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The Nordic securities lending markets of Denmark, Norway, Sweden, Finland and Iceland are conservative. Their lenders ask questions first, but once they receive satisfactory responses, they are raring to go, and rightly so. According to DataLend, the Nordic markets have an inventory of more than $250 billion—a sizeable sum that will intrigue any would-be borrower.

But what must borrowers bear in mind when traversing the Nordics? And how flexible are the countries' regulations when its come to lending? Iceland remains slow, although plans are afoot to boost lending there, while Finland is a small yet steady source of securities.

Included within these pages is all of the information and advice you could want on securities lending in the Nordics. Thanks goes out to all of our partners, whose sponsorship and help has been instrumental in putting this handbook together.

If you have any comments or suggestions for future issues, please do drop us a line.

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Published by Black Knight Media Ltd
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Beckenham, BR3 1AT, UK
Company reg: 0719464
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Contents

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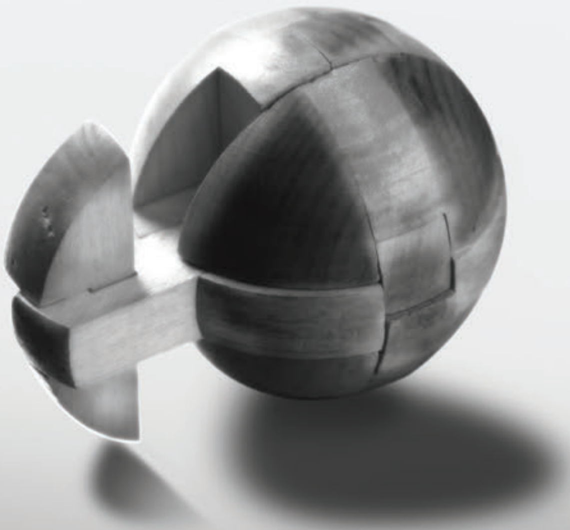

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Forward as planned

New mandates, technology upgrades and more saw the Nordic progress over the past 12 months. Mark Dugdale reports

Mandates

BNY Mellon was selected to provide custody and securities lending services for Danish insurance company Topdanmark A/S.

Topdanmark's international equity and bond portfolios are valued at $2.8 billion.

Henrik Thornval, head of asset management at Topdanmark, commented: "BNY Mellon's long-standing commitment to providing custody services, evidenced by its ability to combine an impressive customer technology interface with a high-touch service model, were key factors in our decision to appoint the investments company as our new provider."

Brian Blanchard, managing director of asset servicing in the Nordic Markets at BNY Mellon, added: "Topdanmark joins a client base of over 30 asset servicing clients supported by our Nordic team which is spearheaded by our relationship managers in Copenhagen."

Danske Bank was appointed as custodian for Finland's state pension fund, VER.

After a transparent review of service providers, the bank was chosen to provide global custody for direct equity, exchange-traded funds and fixed-income instruments.

The transition of the pension fund's instruments was scheduled for 31 May 2015.

Tiina Tarma, general counsel at VER, said: "In 2014 we initiated a transparent, EU-wide review of global custody service providers, which ranked candidates on a weighted basis across a range of key criteria."

Minna Saonegin, head of global custody for Finland at Danske Bank, added: "We are delighted for the opportunity to offer our custody services to a customer as versatile and large as the state pension fund. They are one of the most significant investors in Finland and the magnitude of their business will help us to further develop our services."

A large Swedish bank chose **AxiomSL** to centralise its head office regulatory calculations and reporting, and to provide branch-level reporting in Germany, Norway, Finland, Poland, Denmark, Austria and the UK.

The deal also includes automating statistical reporting and the calculations and reporting required under the Capital Requirements Directive (CRD) IV, including liquidity risk, credit risk, market risk, large exposures and capital adequacy.

AxiomSL provides a single platform for all regulatory calculation, spanning various requirements and jurisdictions. In this way it intends to reduce the cost and complexity of compliance.

The bank, which has not been named, will also receive on-going support as the platform monitors changes to regulation and implements the appropriate upgrades.

Users will, however, still have access to previous releases of the platform, which may be required for re-submitting or re-running reports.

Ed Royan, COO for AxiomSL in Europe, the Middle East and Africa (EMEA), said: "As regulatory changes keep coming, we are seeing increasing demand from firms that want to simplify their approach to compliance by using a single platform to manage reporting requirements in multiple jurisdictions. Our flexible, high-performance platform means we are perfectly placed to help firms achieve this."

He added: "This deal increases our growth in northern Europe and once again demonstrates our ability to meet the needs of a multijurisdictional bank. We look forward to working with other firms on similar projects later this year."

Technology

Nordic bank SEB successfully expanded its use of **4sight's** Oneworld Settlement system for its derivatives business.

The settlement system will enable SEB to process domestic and non-domestic equity and derivative trades on Oslo, Eurex and Nasdaq OMX exchanges.

SEB has used 4sight's settlement solution for equities trading, but the bank wanted to replace

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multiple legacy settlement systems across different business lines with a single solution.

The project involved adding the settlement of new product types to the 4sight OneWorld Settlement system, establishing connectivity with a number of central counterparties and data migration from SEB's legacy systems.

Sven Andersson, head of electronic execution equities at SEB, commented: "The 4sight system will enable us to increase trading volumes as our business expands and achieve significant operational efficiencies from using a single system solution to manage our clearing and settlement process across multiple business lines."

Alastair Chisholm, managing director of 4sight, added: "We are delighted with the success of the implementation and the close working relationship we have developed with SEB. This project adds to the growing use of 4sight's software products in Nordic region, with a number of Swedish banks now using 4sight's settlement, collateral management and securities finance solutions."

Nordnet successfully executed the first electronic mutual fund transfer in Sweden.

The execution was in partnership with **Fidelity** and using the **SWIFT** global messaging network.

The move is intended to pave the way for a new industry standard, away from the old fax-based system and potentially reducing processing times by half.

Currently, transfers can take up to two weeks.

According to Nordnet, many Swedish banks already use electronic fund orders, but not electronic fund transfers. Nordnet intends to be the first to introduce a fully automated process, eliminating manual processes altogether.

Faster processing should allow greater flexibility for transfers, and also improve reliability.

Nordnet transfers approximately 700 funds a month within Sweden. Its first electronic mutual fun transfer was made using a specific SWIFT message type that was developed in collaboration with various fund companies.

Olivier Lens, SWIFT head of funds and investment management for Europe the Middle East and Asia, said: "This is an important development for the funds industry in the Nordics region and globally."

"The automation of transfers will help take efficiency in the Swedish funds market to the next level, and SWIFT is proud to be helping these players to take a leading role in innovating to reduce risk and cost in the funds business, and to drive improved transparency for investors."

Denmark's AP Pension chose **Calastone** to provide order routing services, supporting the fund's administration platform for cross-border trading.

The Calastone network should provide more visibility of the order lifecycle, reducing market risk without any additional implementation, integration or development costs.

It is designed to allow all parties in the process to connect through a single line of communication, translating messages in to a common form determined by AP Pension. Distributors will then gain access to every fund provider on the Calastone network.

The move comes as a response from AP Pension to the increase in automation within the global funds industry.

It currently administers about DEK 100 billion institutional assets from about 2,000 corporate pension schemes, including UCITS funds, internally managed funds and alternative investment funds.

Jon Willis, chief commercial officer at Calastone, said: "Smaller distributors, such as AP Pension, traditionally chose to remain on manual processing as they believed the implementation costs far outweighed the benefits of finding a straight-through processing order routing solution. This is no longer the case."

The mandate is also part of Calastone's move towards providing a more global market coverage.

The Finnish central securities depository (CSD), **Euroclear Finland**, began replacing its entire securities processing infrastructure.

Named Infinity, the new system, is designed to bring the Finnish market a step closer to Target2-Securities (T2S), and will be released progressively in three stages.

Mats Råstedt, chairman of the Finnish market advisory committee, said: "Implementing the Infinity system for the fixed income market has been a tremendous effort for the whole market. Close cooperation and coordination between Euroclear Finland and the market participants has made this transition possible." **SLT**

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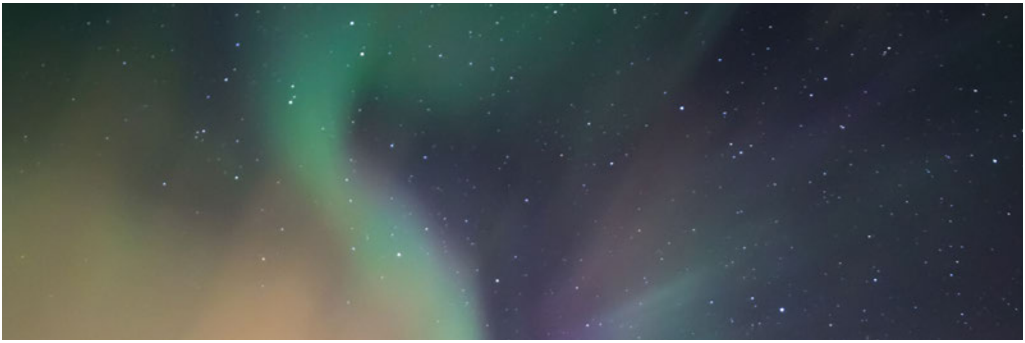


Depth and breadth: the Nordics do it properly

Nordic beneficial owners tend to be more conservative, but only because of the level of due diligence they conduct and the depth of understanding they want to have, says Stephen Kiely of BNY Mellon. Mark Dugdale reports

How would you describe securities lending in the Nordics?

