SLT
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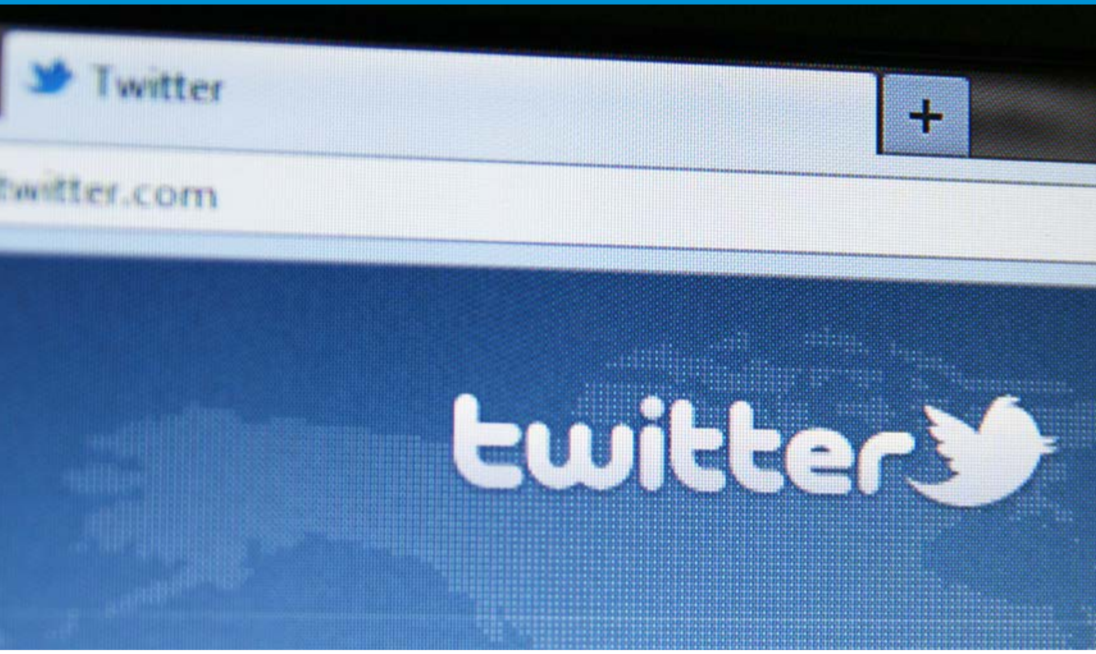

Twitter cool enough to sip

Borrowing interest in Twitter has cooled significantly since its IPO. The first securities lending trades in Twitter revealed expensive shares to borrow, at an annualised fee of between 10 and 15 percent.

The social network floated on the New York Stock Exchange on 7 November. A week after its IPO, Twitter jumped 73 percent after raising $1.8 billion at $26 per share—significantly above its initial $17 to $20 range.

At the time, Markit Securities Finance reported that there were 3.8 million shares on loan—around 5 percent of the free float of 80.5 million shares, using Bloomberg's definition of freefloat.

The most recent data at the time of publication showed that the amount of Twitter's shares on loan had risen steadily, while the fees to borrow were down.

David Lewis, senior vice president of Astec Analytics, SunGard's capital markets business, said: "We are seeing around 15.3 million shares on loan as of [21 November], up a couple of hundred thousand since [the day before]. Overall, balances on loan have grown steadily since the IPO but with increasing supply in the market the fee levels have quickly come down to indicate Twitter being a warm, rather than hot, stock to borrow."

In a separate statement, DataLend, the securities finance data services division of EquiLend, said that it is seeing 16.5 million shares of Twitter are out on loan as of 20 November, representing a utilisation of 62 percent given that there are more than 26 million shares in inventory.

"Fees to borrow have declined by more than 80 percent since lending and borrowing of the stock commenced following the firm's IPO, likely due to a steady increase in total inventory shown on DataLend since then."

readmore p2

South Korea lifts its five-year short selling ban

South Korea has lifted its ban on short selling, which has been in place since October 2008.

The country's Financial Services Commission said in a press release that the ban had been lifted on 14 November.

The short sales of financial stocks have been banned since October 2008, while a ban on the short selling of non-financial stocks was lifted in June 2009 (save for a brief three-month period in 2011, owing to concerns around the European debt crisis).

"As the stock market have stabilised since the second half of 2013, however, there is a need to shift the government's regulatory approach to short selling from direct regulations, which has been in place since the financial crisis in 2008, to indirect ones," said the release.

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BNY Mellon and Global Prime Partners team up

BNY Mellon's broker-dealer services business will provide clearing and custody services to Global Prime Partners's emerging investment manager clients.

BNY Mellon will initially begin providing its services to the prime brokerage boutique's clients that have settlements in Euroclear.

The counterparty arrangement will be gradually rolled out in all of the geographic regions in which Global Prime Partners provides prime brokerage support to its clients.

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Twitter cool enough to sip
Continued from page 1

Shares in the company were filed originally with a range of $17 to $20 per share. The offering was raised to $23 to $25, and then finally priced at $26. The company sold 70 million shares at this price.

On going public, Twitter issued a short statement emphasising the importance of people to its business, and welcoming its users to become owners of the company.

South Korea lifts its five-year short selling ban
Continued from page 1

The commission also announced plans to introduce disclosure requirements for investors if their short selling position in a stock exceeds 0.5 percent of the total shares.

It added that it will establish a legal ground to sanction with corrective orders and fine those who violate disclosure requirements.

Currently, financial stocks make up 12 percent of total market capitalisation in the country.

BNY Mellon and Global Prime Partners team up
Continued from page 1

Commenting on the arrangement, which has been "a long time in the making", Kevin LoPrimo, head of global hedge fund services at Global Prime Partners, said: "Working with BNY Mellon will further strengthen the quality and reliability of service support that we provide to our own clients. We have a clear vision to be the pre-eminent prime broker of choice for smaller managers and this is but the latest step in our solid and steady build of Global Prime Partners's business."

Brian Ruane, CEO at broker-dealer services at BNY Mellon, added: "Through our comprehensive suite of securities clearing and custody services and the deep pool of expertise we can draw on globally, we can support Global Prime Partners as it continues to expand and enhance the support it offers to its growing client base."

Citi scores mandate with Canada's CBC

Citi has been selected to provide custody and administration services to the Canadian Broadcasting Corporation Pension Plan, the first mandate of its kind for the bank in Canada.

The 10-year mandate for the $5-billion pension plan includes a host of pension administration services offered by Citi in markets around the world, such as custody, accounting, securities lending, foreign exchange, performance and risk analytics, and post-trade compliance reporting.

"We are pleased to have been chosen by the CBC Pension board of trustees to administer such an important asset for the plan members and CBC/Radio-Canada." said Gurmeet Singh Ahluwalia, securities and fund services head for Citi in Canada.

"Citi's proven abilities in services to the asset management industry offer top-notch value, efficiency and transparency to our clients. We look forward to a mutually beneficial working relationship."

"After an in-depth review of our service requirements and the capabilities of the global custodians, we are pleased to align ourselves with Citi for the benefit of our pension plan members," said Debra Alves, managing director/CEO of the pension plan.

"We are excited about the value-added services they will bring to our plan, including increased transparency and risk management tools."

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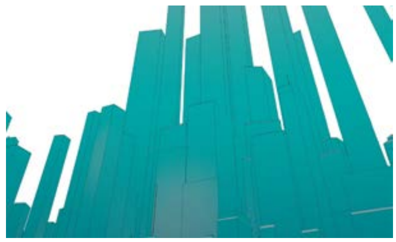

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NSD processes thousands of repo messages

Russia's National Settlement Depository (NSD) received almost 6500 messages between 5 and 7 November from 129 parties mandatorily obliged to report information about repos and currency swaps.

