



## Optimising trading

Nancy Allen of DataLend discusses how the industry can benefit from The Pulse

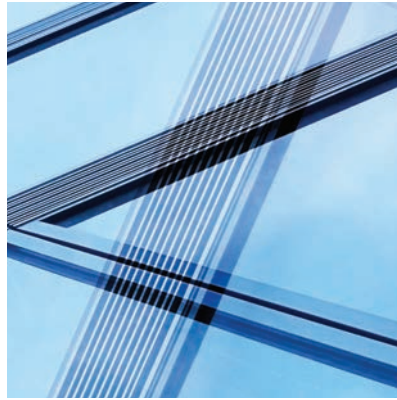
*Day two agenda inside*

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# Women in securities finance must ‘foster a connection’ and ‘empower’ themselves

Women in the securities finance industry must “foster a connection” between each other to “empower” themselves professionally and promote their interests, according to speakers at the 35th Risk Management Association Conference on Securities Lending.

In a panel, discussing women and diversity in the securities financing industry, speakers talked about the importance of networking, their driving forces in the industry, mentorship, confidence, and cognitive and observable diversity.

One speaker, reflecting on her career, said that her driving force has been to “learn more” and “be the best I can be”.

She expressed the importance of taking risks in her career and expressed the hope that others in the industry would follow that ethos.

“In terms of turning points throughout my career, there have been times that I have taken risks, that’s when everything has paid off”, she said, “take calculated risks, even in times that they don’t seem to be obvious.”

Another speaker discussed how one of the worst mistakes she made in her career was not taking the aforementioned advice.

She explained: “I worked hard and was good at what I did, but I didn’t ask for new positions. Part of me thought somebody would notice my hard work and give me a new position.”

“You need to speak up to let your managers know you are interested in other positions. To assume that will happen on its own is probably a mistake.” Another speaker said that people should “challenge the status quo” and “ask difficult questions”.

The speaker remarked that firms should be “cultivating an opportunity to allow people to step back from their day to day, think about what they are doing, and cultivate an interest in something new, then they can take the risk.”

For some people, mentorship and sponsorship is a good avenue to aid in gaining recognition.

One speaker explained the benefits of mentorship and sponsorship, especially for women and diverse candidates, while another speaker said that she had benefited from two sponsors who had championed her career and helped her gain recognition.



Later, speakers discussed confidence and observed its importance when rising through the ranks, building and running a business, and in networking.

One speaker said that confidence is a requirement for success, while another shared the advice she received early in her career: “Whatever you do, just be confident, and don’t screw up.”

Speakers reflected on the importance of preparedness in bringing about this confidence, and one panellist said that this confidence “doesn’t come easy for a lot of women”.

“For me, confidence comes when I am prepared”, she said, “it also comes when you are authentic to yourself and vocalise what your thoughts are.”

“In order to be truly confident, you have to make sure nobody takes your power away. If you are hosting a meeting, you need to host

it. Sit at the head of the table and stop people from talking over you.”

She concluded: “It’s difficult and hard to navigate, but if you approach it in the right way, it is instrumental in building your confidence.”

Another important part of continuing progression is ensuring you have a passion for your craft.

A panellist said it was easy to lose this passion when working too hard.

One speaker said that passion is “critical” in everything. She explained: “It’s all intertwined, it’s infectious.”

Speaking to a room of majority women as a growing movement of diversity and inclusion takes over the industry, the speaker said: “Everyone in this room is accomplished, and has probably had a tough time getting here. It’s passion that drives you.”



## All industry participants should be present when drafting industry standard documentation

When forming a consensus on new industry standard documentation, drafters must ensure that all industry participants are at the table.

In a panel, moderated by Colleen Kenney, and including Mary Breslin, Alina Casner, Rananda Fergerson, Larry Kornreich and Lisa Stephenson, discussions were had on new industry standard documentation, including the GMSLA.

One panellist gave the example of her firm, which was unwilling to use standard documentation when the custom agreement currently in use is more beneficial to it. The panellist said that drafters need to ensure that industry standard documentation is beneficial to everybody.

The panel also noted that the documents mean everyone working together with the people that care about the business.

Another panellist agreed that all businesses are different and have specialised needs so the standard documents do not always apply to them. However, another suggested that it doesn't mean you shouldn't use the standard document as a benchmark.

