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Lombard Risk and Broadridge on same side of the collateral coin

Lombard Risk Management and Broadridge Financial Solutions have formed a global alliance to address changing industry needs in the collateral management sector.

Collateral management, regulatory compliance and reporting solutions provider Lombard Risk and Broadridge, which provides technology for financial firms and corporate issuers, will work on combining their collateral management offerings to address global issues.

"In recent years, several factors such as global regulatory changes, tighter liquidity, a move towards greater transparency and the increasing cost of collateral have prompted firms to rethink their approach to collateral management," said a joint statement.

"In response to these changing market dynamics, this partnership will lead to the creation of powerful Broadridge integrated collateral management offerings, combining Lombard Risk's best-in-breed technology with Broadridge's industry-leading applications and infrastructure."

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Florida SBA gives $30 billion mandate to eSecLending

The Florida State Board of Administration (SBA) has chosen eSecLending to provide it with securities lending and collateral management services.

The securities lending agent was selected in 2013 to auction and manage approximately $30 billion in global equity assets for Florida SBA's multi-agent lending programme.

eSecLending held an auction in November 2013 for Florida SBA's global equity assets and implemented the programme consisting of both exclusive borrower arrangements and discretionary lending in January.

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SEC cracks down on shorting with record fine

The Securities and Exchange Commission (SEC) has issued the largest ever monetary sanction for a Rule 105 short selling violation, as a Long Island-based proprietary trading firm and its owner agreed to pay $7.2 million to settle charges.

Rule 105 prohibits short selling of an equity security during a restricted period—generally five business days before a public offering—and the subsequent purchase of that same security through the offering.

According to the SEC, Jeffrey Lynn created Worldwide Capital for the purpose of investing and trading his own money

Lynn's principal investment strategy focused primarily on new shares of public issuers coming to market through secondary and follow-on public offerings.

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Lombard Risk and Broadridge on same side of the collateral coin

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John Wisbey, founder and CEO of Lombard Risk, said that he is "delighted" to be teaming up with Broadridge.

"Through our COLLINE collateral, clearing, repo and optimisation technology we have achieved a market-leading position, with significant amounts of collateral being handled through our platform and several Tier 1 banks on our client list," he said.

"We are delighted that our firm and technology have been chosen by Broadridge to power their collateral management platform. Our alliance will extend the use of Lombard Risk's technology and our joint expertise within key markets and segments, particularly in the important North American market."

Lombard introduced a collateral optimisation module for its COLLINE solution in November last year.

The 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.

On the partnership with Lombard Risk, Michael Hopkins, president of securities processing solutions for fixed income and risk at Broadridge, commented: "Collateral management is a natural extension of Broadridge's product portfolio."

"We process more than $5 trillion of fixed income and equity trades on average per day and have a significant inventory of data already residing on our platforms."

"By partnering with Lombard Risk, we will deliver collateral management solutions that will provide capital markets and investment management firms with greater control over the changing market framework and create true strategic and economic value."

Florida SBA gives $30 billion mandate to eSecLending

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Chris Jaynes, president of eSecLending, said: "After an extensive search process, we were thrilled to be selected by Florida SBA to manage a portion of their securities lending programme and are grateful for the opportunity to demonstrate our differentiated lending model and service structure."

"We are confident our approach will continue to unlock value for Florida SBA and its constituents by utilising a transparent, disciplined and repeatable lending process."

SEC cracks down on shorting with record fine

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Through traders he engaged to trade on his behalf, Lynn sought allocations of additional shares soon to be publicly offered, usually at a discount to the market price of the company's already publicly trading shares.

He and his traders would then sell those shares short in advance of the offerings. Lynn and Worldwide Capital improperly profited from the difference between the price paid to acquire the offered shares and the market price on the date of the offering.

"Rule 105 is an important safeguard designed to protect the market against manipulative trading, and we will continue to aggressively pursue violators," said Andrew Calamari, director of the SEC's New York regional office.

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According to the SEC's order, Lynn participated in 60 public stock offerings covered by Rule 105 after selling short those same securities during the pre-offering restricted period. The violations occurred between October 2007 and February 2012.

Worldwide Capital traders purchased the offering shares through numerous accounts at multiple broker-dealers involved in the offering, and sold the stock through an account in Worldwide Capital's name at other broker-dealers.

All of the trades—the purchases of offering shares and short sales—cleared and settled in a Worldwide Capital master account at the firm's prime broker.

"The trading conducted by Lynn and Worldwide Capital disregarded the markets' independent pricing mechanisms," said Amelia Cottrell, associate director of the SEC's New York regional office. "Their use of multiple accounts in obtaining offering shares and short selling did not satisfy the separate accounts exception to Rule 105."

To settle the SEC's charges, Worldwide Capital and Lynn agreed to jointly pay disgorgement of $4.2 million, pre-judgement interest of $526,358, and a penalty of $2.5 million. Lynn and his firm agreed to cease and desist from violating Rule 105 without admitting or denying the findings in the SEC's order.

LCH.Clearnet boosts liquidity for fixed income players

LCH.Clearnet has launched €GCPlus, a central clearing service for the triparty repo market, in collaboration with Euroclear and the Banque de France.

The new service will enable fixed income trading desks, treasurers and other market participants to efficiently manage eurosystem-eligible collateral and to generate liquidity in a cleared environment, while benefitting from balance sheet netting and capital efficiencies, according to LCH.Clearnet.

Available via several e-platforms, the €GCPlus service enables fixed income market participants to re-use the eligible collateral received either with the Banque de France or with any of the 230 collateral takers on Euroclear's collateral management system, the Collateral Highway.

"Our clearing members are increasingly looking for efficient solutions to manage cash and collateral," commented Christophe Hémon, CEO of LCH.Clearnet SA.

"The €GCPlus service enables fixed income clearing members to address their funding needs, trade on multiple platforms, move collateral quickly and easily and maximise balance sheet netting and capital efficiencies—all while benefitting from a secure trading environment with robust risk management capabilities."

Valerie Urbain, CEO of Euroclear Belgium, France and Nederland (ESES), charted the path the parties have taken to launch the €GCPlus service.

"The Euroclear group's design to help boost clients' liquidity flows began with an initial collateral management offering with Banque de France. It evolved with our agreement with LCH.Clearnet to create a general collateral trading pool and reached its most recent milestone in June 2013, with the launch of interoperability between the Euroclear Bank collateral management platform and Euroclear France."

"€GCPlus is the final step in an over-arching solution allowing market participants to anonymously obtain liquidity irrespective of whether they are clients of Euroclear Bank or an ESES CSD. We are delighted to work with Banque de France and LCH.Clearnet to deliver solutions that help to increase the efficiencies of the capital markets."

Euroclear's Collateral Highway mobilised an average of €787 billion of collateralised transactions daily in 2013, a 12 percent increase year-on-year.

In its highlights of 2013, the group also showed that the value of securities held on behalf of its clients grew 5 percent year-on-year, to €24.2 trillion.

