ISLA Daily

Day 3

26th Annual Securities Finance and Collateral Conference

Thursday, 22nd June

EquiLend and Trax target SFTR's treasure trove of data

Monetary policy review • Equities as collateral • Traditional model preview
EquiLend and Trax on SFTR • Lenders' view on CCPs • ISLA Day 2 photos

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Quantitative easing is here to stay but securities lending offers respite

There is no sign of a liquidity convergence within the eurosystem as Europe's central banks signal their intent to press on with quantitative easing, offering attendees of the ISLA Securities Finance and Collateral Management Conference no timetable for when this so-called non-standard monetary policy measure might end.

The European Central Bank (ECB) left interest rates unchanged earlier in June.

The ECB expects interest rates "to remain at their present levels for an extended period of time, and well past the horizon of the net asset purchases".

Its controversial non-standard monetary policy measure of net asset purchases, currently set at €60 billion per month, will run until the end of December 2017, or beyond.

The ECB also "stands ready to increase the programme in terms of size and/or duration".

European central banks have accepted that quantitative easing on this scale cannot last forever.

Studies of quantitative easing have found that while the public sector purchase programme (PSPP) has succeeded in depressing bond yields, liquidity and repo rates have also dropped.

In response, European central banks made many of those assets available for securities lending.

The International Capital Market Association (ICMA) backed this move in January.

An ICMA quarterly report said: "Holding securities within the PSPP naturally removes them from the market and it is only through the arrangements for securities lending that these holdings can then be made available to assist the market in meeting its operational needs."

"In consequence, collateral availability could decline, at a time when collateral demands are increasing."

Market participants have responded positively to the securities lending facility, particularly following the decision to begin accepting cash as collateral.

But the parameters of the bilateral programme, which is conducted through Clearstream, remain strict in view of its aim to back-up financial markets rather than replace them.

Brexit may push out small lenders

Smaller beneficial owners are at risk of being pushed out the market by rising regulatory compliance costs, a revenue squeeze and Brexit.

According to ISLA Securities Finance and Collateral Management Conference speakers, only the larger lenders in the market have the resources to absorb the costs of incoming reporting standards in the form of the Securities Financing Transactions Regulation (SFTR), among others. In a poll of audience members, 43 percent said they expect the added cost of SFTR reporting obligations to force them to change their business model.

Smaller beneficial owners were highlighted by conference speakers as being less likely to have access to the resources to effectively manage the risk/reward factors of maintaining a securities lending programme, and as such may choose to shut up shop rather than fall foul of their own risk management standards.

As SFTR and other regulatory deadlines approach, the ramifications of a 'hard Brexit', which is expected to involve a complete separation of the UK from the EU's single market and forfeiting of financial passporting rights, may compound the challenges threatening small lenders in the market.

One panellist predicted that, although myriad question marks remain around how the negotiations will proceed, the final result to be closer to a hard than a soft Brexit.

A conference speaker representing a European bank was unphased by the hurdles Brexit creates and mused that the only issue was where to move his UK sales team to in the EU.

However, the speaker acknowledged that once again, the largest players would be able to adapt but that smaller counterparts would be the ones to suffer.

Rule 15c3-3 changes will realign rather than replace trading

Potential reform of SEC Rule 15c3-3 is likely to change the US market, but the likes of the UK will see a realignment in trading rather than an out-and-out replacement.

Attendees of the ISLA Securities Finance and Collateral Management Conference in Berlin heard how collateral requirements are diverging by region, with Middle East-based clients seeking sharia-compliant assets, and those in the Nordics asking for ESG-friendly assets.

In the US, long-mooted changes to Rule 15c3-3 promise to allow mutual funds to collateralise their securities lending activity with equities.

Experts at BNY Mellon recently wrote of the excitement among collateral providers in the US, "because, on the surface, the rule change potentially reduces their financing costs, as they're naturally long in equities".

"Given that most equity collateral-driven businesses are based outside the US, with the highest concentrations being in Europe, Asia Pacific and Canada, Rule 15c3-3 will likely result in a shift back towards the US."

A poll of conference attendees in Berlin showed that a significant share believe that such a shift could occur, although speakers cautioned against getting too excited.

Eligible collateral would be restricted to Russell 1000 and S&P 500 equities under the changes to Rule 15c3-3, which would limit their effect on trading around the world. There was also a prediction that changes to Rule 15c3-3 would be counterproductive, putting a squeeze on cash in the US market, and scepticism as to whether they would displace business from markets such as the UK, where there have long been no restrictions on collateral type.

