ISLA Daily 1

31st Annual Securities Finance and Collateral Management Conference

Tuesday, 18 June

Regulatory evolution prompts change in trading behaviour

Mike Norwood of EquiLend looks at how regulation has been driving fixed income securities lending

Day one agenda inside

ISLA Americas developments

The International Securities Lending Association (ISLA) has appointed 11 directors to its ISLA Americas board following its expansion into the US, and has selected Fran Garritt to act as executive director and head of business.

Mark Whipple, global head of securities lending at Invesco, will chair the newly created board of directors. Garritt will report directly to ISLA Americas' board.

In his new role, Garritt will be responsible for the overall management of the ISLA Americas' business.

He will oversee all day-to-day operational activities and functions, including events, infrastructure, facilities management, and membership, while working with relevant counterpart(s) across EMEA and the US, to ensure overall strategic alignment with ISLA's broader aims and objectives.

Officers and directors will work with the ISLA Americas' senior management team to deliver the aims and objectives of the affiliate entity.

In addition, the board will work to ensure alignment with the wider association's overall strategy.

The new directors are:

- Ina Budh-Raja, BNY Mellon
- Philip Winter, Citi
- Anthony Toscano, MUFG
- Jason Strofs, BlackRock
- Christel Carroll, Goldman Sachs Agency Lending
- Tom Poppey, Brown Brothers Harriman

ISLA grows Middle East presence

First Abu Dhabi Bank (FAB), headquartered in the UAE, and the Securities Depository Center Company (Edaa), based in Riyadh, have become new members of the International Securities Lending Association (ISLA).

ISLA aims to increase coverage of the Middle East and support the development of securities-lending markets in the region through these partnerships.

The region's growth potential is "vast and continues to attract considerable foreign interest and investment", the association says.

FAB's banking network spans over 20 countries globally, offering services in corporate and commercial banking, investment banking, personal banking, global markets, and consumer banking franchises.

Edaa is the securities depository centre of the Saudi Tadawul Group. It provides a range of post-trade services to ensure the safe and efficient operations of the Saudi capital market.

ISLA says: "We are proud to work with our members in the region to support the development of securities lending markets in the Middle East."

In September 2023, ISLA entered into a partnership with Latham & Watkins to promote the advancement of securities lending activities in the Middle East.

Five months later, in February 2024, the association released the first of a number of SBL guides covering the region, with the first guide dedicated to Saudi Arabia.

- Justin Aldridge, Fidelity Agency Lending
- Tamela Merriweather, Northern Trust
- George Rennick, JP Morgan Chase
- Michael McAuley, BNY Mellon

The new directors were appointed to the board following the recent Extraordinary General Meeting, where ISLA members voted in favour of resolutions to support the expansion of its activities in the US.

In March, the association announced that it will be expanding its coverage and activities to the US with the creation of an affiliate entity in Q2 2024.

The industry trade association is planning a 2024 conference to be held in Florida in October for the securities finance industry.

ISLA aims to serve regional members, including current members operating global businesses. It indicates that it has seen a notable increase in demand to produce "a more cohesive output".

Commenting on the news, Budh-Raja, chair of the ISLA EMEA board, says: "I would like to welcome Mark and the US board members to the broader ISLA universe and congratulate them on their appointment to the inaugural ISLA Americas board of directors.

"This period will shape the work of ISLA across both regions, and the strength of experience within the group will ensure that ISLA Americas' strategy is progressive, and meets the demands of its membership, as well as the market more broadly.

"I am looking forward to working alongside the ISLA Americas Board, to help define one true advocacy voice across both EMEA and the US."

Prior to his new position with ISLA Americas, Garritt most recently served as head of Financial Risk Management and Securities Lending at the Risk Management Association (RMA). His role included overseeing the delivery of the Annual Securities Finance and Collateral Management Conference.

Whipple says: "The ISLA Americas Board and I are extremely delighted with the appointment of Fran and are truly fortunate to have him bring his significant experience to our membership given his previous leadership roles within our industry.

"We are excited to support Fran in transitioning ISLA Americas into a market leading association that, together with ISLA EMEA, can enhance the value proposition to our regional and global members as well as the wider industry."

ISLA appoints Beck

The International Securities Lending Association (ISLA) has hired Krystyna Beck as a regulatory affairs advisor.

In this role, Beck will focus on digital regulations and the UK regulatory landscape. Beck will have a particular focus on the Edinburgh reforms.