Securities lending in the Nordics is not different from everywhere else, particularly continental Europe, but there are some nuances. Nordic beneficial owners tend to be more conservative, but only because of the level of due diligence they conduct and the depth of understanding they want to have. This is often greater than beneficial owners in other countries.

Once they know the finer details, Nordic beneficial owners are often both happy to get involved in securities lending and publicise the fact. The Nordics is a region where due diligence has a high priority, not only when it comes to organisations, but also for both processes and procedures. Nordic markets have historically enjoyed steady growth in securities lending, and it's showing no sign of slowing down. They are textbook markets in that respect. We are seeing beneficial owners that have lent previously come back in as well as new lenders entering the market.

What are the beneficial owners doing business in the Nordics?

We're in a climate where the lines between pension fund, asset manager and mutual fund are being blurred all the time, so anyone trying to earn incremental revenue from long inventory is either looking at lending, or already in the market. Having said that, we're seeing the equity index managers specifically looking at lending and coming into the market in order to try to get some pick up in the yield, especially those that have been set benchmarks. It's not always about the money, it's about beating the benchmark.

In fact, I'd go as far as to say that we're seeing greater interest from participants that are holding assets that are pre-prescribed, whether it's index tracking, or whether they just have to hold a certain percentage in AA government bonds, and so on. Wherever there is a pre-prescribed investment management remit, we're seeing an interest in lending in order to get across that benchmark.

What are the most attractive trades?

The first half of 2015 has been about the oil companies. It began at the end of 2014 and continued through Q1 and Q2 2015. There were six to eight oil companies, especially in Norway, which, due to downward pressure on the price of oil, attracted the attention of short sellers, making them more sought-after in the lending market. In terms of Nordic assets, there have been specials outside of oil, but in the general collateral names, it's been business as usual.

Additionally, seasonal activity in Europe has driven revenues and we're seeing some pick up on fixed income lending. However, this tends to be only where the lenders are accepting equities as collateral and they are willing to perform the upgrade trade.

Will collateral upgrade trades become more prevalent in the future?

I think so, and there are two drivers that will likely determine whether or not this happens. The first is expanded collateral parameters, specifically in terms of the indices that are accepted.

Also, I think we'll get to a stage where physical exchange-traded funds (ETFs) are accepted as collateral. Secondly, I think that the advent of central counterparties (CCPs) for securities lending will see participants relax their collateral parameters to a certain extent.

Which regulations are you seeing hit the Nordic markets?

The liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) are affecting the Nordics and wider Europe. They are changing the dynamics around high quality liquid assets (HQLA) and are forcing participants to look at their balance sheets and consider what they need to keep or remove in order to aid efficiency and optimisation. This is driving both the supply and demand sides of securities lending at the moment.

The LCR and NSFR have also caused a pick up in government bond activity. In terms of needing HQLA, Nordic government bonds are very attractive as collateral but they are not as common as US treasuries, for example.

The Nordics are in a nice position—look at Norway, it has the world's largest sovereign wealth fund, so its government doesn't issue a lot of debt.

What about ETFs as collateral, given that Nordic bonds might be few and far between?

Right now, ETFs as collateral is not common, but there is a lot of noise about them from the main players in the ETF market, who, understandably, are very interested in increasing their liquidity. We are also seeing queries on ETFs as collateral from one or two of our advanced clients. They are asking the question internally, "if they can accept a basket of collateral, why can't they take packaged collateral in the form of a physical ETF?" In times of stress, this is arguably more liquid.

However, this concept needs to be socialised as an idea before it becomes the norm. It is worth noting that beneficial owners in the Nordics have historically not been the first movers when it comes to these changes in behaviour.

What about the future?

Interest in CCPs is growing faster than ever. There's a general acceptance that CCPs will be an 'as well as' rather than an 'instead of' addition to the demand side of securities lending. Now that we're seeing borrowers start to push the CCP model more, due to balance sheet constraints and netting considerations, I think we will see changes in pricing if the ability to trade through a CCP exists. The first clients into the CCP trade will be those who already have experience in trading derivatives, as they are comfortable with the central clearing model. **SLT**

"The Nordics are in a nice position—look at Norway, it has the world's largest sovereign wealth fund, so its government doesn't issue a lot of debt"

Stephen Kiely
Head of securities finance, new business development
BNY Mellon

Sensing sensibilities

Seekers of collateral transformation and avid corporate voters, Northern Trust's Nordic clients often stray from the norm. Sunil Daswani and Jonathan Lacey unravel the characteristics of the market. Stephanie Palmer reports

How has 2015 shaped up in terms of business so far?

Sunil Daswani: From a demand perspective, the business has changed over the course of the year. While supply continues to grow, demand has grown for certain asset classes in the markets we lend in. The emergence of collateral transformation trades continues to be an interesting trend and clients are benefitting from good returns where fixed income loans are executed against equity collateral on a term basis. However, the costs of certain trades could increase under Basel III. Equity collateral typically has the highest capital requirement, and so these are the most expensive trades to be doing.

Looking for a moment at the overall picture, global markets have improved across the board, as clients have global assets. Asian markets remain buoyant and emerging market demand remains solid. In

Latin America, Brazil also remains a very attractive market, although activity there and in some other similar markets typically involves set-up procedures and processes that are non-standard compared to those where securities lending is more established, as well as some additional risks.

Overall, 2015 has so far been a strong year for Northern Trust, both in terms of trading and in having brought number of new clients into our securities lending programme. We have bolstered our client servicing teams globally to ensure our service continues to operate at the highest level.

Are lenders and borrowers happy with the Nordics as a revenue stream? What have been noticeable factors influencing revenue generation?

Jonathan Lacey: To answer the first question: yes, I think so. On a macro level, the key driver of demand has been a reduction in commodity prices. The decline in oil prices has created directional interest towards companies that generate significant revenue across the sector. This looks like it will be a long-term theme. Europe's low interest-rate environment has also been a catalyst for a sustained period of capital-raising across the region, all of which have created revenue opportunities for borrowers and lenders alike.

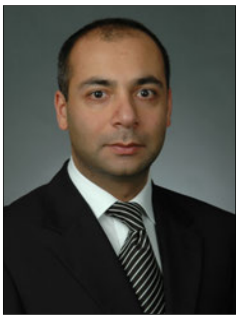
On the lending side, our larger clients in the Nordics tend to be very involved in environmental and social governance and socially responsible investing, particularly in the markets where they're domiciled. We find that clients are active voters in these markets. When securities are out on loan, owners lose their right to vote, and clients are very sensitive to that. Therefore, they will either recall their securities, or restrict them from lending all together, so it's noticeable that they often have lower revenues in their own domiciles because of that.

Which of the Nordic markets is the most business-friendly?

Daswani: There's a bit of a paradox here: the markets that are generally less friendly for securities lending have typically been those where the spread and revenue opportunities are the greatest. Lenders that are sophisticated in respect of technology, market knowledge and infrastructure will be best placed to capture these revenue streams. However, in order to fully unlock these opportunities, clients will often have to work in partnership with their lending agent, providing things such as pre-trade notifications or stability guarantees in order to help manage increased risks. Northern Trust operates a single global lending platform that has been developed in-house—this allows us to be quick to market in cases where product development is required to meet the challenges presented in markets where securities lending has only recently been introduced. Furthermore, we have a track record of working with our clients to successfully unlock these revenue opportunities.

In contrast, markets that are most business-friendly from a securities lending perspective are those that are the most mature or established. In these markets, automation is critical. The ability to provide transparent and efficient pre- and post-trade functionality is an essential part of servicing a borrower's demand. In this respect, Northern Trust's EquiLend and BondLend capabilities have continued to allow us to be at the forefront of the market. As the largest global user of EquilLend and BondLend's automated trade platform, Northern

"There's a bit of a paradox here: the markets that are generally less friendly for securities lending have typically been those where the spread and revenue opportunities are the greatest"



Sunil Daswani
Head of international client relations for capital markets
Northern Trust

Borrower expansion in our programme will remain important because it helps to diversify risk and expands our opportunities to lend. And expansion in the types of acceptable collateral remains a priority

Jonathan Lacey
Head of the London equity trading desk
Northern Trust

Trust has continued its capital investment in this space, which has led to a robust platform for supporting our clients and business globally.

What collateral trends are you seeing in the Nordics?

Lacey: Every client has different risk adjusted return requirements, so different clients will accept different forms of collateral. Borrowers want to pledge the cheapest form of collateral, which is typically equity collateral, but under Basel III that's probably going to be the most expensive for agent lenders to accept, based on the capital they need to set aside. So, there's a bit of a conundrum in the market, and agent-lenders and borrowers are both looking to find the right solution for that.

Regulation continues to be a key driver of the collateral trends across the industry globally. There's increasing appetite for collateral transformational trades as borrowers and banks look to borrow fixed income assets versus lower grade collateral, typically equities, on a term basis. These trades help improve their balance sheets, and clients whose collateral parameters can support these have benefited from good revenue flows. However, while regulation has been the catalyst for increased demand for this type of transaction, the same regulation is making it increasing expensive for agent-lenders to support these transactions.

How do you expect the next 12 months or so to go for your Nordic clients?

Daswani: The regulatory environment continues to be our principal focus, and it's important to get this right, for us and for our clients. We've been monitoring the cumulative impact of global regulatory developments, and we continue to engage with regulators and federal agencies on these regulations, either directly or through industry groups.

Basel III is a real area of focus at the moment, in terms of the capital requirements needed to support our business. As securities lending is a core business to Northern Trust, however, we do not anticipate any major issues given our financial strength and strong balance sheet.

