role that securities lending plays in today's capital markets, yet securities lending often remains misunderstood," said Roy Zimmerhansl, owner and principal of FinTuition. "CASLA's efforts will lead to improved knowledge of the business amongst Canada's large and sophisticated investment community during what is still a challenging environment. We are very pleased that CASLA has selected FinTuition to help inform and educate the markets, media and other interested parties."

The "Introduction to Securities Lending" course is designed to help participants build a general understanding of the securities lending business, its practices and its procedures. The course is also intended to provide a more comprehensive introduction for those with a high-level understanding of the subject, but would like more detail on what securities lending is, its important role in the capital markets, and the best practices for market participants.

SunGard expands Valdi to include BondMatch

SunGard has extended its Software-as-a-Service (SaaS)-based market connectivity to NYSE BondMatch, the European Multilateral Trading Facility (MTF) launched by NYSE Euronext for professional investors to trade corporate, financial and covered bonds.

SunGard's connectivity services help exchange members and their direct market access (DMA) clients trade on electronic markets from any workstation or application.

SunGard has developed market and trading gateways and adapted its trading workstation with market-specific trading features to provide investors and traders with efficient access to NYSE BondMatch. The new service will be fully integrated with SunGard's Valdi hosted smart routing technology, alongside SaaS-based market access services to other fixed income venues, including EuroTLX, Borsa Italiana's MOT or Hi-MTF.

Nathalie Masset, deputy director, European debt markets at NYSE Euronext, said, "To help meet the demands of bond market participants for transparency, liquidity, pre- and post-trade reporting and post-trade services, NYSE Euronext is launching NYSE BondMatch. SunGard's Valdi Market Access Service offering will facilitate access to our marketplace and consequently should help us grow our business."

Raj Mahajan, president of SunGard's global trading business, said, "There is increasing interest in fixed income trading in Europe, resulting in trading firms now requiring greater access to fixed income marketplaces and multi-asset solutions. One of the key challenges in capturing liquidity is to determine which liquidity pools to trade on: SunGard's Valdi Market Access Service is an efficient and cost-effective solution that helps trading firms with connectivity and smart order routing reach new trading venues, including fixed income MTFs."

FG Solutions expands US prime brokerage

FG Solutions International is opening a new trading desk in Chicago as part of its US-based prime brokerage expansion program. The announcement coincides with the introduction of a new Prime Brokerage trading platform and additional hires.

The new FG Solutions International Chicago office will be manned by Rob McLendon. He will lead the expansion of prime brokerage Offering in Chicago. He is also expected to supervise the already existing 10 trading professionals who are basically focused on fixed income and equities trading.

"We consider Chicago as one of the most important and strategic markets in United States due to the fact that it has the most liquid markets. Having a regional presence in this area is important to our success which will further demonstrate our commitment to the Chicago investment and trading community," said Collins, FG Solutions International chief operation officer.

McLendon joined FG Solutions International in 2002 and was assigned as senior sales trader of its Prime Brokerage Services. With nearly a decade of trading and sales experience in prime brokerage service, he was recently promoted as Senior Financial Analyst and now the new managing director for the Chicago trading desk. Prior to joining FG Solutions International he worked at a client service department of one of the financial institutions in New York.

"With the given increased number of trading opportunities in Chicago and the anticipated new lines of products and services which will be launched in the near future, we are confident enough that opening a new office in Chicago is one of the major leaps that we can contribute to the success of the trading individuals here. We also expect new funds will be initiated by most trading professionals here especially from larger financial institutions as we will cover the entire area of Chicago with trading opportunities.

We will become their well-positioned strategic business partner as they go through the introductory phase of their investment ventures," said Collins.

Euroclear UK & Ireland enhances DBV service

Euroclear UK & Ireland (EUI) is increasing collateral management efficiency and reducing operational risks and costs in the UK for securities finance transactions, primarily involving repos. For the first time, effective immediately, UK market participants can use EUI to manage all of their collateral needs and movements against term repos for the duration of these transactions.