The number of netted transactions settled in the Euroclear group grew by 7.1 percent to a record 170.4 million, and the value of securities transactions settled, was €572.8 trillion, a 5.8 percent increase over the prior year.

BNY Mellon teaches collateral eligibility

BNY Mellon is implementing an enhanced collateral management programme for BofA Merrill Lynch to expand collateral eligibility.

The programme also aims to create greater collateral management efficiencies for depositing eligible margins at CME Clearing.

Through the IEF4 programme, clearing firms will be able to post eligible securities into a CME Clearing-controlled segregated triparty account at BNY Mellon to receive margin credit for listed futures and OTC-cleared interest rate swaps.

The service has the ultimate aim of expanding the eligible collateral inventory, increasing transparency, and creating greater collateral allocation efficiencies.

The US Dodd-Frank Act and other financial regulations will pave the way for a new environment whereby OTC derivatives will be centrally cleared.

"Triparty custody is an important service CME Clearing offers its member firms because posting collateral through an efficient platform, such as BNY Mellon's, is both market- and customer-friendly," said Kim Taylor, president of CME Clearing.

"Recognising the fact that key buy-side clients have eligible CCP collateral and allowing that collateral to be put to use is a vital value-added service we will continue to work to provide with clearing members like BofA Merrill Lynch."

"By working with the CME to expand the range of eligible collateral, we're supporting our clients' overall investment strategies, while helping the wider industry better navigate the risks, challenges, costs and operational complexities linked to regulatory changes," commented Kurt Woetzel, CEO of BNY Mellon's global collateral services business.

"This opportunity to work with BofA Merrill Lynch and assist them with all their collateral management requirements is at the forefront of industry efforts to increase collateral efficiency and transparency."

Shorters fan the flames of Manchester United

Short interest in the US listing of Manchester United (MANU) is at a record high of 1.97 percent of the total shares.

Alex Brog, the director of corporate communications at Markit Securities Finance, said that while this figure might not sound high in absolute terms, it is 19.25 percent of the free-float.

He added that demand to borrow the company is high, with more than two thirds of what can be borrowed from the lending programmes on loan—which means it would be hard and very expensive to short any more of the company.

Short interest in the club has been at a high for the last few months. Odey Asset Management took out a short 0.78 percent position in December 2013, to the tune of approximately $22 million, and the hedge fund Tremblant also had a 0.81 percent short position at that time.

It was reported recently that the Paul Marshall-led hedge fund, Marshall Wallace, was another firm that had been shorting shares in the club.

Paul Marshall made up part of the Red Knight consortium, which unsuccessfully attempted to wrestle the club from the American Glazer family in 2010, calling the family real estate developers “with no connection to the city”.

It has been a disappointing nine months for the club so far, with the team looking a shadow of the title-winning side of last season.

Since Sir Alex Ferguson’s departure, the club has struggled for form—with all the signs pointing towards Manchester United failing to qualify for the Champions League for the first time since the 1995-96 season.

This would be difficult for the club and its owners, as Champions League football is a significant source of revenue.

AMG Global seeks prime clearing strength

A new global execution platform developed by ABN AMRO Clearing will provide clients with routing capabilities between Asia, US and Europe for equities and futures trading via a single FIX connection.

AMG Global provides clients in every region with execution capabilities on ABN AMRO Clearing’s trading memberships and access to 22 US equity and derivative exchanges, 16 European equity and derivative exchanges and 3 Asian equity exchanges.

Additional trading venues and order types will be added in coming months.

The platform provides vendor neutral access, allowing clients to trade on multiple exchanges via a front end system of their choice. Automated tooling for client and vendor software certification is being implemented to ease client onboarding.

Orders are routed globally via ABN AMRO Clearing’s network, with major hubs in London, Frankfurt, New York, Chicago, Tokyo, Hong Kong, Singapore and Sydney.

The launch marks a concerted push by ABN AMRO Clearing into global execution as well as prime clearing, to complement its strength in securities clearing, said Marcel Jongmans, CEO of ABN AMRO Clearing.

“AMG Global provides a simple, flexible, and powerful infrastructure to support the trading needs of our different client groups. We believe the capabilities of this platform will drive our ambition to become a major force in global execution and prime clearing.”

Chris Lee, global head of market access at ABN AMRO Clearing, said: “AMG Global delivers global, multi-asset class connectivity and an agnostic approach to front end vendors. A key differentiator is that our trading venue connectivity is backed by ABN AMRO Clearing exchange memberships with the ability to execute trades and also that the platform is multi asset class across equities, derivatives and commodities. This is where many other offerings have failed.”

ICMA publishes repo bible

The International Capital Markets Association (ICMA) European Repo Council (ERC) has launched its updated guide to best practices in the European repo market, which gives practical guidelines for traders and legislators alike.


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The central concern, according to ICMA ERC chairman Godfried De Vidts, is the need to create a consistent certainty of execution for a group of markets that are so structurally and legally diverse.

De Vidts, speaking during a press briefing on 5 March 2014, said: "The main goal of the guide is to make the market more useable, and allow collateral to become the 'new cash'."

The difference between the US and European regulations on repo is stark—with triparty repo transactions making up 70 percent of the US market, where it only comprises 10 percent of Europe's. This is largely due to the fact that European triparty repo is normally used to manage non-government bonds and equity (although the proportion of government bonds has more than doubled since the financial crisis), whereas US triparty is focused on treasury and agency debt.

Despite the obvious difficulty of presenting universal standards to such a wide variety of markets, the ERC's guide strives to become, "a living document for an evolving market", according to Richard Comotto, a visiting fellow at the ICMA Centre, University of Reading, and author of the guide.

The security offered by repo has made it an essential interbank funding tool and this has been reflected in the growth of the repo market in Europe over the last 20 years.

Although affected by the effect of the crisis on general financial activity, the latest threshold figure for market size is €5.5 trillion. Recent regulatory initiatives encouraging the collateralisation of risk, directly and through the use of CCPs, have further heightened the importance of the repo market, which is the place where collateral demand and supply meet.

The updated ERC guide covers the full scope of the repo trading lifecycle, including fixing dates, affirmation and confirmation of transactions, margining, non-standard interest calculations, issuing notices, delivery issues, and dealing with negative repo rates.

De Vidts commented: "The repo market proved uniquely resilient over the course of the financial crisis, in part, because of the high standards that market participants maintained in the way they conducted their business and settled issues, even under very difficult circumstances. They were supported by a robust legal agreement in the form of the GMRA and recommendations on best practice that had been distilled from practical experience over many years."

"The new guide updates and considerably expands those recommendations, to take account of recent experience. As change in the market shows no sign of slowing down, the new guide will inevitably have to change as well. It is therefore very much a 'living' document, which will be continually adapted to evolving market conditions."

Short selling still the target of FINRA's arrow

Short selling generated the third highest amount of fines for the Financial Industry Regulatory Authority (FINRA) in 2013, proving that the practice is still very much in the regulator's crosshairs.

The law firm Sutherland Asbill & Brennan LLP's annual analysis of FINRA's disciplinary actions found that this past year, the regulator issued $7.2 million in fines across 40 cases involving alleged short selling violations.