Clearstream's GSF volume dips as ETF demand booms

Clearstream's saw its global securities financing (GSF) volume fall 14 percent in May, at the same time as demand for its custody services for exchange-traded funds (ETFs) skyrocketed.

GSF outstanding volume dropped to €451.5 billion last month, down from €522.8 billion during the same period last year.

Year-to-date average GSF was also down 10 percent from €528.7 billion in 2016 to €474.1 billion.

Clearstream saw a 25 percent increase in its custody business for ETFs over the past 12 months, with ETF assets under custody passing the €300 billion mark for the first time in May.

According to Clearstream, this increase is partly down to the emergence of products such as its Vestima cross-border fund processing platform, designed to simplify cross-border ETF transactions while improving liquidity and reducing costs.

ETFs were added to the Vestima fund platform in 2014.

Clearstream Banking co-CEO Philippe Seyll said: "Our system takes care of the complexity. It is low on cost and it is automated. This means that a French investor can buy into a German-listed ETF and sell it on the UK stock exchange seamlessly."

Clearstream's total assets under custody for May saw a 3 percent increase to €13.46 trillion compared to the same month last year, when assets under custody reached €13.04 trillion.

The investment funds services business saw an almost 50 percent increase in the number of transactions, and a 19 percent increase in the value of securities deposits.

Transactions increased from 1.4 million in May 2016 to two million in May 2017, with securities deposits increasing from €1.84 trillion to €2.2 trillion.

In its international central securities depository (ICSD) business, Clearstream saw a 37 percent increase in the number of transactions, from 2.9 million in May last year to four million this year. However, securities deposits dipped by 2 percent, falling from €6.81 trillion to €6.7 trillion.

Similarly, in the CSD business, transactions jumped from 6.2 million to 8.3 million, marking a 35 percent increase. This did not translate to securities deposits figures, however, which saw a 4 percent increase from €4.39 trillion in May 2016 to €4.56 trillion in May 2017.

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UK Money Markets Code to rebuild trust

The securities lending industry has been encouraged to back the new UK Money Markets Code, which was drafted to rebuild trust and confidence after the 2008 financial crisis.

Industry representatives drafted the code in partnership with the Bank of England (BoE) to replace the previous guidance, which has been judged to be outdated.

The previous code covered the foreign exchange (FX), securities lending and repo markets, but was not updated to keep pace with a rapidly changing marketplace. The creation of the FX Global Code prompted the creation of the new market-driven code for securities lending, repo and deposits markets.

Their structures broadly align as a result.

According to the BoE, the new code sets out best practice expected from participants in the securities lending, repo and deposits markets. It supersedes existing guidance in the incorporated codes of conduct.

By bringing these together, it will more clearly establish the framework for transacting in UK money markets in order to promote counterparty trust, fairness and overall market transparency.

The new code was also endorsed by the UK's Money Markets Committee, a senior-level forum for market participants and the public authorities.

All UK money market participants have to commit to the principles of the code by 1 January 2018.

Commenting on the new code in April, ISLA CEO Andy Dyson said: "The code is a principles-based code that will provide a conduct based framework that market participants will adhere to. We fully endorse and support this new code which firms will need to be compliant with from 2018."

The evolution of collateral management

Grant Davies, head of client development and relationship management at ColleX, gives a round-up of his panel on collateral management and the efficiency of the market, which assessed how the needs of participants are changing

The panel, titled 'Collateral Management—How Efficient is the Market?', assessed how the collateral needs of market participants are changing.

The panel focused on what we asked our collateral management team and service providers to do in the past and how that has shifted over time. It offered a moment's reflection on where we came from and how collateral management has evolved.

Several misconceptions, including that there are centralised collateral pools managed at banks, were addressed, as well as a look at if collateral pools are now more complex based on the source.

It is now more important to the institutions liquidity ratios to make sure the right piece of collateral is allocated to the right liability and to leverage tech solutions, breaking down the silos.

How do we get here?

The capital and liquidity regulations imposed by Basel III mean that market participants are less concerned with counterparty default and more with how can they can offset costs and generate alpha.

We then investigated what this means for market liquidity.

Industry regulators assume this is a slow moving market and do not fully understand the velocity of asset allocation and collateral management.