This new development to EUI's Delivery-by-Value (DBV) service heralds a new beginning in the way that UK firms will be able to manage exposures arising from their financing strategies. It eliminates a mismatch between collateral movements and the underlying financing transaction agreed between two counterparties.

Current market practice entails the need for clients to shift their entire collateral positions in and out of their EUI collateral accounts every evening and the following morning, respectively, even when underlying collateralised transactions are of a longer duration. Consequently, the movement of sizeable collateral positions in both cash and securities is required twice per day, every day, throughout the life of the transaction. Clients are charged for each daily collateral movement. The new service will no longer oblige UK market participants to continue this market practice. The counterparties are charged upon the creation and maturity of the term DBV

and a small daily management fee no matter the number of collateral movements each day.

Yannic Weber, chief executive officer of Euroclear UK & Ireland, said: "After two years of rigorous market consultation, we are launching a collateral management service that provides clients with unprecedented flexibility to manage their exposures and operational risks. In close co-operation with the Bank of England, more than 20 participating clients and several trade bodies, Euroclear UK & Ireland is the first central securities depository within the Euroclear group to offer such a service."

Weber continued: "This new collateral management service available to EUI clients is the first stage of Euroclear's overarching plan of providing clients of both national and international central securities depositories with automated collateral management services."

Peter Lightfoot, RBS Global Banking & Markets, expressed: "We welcome this initiative as it will greatly reduce the operational risks of rolling such huge flows every day, particularly when the underlying transaction is normally of a much longer maturity."

Matt Tuck, head of financial institutions at Barclays, said: "The introduction of an enhanced collateral management service is a welcomed step forward in reducing operational risks around large liquidity flows, not only for clients, but for the industry as a whole. We will support our clients who wish to utilise this new service in addition to the existing product set."

Nina Moylett, director wholesale markets at Prudential Capital, who manages GBP 10 billion on behalf of Prudential and its funds, said: "As a cash manager actively using DBV in our liquidity and collateral management we welcome the implementation of the term DBV product by Euroclear UK & Ireland to minimise intra-day exposures for term funding transactions."

How the term DBV service works:

- The Delivery-by-Value (DBV) service enables EUI clients to give and receive packages of securities as collateral against the creation of a cash payment in GBP, EUR or USD for financing purposes. For overnight DBVs, collateral is transferred by EUI at the end of the day and returned the next morning. Now, clients have the choice of entering into term DBV agreements with a pre-determined maturity date, or with an open-ended maturity.
- On behalf of both counterparties, EUI manages all collateral management aspects of the term DVB, i.e. collateral valuations and substitutions, as well as processing the return of the securities and cash upon maturity.
- Both counterparties retain full control over their collateral, whether securities or cash, throughout the entire life cycle of the term DBV transaction. EUI's automated collateral management services ensure that securities used as collateral are correctly valued via a daily mark-to-market service. If there are fluctuations in the value of the collateral, EUI automatically executes a top-up or recall of securities to ensure that the exposure is precisely valued and covered with the right amount of eligible collateral. Automated intra-day collateral substitutions recall and replace individual lines of securities required for other transactions. Furthermore, any corporate events that impact securities used as collateral are handled by EUI, e.g. splits, interest payments, etc.

OneChicago announces June volumes

OneChicago, has announced that a total of 393,546 security futures contracts were traded in the month of June 2011.

710,515 Blocks were traded in the second quarter of 2011, a 79 per cent increase compared with the second-quarter of 2010.

June 2011 Highlights

- 38 per cent of June 2011 month-end open interest was in OCX.NoDivRisk™ products. The OCX.NoDivRisk product suite is an innovative equity finance tool which removes dividend risk from the security futures. OneChicago currently lists 1252 OCX.NoDivRisk products.
- 207,880 June futures valued at more than $1.2 billion were taken to delivery, validating the use of single stock futures as an equity finance product.

OCX. RiskMan added a restricted stock list functionality feature, enhancing clearing firms' risk management controls. OneChicago's OCX. RiskMan is used by clearing firms to set risk controls for each OCX.BETS access point they authorise. OCX.BETS supports the trading/reporting of Blocks and Exchange Futures for Physicals (EFP) in OneChicago's products.