The cases often involved allegations that the firm concerned executed short sales without having a reasonable belief that the securities could be borrowed, or reported trades without short sale modifiers.

There has been a significant increase in short selling sanctions in the last five years. In 2008, there was $289,000 in reported fines. By the next year, this number had risen to $2.5 million—the next year was $3.5 million, and the next spiked to $16.8 million.

The statistics show that short selling cases have been a significant area of regulatory emphasis for FINRA in recent years. Over the past five years, fines in short selling cases have made up approximately 12 percent of FINRA's total fines.

Although short selling fines increased substantially in 2013, this was largely due to a single case against Newedge USA, which resulted in a $4 million fine.

In addition to allegations about the firm's supervision of direct market access and sponsored access trading, FINRA alleged that the brokerage violated Regulation SHO and two of the SEC's 2008 emergency orders that restricted short sales of certain securities. FINRA asserted that the firm allowed its clients to submit many short sale orders for these restricted securities during the 2008 financial crisis.

On top of the $4 million fine, Newedge was ordered to pay an additional $5.5 million by the BATS Exchange, the New York Stock Exchange, NYSE Arca, and NASDAQ.

Thomas Gira, FINRA's executive vice president of market regulation, said that the case also illustrates how FINRA and the exchanges can effectively pursue activity that spans multiple markets.

Two other significant short selling cases reported in 2013 demonstrate the importance of properly marking short sale trades, said the law firm.

In one case, a firm was fined $265,000 after it allegedly executed and reported more than eight million cross transactions, which were also short sales, without including a short sale modifier.

FINRA fined another firm $250,000 in 2013 for allegedly leaving short sale indicators off some of its electronic Blue Sheet reports over a four-year period.

The regulator stated that this issue occurred because some short sale information was not passed from the firm's middle office system to the back office. FINRA noted that these allegations impacted only 360 short sale transactions, out of 121,000 total trades, over a four-year period, but still fined the firm $250,000.

These two recent cases show that even administrative issues can lead to significant fines, added the law firm.

Bilateral collateral is on the table at Clearstream

Clearstream is rolling out a bilateral collateral management service that aims to strengthen

the OTC processing capabilities of the Global Liquidity Hub, the company's integrated risk and liquidity management solution.

The full lifecycle of bilateral collateral management activity will now be supported via the hub, from credit support annex (CSA) review and administration, mark-to-market, margining, dispute management and portfolio reconciliation to payment and settlement follow-up and reporting.

The solution, called OTC collateral, is also aiming to help customers overcome collateral fragmentation and optimise allocation by enabling them to cover over-the-counter, triparty and central counterparty (CCP) exposures from a single collateral pool.

A statement from the firm said that this "unique optimisation opportunity" would be especially useful for derivative exposures, as customers are currently facing the challenge of managing two parallel streams of exposures for cleared and uncleared collateral trades.

Stefan Lepp, head of global securities financing and member of the executive board of Clearstream, said: "Our bilateral collateral management service OTC collateral is an important expansion of the global liquidity hub and will strengthen our offering to banks and the buyside in line with the growing demand in the OTC derivative space."

"Its seamless connection to the triparty world via a range of reuse possibilities will enable customers to meet all their exposures from a single collateral pool, regardless of whether they are bilateral, triparty or to a CCP."

Repo rises at Eurex Group

Contracts have slipped by 800,000 year-on-year for Eurex Group, but repo markets are on the rise.

In February 2014, the international derivatives markets of Eurex Group recorded an average daily volume of 7.9 million contracts (Feb 2013: 8.7 million).

Of those, 5.4 million were Eurex Exchange contracts (Feb 2013: 6.3 million), and 2.6 million contracts were traded at the US-based International Securities Exchange (ISE) (Feb 2013: 2.7 million).

In total, 157.4 million contracts were traded—108.9 million at Eurex Exchange and 48.5 million at the ISE.

Eurex Exchange recorded in its equity index segment, the largest product segment, 50.7 million contracts compared with 56.9 million contracts in February 2013.

The equity derivatives (equity options and single stock futures) segment at Eurex Exchange reached 18.1 million contracts (Feb 2013: 21.8 million).

The interest rate derivatives segment of Eurex achieved 38.5 million contracts (Feb 2013: 46.1 million). The Euro-Bund-Future reached 15.2 million contracts, the Euro-Bobl-Future 10 million contracts and the Euro-Schatz-Future 6.3 million contracts. The three Euro-BTP-futures totalled 1.2 million contracts.

Eurex Repo, which operates Swiss Franc, Euro repo and GC pooling markets, recorded €228.3 billion average outstanding volume in all repo markets (Feb 2013: €213 billion). The secured money market GC Pooling grew by 4 percent and recorded an average outstanding volume of €156.5 billion.

The Euro repo market increased by 43 percent and totalled an average outstanding volume of €41.7 billion (Feb 2013: €29.2 billion). The Swiss Franc repo market reached €30.1 billion.

Asia trade volume hits new highs for EquiLend

In February, 40,672 trades were executed on EquiLend's securities finance trading platforms in Asia. The previous monthly trading record in Asia was 33,554.

Andrew McCardle, head of EquiLend Asia, said: "The Asian region has always made up a key component of the global securities finance trading activity that takes place via EquiLend and BondLend. We anticipate further volume growth here as clients in Asia continue to expand their use of our platform."

EquiLend opened its office in Hong Kong in 2011 in order to support a growing demand for its securities finance trading and post-trade services in the region. Since then, new clients in Asia have joined the platform, while trading volumes have been increasing.

EquiLend also broke its record for single-day trading volumes last month, when 28,317 trades were made globally on 6 February.

OCC lending CCP dips for February

OCC's securities lending CCP activities declined by 2 percent in new loans year-on-year, with 88,536 transactions seen in February 2014. However, year-to-date stock loan activity is up 2 percent from 2013, with 194,670 new loan transactions in 2014. The average daily loan value at OCC in February was $90,698,085,343.

Total cleared volume in February reached 350,507,077 contracts, an 8 percent increase from the February 2013 volume of 325,237,351 contracts. OCC's year-to-date total cleared contract volume is up 8 percent in 2014 with 746,102,697 contracts.

Exchange-listed options trading volume reached 344,908,034 in February, a 7 percent increase from the February 2013 volume of 320,943,312 contracts. Average daily options trading volume for the month was 18,153,055 contracts, 7 percent higher than February of last year. Year-to-date options trading volume is up 8 percent from 2013 with 734,729,169 contracts.

OCC cleared futures volume reached 5,599,043 contracts in February, a 30 percent increase

from the February 2013 volume of 4,294,039 contracts. OCC cleared an average of 294,686 futures contracts per day last month, a 30 percent increase from February 2013. OCC's year-to-date cleared futures volume is up 38 percent with 11,373,528 contracts in 2014.

High EFP activity at OneChicago

OneChicago achieved a volume of 735,214 for February 2014.