From 5 November, Russian market participants had to submit information about repos and currency swaps concluded in the OTC market on the basis of master agreements to the Russian central securities depository.

As the sole principal reporting agent, NSD transmits data related to transactions concluded by the Bank of Russia with 119 banks to the repository.

The transactions were concluded in compliance with the Master Agreement on General Terms of Repos Settlement between the Bank of Russia and a credit organisation in the OTC market using the Bloomberg Information System.

For this period, NSD received and processed 359 messages sent to the repository as a part of the service, including registration of 148 repos with the basket of securities in the register of agreements.

As of 7 November, NSD has concluded repository agreements with more than 500 financial market participants, including banks, financial institutions, insurance companies, foreign and Russian corporations.

ING bullish on equities

ING Investment Management International has said that the fundamental outlook for equities is positive, and for the first time in five years it cannot see any major 'event risks' on the horizon.

This, coupled with its expectation of an improving global economy, means it is not overly concerned about the impact of tapering on equities, said the firm.

Patrick Moonen, senior equity strategist at ING IM, said: "Equity valuations are at their highest level since 2010, and are up around 45 percent since the cycle lows. Price earnings ratios in both the US and Europe have increased substantially over the past two years, and are now close to or above their long term average. We are probably close to the top of the current valuation cycle, but we don't expect a big decline in valuation metrics. Global monetary policy remains easy and risk-appetite supports flows towards the equity market."

"European third quarter earnings have been weaker than US earnings, especially on revenues, but in Japan the rising earnings trend continued in Q3. Meanwhile, notable risks to earnings are potential negative impact of difficulties in emerging markets and currency volatility."

"Overall, the fundamental outlook for equities remains positive, provided (political) turmoil does not last long enough to derail investor confidence. Over the next 12 months, equity performance will more or less be in line with earnings growth."

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He added that relative to corporate bond yields, equities are still attractively valued. Equity risk premia are still far above the long term averages, and they act as a 'buffer' against a general rise in interest rates—when they come.

"Improving earnings; continued loose monetary policies; a lack of event risk and a broad decline in uncertainty are all good for risk appetite. Given this, we are not overly worried about the impact on equities from the start of tapering, especially as this goes hand in hand with an improving economy."

Clearstream GSF rises 5 percent year-on-year

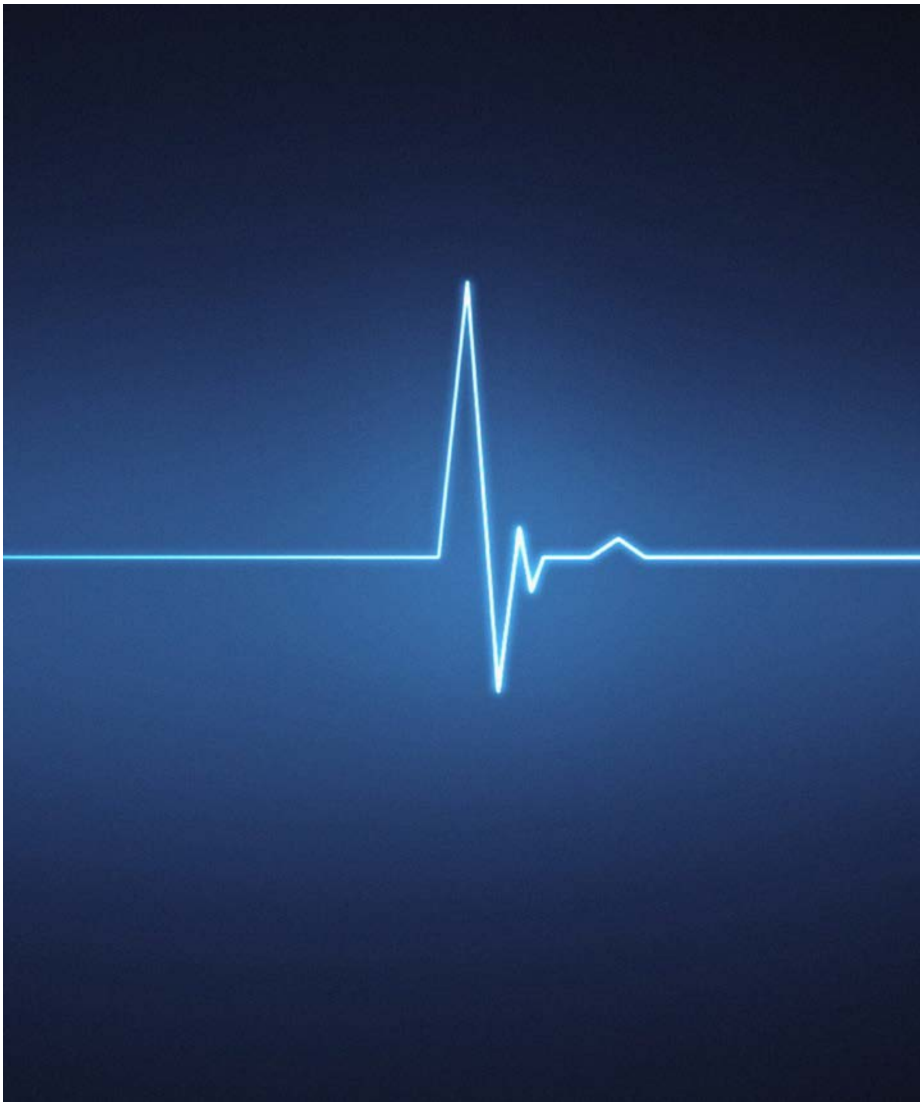
Clearstream has €11.8 trillion in assets under custody, a new record peak for the company.

For global securities financing services, the monthly average outstanding reached €578.7 billion. The combined services, which include triparty repo, securities lending and collateral management, collectively experienced an increase of 5 percent over October 2012. At €572.1 billion, the year-to-date October 2013 monthly average outstanding is stable compared to the same period last year.

In October 2013, the value of assets under custody held on behalf of customers registered an increase of 6 percent, while securities held under custody in Clearstream's international business increased by 5 percent.

The firm processed 3.68 million international settlement transactions, a 4 percent increase over the previous year. Of all international transactions, 84 percent were OTC transactions and 16 percent were registered as stock exchange transactions.

On the German domestic market, settlement transactions reached 6.84 million, 9 percent more than the previous year. Of these transactions, 64 percent were stock exchange transactions and 36 percent OTC transactions.



Philip Brown, head of global client relations and member of the executive board of Clearstream, said: "All our business areas are showing very encouraging developments and we are pleased to have reached another record peak in assets under custody."

Collateral now at the heart of decision making

Financial markets specialists Catalyst Development has created a tapestry of the key

events that have taken place regarding collateral from 2008, up to a predictive view of what 2016 may hold.

Storme Thompson, the head of collateral management at Catalyst, drew the tapestry together. She said that collateral management is now a strategic function, positioned at the heart of decision making within investment banking.

"What was once a peripheral operations function, with a focus on mitigating counterparty and/or credit risk, is now a revenue generating opportunity—or at least a cost reduction function. Decisions are now owned by the front office and the cost of collateral is used in derivatives valuation, in many cases leading on to capital allocation criteria."

"It's impossible to over-estimate how radical this change is from the hidden back office function of only a few years ago. To understand such a fundamental shift, industry leaders need to see the bigger picture of why change has happened, in order to tackle the challenges ahead. We have worked with leading industry experts to create this simple yet powerful tapestry of key moments, ideas and thoughts, putting individual experiences into perspective and allowing our clients to benefit from the shared knowledge that creates."