OCC volumes see June rise

Total cleared volume at OCC in June reached 376,877,261 contracts, a 21 per cent increase from the June 2010 volume of 311,231,916 contracts.

First half total cleared volume was 2,238,392,970 contracts, 11 per cent higher than the first half last year. OCC's securities lending clearing also continued its growth in June with a 13 per cent increase in transactions processed from the previous June.

Options: Exchange-listed options trading volume rose 21 per cent in June, with 372,928,893 contracts changing hands. Index options volume increased 27 per cent from the previous June with 30,398,305 contracts traded. Year-to-date average daily volume for exchange-listed options was up 10 per cent compared to the same period last year with 16,526,167 contracts.

Futures: Futures cleared by OCC reached 3,948,368 contracts in June, up 101 per cent from June 2010. Index and other futures volume was up 136 percent with 3,554,409 contracts changing hands. OCC's year-to-date total futures volume is up 56 per cent in 2011 with 20,843,993 cleared contracts.

Securities lending: OCC's stock loan programme, including OTC and AQS, saw a 13 per cent increase in new loan activity over June 2010 with 68,369 new loan transactions. Year-to-date securities lending activity in the first half of 2011 is up 40 per cent from 2010 with 399,146 new loan transactions. OCC's stock loan programme had an average daily notional value of $14,547,903,456.

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Australia

Australia has a well-developed securities lending business, but it suffered during the downturn and has some way to go before it can return to the peaks

BEN WILKIE REPORTS

While the Australian market did not technically fall into recession - one of the few Western economies to be able to ride the global financial storm - there has been a severe impact on the markets in the country, with securities lending affected as a result.

Levels of borrowing and lending are down, and while they are starting to recover, the volumes remain lower than three years ago. A proposed tie-up between the Australian and Singapore exchanges collapsed, following the country's reluctance to have its exchange fall into overseas hands.

"The securities lending market in Australia is well-developed," says James Jennings, head of global prime finance for Australia and New Zealand Global Markets at Deutsche Bank. "There is still flow, however the market has not fared well since the market downturn and securities borrowed and on loan are a lot lower than pre global financial crisis levels."

Some market participants say that the relative calmness of the market is down to the speedy actions of the regulators. When the worst of the crisis was threatening to bring down some of the world's biggest banks, the Australian Securities and Investments Commission (ASIC) introduced a short selling ban on financial stocks - a ban that was removed in May 2009.

"We don't want to see restrictions on market practices," says one participant, "But when the ban came into force, ASIC was quick to say that this was only ever going to be a temporary measure. ASLA (the Australian Securities Lending Association) was working well with ASIC and the ban was effective in that it made sure we didn't have any long-term problems, but it was also timely - there wasn't a huge amount of liquidity in the market at that time anyway, so the ban didn't have a huge affect on the amount of business we were able to do."

However, Australian was one of the last major global markets to lift its ban and some within the industry were starting to get frustrated by the delay. "We could have done with [the ban] ending sooner - we knew it was going to end, we just didn't know when and we felt like we were going to get left behind," says one player.

However, one of the main reasons for Australia's relative immunity against the downturn happening elsewhere was its closer ties to the Asian market. Over the past couple of decades, the country has been aligning itself to its neighbours, while maintaining its historic links to Europe and the US.

There remain differences, though. "The Asian market is not homogenous," explains Jennings. "Australia, like the rest of the Asian markets, has different nuances to it - regulatory, reporting and so on. Australia is closely aligned with Asia, as it is with all the major global markets."

And this is reflected in the number of institutions that service the securities lending industry. For a relatively small (in global terms) market, it has a wealth of operators with a footprint in Sydney. Almost all the major global players have a presence, which is matched by an exceptionally strong domestic presence. The likes of Macquarie Bank and National Australia Bank more than compete with their better-known global competitors. However, some of the smaller firms have withdrawn from the business in the last couple of years.

"Australia is a fairly well-brokered market with a number of the big global players present," says DB's Jennings. "Before the global financial crisis, there were some niche smaller players, however I would say the space now is dominated by the larger players."