There were 716,046 exchange futures for physicals (EFPs) and blocks traded by OneChicago in February, which represents $3.6 billion in notional value. Half of the month-end open interest was in OCX.NoDivRisk—the equity finance tool which removes dividend risk for customers carrying extra delta equities through derivatives.

David Downey, CEO of OneChicago, said: "We are very excited by the surge in EFP volumes that we saw in February of this year versus the 2013 levels with activity jumping just over 861 percent."

"This is a phenomenal development as the market begins to embrace the true benefits of the single stock future product, which is replacing a relatively expensive equity position with a cheaper economic equivalent in an integrated transaction, avoiding any market execution risk. The delta one substitution, similar to OTC swaps, is the value proposition that we have been promoting."

Japan's looking bright, finds Markit Securities Finance

Japanese securities lending is looking bright, according to Markit Securities Finance analyst Simon Colvin.

Generally flat loan balances have not stopped Japan from seeing a steady rise in specials and their associated fees over the last two years, its data has revealed.

"Dividends are also forecast to rise, further boosting the prospects for the securities lending industry."

Highlights for Japan include its aggregate loan balance holding steady at $40 billion for the last three years, although utilisation is at an eight-year low.

Specials now account for almost 8 percent of the market and command higher fees, while dividend payments in the main Nikkei 225 index are forecasted to rise by 14 percent.

JSCC picks Calypso for collateral management solution

The Japan Securities Clearing Corporation (JSCC) has gone live with the Calypso Technology system for client clearing of JPY interest rate swaps and collateral management.

JSCC launched its voluntary client clearing service with the support of Japanese dealers ahead of the Calypso mandate. Dealers that have signed up to offer client clearing include Citi, Mizuho, Morgan Stanley MUFG, Nomura and RBS.

The new client clearing service includes drip-feed clearing (near real-time), real-time integration with members and affiliates for clearing status, request for consent, and collateral deposit/withdrawal. The enhanced service covers clearing of both amortised swaps and accreting swaps.

The Calypso collateral management system will enable JSCC to provide real-time headroom checks on segregated accounts. By segregating clients' accounts from member banks, JSCC will provide additional security to accounts, reducing their counterparty risk.

Takeshi Hirano, director and strategic planning head of the OTC derivatives clearing service at JSCC, commented: "The launch of our client clearing service is an essential step for JSCC in expanding its service line in OTC derivatives clearing. Calypso's state-of-art technology and flexible platform has significantly contributed to our smooth migration from the current dealer-to-dealer environment to accommodate the wider range of customer services."

A focus on regulation

Reaching for a secure future

The net stable funding ratio (NSFR) is one of two new liquidity standards proposed in the Basel III guidelines, with the other being the liquidity coverage ratio (LCR). Each ratio assesses different aspects of measuring a firm's liquidity and funding requirements.

Whilst the LCR requires the calculation of a firm's 30-day average net cash outflow (short-term funding), the NSFR takes a longer view. The last instalment of 'A focus on regulation' discussed the intricacies of the LCR; in this edition we examine the NSFR.

The goal of the NSFR is to ensure a more stable funding profile based on the maturity profile of assets—generally a year. It measures long-term assets, which are funded by long-term, stable funding including customer deposits, long-term wholesale funding and equity. It specifically excludes short-term wholesale funding.

The NSFR is defined as the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF), and its calculation is summarised as: ASF / RSF. The result should be greater than or equal to 100 percent.

The ASF is the portion of capital and liabilities expected to be reliable over a year, including the likelihood that a funding provider will withdraw its funding. It assigns each funding source to a category and weights them accordingly. This gives an indication of the likelihood of the assets staying in the bank during times of stress. For example, secured borrowing including term deposits with a maturity of one year or greater would receive an ASF factor of 100 percent. Liabilities without a stated maturity would have an ASF factor of 0 percent.

The RSF is measured based on the characteristics of the liquidity risk profile of an institution's assets—and off balance sheet (OBS) exposures, including secured financing transactions. Each asset is assigned to an RSF category based on the liquidity risk profile. The parameters of each RSF category are meant to approximate the funding requirements of an asset because it couldn't be sold or used as security to raise funds. So, central bank reserves and unencumbered loans/banknotes would be assigned a 0 percent RSF factor, but assets that are encumbered for a period of a year or more would be assigned a 100 percent RSF factor.

The current NSFR adoption date is 1 January 2018, but the ratio is still in its consultation phase. Any feedback with regards the current NSFR calculation needs to be sent to the Basel Committee by 11 April 2014.

Even though this ratio is not yet finalised, and the deadline is a long way off, firms should start looking at the impact on their funding. With the increased cost of capital, businesses may choose not to engage in some types of lending but instead move towards advisory or financial market activities. Banks may need to re-capitalise. Firms without retail deposits may find the NSFR a challenging ratio to meet. The deadline may be a long time away, but it could take some time to adjust to the new measures.

Catherine Houston
Operational processing and repo specialist
Rule Financial

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A new reality

Markit Securities Finance's David Carruthers discusses the firm's new web-based platform, as well as what to expect from this year's forum

How did the launch of your new securities lending web platform come about?

We wanted to offer customers the latest data delivery technology, a means to interact with them, and will in future allow them to interact with each other. That's really the backbone to the launch of our new web portal, which will be going live to our customer base over the next week.

The portal takes all of the securities finance information that we already have and displays it out in a more flexible and tailored fashion which can be configured to reflect the workflow of the user be they on the lender or borrower side. Markit has extensive specialised data sets that are relevant to the stock loan community. We have selectively integrated some of these, such as dividend forecasting into the core securities lending offering to provide customers more contextual information and we plan to further integrate other relevant Markit data such as liquidity scores and validated corporate actions so users can factor availability into their decision making process.

The portal is also very scalable—if a client has an idea for an enhancement, it doesn't take that long for us to incorporate their feedback and build a new module. As businesses are becoming more complex, and regulatory change abounds, clients are asking for more. Our product development is defined by our customers and we have spent over six months in consultation with them to provide this new infrastructure.

We are now seeing a shift in practices from the old days of stock loan, to the new reality of securities finance.

The three worlds of stock loan, repo, and collateral management have essentially converged and we are seeing that our clients are beginning to merge these functions under a single collateral management desk. Our customer's world is becoming more complex and they have more specialised requirements, so our new platform is a way for us to meet those needs and prototype release far more quickly.

In the last forum, a survey found that collateral may be usurping cash as king—are you expecting the same results this year?

Broadly, yes. What is beginning to emerge is that the preference is for fixed income as well as just cash. What we've been hearing from the customer base that there is increased appetite for term trades which fits the regulatory agenda.

What they might, for example, consider doing is borrowing bonds, which they can then use as collateral to borrow cash. And they will want their collateral term to match their cash term. A number of the big beneficial owners are willing to engage in these term trades for a month, three months, or perhaps even longer. That is good for them because they get paid a bit more, and it's good for the people who are borrowing because collateral is being locked up.

That will become more important if we do enter a phase where interest rates begin to rise; more term is ultimately what the regulator wants to see. They don't like the idea really of most of the funding being run overnight. They would much prefer to see a longer book.