Beck joins from BNP Paribas' Securities Services where she worked as a regulatory specialist. She has over 25 years of experience in the securities finance industry specialising in regulatory issues impacting securities finance, repo, and collateral.

Adrian Dale, head of regulation and markets, says: "[Beck's] appointment highlights not only our continued focus around key advocacy and regulatory streams across Europe with our members, regulators, and policymakers, but also reflects the ever evolving and growing regulatory environment underpinning the securities lending and financing sector."

Buy-side associations file lawsuit against US SEC to vacate Dealer Rule

Three associations have filed a lawsuit to vacate the recently adopted Dealer Rule by the US Securities and Exchange Commission (SEC) that aims to expand the definitions of a "dealer" and "government securities dealer".

The National Association of Private Fund Managers (NAPFM), the Alternative Investment Management Association (AIMA) and the Managed Funds Association (MFA) filed a lawsuit to the US District Court for the Northern District of Texas in Fort Worth.

This is the second time the buy-side Associations have challenged rulings by the US SEC in recent months. In December 2023, they launched legal action against the Commission to invalidate rules on reporting and public disclosure of securities lending and short selling.

According to the Associations, by "failing to definitively and accurately define what a dealer is" the Dealer Rule may deter regulated market participants — such as registered investment advisers — from engaging in investment activity in various asset classes, including US treasuries.

The three entities indicate this adopted definition will unnecessarily harm markets, funds and investors by decreasing liquidity

and market efficiency, while increasing volatility and costs.

Adopted in February, the rules will further define what it means to be engaged in a business of buying and selling securities “as a part of a regular business”.

It will do so for both dealers and government securities dealers by requiring entities engaging in “de facto market making” activity to register as dealers or government securities dealers.

Market participants that engage in certain dealer roles — in particular, those that take on significant liquidity-providing roles in the markets — are now required to register with the SEC.

These participants will need to become members of a self-regulatory organisation (SRO) and comply with federal securities laws and regulatory obligations.

According to the SEC, principal-trading firms (PTFs) and other institutions are “acting in a manner consistent with dealers in the securities markets”.

At the time of adoption, SEC chair Gary Gensler said: “These measures are common sense. Congress did not intend for registration and regulatory requirements to apply to some dealers and not to others. Absent an exemption or exception, if anyone trades in a manner consistent with de facto market making, it must register with us as a dealer — consistent with Congress’s intent.”

The Associations’ complaint asserts that the rule upends the meaning of what constitutes dealer activity under the Securities

ISLA publishes 2024 netting opinions for the GMSLA

The International Securities Lending Association (ISLA) has published the 2024 netting opinions, supporting the title transfer versions of the Global Master Securities Lending Agreement (GMSLA).

All opinions cover companies, banks and securities dealers. Most jurisdictions also cover insurance companies, hedge funds, mutual funds and pension funds as parties to the GMSLA.

Coverage of ISLA’s Master Confirmation Annex (MCA), originally published in November 2021, has been further extended to cover an additional five jurisdictions, bringing it to 25 in total.

Opinion coverage has also been extended to include the Thailand annex to the GMSLA 2010, which members can view via the ISLA website.

These opinions are accessible to Association members that subscribe to its nettings opinions service.

Exchange Act of 1934 and "nearly a century of market practice".

NAPFM, AIMA and MFA indicate that the Dealer Rule is "indeterminate" and "overbroad" in its definition, suggesting that it can capture a wide variety of non-dealing activity.

As a result, the three entities believe it could subject private funds to dealer registration to "an end-run around legislative intent".

The Associations argue that the rule must be rescinded under the pretence that the US SEC engaged in "arbitrary and capricious decision-making", including by failing to adequately address the economic consequences of the Dealer Rule.

In addition, the entities say that the US Dealer Rule is "otherwise contrary to law because it imposes a burden on competition not necessary or appropriate in furtherance of the purposes of the Securities Exchange Act".

Commenting on the lawsuit, president and CEO of MFA Bryan Corbett says: "We were left with no choice but to challenge the Dealer Rule, because it will harm markets and create tremendous uncertainty for investors.

"The Dealer Rule is indeterminate and leaves certain market participants uncertain of their need to comply with the dealer regulatory framework. Alternative asset managers are not dealers. They are customers of dealers."

He adds: "If the rule is permitted to stand, it could mean that managers in scope and the funds they manage would lose their customer protections with their dealer counterparties and could not participate in IPOs. This would harm funds, their investors and issuers looking to raise capital."

