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Financial Transaction Tax is like no other, says BofA Merrill Lynch

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The proposed European Financial Transaction Tax (FTT) is potentially very damaging to the real economy and to investment returns, with striking features that make it unlike other transaction taxes, according to a BofA Merrill Lynch Global Research report.

In February, the European Commission set out the details of the FTT under enhanced cooperation.

The proposal, if adopted by the 11 member states that have agreed to it as drafted, could see a tax levied on equity, bond and derivatives trades as early as January 2014.

As it stands, the FTT would place a 0.1 percent of purchase price minimum tax on all financial instruments such as equity and debt securities, and 0.01 percent minimum tax on derivatives.

The BofA Merrill Lynch Global Research report, which was authored by analysts Philip Middleton and Martin Price, stated that the tax applies to an "unusually wide" range of products, adding that: "We are used to transaction taxes on long duration assets (especially equities). Applying similar techniques to short duration products will, we think, have very significant effects. A tax of 10bp on overnight repo, for example, would render the market prohibitively expensive. The FTT is also striking in terms of its extraterritorial reach."

The cascade effect of the tax, as it flows down each leg of a transaction, means that its impact is far greater than the rates of taxation themselves may imply. "UK and French equity turnover taxes currently have market maker exemptions and allow netting," said the report. "The FTT does not, and this is a crucial distinction."

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SLTINBRIEF

Calypso Technology opens in Madrid

Calypso Technology has opened an office in Madrid to service the Spanish and Portuguese markets, following the arrival of several leading local banks as new clients last year.

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I.A. Englander expands and rebrands

Israel A. Englander has expanded its prime services division, offering the only technology platform that provides solutions to both emerging hedge fund managers and investors.

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Financial transaction tax is like no other, say BofA Merrill Lynch

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The report added that because the tax would be applied in a relatively small group of nations, there would be an uneven playing field between, for example, in-scope Belgium and the out-of scope Netherlands. A Dutch company will potentially be able to access debt markets and hedging products more cheaply than its neighbour in Belgium.

Of repo, the report stated that it might fail to exist altogether, if the FTT is implemented as it stands.

"[Repo] is a short term market (open is where the contract can be terminated at short notice, and so is in reality a short maturity). We have already seen the impact of applying the FTT to short dated government securities. The same effect occurs with repo. A 10bp charge compounds up to something like 28-29 percent per annum. A 50bp cascade would compound to something around 250 percent. In this context, it's worth bearing in mind that typically, clients enter into the repo market to earn around 10-15bp extra return per annum. It therefore seems reasonable to assume that the repo market in its current form would cease to exist."

But the report did state that the tax might not be implemented in its current form, as its provisions seem to have significant adverse effects, and key industry groups are beginning to voice their displeasure.

"Our central case remains that the tax is very materially amended," concluded the report. "Should this not be the case, we would have to revisit our stance on the market structure stocks we cover. In particular, the FTT would be clearly negative for companies like ICAP and the European exchanges (DB1, BME, LSE Group), as their transaction revenues in European equities and derivatives would be compromised."

Calypso Technology opens in Madrid

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Charles Marston, Calypso's chairman and CEO, said: "Spain is a key market for Calypso. With Spain's two largest institutions as clients, it makes sense for us to have a direct presence in Iberia for optimum client servicing."

The Madrid operations will act as a liaison between Calypso and its Iberian and Latin American clients, largely incorporating the sales and professional services teams.

Ramón de la Fuente, head of the new office, said: "Calypso has ambitious plans for the region. We are building a strong team here by hiring the best technology and business matter experts in the market. We really want to replicate our success from other regions, by being a valuable trusted advisor to financial institutions in Spain and Portugal."

I.A. Englander expands and rebrands

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The division has also been rebranded as Managed Accounts and Prime Services (MA&PS).

MA&PS will provide traditional prime brokerage services that are enhanced with customised investment solutions targeting entities that manage or invest capital via a separately managed account structure.

The MA&PS platform also offers customised solutions for investors seeking access to emerging asset managers through separately managed account allocations. It enables them to allocate capital while mitigating risk through a transparent, self-directed managed account programme.

Stephen Tobias, president of I.A. Englander, said: "MA&PS is a dynamic innovation that is the first of its kind enabling hedge fund managers and investors to utilise comprehensive and value-added services on a single customisable technology platform that will give them competitive and strategic advantages in today's rapidly changing and increasingly complex environment."

Clearstream and Bloomberg give triparty repo a makeover

Clearstream is collaborating with Bloomberg to provide clients with an automated order routing service that delivers another way to access triparty repo transactions.

The new service promises market participants faster and easier access to triparty repo services in Clearstream's integrated collateral and risk management environment, the Global Liquidity Hub, through the Bloomberg Professional service.

The new service will use Bloomberg's STP efforts, and "directly supports communication of transaction information between triparty market participants and their triparty clearing banks," said a statement from Clearstream.

"Counterparties that participate in a triparty repo transaction will be able to initiate and execute the trade directly from the Bloomberg Professional service, before it is transmitted into Clearstream's Global Liquidity Hub."

The trade ticket may then be sent to Clearstream by Bloomberg via an automated SWIFT message—removing the need for additional connectivity to participate as a cash provider in Clearstream's programme.

Clearstream will continue to act as collateral agent and automatically handle the allocation, substitution and optimisation of collateral.

Stefan Lepp, head of global securities financing at Clearstream, said its cooperation with

Bloomberg further strengthens Clearstream's Global Liquidity Hub as the company seeks to create links to electronic trading platforms and other service providers.

"I'm delighted that we are partnering with Bloomberg to make triparty repos more accessible and more attractive as a collateral management tool," he said. "This serves as an example of how our approach of creating strategic partnerships with top industry providers enhances opportunities for our clients."

Information Mosaic signs off on Thomson Reuters coupling

Post-trade software company Information Mosaic is to work with Thomson Reuters to integrate the company's ISO-based corporate actions data feed with its own solution, IMActions.

Tim Lind, head of middle office and entity data, at Thomson Reuters, said: "[Our company] understands that corporate actions is a complex market where customers are balancing a global set of requirements combined with local market needs. We continue to invest in this space and our collaboration with Information Mosaic is a testament to our commitment."