The panel discussed how the buy side is evolving to meet the demands within the regulatory backdrop, innovating infrastructure to fit needs.

Borrower innovation

Ann Doherty is moderating a panel that will consider the continued viability of the agent lender model. She tells Mark Dugdale what some of the key issues will be

How will your panel discussion define the traditional securities lending model?

By traditional securities lending model, we are referring to the typical beneficial owner-agent lender relationship accessing the broker market. We have reflected this in the representatives on the panel, who are running those lending desks, seeking collateral as treasurers, developing platforms, or managing the overall financing group.

What are the challenges to the traditional securities lending model that the panellists will discuss?

Since the financial crisis, the landscape for securities lending has evolved significantly. There have been changes in regulation, of course, which have resulted in an ongoing shift in supply and demand across a range of asset classes, products and regions. The various participants in the value chain have been affected in different ways. Some have had capital requirements that have led to changes in behaviour, while some have had new liquidity rules to contend with.

This is primarily about the borrowers, which have experienced mismatches at certain points of the financing chain. For them, securities lending has and always will be about financing. Now, we are seeing demand for high-quality liquid assets increase, so revenue from US treasuries is at an all time high, and US equities continue to dominate globally.

At the same time, there has been reduced liquidity in overnight and short-term repo. Borrowers are looking for new opportunities amid these traditional avenues. Our panel will consider some of these, including peer-to-peer (P2P) lending.

As P2P lending has begun to dominate discussions, have you seen central clearing slip from the limelight?

While central counterparties (CCPs) and market infrastructures have been represented as playing an increased role in the securities lending market, I think there is still work to be done there, because we haven't seen significant shifts in liquidity. I would be happy to have that as one of the points of this panel, to discuss how significant the role of CCPs will be in the future.

What role is the need to optimise collateral playing?

With cash investment returns being where they are, there is a need for innovation. Many borrowers of securities need their cash in other places. A good example is derivatives activity, which requires significant margin. Those new rules are causing collateralised derivatives to mop up huge amounts of liquidity. As a result, innovation around securities collateral has moved forward in leaps and bounds over the last few years because borrowers have to be more innovative in terms of how they use collateral and what collateral they can give.

Lenders have to understand this shift and be more flexible about that collateralisation and the forms of collateral they will accept. It's been one of the more nuanced shifts within the industry, particularly when overnight repo for cash has curtailed significantly. In the past, lenders might have swam only in the lane marked 'securities lending'.

Now, there are new swimming lanes, marked 'repo' and 'P2P lending', for example, that lenders cannot ignore. Many lenders will need access to cash, or they might be lending out their long positions, so financing is important. It's a concept that has a lot more credence now than in the past.

Innovation around securities collateral has moved forward in leaps and bounds over the last few years because borrowers have to be more innovative in terms of how they use collateral

Ann Doherty, Managing director and regional sales executive, investor services—EMEA
J.P. Morgan

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Treasure trove of data

Brian Lamb of EquiLend and Christophe Roupie of MarketAxess Europe Limited and Trax tell Drew Nicol what SFTR means for securities finance

What has been the impact of the delay in SFTR implementation?

Brian Lamb: The delay has given market participants an opportunity to review more thoroughly their booking and operating models, and identify key areas they need to address, in order to complete the accurate reporting of transactions. It has also allowed firms to look at the reporting options available to them and has given them more time to assess whether to build versus buy a Securities Financing Transactions Regulation (SFTR) solution.

EquiLend's solution takes a modular approach, in that we can support clients with as much or as little of the SFTR process as they require. Clients that have existing regulatory reporting engines may only need our matched transaction data and handle the rest of the process themselves. Others may need us to match and enrich the transaction data and transmit it to a trade repository for them. Others may need a combination of the two approaches depending on the department or asset class traded. We are here to support all clients regardless of their approach to SFTR.

Do firms need a vendor for SFTR? Can't they do it themselves?

Lamb: SFTR is more than just a simple reporting issue. It requires firms to supply a number of matched fields that need to be agreed with their counterparties. The best way to do this is at the point of trade, which is offered by the EquiLend solution. Using a market vendor will support firms in submitting more accurate data. EquiLend offers matched transactions at the point of trade, and provides unique transaction identifiers (UTIs), time stamp execution and full lifecycle management of the UTI. This allows us to support the securities finance community with a compelling, one-stop solution to SFTR.

Why is everyone talking about unique transaction identifiers?