In terms of the funds that are active in the market, one type dominates. While other domestic and international pension and mutual funds play a part, the Australian compulsory superannuation scheme is the big beast. Launched in 1992, employers are now required to pay nine per cent of salaries into the fund, with employees able - and it seems the majority are willing - to pay in a similar amount. Many of these funds are active participants in the securities lending market.

The pension and superannuation market is now the fourth largest in the world, and this has driven growth in other areas. The hedge fund industry in Australia has grown four times faster than the global average, and it's this that is encouraging the big players in securities lending to set up shop.

Regulation

There have been complaints that the regulatory side of the business is too tough, and the criticisms about the delay on the removal of the ban on short selling financial stocks still dominate the market.

In September 2008, ASIC took emergency action to temporarily ban short selling in Australia, including naked short sales and covered short sales. The ban on covered short selling of non-financial securities was lifted on November 19,

2008. The ban on covered short selling of financial securities was lifted on May 25, 2009.

The Federal Government introduced new legislative requirements to regulate the use of short selling in Australia in December 2008 and December 2009, under the Corporations Amendment (Short selling) Act 2008 and the Corporations Amendment Regulations 2009 (No. 8). These requirements include a ban on naked short selling, subject to some minor exceptions, and the imposition of specific reporting obligations in relation to covered short sales. The legislation that commenced in December 2008 also clarified the scope of ASIC's powers in relation to the short selling provisions in the Corporations Act.

Since June 1, 2010 short-sellers have been required to report to ASIC their short position in a listed security or other listed product and in January 2011 ASIC clarified that for reporting purposes it will not be possible to net-off long and short positions where those positions are held in different capacities.

"The regulator is good at telling the markets what it's up to, but that's about all it's good at," says one participant. "We feel that ASIC doesn't trust the market and if it continues in this way, Australia will fall behind."

Jennings is not so critical, but he does believe ASIC has work to do. "The industry still feels that the regulations are too restrictive," he says. "In the event that you have restrictive regulations this can and does have adverse effects on global flow into the market.

"There is room for improvement in the Australian market. We would like to see the re-introduction of conditional holds to offer out securities to clients. The current requirement to have an unconditional right to vest securities, pre-settled borrow, is too restrictive and onerous."

The future

An expected wave of M&A activity and new listings has so far failed to appear, which has dampened expectations for a swift recovery in the securities lending sector.

This is combined with a feeling that the regulator is proving too tough on the market and its drive for transparency is obscuring the need for an overhaul of the restrictions it places on market participants.

However, the quality of market participants, and the liquidity and willingness of the major funds to participate in the securities lending industry means that the likelihood of Australia continuing to be a major force - both in the Asian markets and globally - remains good. **SLT**

ASIC has released new regulatory guidance and relief aimed at achieving better disclosure by parties that are engaging in securities lending of substantial holdings in listed entities.

The guidance is contained in Regulatory Guide 222 Substantial holding disclosure: securities lending and prime broking.

ASIC has also released Report 235 Response to submissions on CP 107: Securities lending and substantial holding disclosure, which summarises consultations with industry leading to the new regulatory guidance.

Under the new guidance, ASIC sets out its expectations as to how:

- parties involved in securities lending (including securities lenders and borrowers) will disclose substantial holdings in listed entities (interest of five per cent or more)
- prime brokers – who may have on-going borrowing agreements with their clients – will disclose substantial holdings

Further, ASIC has set out its expectations of the content of substantial holding notices that parties engaged in securities lending will have to provide, and relief that ASIC has granted to simplify the content of those notices and better align timing of disclosures to changes in control over securities.