Information Mosaic's senior vice president of business strategy, Gerard Bermingham, said that Thomson Reuters offer industry-recognised, quality data across all information classes.

"Information Mosaic views this collaboration as a mutually beneficial arrangement between two like-minded organisations. For users of Information Mosaic's complete post-trade platform, IMSecurities, adding additional Thomson Reuters data sets such as its Legal Entity Identifier (LEI), reference, and pricing will provide even more value."

Rule Financial makes expansion in Poland

Rule Financial has opened a new development centre in Poznań, Poland, in response to increasing client demand for complex systems development and integration.

The new development centre will be located in the Okrąglak building in Poznań, with the intention of growing the team to more than 400 members of staff.

Chris Potts, CEO of Rule Financial, said: "Our investment banking clients continue to be impressed with the quality of the services we deliver from Poland and, as a result, they have trusted us with a number of new large business-critical projects, contributing to our excellent sales performance in the last six months."

"This has led to significant growth in our business in Poland, which in turn means that we are now able to offer scalable, high-quality delivery capabilities for specialist areas of investment banking providing the operational efficiency and flexibility that is so crucial for our clients."

Piotr Kania, country manager for Rule Financial in Poland, said: "Opening a new centre in Poznań provides us with the access to a whole new pool of talented individuals that we hope will seek to join us to develop their careers in IT, combined with experience of working with the leading global investment banks and other financial institutions."

Lombard Risk REFORM for transaction reporting goes live

Lombard Risk Management's REFORM for transaction reporting is now live, enabling firms to meet the 28 February US Dodd-Frank Act regulatory deadline for FX, commodities and equity asset classes.

Dodd-Frank Title VII is regulation from the US Commodity Futures Trading Commission and the US SEC for the better management of OTC swaps markets.

Financial institutions are required to report details of specific trades to the appropriate trade repository and notify of any amendments for the duration of the trade.

Lombard Risk launched REFORM in July 2012 to meet these requirements. It also provides firms with real-time global transaction processing and reporting to multiple swap data and trade repositories, ensuring transparency of processes and keeping firms compliant.

Connecticut pension fund chooses Deutsche Bank

Connecticut Retirement Plans & Trust Funds has mandated Deutsche Bank to provide it with securities lending services, according to reports.

The state's billion-dollar pension system is conducting a master custodian search ahead of State Street's mandate expiring at the end of June.

It selected Deutsche Bank for the securities lending aspect, but is holding off on the other components until it makes a decision on fee proposals from State Street and the asset servicing arm of BNY Mellon, which applied to provide a complete suite of custody services, according to reports.

This marks another notable mandate win for Deutsche Bank, which was selected to act as agent lender for the Tennessee Consolidated Retirement System in November 2012.

Lombard Risk and Acadia link for collateral

Lombard Risk Management and AcadiaSoft have teamed up to offer electronic collateral messaging.

Lombard Risk's COLLINE has been enabled for collateral messaging, with full two-way integration achieved with AcadiaSoft's MarginSphere users thanks to the Lombard Risk REFORM messaging engine.

The combined solution of COLLINE and MarginSphere is due to go into production shortly at two leading Tier One European banks.

Lombard Risk's COLLINE is a non-legacy product in the collateral management space, with more than 50 clients using the product for managing their collateral, ranging from several Tier One banks to asset managers, fund administrators and energy companies.

COLLINE covers margin management and related workflow for OTC, cleared and listed derivatives and additionally covers repos and securities lending and collateral optimisation across multiple asset classes.

MarginSphere is the result of collaboration between AcadiaSoft and several financial institutions. It is a margin confirmation platform where counterparties engaged in collateral management electronically confirm margin calls, substitutions and interest statements.

John Wisbey, CEO of Lombard Risk, said: “Electronic messaging and the progressive elimination, or reduction in the reliance on, emails for communicating margin calls and other events—like interest calculations and collateral substitution—is a key step towards safer and more efficient markets.”

“AcadiaSoft has emerged as the leading provider in the messaging space for this area and it made sense to be able to offer our collateral management clients robust and scalable two-way integration between COLLINE and MarginSphere.”

He added: “Messaging is represented in the COLLINE collateral management dashboard and exposure/interest management screens. Lombard Risk’s solution has been designed in a way that integration with other collateral messaging systems (including internal messaging systems at a bank) is possible using the same technology, but this is the first we have successfully brought to the point of production. We are delighted that we and AcadiaSoft have been able to make these two technologies work so well together and look forward to integrating with even more functionality going forward.”

Craig Welch, CEO of AcadiaSoft, added that MarginSphere provides industry standard automation of the margin process that is a critical element of US Dodd-Frank Act and Europe’s Basel III risk management infrastructures. “Regulation is a high-focus business area for Lombard Risk as well, which made them such good partners in this project.”

European clearinghouses merge to form new CCP

Pan-European cash equities clearinghouses EMCF and EuroCCP will combine to form a new central counterparty (CCP).

The current owners of EMCF—ABN AMRO Clearing Bank and NASDAQ OMX—and current owner of EuroCCP—the Depository Trust & Clearing Corporation (DTCC)—along with BATS Chi-X Europe, have entered into a memorandum of understanding to become equal shareholders in the new combined clearinghouse. The deal will be completed once the necessary regulatory approvals are received.

The new CCP will use the risk management framework and customer-service organisation of EuroCCP, and it will run on the technology and operations infrastructure of EMCF.

The new entity, to be called EuroCCP, will be headquartered in Amsterdam, with client-facing functions located in London and Nordic coverage provided from Stockholm.

The future shareholders intend to appoint Diana Chan, who is CEO of EuroCCP, to the same role in the new entity. Jan Booij, who is CEO of EMCF, will become COO.

In a statement, Chan said: “Bringing together EMCF and EuroCCP reflects the desire of many market participants to see sustained competition, consolidation and greater efficiencies in European clearing and post-trade processing.”