How has the stock loan market inspired or affected these collateral changes?

The stock loan market is a kind of an informal collateral transformation engine. There was a lot of excitement in the last couple of years over collateral transformation swaps, but those haven't really emerged much as formal products. This is because the stock loan market can do a lot of that especially in fixed income, without any kind of product packaging premium.

As for estimates of the collateral that is going to be required, over the last year I have heard figures anywhere from $600 billion to $15 trillion—with the median being about $2 trillion. That seems to have changed—we're closer to $3 or $4 trillion as the expectation, and most of that will be in the form of government bonds of one type or another.

People are still seeing demand for collateral, but the one elephant in the room is quantitative easing. If it was to reverse, governments around the world have acquired large stocks of government bonds, so they could end up pumping those back into the market, which could help to alleviate the shortage.

We're definitely seeing that this is real, and is happening—but possibly not in the formalised way that everyone was expecting.

What can we expect from the forum?

The forum is comprised of three panels. The first is taking a look at where we are in the securities financing market, focusing quite specifically on things like the European regulators' requirement for the trade repository, and reactions to regulations generally. This panel will involve those from both lender and borrower sides.

We then have a panel specifically on securities financing, with people not just from stock loan and repo, but also from collateral management. They will be hopefully confirm our views on collateral, but you never know! Then we will have a third and final panel, which will look at the opportunities and challenges going forward. What I expect is going to emerge out of this discussion is confirmation that there is more focus on fixed income now, because people believe that there is money to be made there.

"There was a lot of excitement in the last couple of years over collateral transformation swaps, but those haven't really emerged much as formal products"

If interest rates do begin to move up it is not good news for bonds, and they are more likely to be shorted through the securities lending market. Equity shorting has been curtailed over the last 18 months. However, if equity markets go through a choppier phase, again this type of shorting will begin to pick up. The background is potentially benign for the securities finance industry, but specific issues such as the cost of indemnities will continue to niggle. **SLT**

David Carruthers
Managing director and co-head
Markit Securities Finance

Testing times

Doran Jones has launched a software testing practice. The firm's new COO, Keith Klain, reveals how financial services can benefit from a novel style

MARK DUGDALE REPORTS

What is happening to the 'commodity' model of testing?

A large piece of the software testing market is delivered by test factories that are premised on an analogy comparing testing to manufacturing, hence the desire to 'commoditise' the role. Rapid deployment delivery models, risk based testing, and the increased adoption of agile methodologies strike directly at the concept of testing as a commodity, as you have to be highly skilled to operate in those environments.

As well, over the last 15 years or so, software testing has frequently been prioritised to adopt outsourcing and offshoring extensively, and the financial models used to justify that decision are leveling out due to rising wages, cost of living increases, and currency fluctuations. Most of the improvement models used to rationalise the commoditised testing approach use strictly quantitative metrics to assess quality or measure improvement; an approach that breaks down rather quickly beyond any first order metrics.

How is this changing?

There is an increased focus on business value and testing skills, which means you have to bring more to the table than just the ability to do it cheaper. What we are doing at Doran Jones is helping people make the transition from highly commoditised testing to skilled testing. The way we are going to do that, is by working with management first to understand the quality and information objectives of the organisation, and then constantly aligning the test approach to meet those goals.

Additionally, our approach is underpinned by the Rapid Software Testing methodology pioneered by James Bach. With that approach comes methods and techniques that accelerate the time to when testing begins and as well, puts the tester at the center of the process, something that is absolutely key to moving towards lightweight or agile delivery frameworks.

What could get in the way of this change in an organisation?

Education is one of the biggest barriers due to stereotypes and ingrained bias developed from decades of bad metrics programs, flawed maturity models, and low-value testing. Testers have to take responsibility for their own contribution to the problem as well, as we can re-enforce a lot of those perceptions by how we conduct ourselves and inherently limit our value.

I believe that if you want to drive change in an organisation and get congruent action from culturally and regionally diverse teams, you have to focus on what you are contributing to the problem first, articulate your values and principles to give people a lens to view their work, then develop strategies that are aligned to the business you support.

How does this apply to financial services firms?

Financial services firms can especially benefit from this type of testing transformation. Short delivery timescales, changing requirements, and regulatory pressure are exactly the sort of environment that demand good information about product quality as quickly as possible. There is a belief at a lot of financial services companies, that the organisations are either too big or complex to make the change, but I led the testing teams at Barclays Investment Bank through exactly this type of transition with some pretty great results.

In the end, what you get from changing your approach to testing is better information about risk, the ability to adapt quickly to shifting requirements, and a highly motivated test team that are focused on the right things. Many elements of your project environment and company culture contribute to product quality, but you can help limit your exposure to risk by adopting a context driven approach to testing.

What were you doing before you joined Doran Jones?

I've worked in various quality management roles in financial services firms and software testing consulting organisations, living in the US, Europe and Asia. I've always felt testing has one of the most important roles to play in technology as they support their business, because we provide information that can be used directly to manage risk.

A problem with the commoditised approach to software testing is that it inherently devalues people in a creative, intellectual process and fundamentally doesn't deliver on its responsibility to articulate risk in business terms. I think the testing industry is fundamentally changing for the better and there hasn't been a better time to be a software tester.

What's the plan at Doran Jones?

At Doran Jones, we have one of the best teams in the business when it comes to software testing, and are forming partnerships with several thought leaders such as QASymphony, which specialises in building tools for agile testing. So when a company works with us on either delivering testing services or helping them make the move to skilled testing, they can be sure that approach and people they will be working with are serious about software testing. **SLT**

The niche that could go global

Local and international players give their thoughts on South Korea, including tips for hedge funds, thoughts on corporate actions, and frustration with CSDs

GEORGINA LAVERS REPORTS

The securities lending and borrowing market in South Korea launched in 1996, with the Korean securities depository (KSD) introducing the unique concept of an "intermediary", which dealt with collateral management, corporate actions and other functions, on behalf of lenders.

Jinwan Yang, deputy general manager of the securities lending and borrowing intermediary team at Korea Securities Finance Corporation (KFSC), says that his firm is now playing the role of a lender and a borrower, as well as a securities lending and borrowing intermediary like KSD.

He adds that KSFC is particularly attractive as a lender due to an inventory that includes mid and small-cap domestic equities. He says that it is this inventory that enticed global prime brokerages to borrow equities from KSFC, starting in 2008 and with a large daily transaction volume since then.

Yang adds that the firm has dominated the bond borrowing and lending market since 2006, with a current market share of more than 80 percent.

"Most of the domestic broker-dealers borrow Korean treasury bonds through KSFC due to our broad collateral acceptance, favorable policies for borrowers, one-stop service of bond borrowing and repo, etc. Therefore, the South Korean repo market has been growing its volume."

Bradley Blackwell, client relations in Asia Pacific for Northern Trust, and Dane Fannin, head of securities lending trading in Asia for Northern Trust, both say that their bank remains an important strategic partner for its clients and borrowers in Asia, having established itself as a prominent provider of securities lending in the region for decades.