Other panellists described the standard document as "sticky and not as nimble to adapting to market changes". The panel also noted that the creation of multiple versions could lead to a "battle of the forms".

However, overall the panel agreed that the standard documentation is "really helpful and efficient". One speaker said that firms can each negotiate provisions to add to industry templates because they are there to build and expand on. She said: "It's a starting point with basic terms to go by."

## Tax law and regulation compatibility are a must

Understanding what the regulators want to achieve and ensuring tax law is compatible with those goals is important for the securities lending industry.

In a panel, which covered recent efforts by the RMA, speakers discussed the changing industry landscape in the face of new regulations, such as Securities Financing Transaction Regulation (SFTR) and updates to Basel III.

For example, RMA's tax committee is working towards educating tax authorities on securities lending to ensure that tax law and regulation

work in tandem. RMA's tax committee expects to engage in future regulations with tax authorities on this, and one speaker said a big part of this is organising and coalescing a collective voice in the securities lending industry.

The panellist said that the perception of securities lending may not reflect the real industry, while another said that much media coverage of the industries focuses only on short selling and ignores the value of liquidity.

One problem brought by regulators is the expectation that securities lending transactions will end be made longer. The speaker said that this was an issue because certain members of the community are attempting to resist the risk of a fixed-term transaction.

RMA has been working on advising an approach to new regulations coming into effect, such as SFTR, which will change the landscape of reporting in the industry.

On SFTR, one of the speakers said there might be a "tendency to go back into our respective cocoons when something like SFTR comes into play", but that she was trying to find ways to explain SFTR to clients and find conclusions to those sorts of transparency regulations on the horizon.

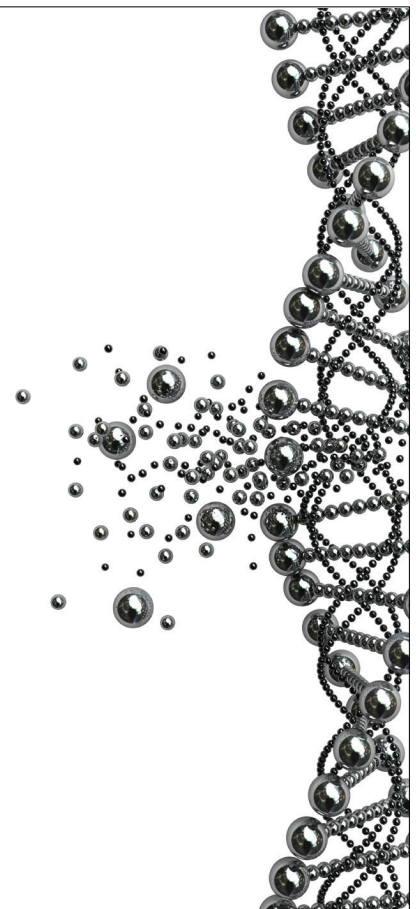


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## Regulation forcing shift to structured data

Regulations are forcing a shift towards structured data in the securities lending industry and there are benefits to be had from this shift.

In a panel discussion on the rise of financial technology and its impact on the industry, one speaker explained that regulations are forcing firms to live in a more digitised environment.

This can be made harder by the persistence of unstructured data.

According to the speaker, unstructured data will make the move to distributed ledger technology and smart contracts much harder.

Another speaker noted that 90 percent of the world's data has been generated in the last two years, with just 10 percent in the rest of human history. He highlighted the fact that the majority of this is unstructured data, which needs to be turned into structured data.

Once this has happened firms can implement big data strategies to understand and draw value from structured data.

A panellist remarked on the computer science phrase "garbage in, garbage out", which refers to flawed or nonsense input data that produces nonsense output.

The panellist said this would be different in the future, as the industry's ability to apply machine learning techniques to unstructured data will allow firms to "reap garbage and create value", effectively turning unstructured data into a commodity.

In the future, hedge funds and other participants may even request unstructured data so that they can curate it themselves and create their own value.

However, the speaker said that the industry still had "legacy systems", despite the fact that the "easiest thing to do in this century is replicate things digitally".

While other industries, such as the entertainment industry, has been affected by this digitisation, the securities finance industry remains on these legacy systems, but the panellist warned that distributed ledger technology (DLT) would be the biggest disruptive technology in the industry. According to the speaker, DLT will allow firms

to share information across a peer-to-peer network while knowing with certainty that all participants will be seeing the same thing.