Catalyst is offering specific advice on a number of key issues including pricing, and how firms can understand the incremental impact to funding costs for each new trade. The firm describes how clients can then fund this liability in the "smartest way" through their optimisation model, in order to gain a pricing advantage over other market participants.

The firm said that it intends to continue to develop the tapestry as a key discussion and planning tool for clients.

Global Prime selects netConsult for IT services

Prime brokerage and trading services provider Global Prime Partners (GPP) has transferred its back office and account administration tasks and reporting to netConsult.

The IT consultation company will take on responsibility for GPP's back office account management and support infrastructure.

Kevin LoPrimo, managing director and head of hedge fund services at GPP, said: "Technology is a key factor in dictating a firm's growth potential and operational strength and we were impressed by the innovative technology solutions and security offered by netConsult."

The announcement is the latest indication that GPP is reassessing its business practices. The company recently partnered with BNY Mellon, which will provide them with clearing and custody services.

BNY Mellon's dealing services extend in Asia Pacific

BNY Mellon has expanded its global markets capabilities with the launch of a new Asia-Pacific capital markets business through The Bank of New York Mellon Securities Company Japan, based in Tokyo.

The company is now able to provide dealing services on an agency basis across a broad range of fixed income and equity securities for institutional clients in Japan and certain other countries in the Asia-Pacific region.

The company has added a nine-strong team of broker-dealer and capital markets specialists to its existing foreign exchange services capabilities in Tokyo. The new team is led by Eiichiro Masaki who has been appointed as head of Japan capital markets sales and reports into Kazuma Yamashita, head of Japan global markets sales.

Masaki joins BNY Mellon from Societe Generale, where he was head of non-yen fixed income flow sales. In total, he has more than 20 years' experience in similar roles.

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"We've grown the geographic reach, product diversity and trading capabilities of our capital markets business substantially over the last two years in response to US institutions seeking broader capital solutions," said Art Certosimo, senior executive vice president and CEO of BNY Mellon's global markets business.

"The natural next step in our growth is to bring these world class solutions to our clients internationally, with a focus on Europe and Asia-Pacific."

"Today's announcement underscores BNY Mellon's continued long term commitment and investment in Asia-Pacific," added Makoto Saji, president of The Bank of New York Mellon Securities Company Japan in Tokyo.

"The creation of a regional capital markets desk brings a new dimension to our local offering and enables us to provide a more holistic global markets solution for Asian institutions."

Saji continued: "Our immediate focus will be on establishing a strong capital markets business in Japan, as well as starting conversations with our existing investment services clients, who are major players in the Asian capital markets space."

FSB can't stop the rise of non-bank financials

Non-bank financial intermediaries in emerging market jurisdictions have experienced strong growth and assets have increased by $5 trillion, said a Financial Stability Board (FSB) report.

In the FSB's third annual Global Shadow Banking Monitoring Report, data was taken into account from 25 jurisdictions and the European Economic Community as a whole. The report covers 80 percent of global GDP and 90 percent of global financial system assets.

The report finds that the assets of non-bank financial intermediaries grew by $5 trillion in 2012 to reach $71 trillion.

For the first time the report also incorporated estimates from a hedge fund survey by the International Organization of Securities Commissions.

Non-bank financial intermediaries represent on average 24 percent of total financial assets, and are equivalent to about half of banking system assets and 117 percent of GDP. These patterns have been relatively stable since the crisis.

In general, non-bank financial intermediaries form a larger proportion of domestic financial systems in advanced economies than in emerging markets. However, non-bank financial intermediaries in emerging market jurisdictions have experienced strong growth.

In August, the FSB published policy recommendations to strengthen oversight and regulation of what it called a "shadow banking system".

Mark Carney, chairman of the FSB, said at the time that monitoring this system was an essential part the board's work to strengthen the oversight and regulation of this sector. Our aim is for shadow banking to deliver transparent and resilient market-based financing, thus diversifying the sources of financing of our economies in a sustainable way."

NSD announce new collateral fees

On 15 November, the Supervisory Board of National Settlement Depository (NSD), Russia's central securities depository, approved the new collateral management service fees.

The new fees now include the annual rate in the amount of RUB100 ($3) for providing principal reporting agent services and the reporting agent

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services in respect of repo collaterals managed by NSD. The new rate was introduced in order to meet tax requirements.

The NSD's promotional period will last untill 31 December 2013. During the promotional period these services are provided for free.

4sight encourages optimisation from all angles

Regulatory and cost headaches are leading firms to a search for ways to optimise various aspects of trade types that involve some level of counterparty credit risk, said a recent whitepaper.

Derivatives, securities lending and repo were among the trades given by 4sight as involving a certain level of risk that needed to be offset by optimisation, whether it be of regulatory capital, collateral, counterparty or trade type.

The paper urged firms to consider the cost of capital per unit of profit and loss, as well as the costs involved in funding collateral. It also stresses the importance of knowing whether or not it is more profitable to trade bilaterally or via a CCP, and which CCP is the optimum choice, and asks firms to consider whether the firm could generate more profit and loss by deploying an asset in a securities loan, or by collateralising a derivative.

The paper looks at how to the optimisation types are calculated and how they are interrelated.

Lombard Risk updates collateral needs

Lombard Risk Management has introduced a collateral optimisation module for its COLLINE solution.

COLLINE provides end-to-end, cross-product (OTC derivatives, repo and securities lending) collateral management and clearing.

The module, said Lombard Risk, addresses a changing regulatory environment in which there is increasing demands for collateral in both the cleared and uncleared markets, across all financial products.

John Wisbey, CEO of Lombard Risk, said: "Collateral is simultaneously becoming more expensive and harder to source, creating the so-called 'collateral squeeze'. COLLINE's optimisation module enables real-time determination of the most optimal asset to be used, in any scenario, according to user-defined and evolving priorities."

Lombard Risk COLLINE optimisation module incorporates real-time algorithmic calculation of optimal inventory utilisation and collateral allocations with the aim of improving liquidity by optimising use of all available assets across all business lines; reducing the cost of collateral programmes by calculating 'cheapest to deliver'/'most expensive to hold'; matching client investment strategies; and bringing the providers and consumers of collateral together using a single technology platform.

The design is intended for use as both a front office and back office tool, for firm-wide and cross-product inventory consolidation and optimisation, and as an integral operational tool to identify the best asset to use in response to a margin event.

Elaine MacAllan, product development for COLLINE at Lombard Risk, said: "Optimisation now appears in most firms' top three strategic priorities, although the business drivers, priorities and definitions of 'optimal' vary widely."

"Accordingly we have focused on developing a highly configurable rules-based solution, maximising the use of our consolidated inventory management capabilities on a single platform, for the benefit of both the front office from a strategic asset utilisation perspective, and the back office from an operational cost and efficiency standpoint."

Hobart partners with Markit for commission management

Hobart Capital Markets, a UK agency broker, has partnered with Markit, a global financial information services company, to provide a commission management solution for buyside customers.

The arrangement enables buyside customers to adopt a 'one-stop' solution, allowing them to direct CSA related trades to Hobart's execution platform, while reconciling those trades, along with the tracking of commission flows and management of third party payments, in a single location.

Simon Gamse, partner at Hobart, said: "With a robust infrastructure and secure IT capability, customers can take advantage of Hobart's UK and European execution capabilities and leverage Markit's Commission Manager platform in order to manage and allocate commission credits efficiently. This allows customers to execute trades via Hobart and track and manage commission payments via Markit, safe in the knowledge they have adhered to best practice."

Tim Sargent, managing director at Markit, said: "We are delighted that Hobart has chosen to offer buyside customers access to Markit's Commission Manager, alongside their trading and execution capabilities. This enables buyside customers to streamline their workflow processes and demonstrate they are efficiently managing and accounting for their CSA payments."

