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Collateral Trading

Paul Lynch reveals EquiLend's new collateral platform

Day three agenda inside

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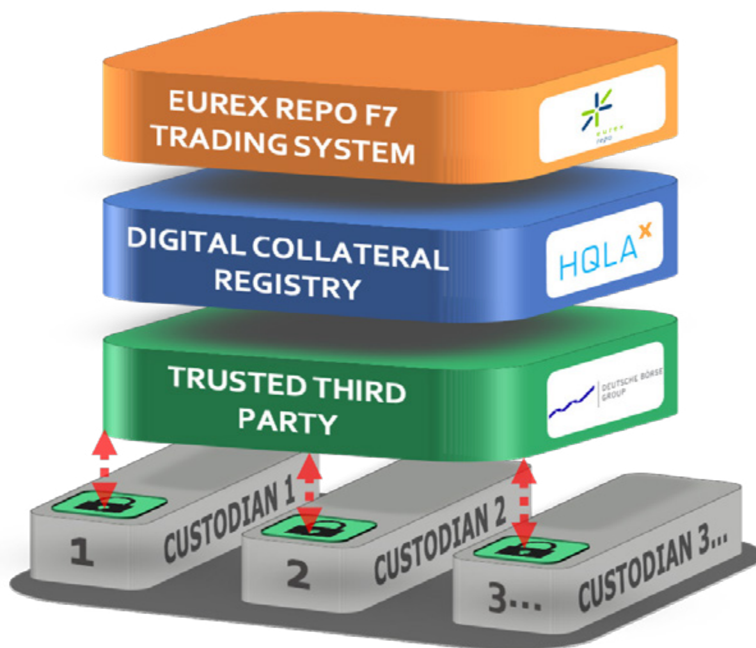

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HQLA^X

Presidential candidate Warren will cause market weakness, speakers warn

The prospect of US senator Elizabeth Warren facing off against US president Donald Trump as the Democratic Party's 2020 presidential candidate would likely cause market weakness and growth stagnation to continue throughout next year, panellists argued.

The vast difference between the likely stance that a future president Trump or president Warren would take on financial market activities, such as regulation, means that businesses and Wall Street are hesitant to commit to a specific course of investment action that might not be optimal under one administration or other.

If the likelihood of Warren being the Democrat's candidate is perceived by the market to grow to around 30 percent then you will start to see that priced in and the consequences will be the persistence of market weakness in several areas, explained one panellist representing a major bank.

Elsewhere, Brexit, the economic slowdown in German, and political unrest in a number of global regions, along with money market liquidity concerns in the US, were all cited as contributing factors to the pervasive conservative mood among banks and businesses that's led to a drop-off in demand to borrow securities, among many other consequences.

Global growth is broadly expected to remain low for the next few quarters with 2020 overall real GDP growth decelerating to under 2 percent, the speaker noted.

"Uncertainty will linger," the speaker added. "Interest rates will be cut and this is all leading to companies holding back and keeping to a 'wait and see' philosophy."

"The Fed has misjudged everything at every step," panellist argues

The US Federal Reserve has come under fire for its handling of the overnight repo liquidity troubles that hit the market in September.

One speaker on the second day of the Risk Management Association's conference said that the Fed was caught off guard last month as it believed banks' reserves were more than sufficient.

In September money markets saw overnight repo rates rise to as high as 10 percent as a result of a significant funding squeeze driven by the combined effects of a corporate tax date, bill supplies and coupon settlements all taking liquidity out the market at the same time.

Panellists also noted that regulatory-driven

SFTR opens door to corporate actions reform, says ISLA

The Securities Financing Transactions Regulation (SFTR) presents an opportunity for the securities lending industry to resolve long-running challenges around the handling of corporate actions, according to Andrew Dyson, CEO of the International Securities Lending Association (ISLA).

"Corporate actions have been problematic for many years but SFTR is forcing us to finally look at this," he told audience members during the association update panel.

Dyson outlined after the session that previous work undertaken by ISLA suggests that around 50 percent of all corporate actions relate directly to securities lending activities.