AIMA CEO Jack Inglis comments: "The US SEC has exceeded its statutory authority by incorrectly concluding that customers of dealers may be dealers themselves — a clear departure from the statutory definition and understanding of what has meant to be a securities 'dealer' for the past 90 years.

"This rule will force certain hedge funds to either register as dealers, thereby subjecting them to an unworkable regulatory framework, or force them to significantly curtail or cease altogether their trading activity."

Regulatory evolution prompts a shift in electronic trading behaviour in securities lending

With fixed income in securities lending exploding recently, Mike Norwood, head of trading at EquiLend, looks at how regulation has been a key driver behind the volume trend

Electronic trading in securities lending has experienced significant growth over the past few years. While equity desks were relatively quick to pursue automation, and to leverage straight-through processing (STP) via EquiLend's NGT platform, more recently fixed income volumes have exploded, with a 62 per cent growth so far in 2024, compared to the same period in 2023. This is a marked change of behaviour for the industry, and we do not expect this trend to slow.

There are a number of drivers behind this electronification of our market, but the primary factor is regulation. Starting with the Securities Financing Transactions Regulation (SFTR), progressing through to the Central Securities Depositories Regulation (CSDR) and on to accelerated settlement in multiple markets, regulatory regimes have made it clear that participants must focus on accurate and efficient processes to maintain compliance.

Market players have responded to this by shifting technological investment from discretionary items to regulatory initiatives meant to reduce operational risk and ensure compliance. Given the potential for significant penalties related to settlement under CSDR, European market participants have been quicker to reduce operational risk by implementing automated processing to ensure accuracy.

Many EquiLend clients report automated trade execution levels of 90 per cent or higher. The multinational profile of industry participants has also resulted in improved digital footprints and infrastructure which can be leveraged globally. The improved architecture resulting from SFTR and CSDR compliance paved the way for a relatively short runway for the US and Canada to embrace accelerated settlement and move to T+1 in May of this year.

The elimination of manual processing, in the aim of reduced operational risk and regulatory compliance, has had other unintended, albeit positive, consequences. It has resulted in the creation of scale, allowing for more efficient processing of transactions worldwide. This trend is not only specific to trade execution. Usage of our post-trade lifecycle management tools have also increased meaningfully in the last year.

Electronic recalls are up by 30 per cent compared to May 2023, with more than 2,000 a day being processed in May 2024. Automated returns have likewise seen a 34 per cent growth over the period from 2020 to 2023, and we have observed greater reconciliation match rates for automated versus manual transactions.

The technology improvements related to regulatory compliance, combined with the pressures on firms to do more with less, have pushed us toward a more efficient marketplace, and firms are keen to leverage this scale to grow without costly additions to staff.

Since 2019, fixed income volumes on NGT have grown by 157 per cent, with equities up 15 per cent over the same period. Market volatility has remained relatively suppressed in this same period, and, as a result, we are not necessarily witnessing a lot of net new trading activity in equities. With the increased diligence required by increased regulation, NGT volumes continue to grow due to client preference to automate wherever possible. Within the fixed income space, corporate debt has long embraced STP in trading, as typically these desks are more like equity in technology resource availability.

Both high-yield and investment-grade have seen volumes increase as issuance looks to capitalise on demand related to high rates and interest rate speculation. Japan has exited its Zero Interest Rate Policy (ZIRP), and we have observed significant growth in Japan on NGT, with a 95 per cent increase in all fixed income volumes since the start of 2024. Across all three regions where trading is conducted, fixed income trading has grown by double-digit percentages.

Aligned with the direction of the industry, vendor tools have evolved to enable the greater electronification of the market. With more real-time data available, client algorithms can have greater confidence in pricing volatile US specials, and traders can observe market-level execution on names that drive outperformance.

NGT enhancements have introduced greater transparency into hit rates and errors, while allowing clients to create more bespoke trading logic, such as implementing trading limits and restriction lists. Enhancements such as these result in fewer manual touchpoints, allowing firms to trust NGT to trade while they sleep, safe in the knowledge that any trades executed will be in line with firm strategies.

NGT is also integrated with EquiLend's ECS Loan Market, which automatically transmits transactions to the OCC for clearing to ensure that bilateral and cleared trades fit within a standard operating model. Post-trade has also kept pace with market movements and the increased volumes we have seen on NGT which naturally flow through our post-trade solutions. The EquiLend Risk Resolution Suite — a centralised hub for identifying, mitigating and prioritising potential breaks in recalls, returns and settlement — has created a better user experience for the 24/6 processing of returns and recalls necessary to facilitate a T+1 environment.