Lacey: Borrower expansion in our programme will remain important because it helps to diversify risk and expands our opportunities to lend. And, as mentioned above, expansion in the types of acceptable collateral remains a priority.

Collateral flexibility is important to make sure we can continue to closely match requirements on the demand side, which in turn will help to increase our clients' revenues.

Continuing to expand and lend securities in new markets will also be important. We started lending in Poland earlier in 2015, and are closely watching other markets that we feel will provide opportunities for our clients.

Our ultimate aim for the remainder of 2015 and for 2016 is to continue growing clients' revenues while maintaining our focus on risk and delivering an outstanding service. Providers that can demonstrate their track record of expertise in this field and show that they operate with integrity will continue to prosper in the Nordics. **SLT**

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Designing an intelligent programme

Mark Tidy of J.P. Morgan analyses the impact that the divergence in fixed income and equity securities lending has had on markets in the Nordics

The theory of intelligent design has been described as an effort to empirically detect whether the 'apparent design' in nature acknowledged by virtually all biologists is genuine design, the product of an intelligent cause, or is simply the product of an undirected process such as natural selection acting on random variations. In the context of the financial markets today, it is interesting to ponder the juxtaposition of these theories as institutions wrestle with the ongoing and accelerating pace of regulatory reform and the challenges presented to them on an almost daily basis. Against this background one could easily ponder whether the ramifications of the structural changes envisaged in an ever evolving financial landscape are the product of intelligent design, or the random results of an undirected process.

Capital and regulatory reforms, combined with unprecedented monetary stimulus, have wide-ranging implications for how banks capitalise themselves, in terms of the structure of liabilities as well as the relative value of financial assets based on risk weightings and liquidity. This affects both the efficient mobilisation of securities in lending and repo markets and the movement of collateral, which have become increasingly challenging under proposed rules.

So how are these far-reaching changes manifesting themselves and how will they impact on borrowers and lenders? Moreover, how must the role of an agent adapt to meet end-user needs in this new environment, because as financial institutions adjust to the new landscape, the services of a securities lending agent will be even more critical in meeting and matching the new demands of balance sheet efficiency and optimisation, regulatory compliance, risk management, and revenue generation.

Taking these matters into consideration, one clear trend that has emerged is the divergence of securities lending patterns in fixed income, specifically government debt instruments, and equites.

As the impact of regulation takes hold there is a clear polarisation in the way asset classes are being traded, and while the overall securities lending wallet appears to have stabilised with fees in excess of $10 billion being generated globally in 2014, the way in which revenues are generated is increasingly sensitive to collateral requirements, entity type and domicile, for both borrowers and lenders and asset class being lent.

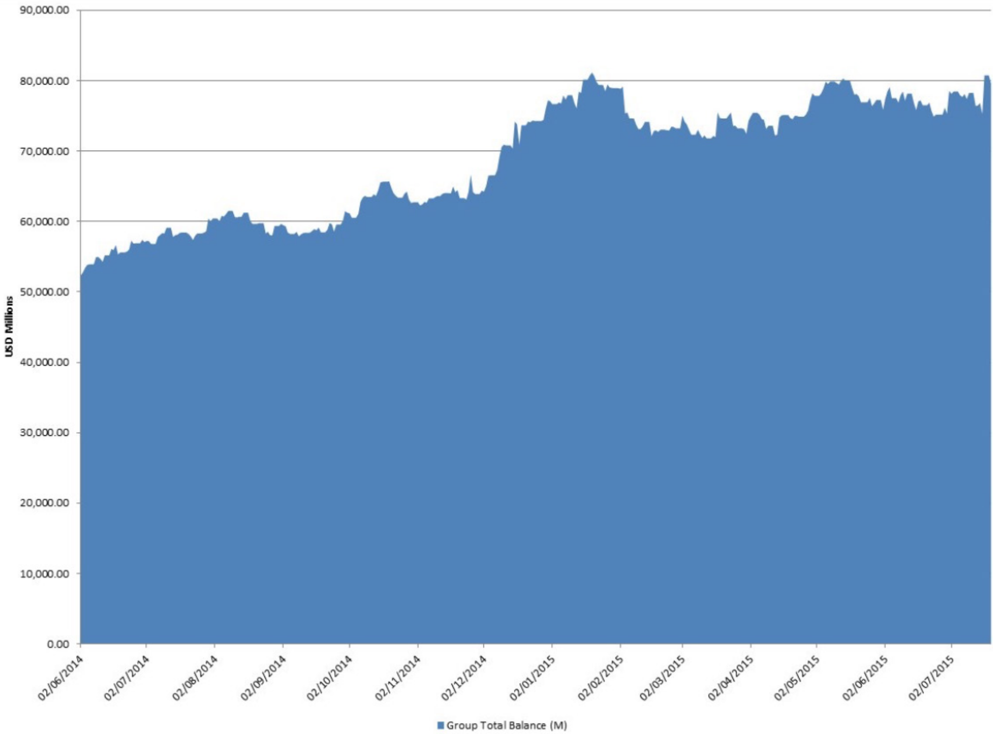
For beneficial owners in the Nordic region, which often manage multi-asset class portfolios, the need to employ an agent lender to provide a holistic approach to lending that encompasses the divergence apparent in the demand drivers of equity and fixed income will be fundamental. Transparency will be imperative in prioritising collateral needs holistically across the beneficial owner, agent lender, borrower, end-user value chain. For an agent lender, first and foremost, the ability to provide a global, integrated view of positions and obligations, enabling the prioritisation of inventory across a growing number of alternative uses, and view on-loan positions, collateral consumption across entities, fund complexes and by borrower exposure, are key.

Increasingly, in what might be termed a fixed income renaissance, government securities are being lent into term, or evergreen, transaction types and agents need the ability to provide greater visibility into collateral positions by type, tenor and legal entity. This will help them to provide the necessary granularity of information to meet the demands of local regulatory authorities and provide greater insights into positions to calibrate the impact of market stress scenarios on collateral and on-loan positions.

This must be complemented by in-depth analytics allowing rapid access to details such as security information, eligibility requirements and corporate action data critical for decision-making.

Additionally, an agent will need to be in a position to assist beneficial owners in understanding the management and oversight of a smaller number of longer-dated trades based on more complex securities, and be in a position to move similar collateral to other uses, as well. In addition to an enhanced need for effective pricing tools, given the greater price volatility over the life of a specific trade, an agent must ensure that eligibility, haircuts and concentration limits are closely monitored to ensure proper collateralisation at all times. Also, the rising opportunity cost of inefficient collateral allocation increases the potential benefit of

European Government Bonds Lent versus Term and Non-Cash Collateral (millions)



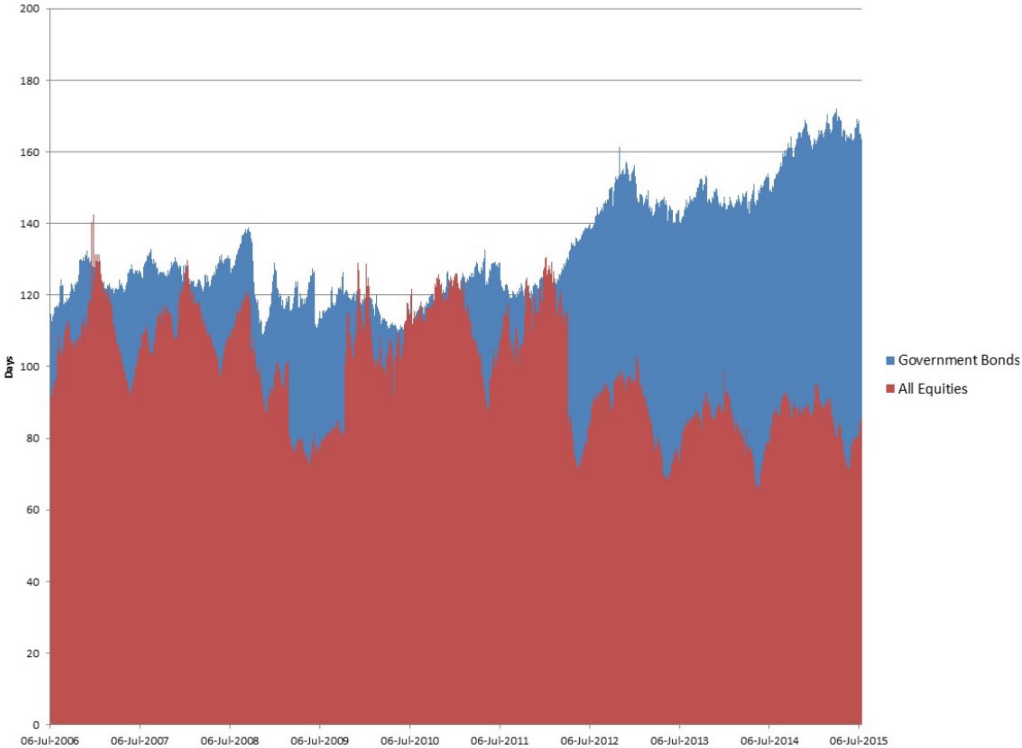
rehypothecation. With Financial Stability Board (FSB) recommendations for future rehypothecation rules incorporating greater disclosure of positions, trade purpose and regulation of liquidity risk, end users will seek enhanced tools to meet these requirements. Entities seeking to reconstitute the benefits of a global book using rehypothecation will depend on the expertise of the agent to navigate these new rules going forward.