"Not surprisingly, corporate actions relating to returns and additional on-loan securities figure heavily," he explained. "Consequently, it is vitally important that all market participants deal with specific corporate actions in a consistent way across the market."

Dyson added that failing to do this or to set the necessary standards will mean that the market will find it difficult to reconcile and report trades under SFTR.

ISLA is embracing the opportunity that SFTR provides and has set out four steps with which to provide value for its members around corporate actions.

ISLA will start its work in this area by defining the corporate actions universe and then group corporate actions by securities financing transactions/booking model outcome, Dyson explained.

It will then look to work with its members to agree SFTR best practices for each corporate actions group.

According to Dyson, ISLA will aim to have this project completed before SFTR goes live in April 2020.

Elsewhere, Dyson noted that the level three SFTR guidance is expected to be released in Q4 and that industry participants will have to work hard to finalise their reporting solutions ahead of the go-live.

The remaining uncertainty around SFTR that will be clarified in the final guidance relates to article four, which includes reporting obligations and safeguarding for securities financing transactions.

Repo market is still large and stable, says ICMA

The repo market is large and stable and still presents counterparty credit risk reduction, yield enhancement and funding resilience, according to Michel Semaan, board and chair of the International Capital Market Association (ICMA) European Repo and Collateral Council (ERCC) and committee.

Semaan, also global head of secured funding and G10 non-euro rates at Crédit Agricole Corporate and Investment Bank, made the comment in ICMA's Q3 report.

Semaan referenced the ICMA ERCC biannual survey which indicates that the secured funding market is a growth area for both buy- and sell-side financial actors.

Collateral

Semaan said: "The various regulatory requirements have made that need more acute: first and foremost, we all need to optimise our collateral management by having the right collateral in the right place at the right time and in the right quality and quantity. We all need to comply with a plethora of liquidity and leverage ratios."

The Collateral Management Harmonisation Task Force, overseen by ICMA, is also setting up expert groups to assess bilateral collateral management, including operational frictions and the need for improving the collateral mobility, triparty collateral management, in particular, questions related to the development of a single triparty model, asset servicing and taxation processes.

Regulations

Speaking of the April 2020 Securities Financing Transactions Regulation (SFTR) deadline, Semaan commented: "The ICMA ERCC is working on detailed best practice documents to supplement the guidance provided by ESMA, but it remains a challenging task."

Martin Scheck, chief executive of ICMA, further indicated that the association is now running seminars and workshops to educate market participants on how they will need to comply with SFTR. He stated: "Whilst this is an EU regulation, it has an extraterritorial impact."

US repo

Andy Hill, senior director at ICMA, touched on US repo rates and how they unexpectedly spiked 750 basis points, printing at a high of 10 percent in September.

He added: "Volatility in repo rates is not in itself a reason for alarm. Repo rates, like any asset price, are a function of demand and supply and are generally not static in healthy, functioning markets. Rather it was the size of the move that drew attention."

balance sheet restrictions also hamstrung banks from easily lending to each to ease the funding pressure.

To combat the issue, the Fed was eventually forced to offer a series of multi-billion dollar cash injections into the market to ease the liquidity shortfall in the lead up to Q3 quarter-end.

"I would say the Fed's actions have been more reactive than planned," a speaker commented. "In the first place they over-estimated the market liquidity, secondly they thoughts the balance sheet run-off would occur later rather than sooner and that they would have plenty of time to figure out how to structure the balance sheet."

"Therefore, If I had to rate the Fed solely on the plumbing and the mechanics of their operations I'd put them closer to a 'C' because they have misjudged everything at every step."

A poll of how audience members would grade the Fed on its policy decision revealed that 50 percent would agree with the panellist's 'C' rating, while 33 percent said 'B', 11 percent chose 'B' and only 6 percent would give it an 'A' grade.

A second speaker reacted to the poll results saying: "You do have to give them [the Fed] points for preemptively cutting interest rates."

"But you are all much more generous than most people I talk to because they say that Jerome Powell has done an awful job and is behind the curve."