Given the advantages of improved technological infrastructure, there is unlikely to be a pullback from the advancement of technology in any sector globally — ours is no different. At EquiLend, we look forward to this progress and are ready to deliver further value to clients. Our sights are set on meeting current client needs while preparing for the future state of the markets: as a case in point, using distributed ledger technology (DLT) to further automate lifecycle management and eradicate reconciliation with EquiLend 1Source.

We expect STP levels to continue to follow the growth trends we have seen so far and to increase exponentially in line with sector forces. Each firm's greater digital adoption enables us to deliver value to our clients in the form of reduced processing costs, less risk and more time spent on driving innovation into new products, trade types, counterparty relationships and markets. The EquiLend ecosystem is ready to support the industry with a tech stack that, while centred around trading, starts with inventory management and can take clients all of the way through to contract termination and regulatory reporting.

Gathering in Geneva: A hub for international diplomacy and banking

ISLA conference co-chairs Harpreet Bains and Ueli von Burg discuss the core topics of the association's 31st Annual Securities Finance and Collateral Management event and which direction the industry will take over the next 12 months

With elections taking place around the globe, and as market participants face Basel IV and T+1, 2024 is a year of transition for the financial markets. How are these key issues shaping this year's ISLA conference?

Ueli von Burg: The International Securities Lending Association (ISLA) conference in Geneva will once again be an important event, with a focus on the significant changes and challenges shaping the securities finance market. The convergence of global elections, the implementation of Basel IV regulations, and the transition to T+1 settlement are all critical issues and will be on the agenda, along with many other market-relevant topics.

Carefully selected speakers and panel discussions, with professionals from across the value chain, will be in attendance to understand what will impact their trading, business, and product decisions, as well as shape our markets.

Global elections, with their potential to influence economic policy and the regulatory environment, are a key focus. Market participants are closely monitoring policy changes that could impact financial stability, market access and investment strategies. The ISLA conference will likely foster discussions on how these elections could change the regulatory environment, and the required responses from the securities lending industry.

The introduction of Basel IV regulations is an ongoing key focus. These regulations, designed to strengthen the resilience of the banking sector, will impose stricter capital requirements and impact the business activities of market participants, and therefore the available liquidity. The conference provides a platform for market participants to discuss the impact of these regulatory changes, share best practices, and develop strategies to meet the new requirements while maintaining operational efficiency.

The transition to T+1 is another transformative change. The move to the shorter settlement cycle is intended to reduce risk and increase liquidity in the financial markets. However, it brings with it operational challenges that require adjustments to existing systems and processes. The conference will make an important contribution to overcoming these challenges, by providing insights into the necessary technological adjustments and collaboration within the industry to ensure the smoothest possible transition.

What are the key themes of the association's 31st annual conference, and which panels do you anticipate will most capture the eye of attendees?

Harpreet Bains: This year's conference is shaping up to be an exciting and insightful event. Meticulous agenda planning by the ISLA team has ensured a diverse selection of speakers from across the securities finance value chain, enabling a range of perspectives on the issues that matter most to our industry at this time. It is difficult to select any single panel, as each will explore different yet topical subjects, with a common emphasis on regulatory impacts. To gain a complete picture and cohesive narrative of how regulations, while challenging, can also drive opportunities and innovation, pushing the industry forward, I recommend attending all of the sessions.

Additionally, following the positive feedback from the Lisbon conference, the thematic discussions will be repeated this year at two different times, thereby allowing more opportunities for members to attend. These breakout sessions, covering the Basel Endgame, the digital transition and Middle East growth, present a fantastic opportunity for education and deeper engagement, helping participants to gain a more nuanced understanding of the topics at hand.

And of course, I am particularly looking forward to the keynote speech by Sir Robin Niblett. His expertise in international relations and global policy is incredibly relevant as we navigate the changes in securities financing. His insights into the geopolitical and economic factors affecting capital markets will provide us with valuable context and guidance.

Taking place in beautiful Geneva, what are you most looking forward to at this year's conference?

von Burg: This year's conference in Geneva offers a number of exciting opportunities, in addition to the best chocolate and fascinating watches. But most of all, I am looking forward to the chance to meet with thought leaders and innovators in the securities finance markets from around the world.

> **"It truly is such an exciting time to be part of the securities financing world, with many opportunities on the horizon."**
>
> **Harpreet Bains**
> J.P. Morgan

Geneva's status as a hub for international diplomacy and global organisations, provides a very worthy setting for this. The location is very fitting for our conference, which will attract a diverse and influential audience, providing an unparalleled networking environment.