Ultimately, efficient allocation and optimisation of collateral on a continuous basis across trades will become even more critical as tenors extend and complexity rises. The ability to allocate collateral against a particular trade, redistribute assets more efficiently and optimise positions, gives clients more control and flexibility.

The future of the business will also be shaped by regulatory standards proposed by the FSB, including daily mark-to-markets, the use of variation margin under certain circumstances, and the focus on contingency plans in the event of counterparty failure. By contrast, equity lending and borrowing is moving to shorter tenure transactions driven by cyclical yield, special situations and emerging market demand. An agent requires a distinct but complementary bandwidth of capabilities to support Nordic multi-asset class beneficial owners that require services to maximise lending benefits across fund complexes. These include, but are not limited to, an on-the-ground presence, including trading, collateral management, trade support, operations, product development, due diligence, and client service.

Additionally, greater institutional complexity with multiple constraints makes end users more reliant on the ability to simulate outcomes, ie, hypothetical transactions, on a pre-trade basis. An agent lender's ability to draw on its internal resources to provide predictive tools will be increasingly important for sophisticated buy-side investors as the number of eligibility constraints and requirements increase for a given portfolio. A balance sheet manager will be driven

Divergence of Average Loan Tenures



to seek increased mobilisation tools and allocation functionality in order to collateralise, optimise and re-optimise cleared and uncleared collateral and financing obligations throughout the trading day.

In light of new global and domestic regulations and an increasingly competitive landscape, agent lenders will need be highly adaptive to support their clients' growth strategies for mutually successful outcomes. **SLT**

"An agent requires a distinct but complementary bandwidth of capabilities to support Nordic multi-asset class beneficial owners that require services to maximise lending benefits across fund complexes"

Mark Tidy
Managing director and head of EMEA agent lending business development
J.P. Morgan

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Energy dips fuel Nordic decreases

Chris Benedict of DataLend reveals what is currently shaping the Nordic markets

The Nordic region has weathered a few challenges in the past year. Weaker growth in Germany affected exports, the global selloff in oil hit the region's energy sector, and negative interest rates, lower than expected GDP growth and exposure to Russia made for some volatility in the capital markets. This was in turn felt by the securities finance markets across Norway, Denmark, Sweden, Finland, and to some extent, Iceland.

Securities lending activity in the Nordic region currently shows around $30.27 billion on loan across 720 securities, on a recent trading day.

That figure represents a substantial 20 percent decrease from the on-loan value during the same time last year. The decrease appears to be attributable to challenges previously mentioned, with the energy and industrials sectors being particularly affected.

Of the $30.27 billion currently on loan, equities outweigh fixed-income securities by about three to one in terms of on-loan value (see Figures 1 and 2). That contrasts with the rest of Europe, where the value of fixed-income securities on loan overshadows that of equities.

Nordic region lendable assets weigh in at approximately $254 billion. That represents about 2 percent of the $13.2 trillion in inventory available worldwide. The Nordic market is roughly 11 percent utilised at present, in line with utilisation from this time last year. Nordic securities trade less general

Figure 1: Nordic Region Equity Sectors On-Loan Value, 14 July 2015 (USD)

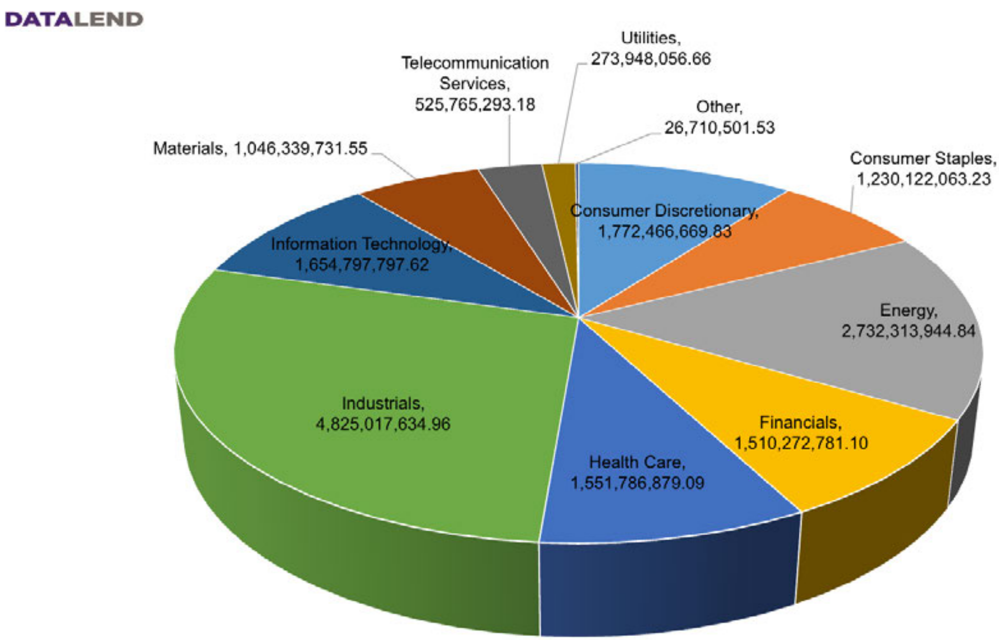
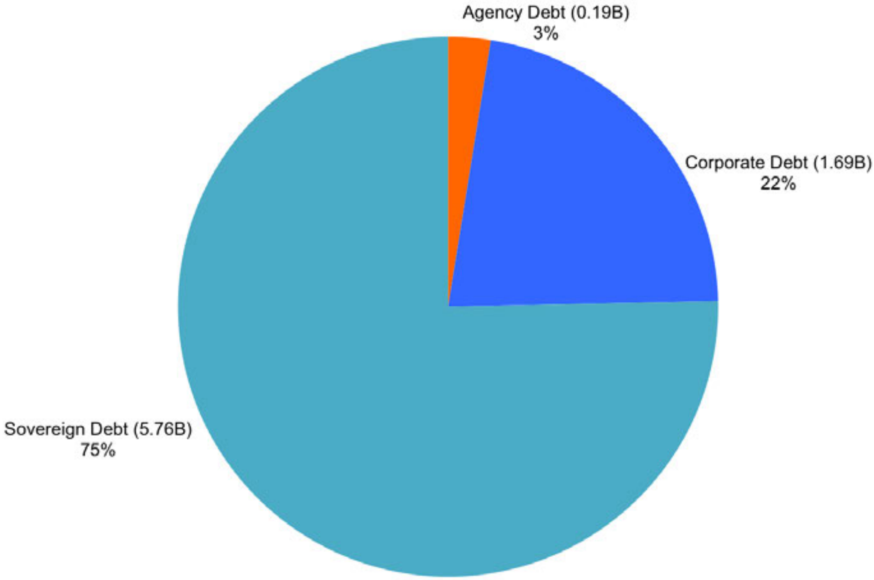


Figure 2: Nordic Region Fixed Income On-Loan Value, 14 July 2015 (USD)



collateral and exhibit more volatility in fees to borrow than the global average (see Figures 4 and 5). On a typical trading day, about 50 percent of Nordic securities trade in a warm or hot range, compared to around 30 percent in the rest of the world. That is driven almost entirely by equities.

With all countries running with account surpluses, sovereign debt in AAA rated Denmark, Norway, Finland and Sweden typically trades at low levels, around 10 basis points (bps). However, we have noted a slight increase in fees to borrow Nordic sovereign debt from July of last year by roughly 4 bps. BBB-rated Icelandic debt tends to trade warmer at around 40 bps, but it is sporadically traded with very little inventory.

Corporate debt for the region also trades at low levels of around 10 bps, similar to fees observed this time in 2014. That is roughly 25 bps lower than current volume-weighted average fee to borrow European corporate debt overall.

The Nordic market traditionally becomes more active during Europe's busy spring season, particularly during April and early May, when upwards of 90 percent of Nordic securities will trade at 20 bps or more. As exhibited in Figure 6, Nordic securities continued to trade hotter than the European—and global, for that matter—averages during this time of year.

Nordic top earners

As with the rest of the world, the recent plunge in oil prices hit the Nordic region's oil and gas industry hard. Prior to oil's selloff, the Nordic region's energy sector traded with a volume-weighted average fee (VWAF) of about 40 bps with a 26 percent utilisation around September 2014. By 1 December, those numbers had increased to 93 bps and 42 percent utilisation, respectively, and maintain those levels today. Other warm sectors in the Nordic region include industrials trading with a VWAF of 58 bps and a utilisation of 16 percent, and information technology with a VWAF of 64 bps and 28 percent utilisation.