Booij said: “This is not only a transformational initiative for EMCF and EuroCCP but for the industry. It will enable us to provide more flexible and innovative clearing services to all clients, while our sustainable business model will ensure costs are kept low and will provide the very euroclear

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Chan added: "The new CCP will lead the way in encouraging greater competition between all cash equity clearing houses while driving down costs. Following the launch of four-way interoperability, the industry must now consolidate in Europe to achieve economies of scale and respond to the changing needs of market participants. Combining our organisations will accomplish this."

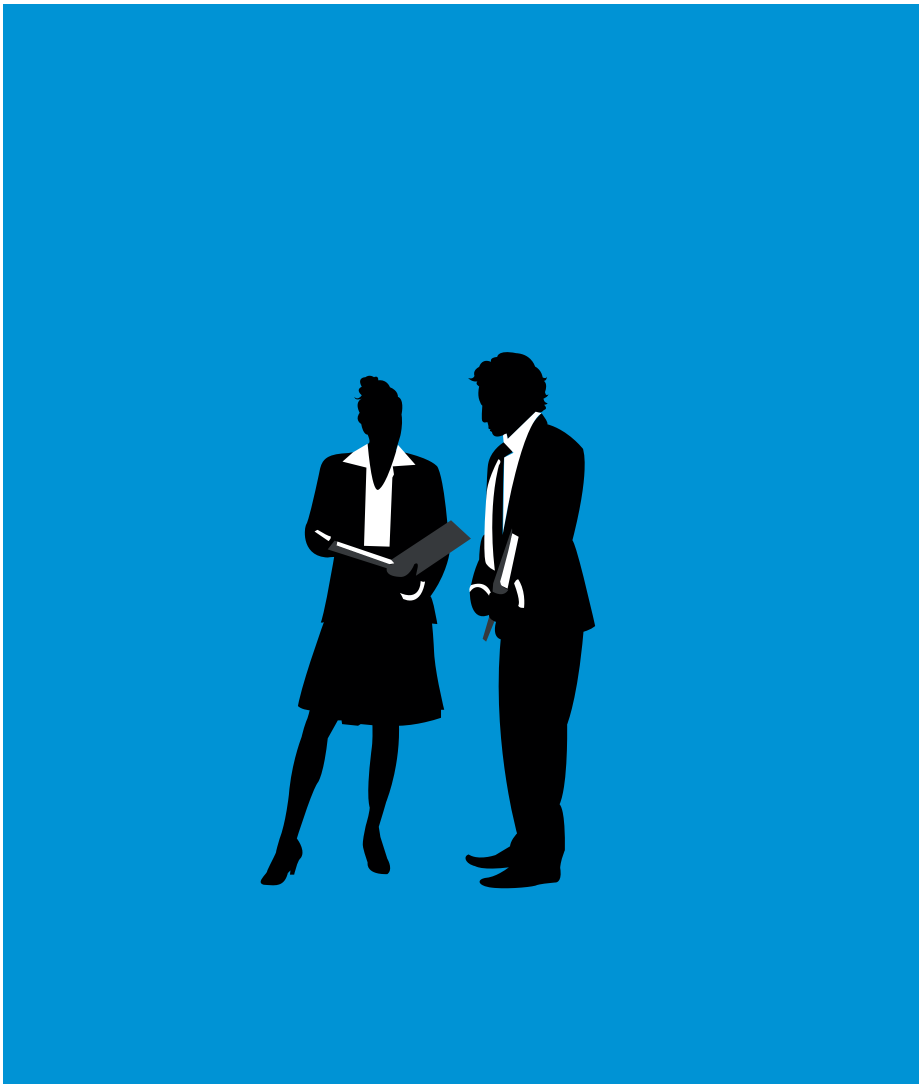
ConvergEx Prime Services to do more capital introductions

ConvergEx Prime Services is expanding its capital introduction programme to make the most of 2013 for its clients.

The firm plans set up more one-to-one meetings while adding to a growing list of regional events, customer dinners and targeted speaking opportunities at industry conferences, so that its clients can benefit from greater access to investors that are aligned with their strategies.

"Despite the fact that we have seen a notable pickup in the number of new funds that have been launched in the past few quarters, customers are telling us that it has never been more difficult to raise new money," said Doug Nelson, CEO of ConvergEx Prime Services. "Our extensive programme will give managers additional resources to enhance their sales and marketing strategies by leveraging ConvergEx's wide ranging customer base and industry relationships."

Michael DeJarnette, president of ConvergEx Prime Services, added: "Importantly, we have also devoted a substantial amount of effort expanding our contacts to include many of the lesser known allocators from sources including family offices, fund of funds, wealth advisors, foundations, endowments and emerging manager platforms so customers can receive maximum exposure to potential investors."



"And as an added benefit to customers, we have also enhanced our internal systems to track the effectiveness of their sales and marketing efforts."

In 2012, ConvergEx Prime Services signed up a record number of new customers and reached a new high in its total assets under custody.

Nelson added: "The hedge fund landscape never stops changing which is why we stay committed to evolving our offerings to help position our customers for growth and success."

Three's the prime number

SLT checks in with new Itaú BBA hires Kristen Dove and Ross Levin, as well as their boss Gregory Wagner, to find out how the Brazilian bank's new prime services business is going

MARK DUGDALE REPORTS

Why has Itaú BBA hired Kristen Dove and Ross Levin for its prime services division?

Gregory Wagner: They have both worked with me for a number of years—Kristen Dove in sales/trading and Ross Levin on the technical/infrastructure side. They have played critical roles in building up to two successful platforms. They are true start up 'experts' in my view.

Kristen Dove: Doing something like developing a securities finance/prime services platform from scratch takes a certain type of person. It entails much more than just writing policy memos and signing agreements. It truly is the ultimate internal 'sell' and involves convincing people that it's a good idea to enter into a new business and sometimes with clients they've never done business with before.

Ross Levin: Building out an international platform from the ground up can be both very challenging and rewarding. We have tirelessly examined the client and topography plan using external guidance and we know that the benefits are exponential for both our clients and the bank. Like Greg mentioned, we have done this before—we don't have a 'PhD' in building out this type of platform, but we're getting pretty close.

Why did Itaú BBA want to expand into prime services in the US?