In addition, this year's sessions and panels will cover exciting developments in technology, opening new markets and international cooperation, among others. I am particularly looking forward to the discussions on the advances in digital transformation and the potential applications in various areas.

In addition to the professional development aspects, I am looking forward to experiencing the cultural richness of Geneva. The city's rich history and scenic beauty provide a perfect backdrop for the event. The opportunity to explore picturesque locations, such as Lake Geneva and the Old Town, during the breaks will add a unique dimension to the trip.

> **"Overall, the mix of knowledge sharing, cultural exposure and networking makes this year's conference in Geneva a highly anticipated event for me."**
>
> **Ueli von Burg**
> Zürcher Kantonalbank

Finally, the planned networking events, including informal meetings and evening events, promise to foster existing contacts and make new ones. These interactions can lead to potential collaborations and fruitful partnerships, making the conference an invaluable experience, both personally and professionally. Overall, the mix of knowledge sharing, cultural exposure and networking makes this year's conference in Geneva a highly anticipated event for me.

What do you think are some of the largest changes, or evolutions, to arise in the securities finance industry since the last conference?

Bains: Reflecting on the changes in the securities financing industry since our last conference in 2023, it is clear that many of the same key themes — capital, collateral mobilisation and technology — continue to shape our discussions this year again. However, on some of these topics, the state of play, as well as industry perspectives, have positively evolved.

One of the most notable accomplishments has been the preparation for the T+1 settlement transition in the US and Canada. At the prior conference we were deeply engaged in discussions about readiness for this industry-wide change. Leading up to the go-live, we have witnessed incredible collaboration and hard work across the board. Now that we have implemented, while we may need to grapple with some teething issues and further adjustments to practices and behaviours, the progress so far does positively set the stage for other regions, including the UK and Europe.

Another significant advancement is the progress in securities lending across the Gulf Cooperation Council (GCC) region. Last year, we noted the rapid development of capital market infrastructure in places like Saudi Arabia and Qatar, seeing securities lending as vital for creating deep, liquid markets. Today, we are seeing live activity and strong engagement from policymakers. ISLA is deeply committed to this region, and is working on reviewing the regulatory rules and market infrastructure to develop a common understanding across these countries, which provides a foundational baseline for individual member firms and positions the association well to effectively drive future advocacy on behalf of its members.

Lastly, the discussion around digital technologies, especially the tokenisation of real world assets, has shifted from theoretical to practical applications. We have progressed from just beginning to grasp these opportunities, to now witnessing real enthusiasm and increasing interest among market participants in the tangible business value this innovation brings. We are observing more practical use cases with measurable benefits and a growing trust in these digital solutions, which is really encouraging.

All three of these examples highlight how our industry continues to evolve, driven by both regulatory changes and technological advancements. It truly is such an exciting time to be part of the securities financing world, with many opportunities on the horizon.

Where do you anticipate the market will head over the next 12 months, and what trends are you expecting to see?

von Burg: The securities lending markets are dynamic and are influenced by many factors such as geopolitical events, regulatory changes and market conditions. The environment is expected to

evolve significantly again over the next 12 months and several trends are likely to come to the fore.

For ISLA EMEA, support for ISLA Americas will be particularly important and will further strengthen the external impact of ISLA as a whole. In connection with this, members in the Americas, but also in the EMEA region, will be able to benefit noticeably from closer cooperation in various subject areas.

In summary, the securities lending market over the next 12 months will be characterised by technological innovation, regulatory changes, a continued focus on growth opportunities, and with that the search for liquidity. These trends will continue to change the market landscape and provide opportunities for those who can adapt quickly.

Bains: As we look ahead to the next 12 months, a few key areas stand out as noteworthy.

Firstly, we anticipate a further deepening convergence between buy and sell side clients, driven by their ongoing quest for scale and efficient operating models, and their need to respond more agilely to market volatility and regulatory pressures. Central to this, convergence is a heightened focus on collateral optimisation, resulting in clients moving away from traditional siloed operations towards more integrated and merged inventory management across their collateralised businesses.

As part of this trend, we are also seeing the same organisations forming centralised treasury functions to streamline operations further, and expressing an increasing demand for holistic and integrated platforms that can seamlessly facilitate sourcing, optimisation, monetisation and mobilisation of collateral through a single, cohesive system. Service providers offering these solutions are sure to catch the attention of buy side clients.