Powell took over as chair of the Fed in February 2018 for a four-year term after being nominated by US president Donald Trump.

US standing repo facility is likely ... in 2020

The creation of a standing repo facility by the US Federal Reserve is a likely outcome of the September repo market liquidity scare, but it won't come this year, according to RMA conference panellists.

"I think the Fed will create a standing repo facility but how effective it will be is unclear," explained a conference speaker. "My suspicion is that the programme will be limited to banks and will be set at a rate that's above the upper-end target of the Fed funds rate."

The speaker explained that they believed the Fed's ambition was to create a programme that wouldn't be attractive enough to use regularly but that could still be effective if needed.

However, concerns around applicable collateral and other technical issues mean that the

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market is unlikely to see the facility go live this year, the speaker added.

A second panellist added that the Fed is in a fact-finding phase of planning at the moment and is unlikely to rush into producing a complex or unwieldy facility that is not fit-for-purpose, just to mitigate the potential of further liquidity issues at the end of the year.

A poll of audience members at the fixed income panel showed overwhelming confidence (83 percent) that the Fed will eventually offer a standing repo facility to avoid a re-run of the turbulence in money markets experienced ahead of the Q3 quarter-end last month.

In September, money markets had observed a significant funding squeeze that caused the overnight repo rates to rise to as high as 10 percent.

One panellist noted that many market participants had instinctively tried to find the “smoking gun” but that the reality was that a host of different factors and market events had all contributed to taking liquidity out the market at the same time.

These included a corporate tax date, bill supplies and coupon settlements.

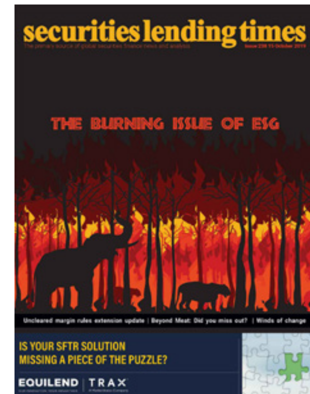
It was also noted that these were not ‘black swan events’ and that the additional factors of the Basel III liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), which require banks to hold on to more reserves than they previously had to and limits their interactions with one another, also played a part it the unusually traumatic quarter-end phase.

Commenting on the liquidity shortage, a speaker said: “The most important factor is that bank reserves do not flow readily between banks. There are a couple of reasons for that, and the first and most obvious is regulation.”

“The second factor is more subtle and that’s internal liquidity management,” he added.

The speaker explained that in order to present themselves as being cautious and conservative in response to the market environment they find themselves in, banks are actually taking a stance that’s more stringent in terms of liquidity management than what is expected of them under LCR and NSFR.

“This prevents the liquidity from flowing from the Fed’s balance sheet to the broader market.” When asked if the market was now balanced as a result of the Fed stepping in to settle money market concerns through several bouts of multi-billion dollar repo injections, one buy-side speaker said that there will inevitably be further short-term periods of volatility but they are unlikely to reach the levels seen in September.



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Paul Lynch
Global head of products
EquiLend

New year, new platform

EquiLend's senior team lift the lid on the details of its new collateral trading platform due to be launched in 2020

EquiLend has a new collateral trading platform coming in Q1 next year. Can you outline what you're hoping for it to achieve?

Paul Lynch: We are delivering a platform that streamlines trading of collateral. The platform will allow our clients to perform collateral upgrades and downgrades more efficiently. EquiLend Collateral Trading will cover not just market discovery, but also trade execution and the post-trade elements of these instruments. Clients will have the ability to execute and, perhaps more importantly, manage these trades all in one place. By doing so, we are bringing more transparency and efficiency to this area of the market.

Can you walk me through who the target users are and how it will work?

Jim Lailey: Balance sheet optimisation is a key driver for collateral trading. Our target users are primarily the funding/financing desks of institutions actively engaged in the securities finance market.