Once again, the top revenue earner in the securities finance market for the Nordic region from July 2014 to July 2015 was Finland's Outotec, an industrial sector firm that provides technology and services to the metals and minerals industries. Outotec's VWAF during this period was approximately 520 bps with

Figure 3: Europe Total On-Loan Value by Country (USD)

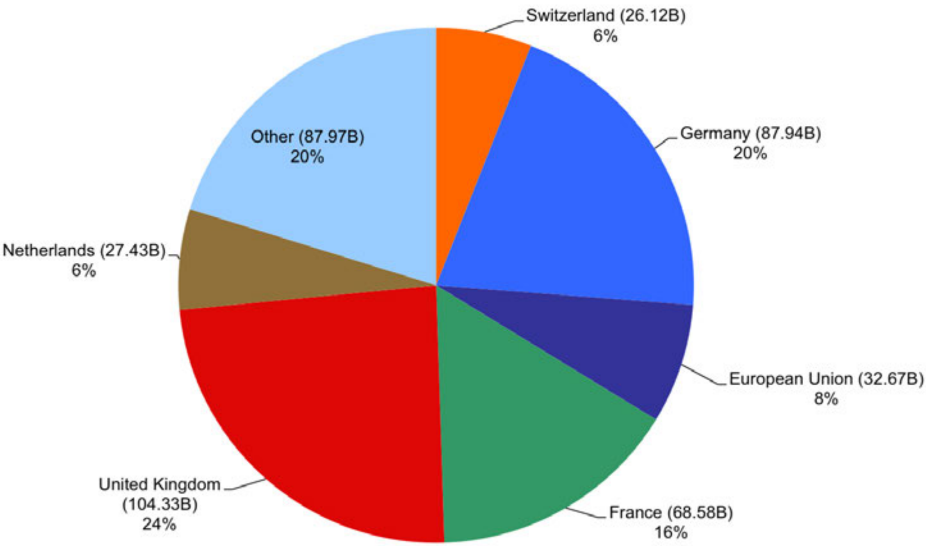


Figure 4: Fee Bands, Nordic Region, January 2014 to July 2015 (bps)

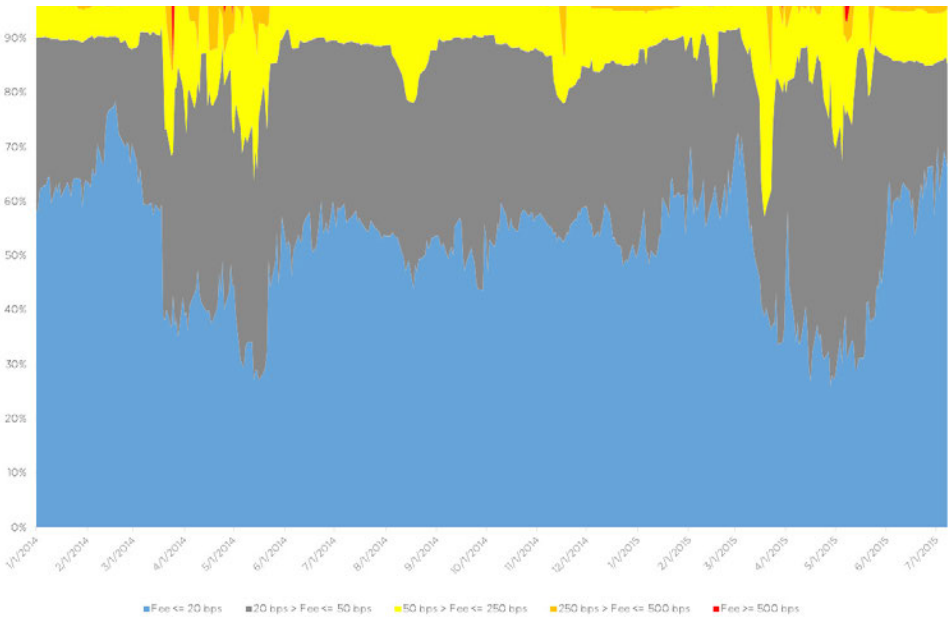


Figure 5: Fee Bands, Global, January 2014 to July 2015 (bps)

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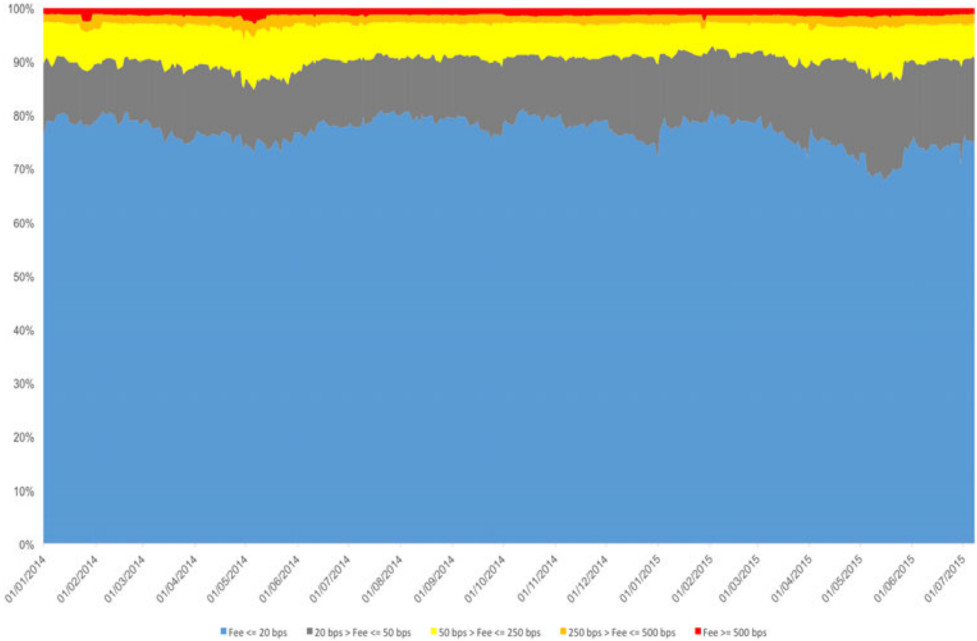

an average utilisation just below 80 percent. Share prices of Outotec rebounded after hitting lows in December of 2014, but utilisation and fees increased in response as the shorts kept the pressure on. The stock continues to trade hot at around 650 bps today.

Swedish health care equipment and supplies company Elekta AB was the second-largest revenue generator for securities lending participants in the Nordic region with a VWAF of 64 bps and an average utilisation of 66 percent. For most of this time, Elekta was trading in a warm 50 to 100 bps range with a utilisation of approximately 55 percent. But in May 2015, the firm's financial results disappointed, analysts cut their ratings on the company and its CEO stepped down.

This caused Elekta's share price to drop significantly as the longs sold off and the shorts stepped in. Fees immediately jumped to 300 bps and currently trade in the 180 bps range with a 70 percent utilisation.

Norwegian oil and gas company TGS Nopec Geophysical was the third-largest revenue earner for the region with a VWAF of 157 bps and an average utilisation of 70 percent. Prior to the global selloff in oil, shares of this stock were trading at around 30 to 40 bps and were 50 to 60 percent utilised. But as oil prices dropped, so too did the price of TGS, and fees jumped to more than 600 bps while utilisation climbed to 80 percent. Fees currently trade in a 250 to 400 bps range, and shares are 76 percent utilised.

Another Norwegian energy name, Statoil, was the fourth largest revenue earner in the region. Although the share price of the stock was affected by the selloff in oil, this name did not trade as hot as other energy stocks in the region. Statoil's VWAF came to 34 bps, and the stock was 24 percent utilised on average for the period. Large on-loan values coupled with corporate events propelled it to a top-five spot.

Figure 6: Volume-Weighted Average Fees to Borrow by Region (bps)

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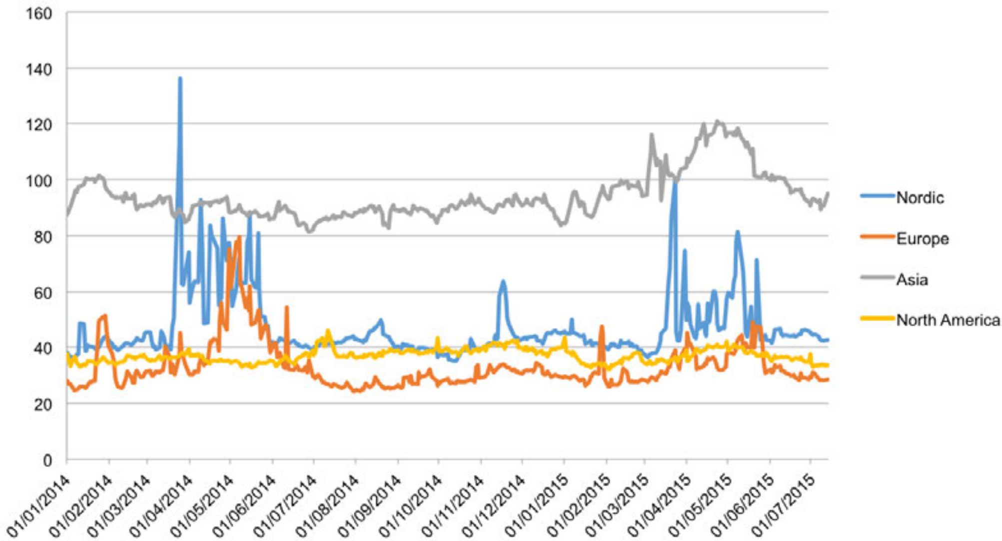
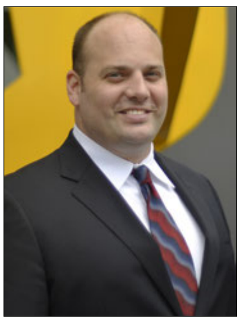


Norwegian Air Shuttle, a name that was on our list of top earners last year, returns again with a VWAF of 377 bps and an 89 percent average utilisation for the period. The company's share price has rebounded from the 2013/14 selloff despite going into the red for the first time in eight years due to disputes with regulators, problems with its Boeing Dreamliners and a weaker kroner. Norwegian Air Shuttle currently trades at around 400 bps and is 95 percent utilised.

Denmark's FLS Industries, a construction and mining machinery company, was another top earner in the region with a VWAF of 127 bps and an average utilisation of 65 percent. We've seen fees to borrow this name cool recently to around 75 bps, and utilisation has decreased to 47 percent.