Secondly, we expect further momentum across all fronts of digital technology. This includes the growing realisation that isolated digital solutions will not drive the scale needed for widespread adoption and liquidity. Instead collaborative innovation between platform providers, emphasising interoperability, will be crucial. This will involve greater merging of digital and traditional products, as well as solutions that bridge various digital ecosystems.

Additionally, we anticipate more clarity and guidance from policy makers on the regulatory landscape, which is pivotal for the further development and adoption of digital solutions. Addressing key aspects such as asset taxonomy, property rights, and the use of digital assets as collateral, can help tackle some of the uncertainty we are facing today and pave the way for continued innovation.

Harpreet Bains
Global head of trading services digital and agency securities finance product
J.P. Morgan

Ueli von Burg
Head of cash and collateral trading and management
Zürcher Kantonalbank

Transforming the European settlement landscape for cleared repo

Fabienne Zamfiresco, Sven Jongebloed, Raul Schwab, and Gael Delaunay discuss how the evolving European market landscape will shape settlement and fragmentation in the region, and impact the Eurosystem

The European repo markets are vital mechanisms for sourcing collateral and securing funding, but the cost of participating in them has often been elevated by a fragmented and complex settlement infrastructure. This can raise capital costs for dealers, and has historically reduced netting opportunities that would alleviate impact on their balance sheets.

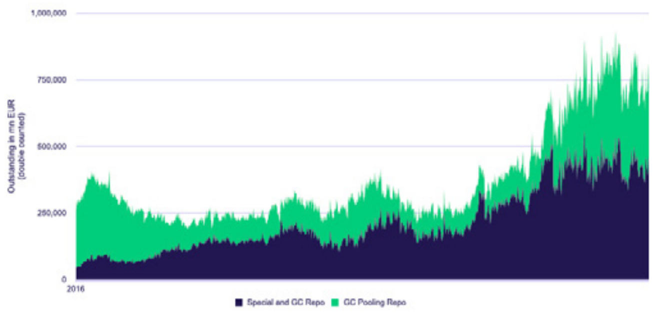
As such, repo can be one of the most expensive services that dealer desks offer. Recent reforms to market structure are set to change this however, as infrastructure providers facilitate settlement and collateral management. This could lead to significant balance sheet relief. Repo and reverse repo activity are reported on a gross basis, which has historically restricted liquidity providers' ability to extend the service among their client bases. Netting is an obvious solution to freeing up balance sheet for expanded activity, but dealers must comply with certain IFRS and GAAP accounting standards to do so.

Achieving these requirements can be challenging when using the levers of current market infrastructure. The broad range of central securities depositories and cash accounts that market participants currently use to settle, represent a complicated system for trade processing in Europe.

However, significant changes to the ways market participants can settle repo trades are being introduced this year. These should bring down the balance sheet cost of participating in the market, allowing for an expansion in market activity and improve profitability.

Building on previous integrations between Eurex's GC Pooling and Special/GC repo segments, Eurex and Clearstream have enhanced their offering further, such that clients can now benefit from increased settlement efficiency, improved intraday liquidity management and reduced capital costs. Figure 1 shows the development of Special/GC repo and GC Pooling outstanding volumes whereby significant growth can be noticed since 2021.

Figure 1: Outstanding volumes of Special/GC repo and GC Pooling repo



To further examine the benefits these changes could bring, the following market specialists speak on the subject: Fabienne Zamfiresco, head of repo and securities lending desk at La Banque Postale; Sven Jongebloed, head of division, Securities Settlement and Collateral Management at Deutsche Bundesbank; Raul Schwab, senior associate vice president of product and business development at Eurex Repo; and Gael Delaunay, global head of collateral management at Clearstream.

What are the current pain points with settlement in the European market and what would be required to address these pain points?

Zamfiresco: The current pain points with settlement in the European market include fragmented market infrastructure, due to multiple different market infrastructures and legal frameworks across various jurisdictions. Risk of settlement fails is another challenge, as a shorter settlement cycle increases the risk of trade settlement fails, which can lead to penalties under the Central Securities Depositories Regulation's (CSDR) Settlement Discipline Regime and additional costs for market participants.

Addressing these pain points will require a coordinated industry effort, detailed impact assessments, and the development of a comprehensive implementation plan to ensure a successful migration to a shorter settlement cycle in Europe.

The ECB is going to introduce the European Collateral Management System this year. What are the expected benefits and will it reduce fragmentation?