EquiLend Collateral Trading will allow clients to post targeted bids and offers for both upgrade and downgrade seekers. For example, lenders will have the ability to broadcast high-grade assets and inventory available for downgrades, and conversely, borrowers can post requests for collateral upgrades. We are providing clients with a market view to connect with their counterparties, negotiate and execute a collateral upgrade/downgrade trade structure.

Beyond that, throughout the tenor of the loan, the platform will provide functionality to allow allocations, substitutions and various lifecycle events. With a centralised platform, communication between counterparties is streamlined and operational risks can be reduced. A trade blotter will also provide visibility into all the trades counterparts have on the books with one another.

Collateral management has lagged behind other similar markets and remains relatively opaque. Why is that and is this changing now?

Alvin Oh: The cultural shift toward investment into collateral management infrastructure has created the need for technological innovation. Collateral management is a complex business line. We are working to bring automation, harmonisation and standardisation throughout the industry. The key to success is focusing on a firm's individual requirements. As a result, we have rolled out our suite of collateral offerings this year, including EquiLend Spire for inventory management and books and records; Collateral Trading for execution; and EquiLend Exposure for pre- and post-trade exposure management.

How will EquiLend Collateral Trading differentiate itself among other players in this space?

Lynch: One of our key competitive advantages is our proven track record in trading. NGT remains the industry's flagship securities finance trading platform, and we believe Collateral Trading will fill an equivalent role in the collateral arena.

With our clients already connected to the EquiLend ecosystem, we fully intend to leverage those existing connectivity points to allow client firms to adopt EquiLend Collateral Trading as simply as possible. User experience is a key focus for us as we recognise the need for efficiency and usability.

Is there a reason why the launch is set for Q1 2020? Are there market factors EquiLend is seeking to react to?

Lynch: We built EquiLend Collateral Trading because we recognised the inefficiencies in the collateral market for price discovery and trade lifecycle management. EquiLend is well placed to solve this problem. With our expertise, we have been able to build a trading platform that solves for collateral term, extendable and evergreen as well as overnight and open trades in an efficient and transparent manner.

Is EquiLend Collateral Trading being rolled out globally?

Lynch: Our products are built to support the global financing market. Not only will EquiLend Collateral Trading serve the global collateral market, but it is also designed to be compliant with the Securities Financing Transactions Regulation for firms impacted by that upcoming regulation.

Alvin Oh
Global trading product owner
EquiLend

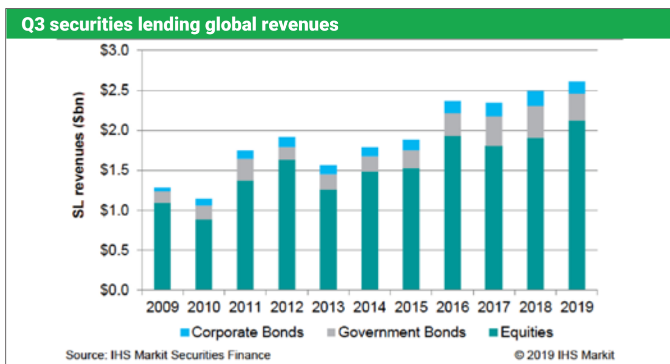
Jim Lailey
Head of client relationship management North America
EquiLend

Taking stock in Q3

Sam Pierson, director of securities finance at IHS Markit, walks through the data on the global securities lending revenue

Global markets see $2.6 billion in securities lending revenue

Global securities lending revenues for Q3 2019 were $2.6 billion, 5 percent above Q3 2018 revenue. That makes Q3 the first quarter of 2019 to deliver year-over-year (YoY) revenue growth. Increasing demand for hard-to-borrow equities in US and Canada resulted in the highest quarterly revenue for North American equities since 2008 ($1.1 billion). The weighted average fee across all asset classes increased by 12 percent YoY–while increasing fees supported the revenue growth, the 7 percent YoY decline in loan balances served as a drag on returns.