"Our experience and product knowledge help clients navigate Asia's complex structural and regulatory landscape to ensure they capitalise on the significant growth opportunities the region presents."

They add that the bank recognises that there is not a one-size-fits-all approach with lending, so programmes are tailored for each client, including fees.

"General principles include our 24-hour global coverage and single platform allows our traders to share market information globally to negotiate fees with borrowers and obtain maximum value for securities. We access current market loan details through securities lending data providers. On-going review of lending fees throughout the life of a loan to assess current market supply and demand, and re-rate loans as appropriate."

Last year, the bank made a number of changes to its lending programme, including the expansion of new collateral types and borrowers, enhancements in reporting and technology, and program updates due to regulatory and tax changes.

Northern Trust, say Blackwell and Fannin, is actively monitoring the potential impact of global regulatory developments. "The breadth of regulatory proposals has created uncertainty that has weighed upon the market. As more of these regulations are finalised, we will have greater clarity and be able to assess the direct and indirect effects of the new rules, such as counterparty limits and capital requirements."

Stuck in the middle

After some uncertainty about corporate action events in the beginnings of lending and borrowing in the country, now pretty much cleaned up, there seems to still a slight divergence of the South Korea from other global markets.

"With regard to corporate action events, personally I think that the infrastructure is fully mature and standardised," says Yang. He adds that the caveat that, unlike the global lending and borrowing market, in South Korea there is not a fully automated infrastructure between lenders and borrowers.

"The reason for this is that a so-called intermediary still exists in the country, and both domestic lenders and borrowers don't need to invest in electronic infrastructure for themselves. They are only dependent on securities lending and borrowing intermediaries, KSFC and KSD."

He says that if South Korean hedge funds want to act substantially in global markets, they should consider borrowing overseas equities in order to diversify trading strategies and returns.

Fannin and Blackwell agree, stating that while the majority of offshore market participants operate comfortably within the current framework, on a comparative basis South Korea remains somewhat non-standard.

This, they say, is largely a function of the unique segregated account structure lenders are required to navigate for clients, coupled with a punitive settlement regime demanding robust risk management processes.

Furthermore, the ability to process various corporate events via offshore securities lending and borrowing remains a challenge in certain cases.

Although these factors do not necessarily present barriers to entry, the impact is potentially a drag on the liquidity securities lending and borrowing facilitates for the broader market.

"Whilst there is ubiquitous appreciation of the need for a robust regulatory framework pertaining to settlement rules, the extent to which this is explicitly clear for securities lending and borrowing in South Korea remains opaque, driving lenders to adopt conservative buffer policies which ultimately hampers supply," the pair say.

"Increased regulatory transparency and greater consistency with other jurisdictions, such as Hong Kong, would potentially allow lenders to operate less conservatively, ultimately improving liquidity."

From a corporate actions perspective, Fannin and Blackwell disagree to an extent with Yang.

"Whilst there have been notable lending and borrowing developments in allowing for improved processing efficiency for various events, there are certain instances in which the rules remain challenging for both lenders and borrowers, eg, mergers and acquisitions with associated dissenting votes."

"Whilst it is not expected that the regulators amend broader market rules, it would certainly be beneficial for the industry to be granted exemptions pertaining to securities lending and borrowing."

Central securities depositories (CSDs) should focus on fundamental functions as securities settlement and safekeeping, says Yang.

"CSDs should not compete with commercial financial institutions, which are their clients. Due to conflict of interest, CSDs' active participation in securities lending and borrowing should be reconsidered and banned. When it comes to settlement failure events, CSDs can lend securities to prevent systematic disaster after clients' acknowledgement."

Direction unknown

Blackwell and Fannin assert that they are not seeing any specific sector emerge as a main focus of directional demand, compared to other regional jurisdictions such as Hong Kong, Japan and Taiwan.

In South Korea, they say, demand has been more stock specific relative to underlying company fundamentals, concentrated largely in a handful of securities only.

Generally, they add, there has been more conviction to invest in other Asian markets that have presented more compelling revenue opportunities across an array of sectors, particularly with a perception that with South Korea's heavy retail investor component, the market tends to be susceptible to volatility associated with macroeconomic events, deterring funds from deploying risk to any large degree.

> "South Korea's heavy retail investor component tends to make the market susceptible to volatility associated with macroeconomic events"

Perception, reality and patience

In November 2013, South Korea lifted a short selling ban that had been in place for five years.

Yang says that the appeasement of the ban has had a favourable impact on the market environment, stating that as of 27 February trading balance was KRW 43.1 trillion ($40.3 billion).

However, Blackwell and Fannin say that in the short term, they didn't really see any immediate impact from the ban removal.

"Despite there being initial views of potential demand for brokerage stocks, given perceptions of increased competition within the sector which has eroded market share and future earnings capacity for many domestic firms."

"However, with a risk of this news already being priced in and reluctance to trade new positions into year-end, hedge funds preferred to maintain a conservative stance."

But in the long term, it seems that both local and international players are positive. Fannin and Blackwell state that they expect that the news will have a positive impact for the industry, since an ability to short securities across an entire index without constraint will allow funds to position their strategies more effectively, which should encourage more trading volume and improve overall liquidity.

"This in turn should help attract more hedge fund interest to South Korea, which ought to spur greater securities lending and borrowing flow." **SLT**

Money makers

Can you make money lending GC securities in a low interest rate environment? Chris Benedict, vice president of DataLend, finds out

The great financial crisis of 2008 did more than destroy investors' 401(k) balances, kill venerable names such as Bear Stearns and Lehman Brothers, and force governments to prop up capital markets. The reverberations still echo in the securities lending market not only in the form of Basel III, the Dodd-Frank Act and a host of other regulations, but also in an artificially low interest rate environment, causing securities lending traders to lament the lack of money-making opportunities in so called 'GC', or general collateral, trading.

On each cash collateral-based securities lending transaction, a rebate rate is assessed (or for non-cash collateral, a fee to borrow). The cost to borrow securities versus cash collateral is expressed as an interest rate paid on the value of the cash collateral pledged to the lender against the trade. That interest rate is based on a spread to an overnight benchmark funding rate such as federal funds, EONIA or LIBOR (depending on the currency the cash collateral is denominated in). The nearness of the rebate rate to the benchmark rate is an indication of how difficult the security is to borrow. If there is no real demand to borrow a given security, the rebate rate will be positive and very close to the benchmark rate. If there is a large demand for the security, that rebate rate will be negative, indicating that the borrower is not only willing to forgo any rebate on the cash collateral, but will instead pay a fee to borrow the 'hot' or 'special' security. The deeper the negative rebate rate, the hotter the security.

Rebate rates booked very close to the cash collateral currency overnight benchmark is an indicator of a GC trade. Likewise, non-cash trades with very low fees (between 0 and 25 basis points) are also an indicator of a GC trade. IBM is a classic example of a GC security. It has a huge market cap, a massive public float, isn't a volatile name and is widely held by pension plans, insurance companies and mutual funds worldwide.