Delaunay: The European Collateral Management System (ECMS) will replace the existing systems of the national central banks of the euro area that are currently used to manage collateral for Eurosystem credit operations. By implementing a single system, it ensures harmonisation across all national central banks. This streamlines processes and eliminates the need for interacting with different local collateral management systems. Furthermore, the ECMS will reduce duplication of effort and administrative overhead leading to operational efficiency and cost savings. By providing a consistent single collateral management system, the ECMS contributes to capital markets by facilitating the flow of cash, securities and collateral across Europe.

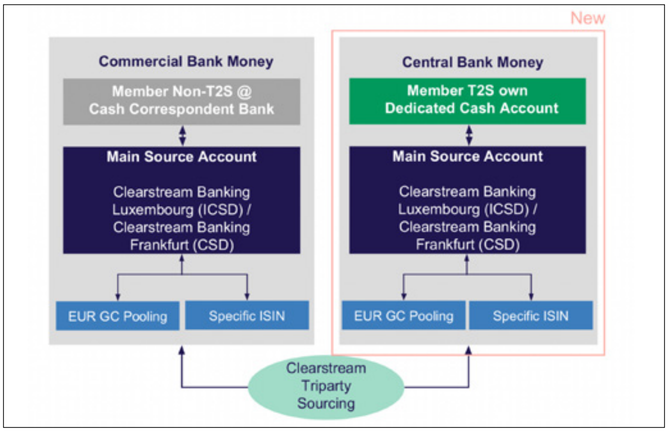
What changes are coming to EU settlement infrastructure and how will this enable greater balance sheet netting in the Special/GC repo and GC Pooling segments?

Schwab: For repo traders to achieve balance sheet netting in repo, they must meet five accounting conditions. These comprise facing the same counterparty, executing both repo trades on the same settlement date, having a master netting agreement in place and the availability of intraday credit facilities. There must also be an intent to settle on a net basis or simultaneously settle the two repo trades.

Criteria for Balance Sheet Netting

Same counterparty	☑
Same explicit settlement date	☑
Netting agreement and rights of set-off	☑
Settlement on a net basis	☑
Intraday credit facilities	☑

We believe that settling Eurex cleared repos, including GC Pooling using a single CSD and cash account, ensures required criteria of achieving balance sheet netting. From June, Eurex clients will be able to satisfy these conditions for the first time in central bank money by settling their GC Pooling and specific ISIN repo transactions at Clearstream Banking Frankfurt (CBF) in TARGET2-Securities (T2S), using a single dedicated cash account.



The extension to central bank money settlement for both specific ISIN repo and GC Pooling aligns with the introduction of the ECMS, which is currently planned for November 2024. Clearstream's triparty connectivity to ECMS and extension of settlement of Eurex cleared repos to T2S at CBF, will allow for intraday liquidity management, improvement of operational efficiency and reduced capital costs and risk. Eurex and Clearstream believe that this will further support the attractiveness and stability of the European capital market.

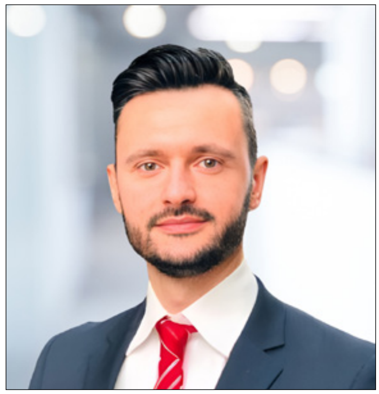
How will greater recourse to central bank money benefit the Eurosystem?

Jongebloed: The Eurosystem supports the development and integration of pan-European financial market infrastructures. These infrastructures provide European financial markets with a single pool of euro liquidity in central bank money, ensuring safety, efficiency and integration. This is achieved through the use of TARGET Services and the pooling of financial transactions on payments, securities, and in future collateral. Additionally, the Eurosystem's operational framework has evolved over the years. As excess liquidity gradually declines, the European Central Bank (ECB) Governing Council recently decided on changes to its framework in March 2024 to safeguard the smooth implementation of monetary policy for preserving price stability.

Fabienne Zamfiresco
Head of repo & securities lending desk
La Banque Postale

Gael Delaunay
Global head of collateral management
Clearstream

Raul Schwab
Senior associate vice president, product and business development
Eurex



Sven Jongebloed
Head of division Securities Settlement & Collateral Management
Deutsche Bundesbank

09:00 - 12:00
Beneficial Owner Briefing (Closed-door)

ISLA invites registered beneficial owner delegates to this morning Briefing event, with Co-Leads Morten Gevoll, NBIM and Scott Baker, ADIA. Alongside the current challenges and outlook for 2024, there will be a deeper dive into medium and longer-term considerations for this group, with possible topics of focus including T+1, Basel Endgame, Cyber Security, Routes to Market, and Digitalisation. With two scheduled networking breaks, an ideal opportunity for those in attendance to also catch up with peers more informally.