Wagner: The three of us have never been at a bank so big and so completely dominating in one region across so many post-trade products. The reason why we're here is because we're a part of an organic growth strategy that is designed to create a more balanced footprint-sustainable revenue stream by internationalising our client offering and product capabilities.

Levin: Three or four years ago, this whole project would have been much more of a challenge from a technology perspective. Today, the world is moving towards efficiency and it's getting smaller every day. Maintaining a strong reputation is paramount for the bank. It probably took twice as long as it should to get us ready for implementation, but we wanted to build this right the first time, leveraging the best technology and governance out there and ensuring that the platform is flexible, scalable and sustainable.

How are clients taking to the bank moving into prime services in the US?

Dove: From a client perspective, the reception of our initial product launch has been overwhelmingly positive. That has a lot to do with the kind of reputation the bank has and the kind of people they are hiring around the world to deliver the strategy. Itaú BBA has a wonderful reputation in Latin America and we are discovering the same theme outside of the region. I've found that it has been an easy sell to our clients when explaining our US and international post-trade business aspirations, because many of them already have relationships with us in Brazil and pan-Latin America— and we are certainly leveraging those.

What services are you planning to provide?

Wagner: We're going to start with some vanilla products, including securities lending, repo, collateral trading and then we're eventually going to move on to more esoteric, bank-relevant, client-led solutions in very short order. The US is the largest and most liquid securities finance market in the world and fairly uncomplicated to participate in—also, the balance sheet is available to us there. All together, this gives us a very secure base line to build on.

How is establishing the necessary infrastructure going?

Levin: The way we're envisioning our infrastructure topology here is completely different from how the bulk of the global securities finance industry is setup. It's so different that it's probably—in my view—going to be next phase for many banks and broker-dealers. We're very demanding of our vendors and are asking them to do things it in a very unorthodox way. I think that this is a good benefit for our clients as well because we're intending on passing on the infrastructure/operations cost savings and efficiency on to them wherever we can.

Wagner: Levin is envisioning a platform that is without any notable internal hardware to manage. Everything is expected to be on a secure private cloud, ASP or hosted solution—from top to bottom—and not all of the vendors out there are ready for that. We wanted everyone to think out of the box and come to terms with it because we didn't want to have meaningful in-house kit to manage and a subsequently large internal support staff to support it—it's inefficient.

Dove: What that will do is create a lower cost base for us, and we believe that will allow us to be very competitive on pricing because, in our view, the bottom line is going to be very controlled and very tight. So our top-line client fees can be a bit more flexible and therefore more competitive. With where interest rates are, securities finance spreads are a lot thinner than they used to be. Everyone is fighting for the same trade, so we'll have to be more competitive and offer something that everyone else isn't offering at a better and more competitive price.

Wagner: Agreed. That's also where a symbiotic relationship with our Latin America capabilities align with our US and international balance sheet capabilities and low cost base makes sense for our clients. We have a competitive advantage in Brazil and pan-Latin America. We must be and are completely connected to our Latin America-based post-trade solutions. Now what we're doing is ensuring that our clients, who use our top-tier Brazil execution, clearing, securities lending and custody capabilities, will have access to a more global relationship with Itaú BBA through channels like ours. Banks that have a global Latin America presence will benefit more than those that just have a local presence.

Levin: It's also about stability. Many clients know that Itaú BBA is a considered very stable bank even though it's historically not as well-known outside of the Latin American markets. We're making sure the bank's reputation is reinforced and not compromised via these new business, technology and operational protocols.

Dove: Every bank has its own global regulatory and regional specific issues, whether it's European, American or from elsewhere. Itaú BBA, has a unique opportunity to be one of the few large banks to be in build-mode and going in a positive direction, while aspiring to be a valued prime specialist. That is an excellent differentiator. SLT

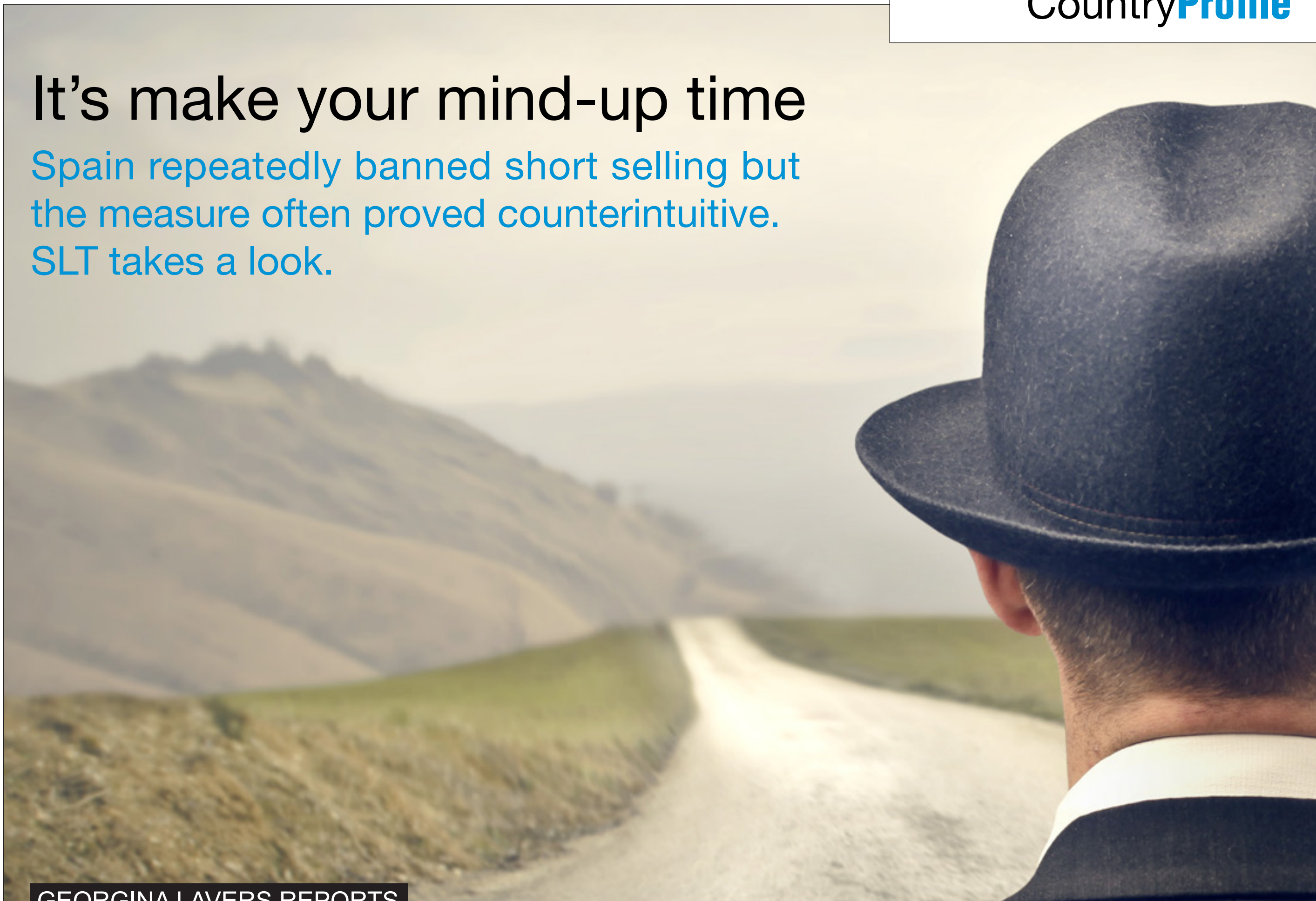
Kristen Dove
Vice president of prime services sales trading and marketing
Itaú BBA