Lamb: Back in September 2014, the Financial Stability Board Aggregation Feasibility Study concluded that UTIs, as well as legal entity identifiers (LEIs), were critical for any aggregation option. To support the use of UTIs, the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions released earlier this year technical guidance on the Harmonization of the Unique Transaction Identifier. So for firms, the UTI is becoming increasingly important to comply with transaction reporting obligations. It is no different for securities finance transactions, and with UTIs critical in the process of transaction reporting, it is understandable that firms are very focused on their generation. As a trading venue, EquiLend is ideally positioned to generate UTIs and support the lifecycle management via our post-trade tools.

With the volume of data required in SFTR, should firms be concerned about the security of their data?

Lamb: Data security is absolutely a concern for all firms, especially as many firms are submitting data on behalf of clients. SFTR mandates that firms involved in securities finance supply a large swathe of information about their transactions to regulators. Firms need to have confidence that their data will be protected by all third parties, such as vendors and trade repositories. As a regulated entity in multiple markets around the globe, EquiLend is used to handling and securing sensitive client information and has rigorous controls, procedures and systems in place aimed at protecting the best interests of its customers. We have rigorous oversight by regulators in jurisdictions all over the globe, including the UK and Europe. Clients can be confident that the duty of care EquiLend owes to its clients, under both the legislative and regulatory regimes, ensures that their data is carefully managed and secure.

Is SFTR a burden or an opportunity?

Lamb: We have had many conversations with clients that are looking at SFTR as an opportunity to have a full review of their processes and market infrastructure relating to securities finance transactions. This will allow firms to potentially benefit from greater synergies across their product lines; reengineer existing processes; gain greater efficiencies;

> EquiLend offers matched transactions at the point of trade, and provides UTIs, time stamp execution and full lifecycle management of the UTI

Brian Lamb, CEO
EquiLend

and to centralise and standardise to bring greater structure to their business, front to back. Despite the additional costs that clients will inevitably incur to meet their SFTR reporting requirements, we believe the benefits mentioned should allow firms to benefit from an overall cost efficiency.

How can firms leverage their MiFID II and EMIR reporting experiences to prepare for SFTR?

Christophe Roupie: There is a consistent message from the European Securities and Markets Authority (ESMA) that it has intentionally tried to lessen the burden on firms through the alignment of reporting requirements as much as possible across the different regulations.

We have seen this with the latest revisions to the European Market Infrastructure Regulation (EMIR), which are due to go live in November this year, as well as the general similarities between EMIR and SFTR.

Although alignment of the regulations isn't always 100 percent, there are a number of lessons that the industry can learn from the impending second Markets in Financial Instruments Directive (MiFID II) implementation, as well as the experience from EMIR. Taking three areas as examples: instrument reference data, counterparty data and operations models.

MiFID II mandates the use of international securities identification numbers (ISINs) for the purposes of trade and transaction reporting. This has driven solution providers in the regulatory reporting and data space to provide enrichment services that can be used under SFTR. Problematic fields such as CFI codes (for classifying financial instruments), LEI of issuer and quality of security can all be enriched through comprehensive data sets that both reporting firms and vendors have developed in response to MiFID II. This is certainly an area that we are actively reviewing.

For counterparty data, EMIR and subsequently MiFID II have initiated and extended the use of LEI codes. This means that the programme teams of SFTR reporting within individual reporting firms should look to their existing counterparty static data, which should already have a large amount of the LEI mappings completed. Lastly, for firms that have previously not had a transaction reporting obligation, MiFID II, and to a certain extent EMIR, has forced firms, notably the buy side, to begin to build out their operational teams to provide oversight and management of their multiple transaction reporting requirements. These same teams will be invaluable post-SFTR implementation.

Which asset class has the most ground to make up ahead of SFTR?

Roupie: The multitude of actors involved in the securities financing trade lifecycle mean that each asset class has its own challenges. Having said that, the bilateral repo area is particularly manual. Setting aside all of the transactional data points required for SFTR, simply agreeing and providing a UTI to your counterparty when there isn't an electronic execution or confirmation makes for a particularly onerous operational process. SFTR should encourage firms to automate their processes and match electronically, avoiding the inherent challenges of manual processes currently in place such as updates sent via fax.

What does SFTR mean for the buy side?