Prior to the artificially low interest rates of today, broker-dealers were able to make 10 or more basis points on their GC cash collateral rebate rate trades from their lender counterparts. Pre-crisis, agent lenders in some cases were able to make more than 75 basis points investing this collateral in the cash reinvestment markets, FTSE Global Markets has reported. Not so in the current credit-conscious environment. As well as more restrictive reinvestment guidelines, cash investors have almost no opportunities to earn money from loaning general collateral in the way they had prior to 2008. But are there any money making opportunities in GC trading left for either broker-dealers or lenders?

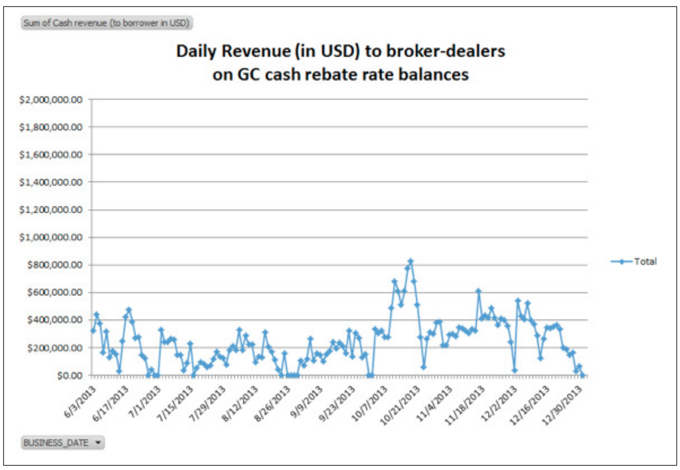
To answer this question, we looked at cash collateral GC trades with positive rebate rates between 0 and 25 basis points (net of the overnight benchmark rate associated with the collateral currency) to see what, if anything, broker-dealers were making on cash rebates in the last six months of 2013. We also looked at non-cash trades with fees between 0 and 25 basis points to see how much the lenders were making on GC balances for the same timeframe.

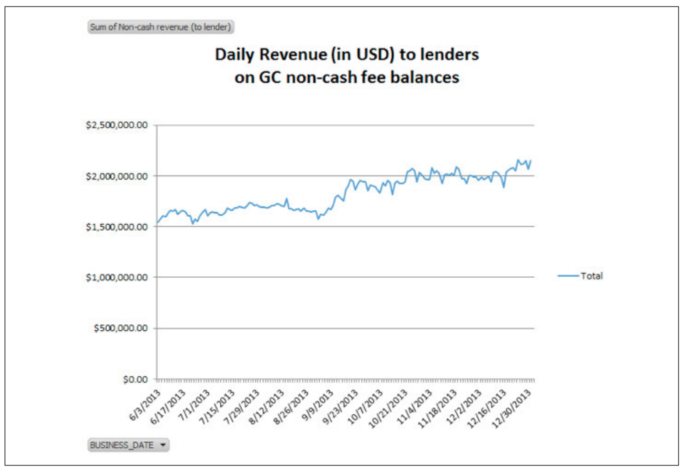
Based on the on-loan balances and extremely low net rebate rates, it appears that broker-dealers globally made total gross revenues of around $37 million in rebate rates on their GC cash balances for the last six months of 2013. That isn't much when you consider how huge the securities lending market is and that average daily on-loan balances for cash collateral-based GC trades globally was around $680 billion during the time period. We can see that revenues were fairly steady with a peak in mid-October, then generally declining at the end of December.

Revenues for lenders with trades out against non-cash collateral were higher—approximately $277 million in gross revenues globally for trades with GC fees from June through December. That's not bad considering that total GC non-cash balances were about $546 billion globally on any given day during the time period.

So can you make money trading GC names in the securities lending market? Yes, there is opportunity for revenue generation in highly liquid and easy-to-borrow securities. Traders who embrace automation to handle their GC books will realise revenue by allowing them to concentrate on real money-making opportunities in the specials market. Adopting automation to handle low-touch GC trades is key to the reallocation of resources to more demanding transactions or entering new markets. As the global economy continues to recover, jobless rates drop and central banks take their collective feet off the quantitative easing gas pedal, interest rates only have one way to go from here: up. Firms who automate their GC books today will realise benefits not only in the short term but also will be poised to reap even more rewards when interest rates begin their inevitable ascent.

Source: DataLend





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Shorts riding the squeezes

Markit Securities Finance's Simon Colvin asks whether 2014 will be the year of the short squeeze following resurging markets and volatile share prices

While the year has so far been auspicious for short sellers, several heavily shorted names have seen large price increases, catching out short sellers.

On the other hand, plenty of heavily shorted shares have performed as short sellers would expect as evidenced by ADT Corporation's 17 percent one-day price fall when it failed to live up to earnings expectations.

We identify the shares that have seen large price swings since the start of the year to see if short sellers been able to correctly position themselves ahead of the volatility.

Volatility favouring the upside

So far this year, constituents of the Russell 3000 Index have seen more upside volatility than the opposite. There have been 583 instances when an index constituent saw its shares surge by more than 10 percent. Downside volatility has been more muted with only 287 one-day price declines of more than 10 percent within constituents of the Russell index.

On average, days with upside volatility have been more volatile than days with downside volatility.

Limiting the universe to shares seeing heavy short interest over volatile periods does not change the upside/downside ratio significantly. There have been 190 instances this year when a Russell 3000 member with a short interest greater than 6 percent of shares outstanding has seen a large price upswing as opposed to 91 instances where there has been a large downside.

Most successful one-day shorts

So far this year, there have been 18 instances when a heavily shorted Russell 3000 constituent with more than 6 percent of shares out on loan fell by more than 20 percent in a day. After Nii (more on it below), retailer Conn's has been the most successful one-day short among companies this heavily shorted group of companies. Its share price fell by more than 40 percent on 20 February when the electronic retailer announced a rise in defaults among its customer loans, which negatively affected earnings.

Retailers and consumer-focused shares have featured heavily among the most successful shorts with the likes of American Apparel, Weight Watchers and Gamestop all seeing large one-day price falls along with heavy short interest.

The jury is still out as to whether short sellers have been taking profits off the table since seeing large one-day price declines.

The 18 companies seeing large price falls have seen a jump in short interest on average with demand to borrow increasing 4 percent from the day following the large price decreases.

However, we did see plenty of short covering in the wake of a large price fall with Onconova seeing the largest fall in short interest of 56 percent since its shares tumbled at the end of February.

Squeeze alert

On the flip side, the risk of a short squeeze is ever-present and there have been 33 instances when a Russell 3000 constituent with more than 6 percent of shares sold short saw its share price jump by more than 20 percent in a day.

Standout in our screen is Intermune, which saw its share price jump by more than 170 percent on 25 February after the biotechnology company received promising results for one of its lung disease treatments.

Despite this, short sellers have remained pretty steadfast in Intermune as demand to borrow the company's shares has actually increased 12 percent in the wake of the price jump.