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No assistance needed—thanks all the same

The UK is proving that it can recover from a slump without the help of a certain tax, as SLT finds out. Data also reveals stock movement in certain sectors

GEORGINA LAVERS REPORTS

Bank of England governor Mark Carney recently said that the UK is celebrating “one of the strongest recoveries in the advanced world”.

The Organisation for Economic Cooperation and Development was equally cheered, declaring that economic activity in the UK has picked up and broadened, supported by a turnaround in private sector confidence, continued monetary stimulus, a policy-induced recovery in the housing market and a more gradual pace of household and public sector deleveraging as automatic stabilisers operate.

Growth is projected to strengthen further in 2014 and 2015, mainly supported by an upturn in gross fixed investment and exports. But despite exceeding the inflation target of 2 percent, headline inflation is projected to fall gradually in the next two years, a report from the organisation said.

”Consistent with its newly adopted state-contingent forward guidance, the Bank of England has announced its intention to keep interest rates low to support the recovery. The welcome efforts to speed up the recapitalisation of the banking sector should underpin financial stability. While headline deficits are expected to shrink as growth recovers, it is important to maintain existing consolidation plans to restore fiscal sustainability.”

This confidence has extended opposition to European policy, as the UK vigorously opposed the Financial Transaction Tax (FTT), in spite of its Robin Hood-esque nature that was seized upon gratefully by the general public.

The UK mounted a legal challenge against the FTT in April 2013 over the use of enhanced cooperation. Its complaint centred around an alleged infringement of rights for any member state that refused to participate, which in turn would distort competition within the EU.

KPMG, which has been following the tax’s progression, said in April that the UK legal challenge would be “very unlikely” to derail negotiations among the 11 participating member states, which include Germany and Spain, or the timing of the introduction of the FTT, which, they added, is likely to be delayed.

The country received a blessing in the slightly unlikely form of the EU Council Legal Service, which declared in September that the tax was “overreaching”. The tax as proposed will be levied not only on risky activities, but also on activities with genuine economic substance, said a document from the EU Council Legal Service.

The EU’s own counsel, which provides legal advice to EU finance ministers, took particular umbrage at the compatibility of one article in the proposal with another. The council said that Article 4(1)(f) of the proposal did not match up with Article 327 TFEU, which concerns equal treatment, proportionality and the principles governing the internal market, in particular the free movement of capital.

The imposition of the FTT on non-participating member states pursuant to the counterparty principle in Article 4(1) would “constitute the exercise of jurisdiction over entities located outside the geographical area concerned by the legislation adopted under the enhanced cooperation,” said the report.

It added that where activities are covered that can indeed be considered to be liable to contribute to financial markets’ risk, it has not been demonstrated that the interests of member states are endangered to a point that the EU should divert from its attitude in principle of restraint as to extraterritorial exercise of jurisdiction.

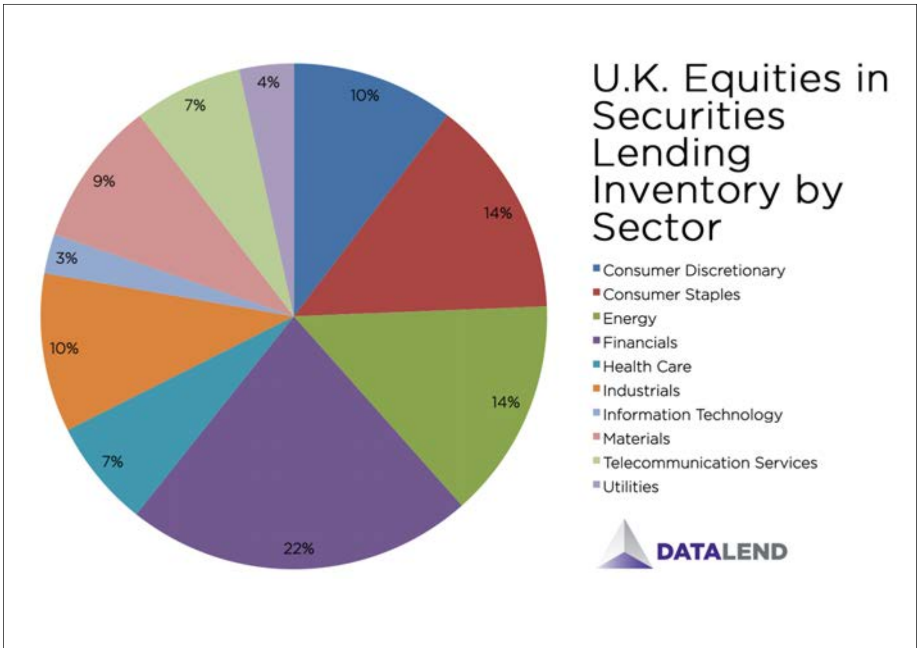
The council and the UK’s points of contention are, for the moment, in alignment. KPMG pointed out that the opinion and the extent to which the council’s document had been reported reinforces the likelihood that the proposals will be substantially watered down before adoption.

However, it predicted that the drive to raise revenue and the political capital invested in the current proposals may well make it too difficult to abandon the tax entirely, while a series of national FTTs or similar taxes subject to different national rules would not be welcome for taxpayers either. **SLT**

Chart analysis

DataLend’s vice president, Chris Benedict, examines demand in UK equities by sector

There have been some movements in the on-loan values of certain sectors in the UK. in recent months. In September and October, the financials sector had the highest on-loan value of all sectors in the UK. More recently, the consumer discretionary sector eclipsed financials, all the while industrials have been trailing close behind. On-loan values for consumer staples have been rising gradually over this same period. We have seen a recent drop-off in on-loan values in the materials sector, and an overall decrease in on-loan values for utilities in this time period. Other sectors have remained fairly consistent.



Securities lending the REIT way

With interest rates down, firms are examining their capital options closely. Is securities lending a viable option for REITs? SLT takes a look

DANIEL JACKSON REPORTS

Alternative strategies have emerged in recent years for financial institutions with captive real estate investment funds. With interest rates worldwide at an all-time low (the European Central Bank recently cut its main interest rate in half to 0.25 percent), dormant capital is out of the question.

Firms are seeking to increase the returns they receive on financial assets, whilst creating liquidity in a sluggish market.

One of the ways in which companies are able to do this is by using capital held in a real estate investment trust (REIT) to engage in securities lending transactions.

In lending securities the REIT is able to make a small amount of profit on each transaction, whilst being protected from the risk inherent in the speculation. The risk involved in securities lending is minimal for the lender, and exists mostly in the potential for counterparty default. This risk, if the asset manager is prudent in its lending decisions, is considerably smaller than the risk of stock volatility.

A REIT in the US must distribute a minimum of 90 percent of its taxable income to its shareholders on a yearly basis. A qualifying REIT is permitted to deduct dividends paid to its shareholders from its taxable income. As a result, most REITs distribute their entire taxable income to their shareholders, and therefore pay no corporation tax.

Taxes are, however, paid by shareholders on the dividends they receive. As a result of this, most US states do not require REITs to pay any income tax. A REIT cannot pass any tax losses through to its investors, making it an attractive vehicle for obtaining capital liquidity. For this reason there is no incentive for REITs to hoard capital, and alternative strategies make sense from a business point of view.

Another attractive aspect of securities lending to REITs is Section 1058 of the Internal Revenue Code. This legislation prevents securities loans from being classed as taxable events—which means that the securities firms can deal as they wish with securities that are lent to them.

Many REITs were been hit particularly hard by the financial crisis, owing to their exposure to bad mortgage debt and their narrowly focused business model. Low consumer confidence has driven down demand for commercial and retail space, whilst overall property prices have remained high as businesses seek to invest their capital in tangible assets such as real estate.