High powered

Will Duff Gordon takes a look at the US energy sector, and analyses the latest developments in the European sovereign debt crisis

MARKET PERSPECTIVE

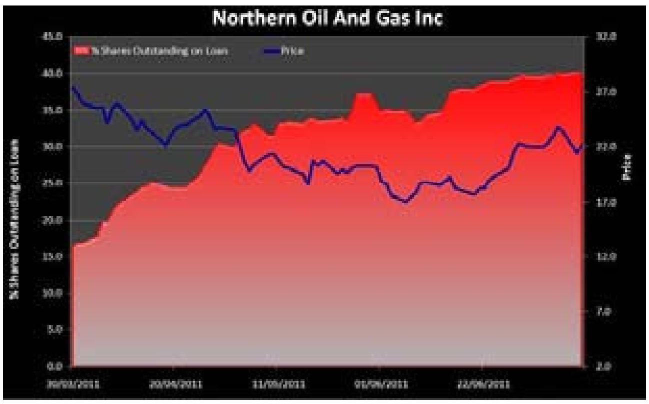
The US energy sector recorded the largest number of stocks reaching new annual highs in short interest over the last week. This included almost nine per cent of the 250 constituents within the GICS Energy Industry Group. Although many of these are small cap' stocks, the list includes a number of large firms including Diamond Offshore Drilling, Inc (NYSE:DO). In summary, we highlight contrasting investor sentiment, with rising short interest accompanied by rising institutional ownership by long only funds who lend their shares.

Top short

Northern Oil and Gas is the most shorted stock in the sector. This year the energy company has been the subject of heightened securities lending activity with average trading volumes having more than doubled. Historically, short interest has been below 10 per cent of total shares outstanding, but has surged from seven per cent in March to a staggering high of 40 per cent of the company, while the share price has tumbled and since rebounded. With almost all the lendable supply out on loan, this stock is now hard to borrow. However, this bearish sentiment is not shared by the institutional investors, as large funds who lend have increased their holdings by 80 per cent since last November.

Rising shorts and longs

Diamond Offshore Drilling, Gulfport Energy Corporation and Oasis Petroleum all reached new annual short interest highs last week of 10 per cent, nine per cent and eight per cent respectively. Meanwhile, all three of these stocks are subject to positive sentiment for institutional investors, which have been increasing holdings over the year.



Diamond Offshore Drilling was caught up in the BP oil spill scandal last year and is expected to report second quarter earnings next week. Short interest has increased from six per cent to an annual high of over 10 per cent of the company over the second quarter. The percentage of stock on loan could be inflated as a result of convertible arbitrage. Institutional investors have been increasingly bullish, having increased their holding by 60 per cent over the past year to reach a new annual high.

Short interest in Gulfport Energy Corporation surged over the second quarter, rising from one per cent to nine per cent of total shares outstanding on loan. Institutional investors have been positive towards this stock, increasing holdings by 55 per cent over the year to new annual highs.

Similarly, Oasis Petroleum has seen short interest quadruple over the past quarter to eight per cent of total shares outstanding on loan. And holdings by institutional investors have doubled over the past year to 16 million shares, which is also an annual high.

Europe turns on the ratings agencies

What is the best way to comment on the financial health of a country? The two bodies who seek to do this are at loggerheads after the FT revealed an EU plan to stop credit rating agencies from offering their view mid bailout talks. This plan was first mooted by the new IMF head. Investors will be the arbiters of who is right so we will look at investor sentiment towards Moody's (NYSE:MCO) and Fimalac EPA:FIM .

The inability of the European Union, the ECB and the IMF to find an acceptable solution for Greece was made even harder last week.

When it looked as if "the French plan" of rolling short term Greek debt over to longer term maturities, ratings agencies surprised everyone by saying they would still classify this as a "default". Why did this matter? Anyone who has taken out insurance against a Greek default benefitted from this opinion. But, contrary to popular perception, it was not that important since credit derivative related insurance amounts to around USD 5 billion of trades. This is tiny relative to the size of the Greek government bond market which is almost 100 times as big. Still, it showed that a public company in the US (Moody's for instance) was not going to waive its criteria and accept a form of action that the EU felt was a fait accompli.

Then, Moody's downgraded Portugal's debt rating which was another blow to the EU. On balance, investors have been applauding Moody's (MCO) post credit crisis re-launch. Its shares are up to where they were before Lehman fell and this run has been supported by institution investors, whose shares are borrowable, adding to their holdings. Such funds own 24 per cent of Moody's today and this was a high as 29 per cent in early May.

Short sellers were highly critical of Moody's role in the mortgage back securitisation debacle and remain somewhat negative. The short interest is nine per cent of all shares but was up to 11 per cent in April and was over 20 per cent pre crisis.