The recent challenges in the Nordic region may potentially be offset by good news later in 2015, such as stronger jobs growth, decreased unemployment and stronger household consumption. Whether there are challenges or opportunities as a result of macroeconomic factors, the Nordic securities lending market will continue to earn revenue for agent lenders and beneficial owner clients alike. **SLT**

"Whether there are challenges or opportunities as a result of macroeconomic factors, the Nordic securities lending market will continue to earn revenue for agent lenders and beneficial owner clients alike"



Chris Benedict
Director
DataLend

Nordics by numbers

DataLend highlights the key securities finance metrics of Denmark, Finland, Iceland, Norway and Sweden

All figures are yearly averages between 1 January and 15 July 2015

Denmark

On-loan Value: $3.64 billion
Inventory Value: $55.83 billion
Utilisation: 6.53 percent
Fee (All Assets): 47 bps

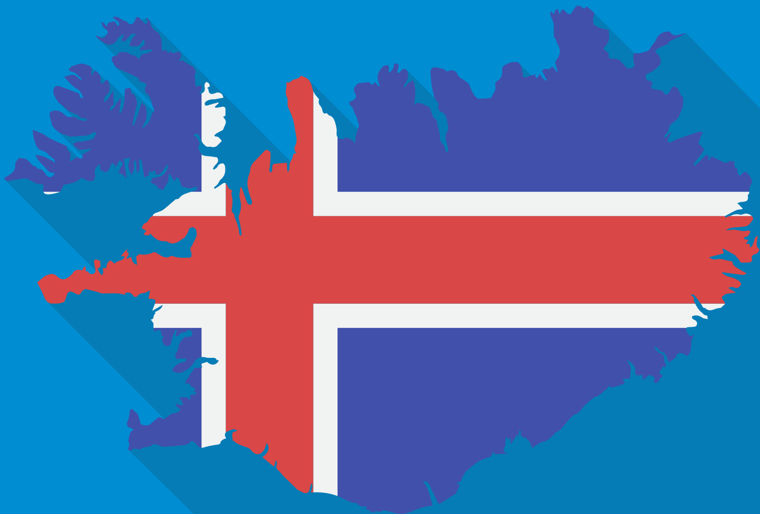
NordicsByNumbers

Finland

On-loan Value: $11.31 billion
Inventory Value: $43.92 billion
Utilisation: 25.75 percent
Fee (All Assets): 30 bps

Iceland

On-loan Value: $21 million
Inventory Value: $276 million
Utilisation: 7.5 percent
Fee (All Assets): 33 bps



Norway

On-loan Value: $6.69 billion
Inventory Value: $35.68 billion
Utilisation: 18.75 percent
Fee (All Assets): 68 bps

Sweden

On-loan Value: $13 billion
Inventory Value: $127.48 billion
Utilisation: 10.2 percent
Fee (All Assets): 42 bps

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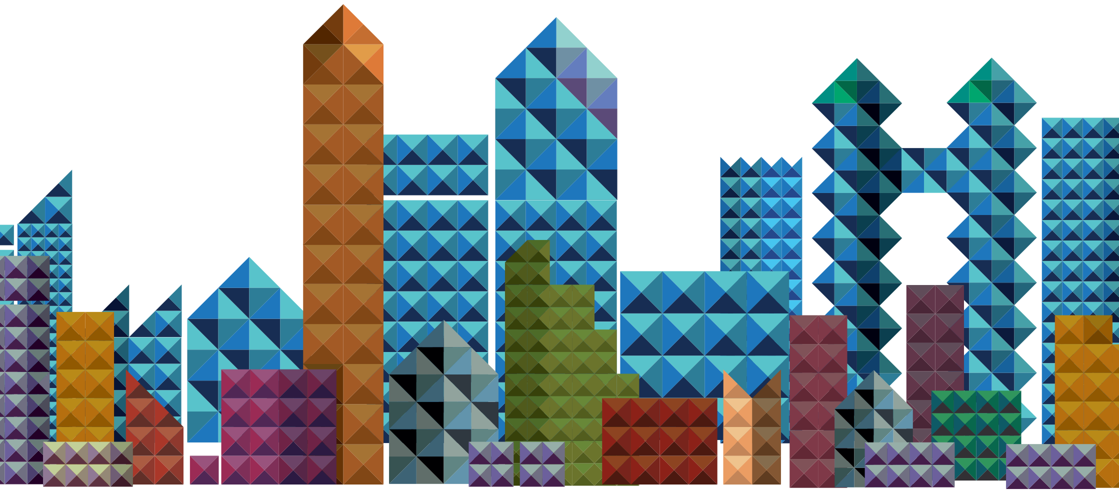

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A fixed source of income

Tobias Björklund of Danske Bank explains the local nuances of the Danish market. Mark Dugdale reports

How would you describe the securities lending market in Denmark?

The market is less developed when compared to other Scandinavian and EU countries. Due to the nature and structure of market participants, and Denmark traditionally being a fixed income country, very few of the local banks and brokers are active, given the size of institutions and the software required to participate.

Larger pension funds and institutional owners are likely to be active due to being part of larger lending schemes with their global custodians and agent lenders. Larger Scandinavian banks and brokers are active but supply is limited as Denmark is more oriented towards bonds. Local brokers have traditionally utilised buy/sellbacks without governance by contractual agreement and mark-to-market for short covering purposes between themselves.

The Danish Financial Supervisory Authority (FSA) and tax authorities only began to recognise the concept of transfer of title in connection with securities lending and collateral transfer a few years ago. To my knowledge there are no local market participants that trade bonds under the Global Master Securities Lending Agreement (GMSLA). Instead, they do business under the Global Master Repurchase Agreement on a delivery-versus-payment basis.

The business is not as widespread and widely known as it is in some of Denmark's neighbouring countries. This could also be affected by the fact that no mutual fund business in the traditional sense exists, as Danes locally have been investing in Danish style exchange-traded funds known as 'investeringsforeninger".

What are the key national rules that securities borrowers and lenders need to be aware of?

As the FSA and tax authorities nowadays recognise the concept of transfer of title and local participants

have, to a large extent, scrapped the old local "rammeaftale" contract that only governed Denmark-listed equities, borrowing and lending of locally listed equities under the GMSLA should be a relatively straightforward business.

There are probably some individual concerns stemming from the legal and tax status of the lending institution, much like everywhere else. For instance, some years back, taxation on manufactured dividends for insurance companies was more aggressive than taxation on dividend income. This was due to the classification of income implying that lenders needed to be compensated with more than 100 percent to be made full on the contractual agreement, but this has now been relaxed.

What about demands on collateral?

Due to the current situation with negative interest rates and an abundance of cash, the Danish krona has traditionally not been the collateral of choice for the collateral receiver. However, due to the very developed and well-functioning fixed income market, especially for covered mortgage bonds, this has been a preferred and convenient type of collateral locally among market participants. **SLT**

"Larger pension funds and institutional owners are likely to be active due to being part of larger lending schemes with their global custodians and agent lenders"

Tobias Björklund
Equity finance sales trader
Danske Bank Markets

A glance at the market in Finland

Finland has become a smart yet simple securities lending market. Jarkko Järvitalo and Jani Koskell of Lago Kapital explain

Located in the Nordic region, Finland is a relatively small European country. The Fins have usually not been known as early adaptors in the financial sector, and have traditionally always been a few steps behind their regional neighbour and competitor, Sweden. While securities lending has been an essential part of the financial market in other Nordic countries, Finland has been a longer term observer and slower in implementation.

With its long trade experience in Northern Europe, combined with strong historical and cultural ties to its neighbouring countries, Finland offers valuable knowledge and insight into both the Scandinavian and Baltic regions, and is an ideal business gateway to Russia, and vice versa. Foreign business counterparts can trust in the transparency and stability of Finnish market regulations.

Finnish securities lending activity has a relatively short history. In the late 1990s, the Helsinki Stock Exchange launched its own securities lending pool (LEX), focusing mainly on easing settlement failures. Since the pool was designed mainly to help with settlement and delivery issues, the initial lending period of a stock loan was limited to 10 days within Finnish tax legislation, then later extended to a year.

The Finnish LEX stock lending programme was successfully established by 2000, however, monopolistic advantages present in the system resulted in lending being very expensive to the borrower. LEX lending was safe but high collateral requirements and fees, as well as the limiting of borrowing to main index equities, made it less attractive to potential local and foreign borrowers. Finnish securities lending has evolved to more closely resemble the over-the-counter (OTC) lending system of Central Europe, but remains a relatively small market primarily regulated through tax legislation.

The majority of Finnish beneficial owners in securities lending are asset management firms and pension funds, as private individuals cannot lend securities. Yet, individuals can borrow securities in Finland, which holds great potential for further expansion and development.

Over the last decade, the activity in Finnish securities lending market has significantly increased. This is due in part to second-tier clients recently gaining access to the securities lending market, and partly to the rise of lending international securities and exchange-traded funds (ETFs). The increased availability has been sourced mainly from new local beneficial owners in the second tier client class.

Interest in Finnish equities from international institutions has grown steadily. Numerous funds are registered in Finland, many of them investing in Russian securities.

Yet due to both the recent regional political situation, and domestic challenges in the Russian economy, there are presently some challenges in loaning those assets.

Finland has recently made big steps in securities finance. While the Finnish market follows EU legislation and regulations, there are some local specialties provided to customers. Two of the most important being the requirement to report manufactured dividends to tax authorities on an annual basis, and the tendency to accept only cash collateral.