Another panellist warned that firms should be investing in this technology now because when it goes live it will be too late.

They said that firms would be at a "disadvantage" if they don't put the work in now.

Panellists identified people as the biggest barrier to new technologies and said that firms shouldn't be afraid to implement these new technologies and "implement processes".

One panellist said: "Leveraging technology and using it in a smart governed way, that's one of the facilitators, not necessarily a barrier to entry."

Another panellist remarked that business models will change, so firms should not be scared of getting rid of departments or changing their business.

The panellist said that firms shouldn't fear to re-engineer their old processes, as these new technologies grant them the tools to make the changes.



# Discover a partnership for success on your terms

A man in a suit is seen from behind, standing on a balcony or in a large room with floor-to-ceiling windows. He is looking out at a modern, multi-story building with balconies. The scene is bathed in warm, golden light, suggesting sunrise or sunset. The floor is made of large, light-colored tiles.

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## Optimising trading with The Pulse

Nancy Allen of DataLend explains how its analytics product The Pulse provides the securities finance industry with the insight needed to optimise trade flows, capture missed opportunities and produce greater returns for firms and their clients

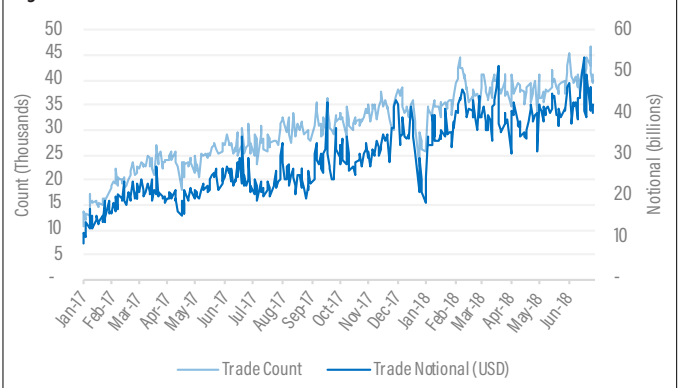
As the securities finance market focuses on greater automation, efficiency and transparency, NGT, the world's leading securities finance trading platform, continues to experience exponential growth. Each day, NGT processes an average of \$43 billion in trade notional from over 6.2 million trade requests across more than 60,000 unique securities (see figure one).

Alongside the growth in NGT volume, the opportunity for our clients to capture additional business efficiently has led them to ask the following:

- Is my business optimising trade flow over NGT?
- Am I capturing my fair share of the market?
- How can I see what the industry is doing away from me? How can I see what I'm missing?
- Am I optimising my counterparty workflow?
- Am I trading efficiently across various asset classes and markets? Or too many?

EquiLend listened to the call for more data and analytics from our client base and utilised DataLend's powerful data processing and visualisation know-how to bring you 'The Pulse—Precision Analytics Powered by

Figure one: NGT trade count and notional



DataLend'. The Pulse provides securities finance businesses with the insight needed to optimise trade flows, capture missed opportunities and produce greater returns for firms and their clients.



The Pulse arms industry participants with the analytics needed to answer all of the previous questions and unlocks additional information and insight into the market. The main objective is to offer our clients the metrics to evaluate their interaction with each counterparty over the platform and to better understand the industry trends and opportunities. The analytics can be tailored across markets, asset types, sectors, collateral and fee band.

Equally insightful is the industry-wide data. The Pulse illustrates how competitors or peers are using NGT across all the previously described filters and sheds light on missed market opportunities. The industry data represents an opportunity to capture additional volume and revenue.

Now more than ever, technology and data play a vital role in the financial world; MIS tools, like The Pulse, utilise big data technologies to help market participants interpret significant amounts of data and use those interpretations to drive business decisions. In the case of The Pulse, managers are not only using the analytics to sharpen trading strategies, but they are also using The Pulse data to illustrate the benefits of automation to influence and garner support for future technology spend.

While The Pulse is already serving up large amounts of data, it is a living product that will continue to evolve and grow. Additional functionality will be added to The Pulse this year, including legal entity filtering and GC versus rate taker versus explicit bid filtering capabilities. Most importantly, transaction-level detail will be introduced across all NGT workflows to help users better track where individual transactions were executed or rejected, thereby offering insight into why counterparty hit rates may be high, low or already at an optimal level.