Demand to borrow the owners of Fitch ratings (Fimalac EPA:FIM) is low but funds who lend are selling their shares – so mixed sentiment here. Looking at the investor sentiment in McGraw Hill, which owns S&P, is fruitless in that their business is so well diversified that it makes little difference.

I will leave others to pass judgment on this comment by the EU's Michel Barnier, "they (member states) benefit from the solidarity of its members…that is why we should ask ourselves…. whether it is appropriate to allow sovereign ratings on countries which are subject to an internationally agreed programme."

Suffice to say that investors will and should keep their own counsel when it comes to who to believe regarding the solvency of countries or companies. SLT

Will Duff Gordon
Research director
Data Explorers

Upcoming industry events

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: www.imn.org

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.

5th Annual Collateral Management 2011

Date: 5-6 October 2011
Location: Barcelona
Website: http://finance.flemingeurope.com

The Fleming Group brings you Collateral Management, already in it's fifth year. Collateral managers from major European financial institutions will gather in the beautiful city of Barcelona to discuss latest trends and developments.

28th Annual RMA Conference on Securities Lending

Date: 10-13 October
Location: Naples, FL
Website: www.rmahq.org

RMA's Annual Conference on Securities Lending last year held in Boca Raton, Florida, rebounded from previous years and the effects of the unprecedented financial market events with over 425 SBL professionals from across the industry attended.

Collateral Management & Securities Financing Asia

Date: 21-22 September 2011
Location: Hong Kong
Website: www.collateralmanagementasia.com

Collateral management & securities financing framework is now a top consideration for Asian financial institutions.

Training and Education

21-22 Jul **Singapore** **Repo and Securities Lending** **Euromoney Training**

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.

27-28 Jul **London** **Global Collateral Management** **FinTuition**

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.

1-3 Aug **New York** **Repos and Securities Lending: Negotiation and Documentation of New York and English Law Documentation** **Euromoney Training**

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.

18-19 Aug **London** **Repo and Securities Lending** **Euromoney Training**

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.

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22 Sep **London** **Risks & Controls in Securities Operations** **Investment Education PLC**

This course provides a good Risk and Controls awareness for operations. It helps the early identification of risks, an application of appropriate and timely controls, and helps reduce the possible escalation of dangerous situations within normal day-to-day activity.

16–17 Nov **London** **Collateral Management** **Investment Education PLC**

This course looks at Collateral Management in OTC Derivatives in particular as well as Repos and Securities Lending and Borrowing. Risk identification, control, documentation, types of collateral, gross and net exposure and other practical aspects are covered as well as the conceptual framework and practical problems egg the treatment of corporate actions on a borrowed/lent position.

Industry Appointments

Kellner DiLeo has appointed **Robert Egan** as senior vice president, global head of international securities lending. Egan is reported to start on the 8th August and will be based in New York.

Egan's previous roles have included eight years at HBK Capital Management where he was head of the equity finance desk, and positions at Citadel Investment Group, Maple Partners USA and Paloma Partners

Deutsche Bank has made changes to its senior securities lending personnel in London and Asia.

Anthony Byrne, global head of securities lending and European head of prime services for Deutsche Bank is moving to Asia. **David Murphy**, currently head of Asian prime services, is returning to the UK.

HazelTree Fund Services has appointed **John Zacharella** as its first treasury product specialist. Based in the New York office, Zacharella will focus on conducting the analysis of client and market needs across product areas, with a view to designing new products as well as representing current products to new and existing customers. In addition, Zacharella will track and improve the product specification process as well as manage all input from the company's board of advieors, customers and key industry influencers.

Rowena Brown has joined SecFinex as a senior relationship manager. Brown brings over ten years of experience in the securities marketplace with the last seven focused on securities lending. Most recently Rowena was responsible for implementing a wide variety of global product solutions for Citi Global Transaction Services.

"Rowena brings a depth of knowledge of securities lending that will complement the team which has recently expanded with additional hires including Stephan Sanner, formally of Risk Data, and Thomas Shave, formally of Northern Trust. These additions strengthen SecFinex's Relationship Management team that supports its growing sales initiative." Say Allen Postlethwaite, CEO of SecFinex.