Ross Levin
Head of prime services business architecture
Itaú BBA

Gregory Wagner
Global head of prime services
Itaú BBA

It's make your mind-up time

Spain repeatedly banned short selling but the measure often proved counterintuitive. SLT takes a look.



GEORGINA LAVERS REPORTS

A stone's throw away from the White Coast—the bright strip of sand that lures locals and foreigners to Valencia for the summer—sits the main offices of Bankia SA, the Spanish banking conglomerate that formed in December 2010 to consolidate the operations of seven regional savings banks.

But while tourists may wander the streets in search of a sunny plaza, shareholders and bondholders were pulling their hair out, as news from Prime Minister Mariano Rajoy's government said that they would be footing the bill for the restructure of the nationalised bank.

Revamping the banks, despite any political malaise it may cause, is a key part of the government's efforts to turn the rudder of the ship back into calmer seas, but with the Bank of Spain commenting recently that the country's economy will only sink deeper into recession this year, a sunny 2013 looks improbable.

Where shadows lie, short sellers will seize opportunity and in February Spanish regulator CNMV lifted its ban on short selling as markets rallied.

CNMV introduced a three-month suspension in July 2012 to "stabilise the volatility of the Spanish market", extended it for another week in October, and submitted a proposal to the European Securities and Markets Authority to impose a further three-month ban, effective from November.

The regulator said that Spain's short selling bans were in part due to an ongoing structuring process of the Spanish financial sector to cover capital needs.

The process, which was outlined in the 23 July memorandum of understanding between the European Commission, the Kingdom of Spain and the Bank of Spain, was still underway at the time that the extension was requested, and uncertainties surroundeded Spanish financial stability.

Spain lifted the ban in January as the IBEX 35 Index rallied, and the country's banks took steps to repair their balance sheets amid deep austerity measures.

"The objective of banning short selling was to reduce market volatility during stressed conditions; which was to some extent achieved, but at the expense of liquidity," says Alec Nelson, a specialist in securities finance at Rule Financial. "At the same time it has led to reduced investment and less exposure to Spanish markets. The stock market dropped after the ban was lifted at the end of January 2013, but this may be coincidence."

"The objective of the bans, reducing volatility in the market during stress periods and minimising risk, was largely successful although impacted on levels of liquidity in the market. On balance the bans were probably warranted. The financial markets are still very, even overly, sensitive to news and there is still plenty of concern about Spain."

He adds: "With more bad news, it is highly likely that Spanish markets could see rapid falls and rises—facilitated by electronic trading engines and securities lending—allowing positive view and negative view trading strategies to be executed quickly. Without securities lending, the market should move more slowly, reducing the range of market movement."

David Lewis, who is senior vice president at SunGard Astec Analytics, said at the time of the July ban last year that it was the mark of a desperate regulator to control volatility, but was a measure that will ultimately end up being counterintuitive.

"Such bans have been shown in the past to be ineffective and indeed even counter-productive to this aim. [They] have impaired liquidity and damaged already ailing investor confidence; and have also been seen to drive short selling into other European markets."

"While securities lending is not equal to short selling, it is a good proxy for measuring such activity, especially as we are now outside of the main dividend season. While it is a little early to see an impact from these bans on lending activity in these locales, prior evidence shows that such bans raise spreads, drive out liquidity

and scare investors—presumably exactly what the regulators do not intend. For Spain and Italy, does this herald the start of their own Silly Season, perhaps?"

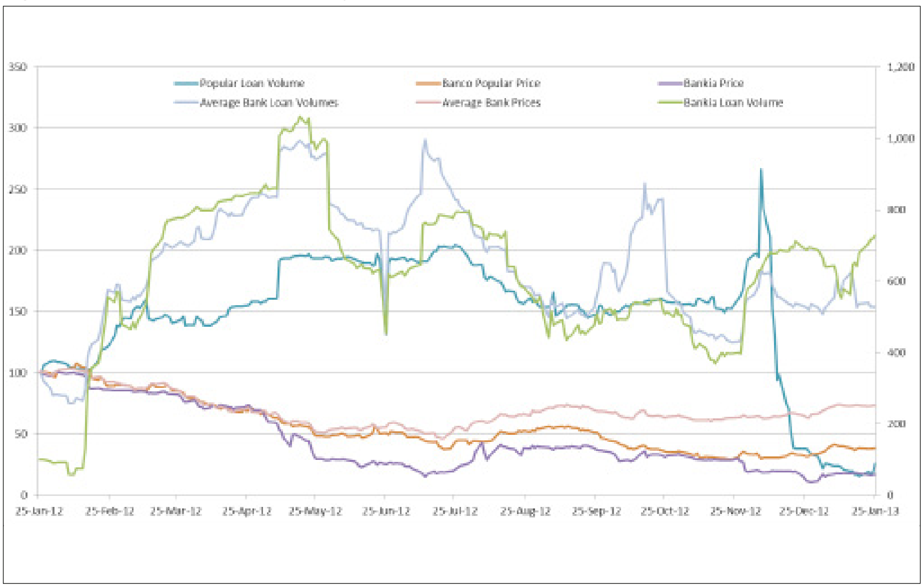
A SunGard report that examined the effectiveness of short selling bans looked at what happened to stocks when Spain banned short selling in 2011. The figures showed share prices continuing to slide steeply when the original ban was put in place in 2011, and falling again when it was removed in February 2012. The IBEX also rose again around the time the new ban was put into place. This happened, however, at the same time as several positive economic stories were emerging, including a significant (€100 billion) bank bail-out scheme.