The Pulse provides both borrowers and lenders with the framework to hold a more informed conversation with their counterparts as they strive to eliminate inefficiencies and capture optimal trade flow across the NGT platform.

With no end in sight to the expanding role that data will play in the financial markets, ultimately The Pulse will look to bring together all elements of the securities lending workflow from pre-trade decision making to post-trade analytics. The DataLend team is excited to be bringing this new level of transparency to the market and will continue to evolve this new product based on client feedback.

## Focus charts

**The counterparty heat map:** This provides organisations insight into their largest and their most efficient trading partners on NGT. Trading desks and managers can use this tool to better understand trade flows across indication of interest, targeted availability and unsolicited bids work streams at the counterparty level. Why does this matter? The data can be leveraged to identify which counterparties are sending high volumes of requests but generating low trade counts, and which counterparties may not be responding to trade requests at all. Tolerances can also be analysed. If a counterparty counters with a bid of only a few basis points off, was the trade rejected? Would it make sense to expand the tolerance?

**Counterparty trending:** View counterparty flows over a period of time to identify if changes to internal algorithms and thresholds will have a material impact on balances and efficiencies for each counterparty. Simple tweaks to borrowing and lending thresholds could result in a significant increase in hit rate and revenue.

**The Pulse league tables:** Rank your firm relative to your peers in terms of balances and trading hit rates. Understanding market share in a given asset class, market, sector or fee bucket is critical information for identifying growth opportunities.

**Market share by fee bucket:** A popular function within The Pulse! See your market share based on fee bucket. Intrinsic-only lenders with larger market share use The Pulse data to showcase their prowess to their beneficial owner clients. For those firms that have remained in the general collateral-only space over NGT, The Pulse has opened a lot of eyes to the opportunity to gain market share by moving into the warm and hard-to-borrow space.





# Guess who's back, back again?

Jim Malgieri, who had retired from financial services, tells Securities Lending Times why he made the decision to rejoin the industry in May this year

**Maddie Saghir reports**

## With over 34 years of experience in the securities industry can you share your view on how you think it has changed over the years?

If you look at the markets now, the positive impact that technology has had on the industry which has allowed more activity and created more transparency, which is very important.

## You once said "people say that technology takes the human interaction out of business, but I don't sign up for that," has this view changed with technological advancements or will it moving forwards?

I still feel very strongly about this, there is a huge element of human interaction even with the technological advancements that the industry has seen. This is still very important; we talk about people texting each other on social media and so forth, but human interaction is really the bond that holds the industry together and continues to move it forward.

## Has anything stood out to you that has benefited the securities finance industry?

Other than the increased use of technology; the increase in regulations post the financial crisis has helped the industry. We [the industry] learnt a lot from the crisis and I have always felt the industry should be held accountable for the problems from 10 years ago.

The increase in regulations have created more transparency for the regulators and the entire market. When you create transparency in the market, that benefits everyone. Therefore, Markets in Financial Instruments Directive, Securities Transaction Financing Regulation (SFTR), and other regulations have been good for the industry.

It holds us accountable, it forces us as individuals and institutions to create better processes, and that is always good for all of the parties in the market; including the lenders, borrowers, and beneficial owners.

## How would the industry respond to a default like Lehman today with the new regulations and controls in place?

Due to regulations, the increased capital requirements that all firms have, and the transparency that has been created, the industry would respond better; we are much better prepared. The key is that the regulation and transparency have given the industry and the regulators better tools to see what is happening in a much clearer way than what we were seeing twelve/thirteen years ago when things were beginning to unravel.

The securities industry will always have default situations—that's just going to happen. The important point is that you don't want them to be a systemic fault. I think now, the industry is much better equipped to see it coming.

As the crisis begins to leave people's minds because of time, the industry always needs to reflect back on it. There should always be a constant reminder and a reflection of the things that went wrong, and we need

to ensure that we self-reflect and self-regulate so that those problems don't happen again.

## Are we in better shape today as an industry compared to 10 years ago?

This is an important message that I would like to highlight. The regulations, self-reflection, self-policing, means that we are better off, but we should never take our eye off the ball.

## We all thought you had retired, what enticed you back and has anything changed since you've been gone? What are the new challenges the business faces?