Roupie: As with the other transaction reporting obligations set out under EMIR and MiFID II, SFTR is bringing new obligations to the buy side. Ultimately, this means that they will need more sophisticated data management and operational processes in place, as well as larger teams to implement and oversee these processes. At a time when most firms are looking to reduce costs, this can be a real challenge. Working with firms such as MarketAxess and Trax that have the expertise and technical capacity to help manage some of that burden is key.

> SFTR is bringing new obligations to the buy side. This means that they will need more sophisticated data management and operational processes in place

Christophe Roupie, Head of Europe and Asia
MarketAxess Europe Limited and Trax

Lending CCP: View from the lenders

Mark Dugdale talks to executives from BNY Mellon, BlackRock and Deutsche Bank ASL to discuss their utilisation of a CCP for their securities lending business

Eurex Clearing's Securities Lending Central Counterparty (CCP) service continues to establish itself as an innovative and strategically important infrastructure provider to the securities lending marketplace. This year, a number of new participants are joining the Lending CCP, while additional service extensions and enhancements of the service are being implemented. Mike Landolfi of BNY Mellon, Tim McLeod of BlackRock and Jay Schreyer of Deutsche Bank ASL explain how they have utilised central clearing for their securities lending businesses.

As committed clients to Eurex Clearing's Lending CCP, what are the key business drivers that influenced your decision to use the Lending CCP?

Mike Landolfi: The use of CCPs for securities finance transactions (SFTs) is one of the critical ways forward for our lending clients to preserve and potentially expand their on-loan balances, pricing and distribution channels. Eurex's Lending CCP retains some key components of the bilateral model while introducing CCP-specific benefits such as favourable capital treatments and expanded counterparties.

Tim McLeod: The new regulatory framework has increased the capital cost of securities loans against bilateral counterparties, but decreases the cost when the counterparty is a qualified CCP. Consequently, many of our counterparties have asked agents to explore the feasibility of moving certain parts of their book to clearing. From the lender's angle, the CCP would enhance counterparty credit quality and in theory lower default risk, making central clearing attractive.

Furthermore, as a central repository of data on every participant's outstanding positions and collateral, a CCP—together with financial market regulators—should be in the best position to quickly ascertain exposures in a member default scenario, and conduct an orderly wind-down via position netting and standardised default management procedures. Finally, a CCP acts as the central transactional hub for the lifecycle of the loan. We see potential value, therefore, in the CCP providing a standardised operating platform for the securities lending industry, which should result in operational efficiencies for participants, lower fail rates and reduced post-trade 'noise'.

Jay Schreyer: Key drivers for Deutsche Bank Agency Securities Lending (ASL) has been the development of the Lending CCP platform and the importance this has to some of our borrower community. The ability to enter the market via the Eurex platform allows Deutsche Bank ASL to position itself to a wider audience in a way that allows underlying clients to have peace of mind in the knowledge that they are facing a strong financial organisation whose structure looks to minimise risk at all levels. In addition, the ability to have a CCP

> Eurex's Lending CCP retains some key components of the bilateral model while introducing CCP-specific benefits

Mike Landolfi, Securities finance product and strategy manager
BNY Mellon

structure that takes much strain away from the operations teams is a very attractive proposition indeed.

Why has the market been reluctant to prioritise and implement central clearing into their business?

Landolfi: The clearing of SFTs has been discussed for some time, but it's only in the past two years that workable clearing models have been developed and gained approval from regulators. That said, the documentation required for beneficial owners to become buy-side CCP members remains more onerous than the paperwork required for similar bilateral agent lending relationships. Nonetheless, it's expected that these additional requirements should be more than offset by the improved balances, pricing and diversification that cleared SFTs can provide beneficial owners and agent lenders.

McLeod: It's arguably taken a long time for the CCPs to fully understand the agency lending business and to develop a model that's appropriate for the potential beneficial owner participants—for example, identifying a suitable collateral model, ensuring that we achieve the operational scale and efficiency the CCP should deliver, and understanding the regulatory hurdles that large parts of the market will face when looking to connect. At the time of writing, we're still not in a position to say that the CCP models available work for the majority of lending markets for the majority of potential clients—and that may deter some market participants from devoting project resources to what is a significant implementation effort.