13:30 - 13:40
Welcome Remarks

Andrew Dyson Chief Executive Officer, ISLA

13:40 - 14:00
Global Economic Outlook: Insights & Trends

Speaker

Franziska Fischer European Economist, UBS

14:00 - 14:30
Shifting Sands: Navigating the New Geopolitical Landscape in 2024

From the highest number of global conflicts since the cold war, to Europe poised to experience heightened political polarisation during the upcoming election cycle, potentially leading to expected surges in both right-and left-wing populism, 2024 is poised to be a period of significant transformation, characterised by extensive changes on both domestic and international fronts. Against this geo-political backdrop, this session will further reflect on possible implications for wider financial markets, the changing investment landscape, including sentiment and policy shifts impacting the securities finance industry.

Speaker
Stephen Fisher Global Head, Government & Public Affairs, Deutsche Bank

15:00 - 15:15
ISLA Strategic Priorities 2024 & Beyond

Speaker
Andrew Dyson Chief Executive Officer, ISLA

15:15 - 16:15
ISLA Regulatory, Tax & Legal Highlights

An overview of the in-flight and imminent regulations set to impact our industry, alongside ISLA's advocacy plans and overarching messaging strategy to further highlight the benefits that securities finance brings to the broader capital markets eco-system. This session will also cover legal initiatives that the Association has been prioritising, including the new digital annex to the GMSLA, updates to the security interest over collateral documentation suite, as well as its continued collaboration with the Pan Asian Securities Lending Association (PASLA).

Speakers
Cormac McCarthy Director, Head of Securities Finance Legal EMEA, BNY Mellon
Howard Staiano Director Liquid Financing and Managed Solutions, Barclays
Vladislav Urumov Director, Global Markets – Equity Derivatives, Société Générale

16:25 - 17:10
Thematic Discussion Streams

ISLA is looking to hold three concurrent topic-specific breakout sessions (each one will be run at 16:30 and again at 17:15).

Middle East Growth Opportunities

The Middle East region continues to offer growth opportunities, notably as we consider financial services and the role that the securities lending and borrowing markets play in supporting the development of deep, liquid capital markets necessary to achieve the economic vision and financial policy objectives of individual jurisdictions within the region. Recognising the strategic importance of the region and against the backdrop of ISLA's first publication of a country guide, focusing on the Kingdom of Saudia Arabia, this discussion forum will allow interested delegates to understand, amongst other things, the various phases of ISLA's Middle East project and key milestones.

Facilitators:

Fredrik Carstens, ISLA | **Jalal Faruki**, SNB Capital | **Farrah Mahmood**, ISLA | **Ed Oliver**, eSecLending

Basel Endgame

Set against the imminent and rolling implementation of the Basel framework, delegates can expect:

- A recap of the key regulatory blocks on the Basel timeline.
- To gain an understanding of the practical implications of the new regime that one should consider both as a lender and a borrower.
- A discussion around the market's readiness for these changes, and how we can amplify and clarify messaging across the value chain.
- To hear about the various tools and techniques that one can consider to better manage RWA exposures under the new regime, such as pledge, pledge back, CCP, rating techniques, derivatives usage.
- Current state of play with regulators in the US, EU, and UK; with US regulators (Chair Powell) indicating that the proposals for B3E bank capital rules are in for 'broad and material changes' and that 'a complete do-over is very possible' and the UK yet to issue final policy statements, how are market participants reacting?

Facilitators:

Mark Faulkner, Credit Benchmark | **Graham Gooden**, J.P. Morgan | **Alistair Griffiths**, ISLA | **Ismail Ibrahim**, Citi

Making Sense of Digital Transition & Transformation

From meeting regulatory imperatives and improving operational efficiencies, to gaining competitive advantage and increasing profitability: technology today sits at the heart of every discussion, debate, and ultimately solution across most industries and firms. This breakout stream will provide delegates with an opportunity to learn about a myriad of technology concepts, such as tokens and blockchain, and their role in the transition and transformation of financial markets. We will touch upon actual adoption, around themes such as DRR, CSDR, and T+1, but importantly provide a platform to answer delegate questions to gain a better understanding of the landscape.

Facilitators:

Indraneel Basu Majumdar, KPMG Law | **Adrian Dale**, ISLA | **Chris Rayner**, ISLA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