Conversely, many equity REITs have, in the five years since the subprime mortgage crisis, recaptured most or all of the value that was lost. This is particularly true of REITs that were heavily invested in areas of the market where property prices have outperformed the world average. REITs with assets concentrated in cities such as New York and Los Angeles have been able to outperform the stock markets they operate in owing to the inflated price of property brought about by the lack of confidence in other, less concrete investments.

Wolters Kluwer, a financial services company, recently launched a module for its REIT software platform that adds automated securities lending functionality. This added capability demonstrates that there is a demand amongst REITs to explore alternative avenues of capital handling.

Continental

There are fears in Europe that the proposed Financial Transaction Tax (FTT) could prove prohibitively expensive to the securities lending industry.

This may be contributing to the slow uptake in securities lending by European REITs at a time when economic factors make it an attractive option in the US.

But the European REIT market is similar to that in the US, in one important respect. If a buyer can provide a capital gains tax deferral when selling a property asset, and provide the seller with a percentage return on the asset, that the buyer can gain a negotiating advantage over its competitors.

With careful planning, US REITs can invest in the European market in ways that can preserve the tax benefits of the REIT structure.

There are fears that the FTT could reduce this advantage to the point that it becomes an unviable market for inward investment.

The FTT is designed to dissuade financiers from excessive short trading. It will do this by taxing trades and derivatives. As the profits obtained in short transactions are small and executed regularly, the tax could prove to be too effective by discouraging such a volume of trades that the taxes raised are negated by the reduced free flow of capital.

Some politicians view the tax as a way of forcing banks to pay for the costs of the financial crisis. Arguably, it may only succeed in redistributing the burden whilst reducing overall economic activity, and therefore GDP.

Financial institutions often find that securities lending transactions are necessary to obtain the returns that their REIT was formed to facilitate. Whether or not a REIT can be used in this way depends on the definition of the income earned by the REIT through securities lending, for tax and legal purposes.

For this reason, a financial institution hoping to use a REIT for securities lending should ensure that its income passes the REIT tests in its country of domicile. SLT

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Customisable optimisation

It is important that institutions consider their approach to the collateral challenges facing them, and to what extent data and flexible inventory functionality can help, says Lombard Risk's Elaine MacAllan

The changing regulatory environment is creating increased demands for collateral in both the cleared and uncleared markets, across all financial products. The direct implications of current drafts of regulations (US Dodd-Frank Act and European Market Infrastructure Regulation), and supervisory frameworks (the Basel Committee on Banking Supervision and the International Organization of Securities Commissions) are mandated higher quality two-way margin, restrictions on rehypothecation and both enforced and client-driven segregation of collateral. It is now undisputed that there will be a 'collateral squeeze'—the only item left for debate is how severe and imminent the drain on liquidity will be.

In response, firms are reviewing their collateral programmes and looking for methods to maximise the efficiency and reduce the cost of their processes. Under intense scrutiny is the extent to which parties are posting the most optimal collateral allowed, under the terms of their margin agreements.

At Lombard Risk, we have found that our existing and prospective clients are all seeking an optimisation solution, although the drivers and business requirements vary widely. From a software development perspective, understanding that 'one size does not fit all' and offering a customisable solution is critical, as is the ongoing development of the product to meet evolving demands.

A pre-requisite for an efficient optimisation process

Data access and consolidation issues are a constant inhibitor to an efficient optimisation process.

It is not cost effective to maintain large collateral buffers, or post high quality, universally eligible assets where lower quality assets may be acceptable under most margin agreements: it is not necessary, it is too expensive, and soon there won't be enough to go around. Now that collateral is no longer cheap or readily available, pressures are increasing to gain real-time efficiency, maximise the usage of all available assets and simultaneously reduce the cost of the assets used wherever possible.

Product, process and technology silos prevent the rationalisation of inventory processes—the greatest challenge is often in bringing them all together. Inventory functions can be significantly more efficient in the utilisation of all resources where they are available to view on a single platform. A consolidated inventory manager should enable internal asset transfers and transformations to be effected on a real-time basis, or as close to real-time as settlement processes allow. It is often far cheaper to source collateral from internal sources, but if it takes a day to identify and transfer assets to the point of need, the efficiency opportunity has already been lost.

A flexible and configurable firm-wide inventory tool adds the most value where it can be supported on the same platform as the exposure management function, or at least be seamlessly integrated with it. There is a migration of collateral responsibility from the back to the front office, already most large institutions have established credit valuation adjustment (CVA) desks and collateral optimisation programmes that can fully model trade costs, including offsets, regulatory charges, impact on balance sheet, and calculate which asset is the cheapest to deliver/most expensive to hold. However, they rarely have direct access to information such as where the asset may be eligible, or what limits or constraints may be applicable under legally documented terms.

At a time when eligibility, haircut, concentration rules and rehypo/segregation models are becoming significantly more complex, a single technology solution is the obvious place to support optimisation if it consolidates and seamlessly cross references the data elements required:

- Cross-product exposures/requirements (how much do I need?)
- Inventory positions, values and location/source (where are the assets?)
- Eligibility and haircut rules (am I allowed to use the assets?)
- Concentration and correlation limits (what is the limit of the assets I can use?)
- Segregation and rehypo constraints (am I allowed to re-use the assets?)

The providers and consumers of inventory should be brought together, with appropriate controls. The inventory should consolidate both trading and collateral positions, on a real-time basis, with forward ladder projections based on anticipated (agreed) and confirmed (settled) transactions and collateral pledges. Where this can be achieved, a firm is able to coordinate and maximise usage of all available assets: the trading desks can readily consume available/excess collateral, or provide it where and when required, and the collateral sourcing function can view where assets may become available for re-use as term trades or existing pledges roll on or off.

There are practicalities to consider. Integrated controls are required in such a model:

- It should be possible to reserve/earmark assets, or identify them as not available for re-use (including reserves required under Basel III liquidity coverage ratio calculations);
- Rehypo limitations should be identified—and use of non-rehypo assets prevented;
- Segregated assets should be clearly marked, or removed from view where appropriate;
- User restrictions and privileges are required, including the ability to filter certain properties and views according to role; and
- A real-time automated substitution workflow is required to recall assets when required.

From a software design perspective, careful consideration needs to be given to the various needs of the users of the inventory. Trading desks may have different asset utilisation strategies than the collateral sourcing function, and require different views over what is essentially the same set of data. The buy side has different needs to the sell side. Brokers and clearing members may offer transformation or optimisation services, whereas those short of eligible collateral may need to transform the assets they have. Agent lenders, asset managers and collateral service providers may want to reflect their client investment strategies or inventory priorities—in this case, 'cheapest to deliver' is not necessarily the priority.

Configurable views are a fundamental requirement for a truly fit for purpose inventory. As markets and global regulations evolve and new asset segregation models appear, the inventory should be able to adapt with little or no additional development.

Trade, inventory and collateral optimisation distinctions

The lack of a standard lexicon is causing some confusion and frustration in the market.

Trade optimisation

In the new landscape, pre-trade decisions need to be made as to which is the optimal venue to execute and/or clear transactions, and what is the right price. Is the trade type subject to mandatory clearing? Or can it be bilaterally executed? In either case, different costs and charges are implied. Which central counterparty (CCP) or counterparty should be chosen? Factors that influence this decision include:

- Cost, including transaction, settlement, custodial and operational costs; and
- Initial margin requirement calculations—brokers/CCPs support various margin methodologies and will demand different levels and types of collateral, also taking into account:
- Hedging opportunities with the existing portfolio, and resulting margin offset benefits;
- Regulatory impacts/charges, including calculation of/leverage of LCRs (liquidity coverage ratios), and CVA adjustments against non-cleared trades; and
- Impact on collateral usage and haircuts

payable—can any assets be freed up and made available for funding or revenue-generating purposes?