Schreyer: It is difficult for us to comment on the priorities of the market as a whole. We can say that we have had to prioritise Eurex delivery against many other needs such as regulatory requirements, internal business strategy initiative and as always ongoing run-the-bank (RTB) and change-the-bank (CTB) deliveries, which all have an impact on the wallet size. In addition, market participants might see the need to add key markets to the platform as a driver for more demand, such as the US, Japan and the Middle East, to name a few. Finally, the overall set-up process, while very much supported by Eurex in terms of the onboarding, is both detailed and complex from legal reviews to connectivity deliveries and internal drivers such as new product approval sign-off.

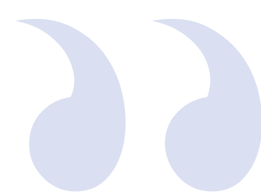
Where do you see opportunity for more effective pricing and revenue for your business and your clients by using the Lending CCP?

Landolfi: Global regulatory reform is placing greater emphasis on the capital impact of transactions. As cleared SFTs are efficient from both a capital and balance sheet perspective, demand for cleared securities finance balances has been increasing. As early adopters sign up to cleared SFT solutions, a supply/demand imbalance will emerge favouring beneficial owners as collateral suppliers. One of the ways this inequity may manifest itself is through increased utilisation of CCPs and potentially premium pricing for cleared SFTs.

McLeod: While lenders have not focused greatly on pricing (yet), it's reasonable to expect a two-tier model to develop, with cleared trades attracting a higher lending fee where a portion of the capital and balance sheet savings may be passed on through improved economics for the lender. In terms of operating costs, however, agent lenders and broker-dealers alike are assessing the (modest) incremental transaction and vendor charges that will arise.

Schreyer: It's difficult to see at this moment in time. One area that may provide better pricing will be the ability for the borrowers to net and therefore reduce balance sheet exposure which means clearing through a CCP may provide better pricing structures for certain transactions. In addition, the ability to face Eurex in the transaction will as suggested above, also potentially open up the market for us to new borrowers whom in the past we have been unable to transact with or had any relationship.

While lenders have not focused greatly on pricing (yet), it's reasonable to expect a two-tier model to develop



Tim McLeod, Director of securities lending and finance
BlackRock

The market has adapted to new conditions imposed by policymakers. What are the main regulatory topics that are leading the market towards greater use of CCPs for securities lending?

Landolfi: Regulatory reform is incentivising the clearing of SFTs and repos. Basel III capital charges can be reduced from a 20 percent-100 percent bilateral risk weight to just a 2 percent risk weight if trades are cleared though a CCP. Cleared repo and SFTs can also lessen the impact from supplemental leverage ratio calculations for balance sheet netting of transactions while trades facing a CCP can also be exempted from the single counterparty credit limit rules.

McLeod: The Basel III framework and the prudential capital requirements imposed are changing the dynamics of the lending market. CCPs may offer both netting opportunities and a lower risk-weighted asset counterparty, which will improve the return on capital for the sell side and reduce balance sheet usage.

For buy-side participants, there is no regulatory requirement leading the market to clear, however, we would encourage policymakers to look at how the clearing models fit into the current regulatory text, to help where possible forge a level playing field for beneficial owners—for example, UCITS funds must potentially be allowed to avail of non-title transfer collateral arrangements to become members of any of the CCPs. It's also worth noting that while many market participants do support central clearing for derivatives and other products, it's important to recognise that further regulatory work is required on CCP resilience and recovery and resolution planning, recognising that CCPs have become systemically relevant entities.

Schreyer: For our business, the demand is not so much on the imposed regulation but more on the opportunities transacting via a CCP provides. A key driver is the ability to net balance sheet as well as operate in a more risk-averse environment. In addition, the importance and focus on the ability to offer liquidity to the market both short and medium term, through existing products and new ones as they are developed, lends themselves well to the CCP model.

What should CCPs focus on for the medium to long term so that they can assist the market further?

Landolfi: CCPs need to continue to focus on the development of the SFT and repo clearing models that maximise the regulatory benefits for participants, reduce risk to the industry, and facilitate the adoption and utilisation of clearing by the broad array of buy-side institutions currently active in the bilateral SFT marketplace.

McLeod: We would encourage CCPs to continue to balance their time across risk management and expansion. Broadening lendable markets, eligible client domiciles and collateral options (such as a more complete range of collateral agents and eligible asset types, or a cash collateral solution) will be key over the next couple of years. Equally important will be an ongoing strengthening of the risk management tools and operating models to ensure that CCPs can withstand the impact of significant lending balances—for example, developing a higher level of automation for voluntary corporate action processing. Finally, CCPs should continue to work with industry bodies and policymakers, consistently articulating the value-proposition where the existing regulatory framework is preventing buy-side clients (such as UCITS) from participating.