Pharmaceuticals is the standout sector among our squeeze universe with eight companies featuring among the least successful single-day shorts.

Short sellers have trimmed their positions by an average of 11 percent in their least successful shorts. Keuring Green Mountain is the company seeing the most short covering after seeing its demand to borrow fall by over two thirds since it announced a tie-up with Coca Cola.

Nii

Nii is the standout in our volatility screen with two instances where its share price jumped by more than 20 percent before the company's shares fell by 55 percent on 28 February. This was after the company announced poor Q4 results, leading management to raise questions about the firm's ability to meet its financial obligations.

Short sellers have stayed the course in Nii as more than 30 percent of the company's shares were sold short when it announced its last set of disappointing results. **SLT**

Simon Colvin
Research analyst
Markit Securities Finance

Markit Securities Finance Forum

Date: 19 March 2014
Location: London
naomi.wilson@markit.com

Markit will be hosting our annual Securities Finance Forum on 19 March in London. To find out more information, including registration details, please contact Naomi Wilson at naomi.wilson@markit.com

4th Annual CASLA Conference on Securities Lending

Date: 8 May 2014
Location: Toronto
www.canseclend.com

The 4th Annual CASLA Conference on securities lending will take place this year on May 8, 2014 at The Omni King Edward Hotel, Toronto, Canada.

Registration opens soon. Mark your calendars!

For more information about the 4th Annual CASLA Conference on securities lending, please contact cibcmellon@cibcmellon.com

ISLA's 23rd Annual Securities Finance and Collateral Management Conference

Date: 17-19 June 2014
Location: Berlin
www.isla.co.uk/isla2014

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Enterprise Collateral

Date: 24-25 June, 2014
Location: London
wbresear.ch/enterpriseslt

Enterprise Collateral 2014 is the only conference to bring together the treasury, front, middle and back office from financial institutions to source enterprise wide solutions for optimising collateral.

Industry appointments

Doran Jones has recruited a former Barclays employee, **Keith Klain**, to act as its as COO and to run the firm's testing practice.

He will replace the previous incumbent, **Lou Lebedin**, who has moved into a board role.

Klain most recently ran the global test centre for Barclays and was responsible for implementing context-driven testing principles across the bank.

In his blog, Klain said: "Doran Jones specialises in helping companies increase value, innovate, and simplify their technology investments. Their philosophy is a perfect match with my experience in skilled testing and its ability to transform an organisation's approach to software quality."

The firm has also brought in software tester **Paul Holland** to be managing director of its testing practice.

He will report directly to Klain.

Holland has 20 years of experience in software testing, having spent 17 years as a test manager and tester at Alcatel-Lucent.

He is one of the few people in the world who is qualified to teach the Rapid Software Testing course, a revolutionary approach to testing pioneered by James Bach, and has been focused on this for the past two years.

The new recruit is a founding member of the International Institute for Software Testing. He also served on the board of directors of the Association for Software Testing for three years.

Thomas Anglin has been appointed as head of prime brokerage origination in New York for UBS.

In this role, which was effective from 20 January, Anglin is responsible for business development with a focus on start-up hedge funds and report to Chris Hagstrom.

Anglin first joined UBS in New York in 2003 on the Australian equities sales desk.

From 2006 to 2009, he was a partner at the hedge fund Ospraie Management where he traded equities and commodities.

He then re-joined UBS in 2009 and moved to Sydney to lead the Australia hedge fund sales team. He returned to New York in early 2013 and has since helped with the build out of global equities sales.

LCH.Clearnet has promoted **Daniel Maguire** to global head of SwapClear, its interest rate swap clearing business.

Maguire replaces **Michael Davie**, who will focus on his role as CEO of LCH.Clearnet. Maguire will report to Davie and will also join LCH.Clearnet Group's executive committee.

Most recently, Maguire was the head of SwapClear in the US and global head of product and marketing, where he spearheaded SwapClear's development into client clearing.

Originally joining LCH.Clearnet in 1999, he returned to the firm in 2008 having spent three years at J.P. Morgan, working in the global commodity exotics and hybrids business.

The California Public Employees' Retirement System (CalPERS) board of administration has elected a number of new chairs and vice chairs to their board committees.

Henry Jones has been made chair of the investment committee, and **George Diehr** has been made the vice chair.

Jones was elected to the CalPERS board in 2007, and then re-elected in 2011. Diehr was elected to the CalPERS Board in 2002 by state employees, including employees of the California State University System. He was re-elected to a fourth term in 2010.

Other investment committee members are **Michael Bilbrey**, **Julie Chapman**, **John Chiang**, **Richard Costigan**, **Rob Feckner**, **JJ Jelincic**, **Ron Lind**, **Bill Lockyer**, **Priya Mathur** and **Bill Slaton**.

Priya Mathur has been made chair of the pension and health benefits committee while George Diehr is also its vice chair.

Mathur was elected to the CalPERS board in 2002 by CalPERS public agency members and was re-elected in 2006 and 2010. Mathur is a principal financial analyst for the Bay Area Rapid Transit District.

Slaton has been elected as chair of the finance and administration committee and Richard Costigan takes the position of vice chair. Slaton was appointed to the CalPERS board in July 2012 by governor Jerry Brown to represent local government.

Costigan was appointed to the State Personnel Board by governor Arnold Schwarzenegger in 2007 and is senior director of state and government affairs for the national law and consulting firm of Manatt, Phelps and Phillips.

Michael Bilbrey has been made chair of the performance, compensation and talent management committee and Priya Mathur has been made its vice chair.

Bilbrey was elected to the CalPERS board in 2010 and was re-elected in 2013. Bilbrey is the bookstore operations coordinator at Citrus Community College in Glendora. He is also president of the California School Employees Association and vice president of the California Labor Federation Executive Council.

There was no change on the board governance committee. Board president Rob Feckner continues as chair and Mathur continues as vice chair.

The risk and audit committee did not meet in February and will choose the chair and vice chair at its next meeting.

CalPERS is the largest public pension fund in the US, with more than $280 billion in assets.

he National Association of Pension Funds (NAPF) has appointed **Graham Vidler** as head of external affairs.

Vidler, who begins his new role in late spring, will be responsible for leading the NAPF's external affairs activity including policy, research, media and parliamentary affairs.

He joins NAPF from The National Employment Savings Trust, where he was director of communications and engagement.

Before joining NEST, Vidler worked on pensions from a variety of perspectives: as a researcher at the House of Commons; as a policy adviser for the Association of British Insurers; as the head of policy at Which?; and as head of marketing at Norwich Union Life.

Fraser Mackenzie and **Andy Cullen** have joined Commerzbank Market Services as strategic consultants focused on product growth, integration and delivery for custody and collateral services.

They joined Commerzbank on 24 February and report to Robert Scott, head of custody and collateral solutions at Commerzbank Corporates & Markets.

Mackenzie previously spent more than 25 years at Barclays, in roles such as global head of reconciliation services utility and global head of payments and operations control.

Cullen was most recently a project manager for European custody strategy at Northern Trust. **SLT**