Looking at a selection of Spanish financial and non-financial stocks identifies some interesting, if not surprising, effects, according to the report Figure one shows indexed values (to January 25 2013) of share prices and loan volumes.

"Bankia and Banco Popular were two banks, among many, that have been under pressure during the last 12 months," said the report. It noted that Figure one shows the fall in value of both shares throughout the year, as well as the average share price across the Spanish banking sector.

"Note that falling share prices continued to fall once the ban had been lifted in February, followed by a short recovery after the ban was reapplied," added the report. "This was followed by further falls from around September, closing at an index of 38 percent and 16 percent for Banco Popular and Bankia, respectively. Average bank prices, however, (including Santander, BBVA, Bankinter and others) actually rose during this period—closing at an average of 73 percent from a low of 65 percent when the ban was reapplied."

Figure 1: indexed values (to 25 January 2013) of share prices and loan volumes



This indicates "that if a short selling ban was indeed instrumental in a recovery in prices, it seems to have been selective in its success", according to the report.

"It should also be noted that July saw a change in sentiment towards Spain resulting from a number of actions both domestically and across the eurozone, arguably the primary reason behind rising securities prices at that time." **SLT**

Partners in their prime

SLT talks to Jonathan Lombardo of Pirum about the company's latest offerings

MARK DUGDALE REPORTS

Pirum recently launched several partnership schemes. Do you see this trend gaining momentum in today's environment?

Strategic alignment is critical for future growth and for the evolution of the market. Aversion to any infrastructural change and limited technology resources prohibit participants from immediately benefiting from new product offerings. By utilising Pirum's central hub structure, participants technically outsource a portion of their development work, reducing overall implementation timelines. Customers further benefit from the 'network' effect where one connection, via a single portal, enables connectivity into all partnership structures developed by Pirum. Flexibility, nimbleness, and 'light touch' implementation are key differentials that will separate successful models from those that require individual pipe structures or highly customised development. The latter models will ultimately struggle in today's present environment of cost reductions and technology resource restraints.

What has the reaction in the market towards Pirum's partnership offerings?

Our new Tri-party RQV Automation solution with both BNY Mellon and J.P. Morgan has been extremely well received. We are already calculating over $12 billion and submitting for more than 250 accounts to the agents. The ability to standardise participants' daily RQV operational processes using a single set of screens that are applicable to all counterparties and across both triparty providers via a single portal has proven successful with our participants, delivering immediate benefits.

Pirum's CCP Gateway solution with Eurex Clearing has successfully launched its trial phase in November 2012. The Lender CCP has really focused on adaptability and education. Pirum has worked closely with Eurex Clearing in the development of delivering an offering that the market would find acceptable. Education has been critical, as Eurex Clearing's model has been structured to accommodate present market practices, for both sides of the transaction, with minimal impact on day-to-day processing, while adding a new dynamic to the securities lending market. We now feel that we have a committed group of early adopters that are aligned to commence trading in the near future.

What are the realised benefits that your customers receive through these strategic alliances?

Pirum users that are participating in the Tri-party RQV service have the benefit of a unique product offering that automatically calculates, reconciles, agrees and submits RQVs across all counterparties whether they are Pirum participants or not. The new service improves the intraday visibility of proposed RQVs, facilitating much simpler and timelier dispute resolution among market participants. It also provides a single unified process for operations teams to use when agreeing and communicating RQVs and to ensure that the correct value of collateral is allocated. Additional benefits include RQV calculations that are performed in real-time, which includes pre-pays and intraday return movements using each participant's custom built rules to match internal valuation models, as well as a fully configurable setup for currencies, margins deadlines and a one-to-many account structure at escrow level.

Immediate benefits received for customers utilising Pirum's CCP Gateway are capital and RWA (risk weighted assets) relief. This relief is realised when agreed bilateral trades are novated to Eurex Clearing. The minimisation of counterparty risk and credit exposure for individual market participants, while providing a considerable reduction in systemic risk for the market in general, are representations of the larger benefits received by our market.

Further advantages gained for clients via Pirum's CCP Gateway solution are achieved by the 'network' effect requiring no technical interface with Eurex Clearing, which saves valuable and scarce IT resources. Pirum's API interface and Eurex Clearing's bilateral trade capabilities require no external trading platform and they provide full lifecycle management of open trades in real-time. This alliance means that clients do not need to support two separate technology infrastructures to accommodate both bilateral and centrally cleared business. With Pirum's CCP Gateway, it's plug and play.

From a technology point of view, where do you see the evolution of the market moving towards?

Regulatory reforms and corporate consolidation will further push the market towards automated solutions and standardisation. Buy-side clients are already beginning to realise that high quality automated post-trade solutions are required to manage existing business lines and secure future growth. Further implementation of real-time functionality across all service offerings will be critical for the evolution of our market. The finance industry in general has been consuming real-time applications for many if not all pre- and post-trade activities. Real-time capability has now become a standardised requirement when strategically aligning with any partnership structure. Firms will continue to widen the net looking for vendors that can bring 'value add' real-time reconciliation, exception processing management, overall process standardisation and asset servicing solutions to an ever-changing market place.