EquiLend has expanded its European business development team with the appointment of **Charlotte Peace** as business development associate, based in London, where she is responsible for working with existing and prospective clients.

Laurence Marshall, CEO EquiLend Europe, commented, "We welcome Charlotte to our business development group, she is our third addition this year. We continue to expand the business development group in Europe to support the growing number of clients and usage across Europe."

After five years away **Mark Tidy** is returning to J.P. Morgan Worldwide Securities Services commencing July 25th. His title in his new role will be EMEA head of securities lending sales and business development.

He will report to Stuart Thompson, EMEA head of securities lending client management & sales and is based in London.

Tidy originally left his job at J.P. Morgan after a short stint in 2006 to join ABN AMRO Mellon prior to the merger with Bank of New York and Mellon. Tidy had been with J.P. Morgan since 2005 where he focused on extending the bank's reach in Europe, particularly in non-custody roles such as third party lending and servicing offshore funds.

Citi has hired **Fergus Pery** as the global product head of OpenCollateral.

Pery, who is based in London, joins Citi from J.P. Morgan Chase and brings to the role extensive industry and product expertise as well as a deep understanding of client needs in this space. In his role, Pery is responsible for the both technical sales and product management globally for OpenCollateral. He reports to Rajen Shah, global head, collateral management for Citi's Securities and Fund Services and EMEA head of securities finance.

Neeraj Sahai, global head of securities and fund services, with Citi's Global Transaction Services, said: "We are very pleased that Fergus has joined our organisation. His experience and knowledge of the collateral management industry will be an asset to our clients as we continue to build innovative solutions in this space."

Daiwa Capital Markets has hired **Christopher Owen** as head of secured financing for its Global Equity Finance franchise. In this senior role in the firm's global derivatives business he reports to Charlie Day, London-based regional head of derivatives (Europe & the Middle East) and head of global equity finance. Owen joins from Nomura where he was executive director, financing products management.

In addition to his career at Nomura, where he also served as chief operating officer of Prime Services, Owen held senior roles at HSBC where he was head of collateral trading (Equity Finance/Balance Sheet Management). He has also worked at JP Morgan and ABN Amro.

Bank of America Merrill Lynch has appointed four new staff to its EMEA Global Markets Financing and Futures business.

Daniel Katz has been appointed managing director and head of EMEA stock loan and structured marketing. **Ross McDougall** is now director and head of EMEA stock loan trading. Both report to Rajeev Patel, head of EMEA equity finance.

Martin Donnelly has been appointed director and European head of hedge fund consulting, while **Simon Key** will become a director within the synthetic equity sales team.

SECURITIESLENDINGTIMES

Editor: Ben Wilkie
editor@securitieslendingtimes.com
Tel: +44 (0)20 3006 2710

Marketing: Steven Lafferty
design@securitieslendingtimes.com

Publisher: Justin Lawson
justinlawson@securitieslendingtimes.com
Tel: +44 (0)20 8249 0235
Fax: +44 (0)20 8711 5985

Associate publisher: Katie Wildeman
katie@securitieslendingtimes.com
Tel: +44 (0)1293 520594
Fax: +44 (0)20 8711 5985

Published by Black Knight Media Ltd

16 Bromley Road
Beckenham
Kent
BR3 5JE
UK

Company reg: 0719464

To subscribe please visit
www.securitieslendingtimes.com

Daniel, Ross, Martin and Simon join the team with excellent credentials and we're extremely pleased to have attracted individuals of their calibre," said Sean Capstick, managing director and co-head of EMEA Prime Brokerage. "Collectively they bring with them extensive knowledge of the market which will be vital as we look to firmly establish our Prime Brokerage team as one of the best in the industry."

Three senior executives within securities lending have left Bank of America Merrill Lynch.

Mark Bailey, head of global markets financing and futures, and **Artie DiRocco**, managing director and head of stock loan Americas for the bank have both quit. Meanwhile, **John Fiore**, a director in product sales for the prime brokerage division has also departed the organisation.