Technology solutions are required that can consider and calculate all the above factors on a real-time basis, to identify the optimal trading or clearing venue, and to provide the level of detailed analysis that clients ultimately require. Many legacy systems simply cannot support the complexity of calculating and validating against so many factors—firms will need to examine their technical infrastructure to determine if it is fit for purpose. The reality is that they may need to be replaced.

Inventory optimisation

There are multiple aspects to inventory optimisation:
- Optimise use of available assets (what have I got?)
- Optimise collateral sourcing (what do I need and what will I need in the future?)
- Maintain assets in the optimal location (where is it and how much is it costing me?)

Inventory optimisation should be a proactive enterprise function, considering anticipated movements and exposures (PFEs), and reflecting evolving internal trading and collateral strategies. Central to this remains the need for a centralised inventory, capable of consolidating collateral positions, trading positions and externally fed inventory data, including optional forward tracking ('ladder') views: if I can project my future exposures, I can be far more efficient in sourcing the lowest quality or cheapest collateral eligible, in anticipation of the requirement.

Collateral optimisation

For many, this may be based on the identification of 'cheapest to deliver' (CTD), or 'most expensive to hold' (ETH). Although CTD is a market-wide concept, it is relative and there is no universally applicable CTD calculation—what is cheap for one organisation may in fact be expensive for another, and therefore the optimisation solution needs to allow the user to define and calculate CTD before using it as an element in the optimisation calculation. For others, the CTD may only form part of their optimisation strategy, and be weighted against other factors such as limiting shortfall/maximising utilisation of available concentration limits or using certain asset types ahead of others in line with their client's investment strategy.

The most effective collateral optimisation programme is:
- Real-time, global and cross-product;
- Automated, supported by algorithmic calculations;
- Flexible and configurable (data elements and algorithm models);
- Rules-based and goal-driven;
- Comprehensive, taking into account all known exposures, available assets, and documented terms (thresholds, haircuts, eligibility/concentration constraints, etc); and
- Integrated, with automated collateral booking facilities of optimised movements.

And must provide quantifiable business benefits:
- Reduce costs;
- Improve efficiency, maximise use of available assets;
- Improve liquidity;
- Control asset selection in line with organisational strategies;
- Reduce operational overheads; and
- Provide a bespoke client service.

'Optimisation' is a bespoke concept

Simply put, firms need to invest in technology and data management if they want to achieve the benefits that an optimisation solution offers. Some organisations have built internal optimisation solutions with varying degrees of success, but the majority are still in the analysis phase, investigating what optimisation could or should mean to their firm, and how it could be implemented.

The global financial markets are still in a state of flux, so much so that the impacts of regulatory changes are still not fully understood. 'Future-proof' technology solutions must offer configurable and extendable functionality that has the best chance of meeting business needs today and in the future.

Configuration and rules

Users should be able to customise their own:
- Optimisation goals;
- Constraints;
- Variables/filters;
- Rules and rankings;
- Parameters; and
- Templates.

As market conditions and risk concerns change over time, optimisation rules will need to be adjusted. A user-friendly interface should enable real-time rule updates without technology intervention.

Functional flexibility

Optimisation calculations should be available across single or multiple agreements/regions/business lines so that, for example, repo, OTC, securities lending and clearing margin requirements are considered within the same calculation to achieve optimal firm-wide collateral allocations. For example, if eligibility terms on a repo agreement are less restrictive than on a clearing agreement, the clearing haircut payable can be improved by substituting lower grade collateral to the repo agreement.

Optimisation calculations should be real-time, accessing the latest available data from source, and re-run should always be available. They should offer some algorithmic flexibility, with multiple approaches available altering the solution. It should also be possible for front office users to customise algorithms and plug in proprietary cost models for enhanced bespoke optimisation.

Extendable data parameters

Optimisation data attributes should be configurable and extendable. In addition to standard market data, institutions have data elements that are unique to them. Users should be able to define their own values and utilise them for filtering, aggregation and rule definition:
- Benchmarking data;
- Internally calculated cost value on a security;
- Risk weighting value on an asset type;
- CTD value on an asset class;
- Funding spread per inventory source; and
- Isolated securities, eg, specials.

Data simulations and scenario analysis

The user should be able to dynamically adjust values or define hypothetical events in a simulation environment for real-time and fully flexible scenario analysis. For example:
- I anticipate a marked increase in exposure by x percent, where is my cheapest source of eligible collateral according to my own cost models?
- What additional assets will I need, or what substitutions should I effect, if there is a shift in CCP haircuts?
- What shortfalls will I need to cover in the event of market price shifts?
- What collateral transformation opportunities are available to me?
- What will the impact be on my collateral portfolio if eligibilities or ratings change?
- If I lock/reserve asset pools, what will the result be on my available inventory?

Strategic considerations

It is important that institutions consider their approach to the collateral challenges facing them, and to what extent gathering firm-wide data, an optimisation programme, and/or, flexible inventory functionality can help them rationalise and reduce the cost of their collateral functions, or improve their client service offerings.

It is a fact that collateral optimisation is becoming a focus in the front office from a cost and inventory perspective, but the operational efficiencies and counterparty-level collateral allocation improvements offered by an optimisation solution are more likely to be felt downstream in the margin workflow. The maximum benefits are undoubtedly to be gained front-to-back where the architecture will allow.

An extended whitepaper on this topic, and demonstration of Lombard Risk's Optimisation and Inventory Manager solutions, are now available. **SLT**

IPO mania in the markets

Nothing gets the markets going like an IPO. David Lewis of SunGard's Astec Analytics examines Royal Mail, Twitter and Merlin Entertainment to find out more

Bringing your company to market can be a positive sign on two counts—the health and earnings growth outlook for your company and for the investment appetite of the market as a whole. When markets are under stress, putting your cash into an IPO is not always the most popular course. However, when economies are on the up and growth, albeit moderate, is appearing in certain statistics, such as falling unemployment, for example, a more positive outlook can bring the investors running waving their cash in the air.

Royal Mail Group, which came to the market on the 11 October, wasn't quite an ordinary IPO—many saw it as selling off one of the very businesses that characterises Great Britain, or tantamount to selling the Underground or Buckingham Palace. The UK government trod a very difficult path in placing the shares cheap enough to ensure a successful sale while raising enough to mean the sale was worthwhile. What followed was a significant jump in the share price, which was, as of 20 November, trading at around £5.50, representing a 60 percent boost from an issue price of £3.30.

Vince Cable, the UK's business secretary, has dismissed this as "froth" resulting from the clamour to own shares that would soon subside, again treading a very fine line between supporting the sale and pricing level decision without announcing to the market that he felt the business was significantly overvalued. Is he right or not? What does the short side of the market think, especially in light of the Parliamentary Select Committee's investigation into the share price coinciding with the 'sell' notification from UBS, among other analysts?

Figure 1 shows the balance of shares on loan for Royal Mail PLC (RMG), fee levels and closing price, indexed to 16 October. Note the issue price was used for 16 October to show overall price change. The actual closing price for that day was £4.75.

The sell recommendation from UBS gives a target price of £4.50 for RMG, around £1 below its current market price and is somewhat in support of Cable's "froth" view, but as Figure 1 shows, it does not seem that the short side of the market agrees with him. The red plot line shows indexed volume of shares on loan, which we would normally expect to spike immediately post-IPO as indeed they do, falling considerably to a level now less than 5 percent of its 24 October peak. Fee levels are also depressed, indicative of low demand to borrow, which can be inferred as a low demand to short sell this particular security. UBS cites poor long term prospects for margin growth as a reason for RMG to not deliver, but it would seem that the short side does not yet agree with them or indeed Cable.