How does Pirum align itself with that evolution?

Pirum will continue to work with our clients to develop and implement innovative solutions for today's marketplace. As the market continues to constrict, there will be a heightened demand for real-time applications that mitigate risk, provide better controls and bring overall operational efficiency to their institutions via a single portal access route. Organisations will further look to embed these practices across all business lines and we believe that we are strategically placed to partner with industry leaders to deliver solutions that the buy and sell sides will embrace with open arms. **SLT**

Jonathan Lombardo
Head of global sales
Pirum

Short sellers hone in on smartphones

Blackberry's results were hotly anticipated by watchers of the smartphone maker. Alex Brog of Markit Securities Finance finds out why

Research in Motion offered investors a sneak preview of market reaction to the new Z10 device in the UK, Canada and other markets, where it has been available for more than a month.

Despite positive reviews, the company's shares tanked 8 percent following the Z10's launch in the key US market. However, this was against a backdrop of the shares having risen 130 percent in the last six months.

Short sellers remain unconvinced. Demand to borrow (combining the Canadian and New York listings) is just off a record high at 30 percent of the combined market cap.

Almost three quarters of the shares that can be borrowed are out on loan, meaning it would be hard and expensive to short any more of the company.

Duopoly forming

While short interest in Research in Motion dwarfs that of fellow smartphone makers, it is apparent from Figure 2 that all bar one of the manufacturers have seen an increased demand to borrow over the last month. However, this masks contrasting sentiment towards the sector's two dominant players and their struggling rivals.

Apple and Samsung have both seen increased borrowing demand, but the absolute levels are low at only 0.5 percent and 0.1 percent of the total shares on loan, respectively.

Short sellers have not been immune to the sharp fall in Apple's share price since September's high. Demand to borrow has risen over 600 percent in the last month with the value on loan having risen to a sizable $4.7 billion.

Nokia short interest

Short sellers remain sceptical that Nokia will regain its previous market leading position. The company, which is pinning its hopes on its new Lumia range that leverages Microsoft's latest operating system, has 20 percent of its shares on loan, which is just off the record high.

Like Research in Motion, Nokia sees heavy borrowing demand with almost all the available supply on loan meaning it would be hard to short any more of the stock, which has given up the share price gains seen earlier this year.

Intellectual property wars

High profile court cases between competing smartphone makers have highlighted the value they place on their intellectual property portfolios.

Research in Motion still owns, and is producing, good technology patents, which have driven its IP ranking relative to the company's share price.

The IP Model developed by Markit Data Research and Analysis combines several intellectual property metrics to identify companies with a strong patent portfolio, good citation, higher scientific relevance and newer technology.

Companies with a low ranking in this model are expected to outperform given their industry-leading intangible assets relative to their peers.

Blackberry leads the smartphone field in joint 6th place (percentile) out of 311 global technology stocks in the universe. Apple and Nokia follow closely behind in joint ninth place and joint 12th place. Samsung is well down in the field in the 22 percentile.

Figure 3 illustrates the dramatic fall in Research in Motion's patent quality in early 2009 (higher rank), which corresponded with the start of Apple's domination. However, in terms of IP, Research in Motion has been on the comeback trail ever since, denoted by the lower rank. **SLT**

Figure 1

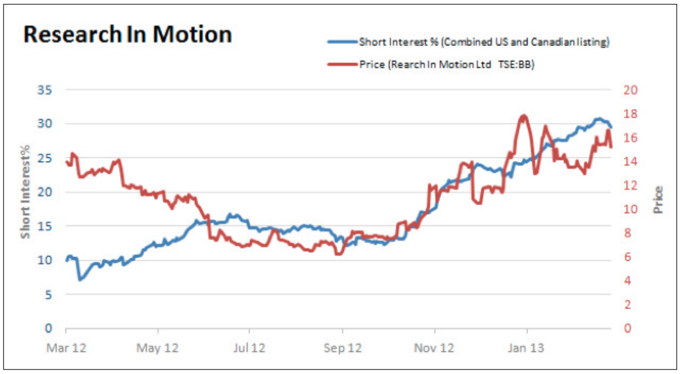
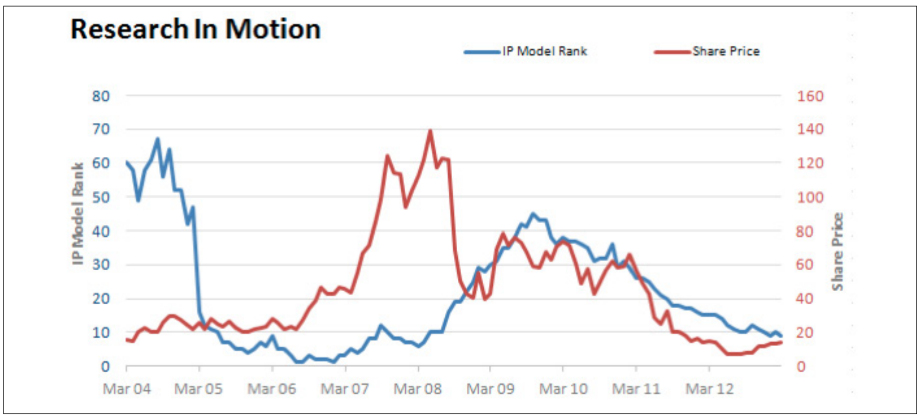


Figure 2

Name	% of Total Shares on Loan	One Month Change
Research In Motion Ltd (Canada & US)	29.5	7.3%
Nokia Oyj	20.0	4.3%
Apple Inc	0.5	607.1%
Htc Corp	5.4	11.1%
Samsung Electronics Co Ltd	0.1	32.2%
Lg Electronics Inc	4.5	-18.5%

Figure 3



Alex Brog
Director
Markit Securities Finance

2013

04 April

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CASLA Conference 2013

Location: Toronto, Canada
Date: 8 May 2013
www.cansecdend.com/casla-conference-2013

CASLA, the Canadian Securities Lending Association, will host their third annual securities lending conference on the 8th May. The conference is chaired by Rob Ferguson, global head of securities lending at CIBC Mellon.