In the Q2 update, we noted the pickup in equity specials demand in May and June, which was encouraging given the overall shortfall in equity lending revenues in the first half of the year. The big story of Q3 was continued increase in North American equity specials balances and fees. The upswing largely came as the result of initial public offerings (IPO) and Cannabis related equities. Beyond Meat has undoubtedly been the outstanding security of the year in terms of revenue, with eye-popping fees paid by borrowers on what is now one of the largest US equity short positions in nominal terms. Total revenues for lending BYND shares are easily the highest for any security year-to-date (YTD) ($250 million), an impressive feat given the firm didn't IPO until the first week of May.

The boost in specials related revenue helped deliver $924 million in Q3 US equity lending revenue, the most for any quarter since Q3 2008's $1.1 billion record. The Q3 US equity returns narrowly edged out Q4 2015 and Q1 2016, which both had just over $900 m.

Total equity lending revenues came in at $2.1 billion, an 11 percent increase compared with Q3 2018. All the growth was in North America, with the rest of the world seeing a 13 percent decline in equity revenues. North American equities delivered 42 percent of all securities lending revenues in Q3, the highest ratio since Q4 2015.

Revenues in Asia were down 14 percent YoY as the growth in value on loan was insufficient to cover the decline in average fees. It's worth noting however that there was a 1.5 percent increase sequentially

compared with Q2. The YoY revenue shortfall was concentrated in emerging markets and was driven by declining demand and fees. The top-10 Asian equities returned $61 million in Q3 revenues, down from $76 million in Q2. Revenues in Japan declined 1.3 percent YoY, belying a 29 percent increase in balances and nearly offsetting decline in fees.

European equity lending revenues declined 13 percent YoY in Q3, as the result of a 20 percent decline in balances and an 8 percent increase in fees. The standout security in the region for Q3 was Casino Guichard Perrachon: fees soared on a decrease in lendable assets and balances increased with the 46 percent increase in the share price. As a result of the casino's surging revenues, French equities delivered the most Q3 revenue since 2012 ($86 million). UK equities were the only major EU market to see YoY growth in Q2, however, Q3 revenues shrank by 16 percent in Q3 as the result of a 4 percent decline in average fees and an 18 percent decline in average balances.

Exchange-traded funds lending revenues continue to underperform relative to 2018; Q3 revenues came in at $77 million, a decline of 10 percent compared with Q3 2019. Borrow demand for exchange-traded products remains robust, with Q3 balances 11 percent higher YoY. The decline in revenues is primarily the result of lower fees for high-yield credit products. Reflecting the continued adoption trend for exchange-traded products, both the assets under management and total lendable assets reached a new all-time high in Q3.

The general theme in fixed income was declining revenue largely as the result of declining fees, however balances for government bonds and corporates both declined YoY in Q3. Government bond lending revenues peaked in Q1 2018 at $470 million before trending steadily downward through the first half of 2019. There were some opportunities to lend government bond specials, most notably the US 10Y and the CA 30Y. The major story in sovereign lending in Q3 was the spillover from repo funding markets, which saw the rebate for financing transactions in US Treasurys increase to 440 basis points on 17 September.

Corporate bond lending revenue fell 18 percent YoY, with Q3 revenues of $151 million. The delta was almost entirely driven by a 17 percent decline in fees while average balances fell 1.6 percent. While the YoY comparison is harsh, revenues were little changed from the Q2 2019 total. Corporate bond lendable assets reached a new all-time high in Q3 ($2.3 trillion), a 19 percent YoY increase.

Wrap-up:

Revenues for Q3 saw some growth YoY, as the increase in equity revenues in North America were enough to offset declines in most other regions and asset classes. Revenues for the first half of 2019 declined 15 percent relative to the first half of 2018, however, H1 2018 was the best six-month span post-crisis. Through Q3, the YTD global securities lending revenues stand at $7.6billion, down 9 percent compared with the first three quarters of 2018.