The use of cash collateral is inherited from the EU Collateral Directive; namely the key question of the transfer of ownership of the security used as collateral. By using only cash collateral, capital gains taxes possibly triggered by the use of securities as collateral capital are avoided. As long as the lender is regarded as a corporation under the Act on the Taxation of Business Profits and Income from Professional Activity, the securities lending does not impose any additional tax obligations. In other words, the securities lending is considered as a tax-exempt transfer of securities if certain criteria defined in the tax act are met. Finland has an unconditional 365-day time limit for a loan transaction, after which it needs to be rolled over to avoid triggering any capital gains taxes for local lenders.

However, the above mentioned tax regulation poses challenges to the securities lending business, since private individuals still cannot lend securities. As of today, according to Finnish legislation, a private individual cannot lend securities. Even so, it is still possible for them to borrow. As a result, the majority of Finnish beneficial owners continue to be asset management firms or pension funds. It is hoped that this practice will change in the near future, allowing private individuals to not only borrow securities, but also lend them.

Locally, securities lending grants the dual benefits of providing investors with additional low risk profits and provides liquidity to the local market. Local clients have also found that financing transactions serves as a flexible option to traditional financing.

In Finland, Lago Kapital is the only local broker-dealer operating in the securities lending market. Lago Kapital currently serves as a primary facilitator in the securities lending market for local customers as well as for a number of foreign clients. The company is regulated by the Financial Supervisory Authority and is fully bank independent. Furthermore Lago Kapital has made the product available for clients in the second tier and below.

When Lago Kapital began its operations, there were many specials on the market. The company supplied borrowers with two very special stocks: Outokumpu (OUT1V) and Talvivaara Mining Co

The majority of Finnish beneficial owners in securities lending are asset managers and pension funds, as private individuals cannot lend securities. Yet, individuals can borrow securities in Finland, which holds great potential

Jarkko Järvitalo
CEO
Lago Kapital

Plc (TLV1V). Since securities lending was new to many lenders, and also due to the high premiums in those specials, the expectations for continuous high premiums remained (even for general collateral stocks). It is challenging to familiarise lenders with general collateral levels, but the process is ongoing. In recent years, there were many great opportunities, including Outotec, Sanoma and Stockmann, as well as Outokumpu and Talvivaara.

The Finnish securities lending market continues to provide specials, with the pool of lenders constantly growing, leading to greater availability. Local lenders have also begun lending their international securities and ETFs. This has been a significant step in both the increase of client-specific volumes and availability to borrowers.

Being a relatively small player has been important to adapt to market demand and standards, and as a result, Lago Kapital has embraced different ways of carrying out securities lending transactions. In its early phases, most were OTC, whereas today, it serves as one of several options to carry out transactions to borrowers. Today, larger transactions are carried out via single stock futures, switching the counterparty risk to a central counterparty rather than the borrower. Repo trades are also used to meet certain demand on the market.

On a daily basis, Lago Kapital is not involved in general collateral flow business, as the company would rather focus on special trades. By constantly obtaining new customers and undertaking most of the work on their behalf, Lago Kapital has gained a great market share in a short period of time, earning a name in the market within the past few years. Nonetheless, it has not been an easy task to build a smart, yet simple process that works for a broad client base. **SLT**

The Finnish securities lending market continues to provide specials, with the pool of lenders constantly growing, leading to greater availability. Local lenders have also begun lending their international securities and ETFs

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Overcoming Iceland's limitations

The country's securities lending market is limited, but plans are afoot to boost the Nordic region's least attractive market. Mark Dugdale reports

The Nasdaq OMX Nordic and Baltic exchanges are reporting increased activity over 2014, indicating that trading interest in the regions' stock is high. Combined share trading on Nasdaq Copenhagen, Helsinki, Iceland and Stockholm, as well as Nasdaq Riga, Tallinn and Vilnius, increased by 36.3 percent in July 2015 to a daily average of €2.55 billion ($2.8 billion). The exchanges reported a daily trading average of €1.87 billion ($2.07 billion) in same month in 2014. Derivatives trading also increased by 0.7 percent to a daily average of 360,926 contracts, compared with 358,307 contracts in July 2014.

The story was similar in June 2015, when share trading increased by 29.6 percent to a daily average of €2.92 billion ($3.23 billion), compared to €2.25 billion ($2.49 billion) in the same month in 2014. But there has been a month-to-month decrease over the summer, with June activity 10.3 percent lower than May, and July 12.5 percent lower than June.

Turning to Iceland, the market capitalisation of listed companies on the Nasdaq OMX Iceland main market was more than ISK 661 billion ($4.99 billion) at the end of 2014, compared to ISK 534 billion ($4.03 billion) at the beginning of the year, according to Iceland's financial markets regulator. The market value of companies listed on the Icelandic equity market equalled about 35 percent of GDP at the end of 2014, meaning the ratio inched closer to Iceland's neighbouring countries, where the ratio varies between 40 and 70 percent.

Despite these positive figures, securities lending in Iceland continues to be slow going. The average value of Icelandic inventory over the course of 12 months between 2014 and 2015 stood at $276 million, according to DataLend, while the value of securities out for loan was $21 million. With an average utlisation of 7.5 percent, a fee of 33 basis point was up for grabs across asset classes.

Nasdaq OMX Iceland put forward proposals in November 2014 to boost the usefulness of the country's securities markets. Its report noted: "Whilst securities markets around Europe are facing important challenges, the need for improvements in Iceland is even greater. This is partly because trading on a regulated market has been practiced for only a quarter-century here, whereas in many other countries such markets have a long tradition. A long tradition brings a deeper knowledge of the potential of securities markets, a more robust shareholder culture and stronger associations of market participants."

Among the proposals put forward was one to boost securities borrowing and lending, which in the past has been characterised only by the central bank's discount window, limited bond lending and no equities business.

Nasdaq OMX Iceland's meetings with market participants revealed "that the most important area for improvement by far is access to securities lending", because—that word again—"limited opportunities in this respect reduce trading activity".

An active securities lending market would result in more efficient price formation and better investor protection, more active trading in the equity and bond markets, and increased settlement security, according to Nasdaq OMX Iceland.

Nasdaq OMX Iceland identified multiple obstacles to creating an efficient securities lending market, but chief among them was the legal restrictions on lending securities from the asset portfolios of pension funds and collective investment funds

"Pension funds and collective investment funds typically hold securities for a long period, which should make it feasible for them to lend securities. In developed securities markets abroad, pension funds and collective investment funds are among the main lenders of securities. The loans are granted in exchange for a fee and good collateral.

By granting such loans, the funds not only support a healthier securities market but also generate income for the benefit of their fund members."

"At the meetings, the market participants were unanimous in placing a high priority on expanding the powers of pension funds and collective investment funds to provide securities lending to a level comparable with that in, for example, the other Nordic countries and the UK. They also agreed on the importance of strengthening Iceland's legislative framework for short selling by adopting [the EU Short Selling Regulation]." **SLT**

Norway around it

Whether it's EU regulations creeping across the borders or an increase in demand for collateral, change is inevitable in the Norwegian market, says Karin Aronsen of trading at DNB Bank. Stephanie Palmer reports

How is the securities lending market composed in Norway?

Since last year, we have had an increase in volume and utilisation. Many stocks have gone special, and that has really been the order of the day in the Norwegian market. We have been very busy.

This is mainly, of course, due to the influence of the recent and ongoing volatility in the energy and oil service sector, but other sectors have also been in strong demand, making the Norwegian market attractive for participants on both sides.

A significant number of the Norwegian Main Index shares have seen a rise in fees from general collateral levels. Some of the peak levels have eased off again, but it will probably be a while before general collateral levels are restored. Perhaps this is the start of a new era where we see main index shares stabilise at slightly higher levels than we have seen over the past years. Higher fees have also attracted new lenders to enter the market, all wanting a piece of the pie. We definitely welcome this development, after years of struggling to get clients to lend their assets.

The Norwegian securities lending market is not as established as many of the other European markets. Even though it has been running for 15 or 20 years now, it does take time to encourage beneficial owners to lend their shares.

Foreign clients have had the highest stake of the Norwegian market by far, but we are starting to see local clients reinforcing their appearance, and that has been increasing over the last year, which is a good development, as well.

Being the only local active bank in the lending market, we serve a wide variety of clients—both domestic and foreign—of all sizes, from private investors to major international banks. This is of course in fierce competition with the other Nordic banks.

Who are Norway's main lenders? Are the country's pension funds active?

Some of the pension funds are active in the Norwegian market, and these, along with some other significant investment portfolios, create a large base for supply. We also expect that Norwegian mutual funds will become more active than they are today, if and when the new legislation for mutual funds is approved, which should bring the Norwegian legislation in line with EU regulations.

What are the key national rules that securities borrowers and lenders need to be aware of?

National rules are pretty much in line with European legislation. Naked shorting is not allowed. It's worth mentioning that the initial margin and minimum haircuts are stated in the Norwegian legislation as an absolute threshold but, being in line with market practice, it is not much of an issue. More interesting is the new proposal to the Securities Funds Act, which means a fund will be able to utilise up to 50 percent of its market value using efficient portfolio management techniques, which include securities lending. Hopefully that will be approved later this year. This is speculation of course—but we hope so.

I'm sure other European regulations will hit Norway as well. We closely follow what happens in the EU, and as we are members of the European economic area, most of the regulations will reach Norway eventually. It will be interesting to see how the forthcoming regulations might change the shape of securities lending in general, not only in Norway. Everyone will have to consider reporting, transparency, the new central securities depository regulations, Basel III and so forth. I am pretty sure we will see some changes in market behaviour.