Schreyer: Long term, I feel the ability to provide connectivity to the CCP by different means and by market standard messaging should be considered. The continued development of the securities lending platform through evolution with the industry should and needs to continue, an area that Eurex has been excellent in to date. The expansion of the securities lending market profile is a key factor for continued growth. Finally, a simpler legal structure will be important if more counterparties are to join the platform with a more reasonable lead time.

> The continued development of the securities lending platform through evolution with the industry should and needs to continue
>
> Jay Schreyer, Co-head of agency lending
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Conference Agenda: Day 3

08.30	***Registration***
09.10	***Welcome by the Conference Co-Chairs*** **John Arnesen**, Global Head of Agency Securities Lending, BNP Paribas Securities Services **Brian Staunton**, Managing Director, BNY Mellon
09.20	***ISLA & Legal, Regulation and Tax Update*** Arne Theia from UniCredit will open this session with a European market update, focusing on the new drivers in the financial markets—regulation, monetary policy of the ECB and political uncertainty. He will analyse the equity and bond markets in Europe and explain the impacts on the collateral markets. This will be closely followed by an update from the ISLA team and the work they have been undertaking over the past 12 months, with a particular focus on how the regulatory agenda has evolved this year. Legislation such as SFTR and MiFID II will be put into better context. James Montgomerie, who is a member of the ISLA Executive Operations Committee and Chair of the ISLA Best Practice Paper Group, will then talk about the revised ISLA post-trade best practice framework and its application. The session will also highlight some of the changes to market structure that we are seeing as market participants think about how to optimise regulatory capital charges and reduce balance sheet usage. Speakers: **Andrew Dyson**, CEO, ISLA **James Montgomerie**, Member of the ISLA Executive Operations Committee and Chair of the ISLA Best Practice Paper **Group & Vice President**, Morgan Stanley **Arne Theia, Managing Director**, UniCredit
10.10	***Regulatory Overview Panel*** Immediately after the ISLA update this panel session will consider the day to day challenges that market practitioners are facing as they grapple with parallel implementation streams around regulation such as SFTR and MiFID II. They will also debate how regulation is potentially forcing changes to the way in which they have to think about the business and how that is feeding through into business flows and client aspirations. Moderator: **Edward Bracken**, COO of Bank Resource Management, Morgan Stanley Speakers: **Natasha Adams**, Director, Global Markets Equity, GME Regulation, Deutsche Bank **Maja Augustyn**, Senior Advisor for Strategy and Public Affairs, BNP Paribas Securities Services **Felix Ertl, Vice President**, Legal, BVI Bundesverband Investment und Asset Management **Gregory Lyons, Partner**, Debevoise & Plimpton LLP

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Conference Agenda: Day 3

11.10	***Coffee Break*** Hosted by: **RBC Investor & Treasury Services**
11.40	***The Traditional Securities Lending Model—Time for Change?*** The current business model associated with the so-called agent lending model has been almost unchanged since the 1980s. With increasing pressure on margins and costs associated with capital and balance sheet, this panel will consider the continued viability of the current business model. In particular the session will debate other ways of doing business and if the current multi line chain between an institutional lender and the hedge fund end user continues to make sense. Moderator: **Ann Doherty**, Managing Director & Regional Sales Executive, Investor Services—EMEA, J.P. Morgan Speakers: **Ed Oliver**, Managing Director, Product Development, eSecLending **Mathew McDermott**, Co-Head of the Global Liquidity Products (GLP) Group, Goldman Sachs **Gareth Mitchell**, Managing Director, EMEA Head & Global Head of Agency Securities Lending Trading, Citibank **Tim Tomalin-Reeves**, Treasurer, Citadel LLC **Ueli von Burg**, Managing Director, Zurcher Kantonalbank
12.40	***Closing Keynote Speech*** **Baroness Tanni Grey-Thompson, DBE, DL** Britain's most successful Paralympic athlete and its most successful female Paralympian—a title Tanni held for over a decade
13.20	***Closing Remarks by ISLA's Chairman*** **Andrew Krangel**, Director, EMEA Head of Agency Securities Lending Business Management & Chairman of ISLA, Citi
13.30	***Closing Networking Lunch*** Hosted by: **Scotiabank**

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