Bailey joined the bank in 2007, moving from Credit Suisse. He had a number of senior roles within the organisation. **SLT**

Lauren Gaspar

Securities Lending Times has a coffee with Lauren Gaspar, VP of client relationship management for SunGard Astec Analytics.

Tell us about your career to date?

I began working with Astec Analytics in 2005 as a summer intern. As an economics major, I had an understanding of financial markets, but I had absolutely no knowledge of securities lending. However, over the next few months, I quickly learned a lot about the industry from my very knowledgeable (and very patient) colleagues. At the time, we were a much smaller firm, which enabled me to take a very "hands on" approach in almost every aspect of the company, from product development, to sales, to marketing. After graduating from Fordham University, I was offered a full-time position, which I happily accepted. I began working with the product development team, and was able to work on what would become the first web-based securities lending transparency tool- Lending Pit. About a year later, I moved to the sales team, since my work in product development had rendered me a specialist with the product. In the coming year, Astec was acquired by SunGard and our client base more than tripled. At this time, we realized we needed a dedicated client relationship management team to service our clients. In 2009 I was tasked with building that team, which I still lead today.

Was it different to what you expected, if so how?

When I first came into the industry straight out of college, I didn't really have any particular expectations. However, as I got to know the business a bit more, I was amazed at how such a seemingly simple concept of lending stock was so profitable for all involved. Similarly, while the concept itself is simple, there are so many intricacies behind the scenes. The industry is a very dynamic one and things are always evolving and changing.

Has anyone helped or inspired you during your career?

From my very first day as an intern, my first two managers really took me under their wings. Tim D'Arcy, Head of Operations, introduced me to countless people in the industry, many with whom I still speak today. Aaron Gerdeman, Head of Development, patiently taught me about the tools needed to analyze lending data. Both have always challenged me, helped me hone my skills, and given me opportunities. I have the utmost respect for each of them and am very grateful for all that they have done for me over the course of my career.

How did you find working through the industry's biggest ever crisis?

As unfortunate as the financial crisis has been, I have learned much from it. Being a Relationship Manager, I spoke very often to our clients, who were at the heart of the crisis. I was able to gain a very unique perspective at the challenges they were facing, which I like to believe made me a better at my job. In a time of such uncertainty, I learned that I needed to listen very closely to my clients, ascertain their needs, and be proactive in delivering solutions that would help their businesses survive this tough time. In addition, like many others in the industry, I found it very frustrating to read the bad press our industry was receiving, a lot of which was tarnished our clients' reputations. I wanted to help people understand securities lending and why it is so integral to the proper functioning of the world markets. Luckily, I had access to one of the largest securities lending databases in the world, which enabled me to provide empirical evidence promoting the practice of lending securities and its importance to capital markets.

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

I would definitely make it more accessible to "Joe Public". As I said before, it has been tough to restore securities lending's reputation and I believe that this is in large part due to the lack of information that is available to the average person. It's very easy for a simple concept to get overly complicated and I believe better educating the masses through simpler communication will encourage understanding and acceptance of the practice.

What are your ambitions?

Personally speaking, there is no job more important to me than being a good wife and mother.

My husband and daughter are my driving force and impact every decision I make. Professionally speaking, I hope to continue on as a relationship manager. I very much enjoy meeting with the intriguing people in our industry – they are my best educators!

Outside of work what are your interests and pursuits?

I love to cook and bake and do so often for family and friends. I also enjoy interior design. My husband and I purchased our first home 2 years ago, a true "fixer-upper" and we are still working on it.

If you were given an unexpected USD 10 million bonus tomorrow what would you do?

I would open a small bakery in my town, make sure my family and friends were taken care of, travel, and invest the rest for the future.

If you weren't working in securities lending what would you be doing?

Something that allows me to tap into my artistic side. SLT

Favourites

Food
Anything dessert related

Sport:
Baseball

Music
Frank Sinatra

Movie
Pleasantville

Book:
The Count of Monte Cristo

Holiday:
Italy

Celebrity:
My daughter Charlotte. She is the most photographed person I know!