In the same way that Facebook became the talking point of choice in 2012, Twitter took centre stage recently with its own IPO. Two huge technology/internet based companies seeking market cash—but that is just about where the similarities stop. Facebook has taken a great deal of time to recover their issue price, losing a great many friends along the way, but Twitter (TWTR) on the other hand, has done rather well from the outset. Even after hiking the actual issue price up from the initial guidance of $17 to 20 to a level of $26 a share, the issue was still a great success from almost any commercial angle. Now trading at around $40, TWTR investors have yet to experience the pain felt by those who had bought into Facebook.

Figure 2 shows the volume of TWTR shares on loan indexed to 13 November alongside the fee and closing share price. Again, the issue price has been substituted for the actual closing price on the first available day of securities lending data.

Similar to RMG, TWTR has seen a dramatic drop off in fee levels despite the increase in borrow volume. This could be directly attributed to the increase of supply available in the market immediately following the IPO. Like many IPOs, it is normal to see a jump in borrow volume and fee levels as traders secure difficult-to-find supply, but as availability from institutional lenders comes on stream, the fee levels generally fall back as supply begins to outweigh demand. Like Facebook, the intraday data, uniquely supplied by Astec Analytics, meant that vital, up-to-date data was available to much of the market as soon as trades were being made.

Merlin Entertainment (MERL), the world's second largest visitor attractions operator behind Walt Disney, is the most recently launched IPO covered here. With only two days of data available at the time of writing, any price or lending graph shown would be significantly less interesting than a visit to one of their theme parks, which include Chessington World of Adventures and LegoLand. Indeed, some analysts have described the launch as dull even though the shares have appreciated around 10 percent since their launch. This links in with talk of IPO fatigue that is surfacing in some quarters and perhaps there has indeed been one too many this year; perhaps as a symptom of pent up demand waiting for the economic tide and investor appetite to turn in their favour.

The question of whether there have been too many is a tough one to answer, but, what appears clear from the comparison of the IPOs above, no two issues are the same and getting the right data at the right time can make the difference between success and failure. **SLT**

Figure 1: Royal Mail Group—share volume on loan, closing price and fee levels indexed to 16 October 2013. Source: Astec Analytics

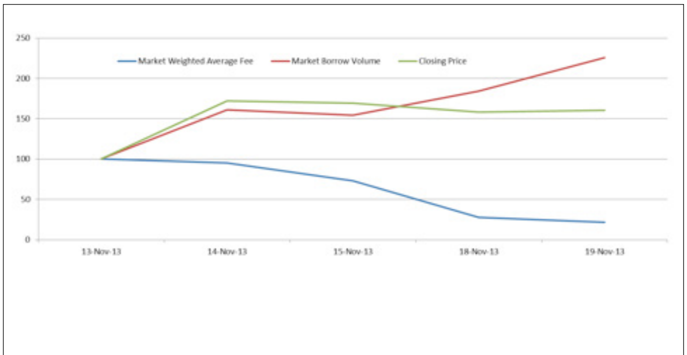

Figure 2: Twitter—share volume on loan, closing price and fee levels indexed to 13 November 2013. Source: Astec Analytics

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SLT and State Street's Maurice Leo chat about increasing governance in the industry, and his plan B for a career in political journalism

How did you get into the securities finance industry?

I joined Deutsche Bank's money market and repo operations team in London in 1997 in a role that gave me broad exposure to the short-term money markets business. Shortly after that, I moved into the securities finance product's operations group, where I learned a lot from the multi-functional exposure to fixed income, equity and money market transactions. I transitioned into the product's client management group in 2000, and took on a new client management role with State Street securities finance after State Street acquired Deutsche Bank's global securities services business in 2003.

To what extent has working in the industry met your expectations?

My expectations continue to evolve. In my early years, I was stimulated by the pace of securities services consolidation and industry expansion. I've been a part of three merger and acquisition transactions that were genuinely transformative for customers, the bank and employees.

But we've experienced a different market in more recent years. As the EMEA head of relationship management, I encounter a variety of geographic, regulatory and organisational differences among our clients every day. The interconnectedness within financial services means I continually engage with internal and external stakeholders. The number of governance points my team deals with is wider than ever. And enhanced transparency, along with a broader stakeholder base, has translated into deeper, more regular dialogue with our clients. To me, this has been a strong stimulus for anyone with a relationship management persona.

What do you see as the biggest challenge facing the industry right now and why?

Institutional and product interconnectedness considerations are now significant focal points for the financial services sector, given the events in recent years. Globally, regulators have implemented a variety of measures and proposals to mitigate systemic exposures and, importantly, to safeguard investors—and these changes are affecting the entire industry. The challenge we face is to make sure that outcomes are as harmonised as possible—globally and across products. Beneficial owners are important contributors to the regulatory process. I believe it's important to encourage them to participate alongside the International Securities Lending Association (ISLA), custodians and other practitioners in the dialogue with regulators.

Do you have any role models in the industry who have helped or inspired you?

There have been a number of fingerprints on my career so far. I'm fortunate to have worked directly with a number of innovative, globally oriented individuals. This has helped me establish diverse business relationships with institutional investors who are now leading participants in their sectors.

And given my relationship management bias, a number of clients have been equally influential to my career and thinking. I've found that the most discrete lenders are often the most sophisticated in regards to who they engage with and the resources they use.

If you were not in securities finance what would be your dream job and why?

A political or global affairs editor, perhaps. These areas of journalism hold a strong appeal, although I fear I might not be enamoured with their realities. The people and places I experience in my current role are sufficiently stimulating and rewarding.

What are your ambitions?

My goal is to keep our clients at the forefront of the securities finance market. I believe the fundamental outlook for the sector is strong. We continue to see organic growth in existing mandates and new lenders participating in the sector. Against this sector backdrop and underpinned by demographic trends, I believe the business in EMEA has a promising future. Because regulatory initiatives are influencing institutional investors' approach to collateral optimisation, I believe this will deliver more cohesive, consolidated solutions to our clients.

Through a personal lens, one of State Street's strengths is talent development and career mobility. My sense is that regulation and customer behaviour may determine my future post code—whether it's the products I work with or the location of my office.

What about regrets? If you could go back in time, what would you change or do differently in your career?

I would have rented, rather than purchased, a property when I returned to Dublin in 2008. I console myself that it was never anything other than a long-term acquisition anyway.

What are your hobbies and interests?

Golf and orienteering—for me they are connected pastimes based on my innate talent deficit I have in the former. I am so poor at golf that I spend much of my time orienteering across parts of the countryside that are not strictly on the course. **SLT**

“I am so poor at golf that I spend much of my time orienteering across parts of the countryside that are not strictly on the course”

Maurice Leo, head of EMEA relationship management, State Street's securities finance team

Industry appointments

Nicholas Bonn is leaving his interim role as executive vice president and head of securities finance and portfolio solutions at State Street, but will stay on at the bank, sources have confirmed.

Bonn was named interim head of securities finance after Peter Economou—now chief risk officer at eSecLending—left State Street in 2010, along with seven other senior members of staff.

He will continue to lead State Street's transition management and portfolio solutions businesses.

Lou Maiuri, who is executive vice president and deputy CEO of asset servicing at BNY Mellon, has been brought in to take over from Bonn.

He will be State Street's executive vice president and head of securities finance.

At BNY Mellon, Maiuri was also head of the global financial institutions group within the asset servicing business, and oversaw the alternative investment services group and the asset servicing Latin American business.

The London Pensions Fund Authority (LPFA), one of the largest local government pension scheme funds in the UK, has appointed **Robert Vandersluis**—GlaxoSmithKline's director of global pension investments—to its board as a non-executive director.