We are prepared to take all necessary steps to meet the new changes as they are implemented, and we are keeping an eye on those that are on the way, even if they are not set in stone yet. We have to adopt new regulations on an international scale so we can still facilitate transactions, not just in the Norwegian market but cross-border. We will be hit by the same legislation as other European banks. Although our local clients may not be hit immediately, the effects will be felt here eventually, it's inevitable.

What about demands on collateral?

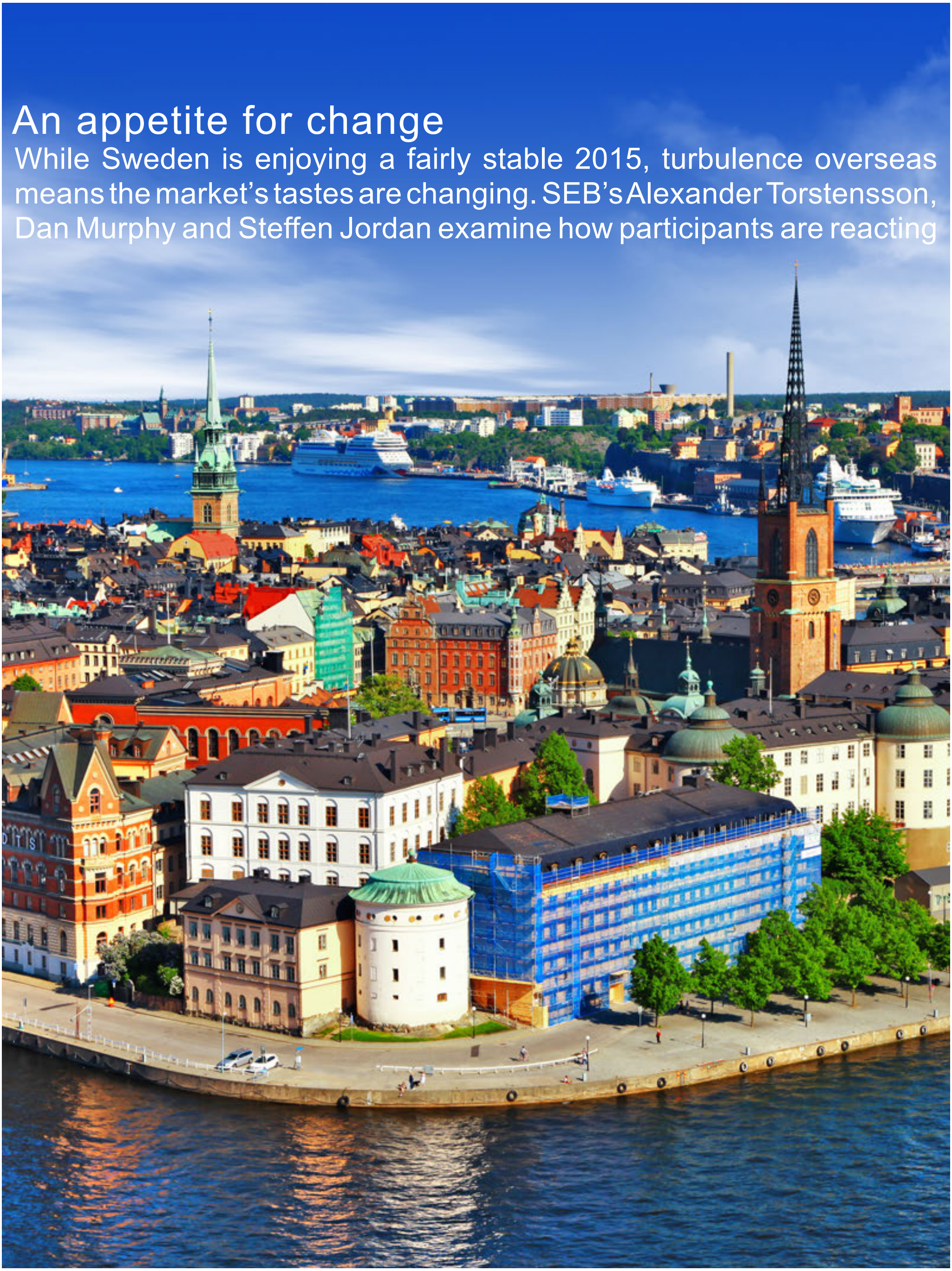
We have seen a change there. The Norwegian market has historically been a cash collateral market, which many clients still prefer. We are now seeing a significant shift towards non-cash collateral with flexibility being the key, especially from the non-Nordic clients. We try to be as flexible as possible with a close eye to capital cost. This is in line with the rest of Europe's capital requirement is here to stay. It's going to be interesting to see what happens in the years to come. **SLT**

"We will be hit by the same legislation as other European banks. Although our local clients may not be hit immediately, the effects will be felt here eventually, it's inevitable"

Karin Aronsen
Head of trading
DNB Bank

An appetite for change

While Sweden is enjoying a fairly stable 2015, turbulence overseas means the market's tastes are changing. SEB's Alexander Torstensson, Dan Murphy and Steffen Jordan examine how participants are reacting



During 2015, the economy in Sweden has continued to remain stable, and SEB has reflected this, ranking highly both in Sweden and among global banks. A healthy and stable banking sector is important in this region, as it is a major contributor to the country's GDP. It should be remembered that, at the same time, Sweden has been at the forefront of implementing standards and requirements that in some cases significantly exceed the norm in the EU.

Households in Sweden also have strong confidence in the housing market, with 74 percent of those surveyed in the SEB House Price Indicator expecting a continued rising market and a central bank interest rate that will remain stable for the coming year.

Over the last year, Nordic equities have risen some 20 percent, outperforming the rest of the world by about 10 percent. Most of the surge started early in 2015 and peaked in mid-April, and this performance can be explained by two major macro events. The rise in appetite for risk came in conjunction with the European Central Bank launching a larger monetary policy scheme than expected, triggering other central banks in Europe to follow suit. Switzerland, Denmark and Sweden then moved to negative interest rates, and stocks were priced higher.

Although the 12-month forward-looking dividend yield has compressed, the market still yields 3.5 percent, only 20 basis points below its 10-year average.

The other event that contributed to markets losing momentum was the escalating Greek crisis. As the Troika pressed for structural reforms and the Greek government held back, cracks of the eurozone became clear to all. The possibility of an exit from the euro rose dramatically, and the possible collateral damage was, and still is, difficult for markets to estimate.

Nevertheless, with continued high valuation of the stock market and limited returns elsewhere, the primary market activity has risen sharply over the last year and initial public offering (IPO) deals, equity capital markets, and mergers and acquisition (M&A) transactions have become reoccurring events over the last year. The pipeline suggests that this will continue for the rest of this year and probably well in to 2016.

Reviewing trends on the market, foreign interest in Nordic stocks is closely correlated with the general appetite for risk. As investors have been pulling away from stocks in favour of fixed income instruments in general and money market instruments over the last couple of months, the Nordics lost some market share. However, as the Greek crisis settled and stocks in general bounced back, the Nordics rose up all the more. One other global market trend has been for investors to favour growth stocks over value stocks, however this year growth has outperformed value by 15 percent globally.

Value has not been gaining interest largely because of a lack of understanding of the recovery of the business cycle. When this changes, and some gauges suggest it is about to, we would expect the interest for value to also filter into the Nordics markets. This primary market activity increase clearly has an impact on the securities lending industry.

At SEB we have seen good. stable demand for specials, both off the back of new IPOs such as Comhem, where we have seen short interest from hedge fund clients, and some speculation around new merger and acquisition (M&A) deals.

We have also seen decent flows since autumn last year in specials in the small- and mid-cap indices in particular. There has been capital raising to support business expansion or boost reserves which has made arbitrage opportunities for our client base.

It is fair to say that we see a good pipeline of new clients entering the market in the region on the new hedge fund start-up side, but also on the traditional long only asset manager side, that are interested in bringing holdings into the lending market to capture extra revenue and help contribute to administrative costs.

The hedge fund start-ups have been mainly event-driven funds, which does not come as a great surprise given the economic factors mentioned earlier. But we also start to see a few more of the traditional market neutral funds as well.

In the current market, it is even more important to be able to offer a complete package to these clients, incorporating a range of services such as collateral management, risk and limit monitoring according to regulations, and providing the best research, corporate access and equity products to support clients' strategies. We see clients appreciating our global coverage, combined with local expertise in the Nordics.

With inventories available in the Swedish lending market increasing—there is $92 billion in the equity lending market, according to our sources—returns have softened to some extent, due to the competition between similar portfolio holders.

However, there are more extraordinary revenues to be made for those holding the in-demand stocks when events arise. Utilisation overall has been steady at around 7 to 8 percent over the period, slightly above the average of 5 percent for European equities. Nasdaq OMX, the Nordic exchange, accounts for 70 percent of the lent positions, although the return is significantly below that for those outside of the main index, which make up the remainder.

More potential and existing lenders in the region are now much more educated in collateral in relation to securities lending, and appreciate a need to be flexible when setting up their programmes.

There has also been continued focus over the last year on regulation. The effects of the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) affect the lending industry as a whole, as firms assess the effects on different product lines. On the asset management side, we are aware of UCITS rules setting limits for lending volumes and collateral diversification.

The negative interest rate environment in Sweden has also resulted in a lower appetite for cash collateral, and a more open view on non-cash collateral. We see more engagement in upgrade trades as a result, and also a willingness to look at term structures, even if not to the same degree as in other European regions.

Looking ahead, 2015 shows promise in the Swedish market, from new clients in the region, but also based on the general economic outlook and pipeline. **SLT**

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