05 May

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Enterprise Collateral Management Conference 2013

Location: London
Date: 4–6 June 2013
www.wbresearch.com/enterprisecollateral

Enterprise Collateral Management Conference 2013 is your link to over 200 influential industry contacts. The event will bring together senior professionals from treasury along with front, middle and back office.

06 June

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ISLA's 22nd Annual International Securities Lending Conference

Location: Prague
Date: 18-20 June 2013
www.isla.co.uk

The International Securities Lending Association is delighted to announce that the 22nd Annual International Securities Lending Conference will be returning to the beautiful city of Prague on 18-20 June 2013.

07 July

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European Beneficial Owners' Securities Lending Conference

Location:London
Date: 19-20 September 2013
www.imn.org

IMN is proud to announce that its 18th Annual European Beneficial Owners' Securities Lending Conference will take place September 19-20, 2013, in London, UK.

Industry appointments

Following on from Calypso Technology's opening of a Madrid office, the firm also appointed **David Kelly** as director of financial engineering.

Kelly has experience as a trader, quant and technologist and will be responsible for the financial engineering team at Calypso.

Kelly's hire comes as part of an ongoing initiative to expand Calypso's expert team of financial engineers and to seek out highly talented, seasoned industry veterans.

He has previously held senior positions at some of the largest financial institutions and was most recently the director of credit product development at Quantifi.

As a member of Quantifi's senior management team, Kelly oversaw quantitative and technical staff in providing pricing and risk solutions to global banks, asset managers, hedge funds and insurance companies.

Prior to Quantifi, Kelly was a senior trader on Citigroup's CVA desk and was formerly head of the global analytics group at JPMorgan Chase, where he also designed and developed the first CVA pricing and risk management system for the credit portfolio trading desk.

Kelly will be reporting to Tej Sidhu, senior vice president of engineering.

A source close to Jefferies has confirmed that **Colin Bugler** and **Ina Kim** have been recruited to the firm's securities finance team.

Bugler has been hired as senior vice president for European delta one trading within global securities finance. He will be based in London and report to Ray Hainsey, head of EMEA securities finance.

Bugler joins Jefferies from ING Financial Markets in London where he was head of synthetic portfolio solutions.

Kim has been hired as senior vice president and head of securities finance sales, based in Hong Kong. She will report locally to Mike Alexander, CEO of Jefferies Asia, and globally to Matt Baldesanno, co-head of global prime services.

Prior to joining Jefferies, Kim held the role of senior securities lending trader for Asia equities at BlackRock.

In a March meeting, the supervisory board of Eurex Clearing AG decided on the new makeup of its executive board.

Thomas Book, who has been a member of the Eurex Clearing executive board since March 2007, was appointed as CEO.

Newly appointed were **Heike Eckert** as COO, **Thomas Laux** as chief risk officer and **Eric Müller** for treasury. Andreas Preuss and Jürg Spillmann will continue as executive board members.

Gary Katz, Michael Peters and Peter Reitz will resign from the board but will, together with Andreas Preuss, Thomas Book and Jürg Spillmann, continue their mandates as executive board members of Eurex Frankfurt AG and Eurex Zürich AG, which are the parent companies of Eurex Clearing.

The effective date for the new Eurex Clearing governance structure will be 1 April 2013.

Todd Ransom has rejoined Haynes and Boone in New York as a partner in the firm's prime brokerage and equity lending practice group.

Ransom regularly advises clients with respect to a wide variety of equity derivative transactions, hedging strategies and margin loans.

Previously, Ransom served as in-house counsel at Bank of America. He also is a former associate at Haynes and Boone.

The Conifer Group is expanding its sales team with the hires of **David Goldstein** as director and **Elizabeth Whitehouse** as vice president of business development.

They will report to Howard Eisen, who is Conifer's managing director and head of sales.

Goldstein and Whitehouse will market Conifer's products to prospective managers, as well as be responsible for covering "influencers" across the industry, such as fund auditors, attorneys, larger prime brokers and administrators, and technology firms.

Goldstein previously worked for seven years in the fund administration unit at HSBC Securities Services. He also previously spent nine years in senior sales and relationship management roles for fund administrator Trident Trust.

Prior to her appointment, Whitehouse served as a business development and marketing specialist at CACEIS Investor Services. Previously, she also held similar roles at the global professional services firm Alvarez & Marsal, and OpHedge Investment Services, a hedge fund administrator.

Oliver Law has resigned as vice president of prime services in Asia at RBS Global Banking & Markets.

Law, who had been a derivatives trader for hedge fund and institutional clients of the bank and based in Hong Kong since 2007, said that he was moving on to a new opportunity.

RBS declined to comment on the move.

Charles Stewart has moved from Morgan Stanley to become the CEO of Itaú BBA International, the London division of Brazilian investment bank Itaú BBA.

Stewart was deputy head of EMEA investment banking for Morgan Stanley, and will start on 24 June. He replaces Almir Vignoto, who will move to New York to head up Itaú BBA's US arm.

Candido Bracher, CEO of Itaú BBA, said: "Managing to lure top professionals like Charles Stewart reinforces our position as a bank specialized in Latin America but with a global scope."

Morgan Stanley said Kamal Jabre, currently chairman and chief executive of its Middle East and North Africa business in Dubai, would take Stewart's position and relocate to London.

Last year, Itaú moved its corporate and investment banking arm's European headquarters to London from Lisbon, and recently hired two London bankers to its board as non-executive members. **SLT**

SECURITIESLENDINGTIMES

Editor: Mark Dugdale
editor@securitieslendingtimes.com
Tel: +44 (0)20 8289 2405

Deputy editor: Georgina Lavers
georginalavers@securitieslendingtimes.com
Tel: +44 (0)20 3006 2888

Reporter: Jenna Jones
jennajones@securitieslendingtimes.com
Tel: +44 (0)20 8289 6873

Publisher: Justin Lawson
justinlawson@securitieslendingtimes.com
Tel: +44 (0)20 8249 2615

Marketing director: Steven Lafferty
design@securitieslendingtimes.com

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Provident House,
6-20 Burrell Row
Beckenham,
BR3 1AT,
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