What it really comes down to is the people. I enjoy the company of the people in our industry, especially in the securities financing industry; they are intelligent, dynamic, and forward thinking.

**The regulations, self-reflection, self-policing, means that we are better off, but we should never take our eye off the ball**

That goes back to the human interaction; when you are dealing with either your colleagues or your clients is what you end up missing. It is the people in our industry that I so thoroughly enjoy being with.

## With all your experience in the industry, what do you think is the best asset you bring to Pirum?

One of my passions is education; I am active on boards at two Universities in the US. I enjoy being around young people and mentoring and educating them as well as helping the Deans put their academic programmes together.

Looking specifically at Pirum, we have made a decision to grow in North America, where we have a relatively young team and I thoroughly enjoy mentoring and guiding them.

## What's next for the securities finance business?

Change, the one constant is change. The movement of non-cash collateral continues to happen and SFTR will continue to create more transparency. The centralisation of funding started right after the crisis and that will continue. I don't think all firms are there yet, some are more advanced than others, but that centralised view of funding a balance sheet will continue across the industry, and that was an outgrowth of the crisis.



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7:30 A.M.	<b>Buffet Breakfast</b> Sponsored by: Scotiabank
8:45 A.M.	<p><b>Welcome</b></p> <p>Alexander Blanchard, Global Head Repo Trading, Goldman Sachs &amp; Co.          Tamela Merriweather, Senior Vice President and Assistant General Counsel, Northern Trust</p>
9:00 A.M.	<p><b>The Evolution of the Treasury Function</b></p> <p><b>Moderator:</b>          Thomas Kinnally, Managing Director, Morgan Stanley</p> <p><b>Panelist:</b>          Andrew Moore, Managing Director, RBC Capital Markets     Jerome Schneider, Managing Director, PIMCO          Nehal Udeshi, Managing Director, Goldman Sachs &amp; Co.     Thomas Kinnally, Managing Director, Morgan Stanley          Travis Keltner, Managing Director, State Street</p>
10:00 A.M.	<p><b>SFTR and Data Transparency</b></p> <p><b>Moderator:</b>          Michael McAuley, Managing Director, BNY Mellon</p> <p><b>Panelist:</b>          Elaine Benfield, Senior Counsel, Vanguard     Richard Colvill, Senior Consultant, ISLA          Mark Steadman, Executive Director, DTCC     Mark Whipple, Vice President, Goldman Sachs Agency Lending          Thomas Poppey, CFA, Senior Vice President, Brown Brothers Harriman</p>
10:45 A.M.	<p><b>Coffee Break with Exhibitors</b></p> <p>Courtesy of:          ABN AMRO Clearing, CIBC, Dynex Capital, Inc.          GLMX, Hanweck, Intuition Financial Placement, LLC          TD Securities, Transcend Street Solutions</p>
11:15 A.M.	<p><b>Market and Regulatory Forces Impacting Demand and Broker/Dealer Activity</b></p> <p><b>Moderator:</b>          Bob Zekraus, Director, U.S. Prime Services, Scotiabank</p> <p><b>Panelists:</b>          Casey Spezzano, Managing Director, Head of Flow Collateral Trading, NatWest Markets          Courtney Campbell, Director, Bank of America Merrill Lynch          Dennis Shikar, Managing Director, Head of Equity Markets Americas, Natixis          Michael Sisto, Executive Director, J.P. Morgan</p>
12:15 P.M.	<p><b>Keynote Address: The Treasury Market Practices Group's Current Issues and Views</b></p> <p><b>Moderator:</b>          Sandra O'Connor, Chief Regulatory Affairs Officer and Chair of AARC, J.P. Morgan</p> <p><b>Panelists:</b>          Jerry Pucci, Managing Director, Global Head of Repo and CEO of BlackRock Execution Services, BlackRock          Nathaniel Wuerrffel, Deputy Head of Market Operations Monitoring and Analysis, Markets Group          and member of TMPG, Federal Reserve Bank of New York          Thomas Wipf, Vice Chairman of Institutional Securities, Morgan Stanley</p>
1:00 P.M.	<b>Business Programme Adjourns for the Day</b>
1:30 P.M.	<b>Tennis Tournament</b> Courtesy of: IHS Markit
5:30 P.M.	<b>RBC Reception</b> Courtesy of: RBC





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