The appointment comes shortly after the release of the LPFA's annual report 2013, which showed that the fund grew by £427 million during 2012-13, to £4.6 billion.

At GlaxoSmithKline, Vandersluis manages a large derivative and investment portfolio, as well as providing strategic advice to the firm's trustees for pension funds in Europe, the US and Japan.

Vandersluis's previous roles include senior positions at Affinity Sutton Group and Ford Credit Europe Bank. In addition, he has served on the boards of five organisations, including The Pensions Trust, helping to direct the investment of £4 billion of assets for 36 defined benefit pension schemes.

Prime brokerage veteran **Jack Inglis** has been nabbed from Barclays to head up the Alternative Investment Management Association (AIMA) as its new CEO.

Inglis joins from Barclays, where he was a member of the global executive committee for prime services, and was previously CEO of Ferox Capital between 2007 and 2010. He also spent 16 years at Morgan Stanley where he was co-head of European prime brokerage from 2003 to 2007.

The appointment follows the announcement in June that current CEO Andrew Baker was stepping down. Baker had been CEO since the beginning of 2009, having previously been deputy CEO since 2007.

Inglis will start in the role at the beginning of 2014, with Mr Baker remaining to oversee the handover until then.

Inglis said: "I am delighted to be joining AIMA. It has a tremendously important role to play representing the industry globally and has been instrumental since the crisis in engaging positively with policymakers and regulators internationally. It has also done a lot of important educational work explaining the value that the industry provides to investors, markets and the broader economy."

Weeden Prime Services has hired **Frank Napolitani** as its president in order to keep expanding the firm's prime brokerage business. In this role, Napolitani will focus on hedge funds, registered investment advisers and family offices.

Napolitani's most recent role was as the managing director of Prime Services Group with the firm Concept Capital, where he stayed for five years.

Weeden Investors bought the prime broker Saxis Group in April of this year, which was duly rebranded as Weeden Prime Services.

Jon Hitchon, the head of markets clearing at Deutsche Bank, will leave the bank in the next couple of months, according to sources.

Hitchon, who has been at the bank for 15 years, is expected to be replaced with Murray Roos. In May 2012, Roos was appointed as co-head of European equities. Prior to that, he was head of prime finance for Europe, the Middle East and Africa.

Hitchon's role as head of markets clearing involved overhauling the bank's approach to client clearing of OTC derivatives, off of the back of Dodd-Frank ruling.

Deutsche declined to comment on the move.

BNY Mellon has hired **James Day**, **Stephen Kiely** and **Paul Cook** to join its expanding global collateral services team in Europe, the Middle East and Africa.

All three executives will be based in London and report to Jeannine Lehman, head of EMEA for global collateral services.

Lehman said: "Day, Kiely and Cook bring extensive industry experience and skills to our strong and growing global collateral services team. BNY Mellon continues to invest in the collateral services, products and solutions that support our clients as they continue to grapple with extensive marketplace and regulatory change."

Kiely, managing director and head of securities lending sales and business development, joins BNY Mellon from Citigroup where his responsibilities included securities finance client management and sales. His previous career experience includes roles with Swapswire, HVB Corporates & Markets, UBS and Bank Austria Creditanstalt.

Day will become managing director and head of securities finance in EMEA. He will also report to James Slater, global head of securities financing for the bank.

Day joins BNY Mellon from UBS, where he served as executive director of UBS Investment Bank.

Cook, managing director, relationship executive and head of secured finance sales, joins from Solo Capital, where he was responsible for equity finance trading.

At Solo Capital, Cook also coached the sales and execution teams, contributing to the strategic planning and direction of the business, profit generation and client relationships. Prior to that, he held leadership roles with HSBC, Rabobank International and Salomon Smith Barney. **SLT**

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Aegon USA Investment Management, LLC
AGF Management Limited
Alcoa
Alliance Bernstein
Allianz VIP Trusts
Allstate Investments, LLC
American Beacon Advisors, Inc.
American Pension Professionals
American Somoa Government Employees' Retirement Fund
Arizona Public Safety Retirement System
Arizona State Retirement System
Arizona State Treasurer's Office
Aurion Capital Management Inc.
Aviva Investors
Aza Rosenberg
Brandes Investment Partners, L.P.
Bridgeway Capital Management, Inc.
Caisse de dépôt et placement du Québec
California Public Employees' Retirement System
California State Teachers Retirement System
Canada Pension Plan Investment Board
Charles Schwab & Co., Inc.
Chicago Transit Authority Employees Retirement System
City of New Orleans
City of Southfield, MI
Colorado Public Employees Retirement Association
Commonwealth Of Kentucky
Consolidated Edison
County of Los Angeles
CTA Pension
Dahab Associates Inc
Deseret Trust Company
Deutsche Bank Asset Management
Dimensional Fund Advisors
DWS Investments
Dynamic Funds
Employees Retirement System of Texas
Ensign Peak Advisors, Inc.
ERS of Texas
EverBank
Federal Retirement Thrift Investment Board
Federated Investors
Fidelity Investments
Franklin Templeton Investments
Great Pacific
Guggenheim Securities, LLC
Healthcare of Ontario Pension Plan
Hospitals of Ontario Pension Plan
Howard Hughes Medical Institute
IBM Canada Ltd
Icma Retirement Corporation
ICON Funds
IFS Financial Services
Illinois State Treasurer's Office
Industrial Commission of Arizona
ING US, Inc.
Invesco Ltd
Jackson National Asset Management, LLC
John Hancock Financial
Kentucky Retirement Systems
Liberty Mutual Group
Los Angeles County Employees Retirement Association
Manulife Financial
Marshall Jones & Associates
Maryland State Retirement and Pension System
Mason Street Advisors
Metlife
MFS Investment Management
Michigan Department of Treasury
Microsoft Corp.
Minnesota State Board of Investment
Missouri State Employees' Retirement System (MOSERS)
Morgan Stanley | Investment Management
National Railroad Retirement Investment Trust
NC Department of State Treasurer
New Orleans Municipal Employees Retirement System
New York Life Investment Management LLC
New York State Insurance Fund
Norges Bank Investment Management
Novartis International AG
Oakland Municipal Retirement System
Ohio Public Employees' Retirement System
Oklahoma Public Employees Retirement Sys
Ontario Teachers' Pension Plan Board
Pacific Investment Management Co.
PanAgora Asset Management
Parnassus Investments
Pension Benefit Guaranty Corporation
Policemen's Annuity and Benefit Fund of Chicago
Prudential Financial
Raytheon Company
Robeco Securities Lending
Russell Investments
Safeway Inc
Sage Capital Partners
Salt River Project
San Bernardino County Employees' Retirement Association
San Diego County Employees' Retirement Association
San Mateo County Employees' Retirement Association
SCF Arizona
School Employees Retirement System of Ohio
Sentinel Funds
Sewerage & Water Board of New Orleans
Shell Asset Management-U.S
Societe Generale Equipment Finance
St. Louis Employees Retirement System
State Board of Administration of Florida
State of Georgia Investment Division
State of Louisiana Department of the Treasury
State of Michigan
Sun Capital Advisers
T. Rowe Price
Teachers Retirement System of Texas
Teamsters Western Conference
Tennessee Consolidated Retirement System
Texas Municipal Retirement System
The Vanguard Group
The World Bank
Thomas Edison State College
Thrivent Financial for Lutherans
TIAA-CREF
Touchstone Investments
UBS Securities LLC
UMB Bank
United Nations Joint Staff Pension Fund
United Space Alliance
University of California, Office of the Treasurer
USAA Investment Management Company
Vanguard
Virtus Investment Partners, Inc.
Wells Fargo Advantage Funds
Western & Southern Financial Group
Woodmen of the World
Workers' Compensation Board, (WCB) Alberta
Wyoming Retirement System

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