The mix of revenue drivers has evolved in recent years. At the outset of 2018 fixed income was all-important. Government bond lending saw the highest post-crisis revenue in Q1 2018. Credit followed suit with Q2 2018 delivering the most return to lending corporate bonds on record. While fixed income was the headline in the early going of last year, EM equity loan balances were also increasing and reached an all-time peak in June 2018. The growth in EM demand-led Q3 2018 to be the best quarter on record for Asia equity lending. Then came Q4 2018. The decline in global asset values put pressure on returns. Comparatively, in Q4 2015 and Q1 2016 an increase in equity short positioning and specials delivered outsized returns despite the sell-off. In that case, equity short sellers were badly burned in the latter portion of 2016, which may have caused some reticence in getting pressing shorts in Q4 2018.

The theme of Q3 was the return of specials balances in North America, while other regional equity and fixed income markets lagged historical returns. The supply of government bonds appears to have caught up to the demand for high-quality liquid assets, which has continued to cool the revenue stream from lending those assets. The lofty returns for sovereign debt investors YTD have also hurt the borrow demand, as short bets on rates instruments have gone awry with the US Federal Reserve cutting rates. Through that lens, the steady demand for corporates is rather upbeat, despite the lower fees.

Demand for hard to borrow emerging market equities has taken a step back, particularly in Asia. Those three former growth leaders for securities lending revenue, namely Asian equity, government bonds and corporate bonds, all took a backseat to the largest market by revenues, balances and lendable assets: US equities. The mid-teen percentage YoY revenue decline for the former growth asset classes were similar in Q3, however, the decline in non-financing fees and balances for US Treasurys sticks out given the backdrop of rate cuts in the US. The surge in revenues from lending US Treasurys started with the first interest rate hike in 2015, suggesting that if the trend toward rate-cutting remains in place, we may see a further downtrend in lending revenues for those securities. The decline in sovereign debt lending revenues may be structural, making the increase in North American equity specials revenue a most welcome offset.

Q3 global top revenue generating securities

Ticker	Name	Q3 Revenue	YTD Revenue	Industry Group
BYND	Beyond Meat Inc	$198	$250	Food, Beverage & Tobacco
WEED	Canopy Growth Corp	$54	$107	Pharmaceuticals, Biotechnology & Life Sciences
NIO	Nio Ads Rep 1 Cl A Ord	$47	$106	Automobiles & Components
CO	Casino Guichard Perrachoı	$41	$64	Food & Staples Retailing
ACB	Aurora Cannabis Inc	$38	$90	Pharmaceuticals, Biotechnology & Life Sciences
OSTK	Overstock.Com Inc	$33	$49	Retailing
DDS	Dillard'S Inc	$29	$31	Retailing
TLRY	Tilray Inc	$27	$64	Pharmaceuticals, Biotechnology & Life Sciences
AXDX	Accelerate Diagnostics Inc	$21	$51	Pharmaceuticals, Biotechnology & Life Sciences
LYFT	Lyft Inc	$20	$52	Transportation

Source: IHS Markit Securities Finance

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Squaring the collateral triangle

David Lewis, of FIS, discusses how regulations will have more of an effect on our business now, and in the near future, than they have ever before

Regulations have always shaped our industry, that is their nature. However, it is probably fair to say that they are having more of an effect on our business now, and in the near future, than they have ever done before. Many column inches have been written about Securities Financing Transactions Regulation (SFTR), and now we are on the road to implementation in April 2020, the new requirement for the securities finance industry to report to a regulator is finally on the horizon. SFTR is, of course, all about transparency and bringing the world of shadow banking out into the sun, delivering on the Transparency Directive handed down by the Financial Stability Board (FSB). Combine the effect

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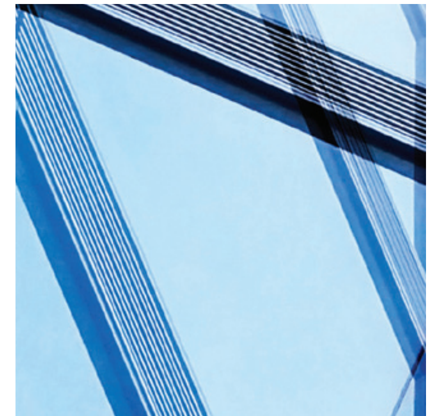

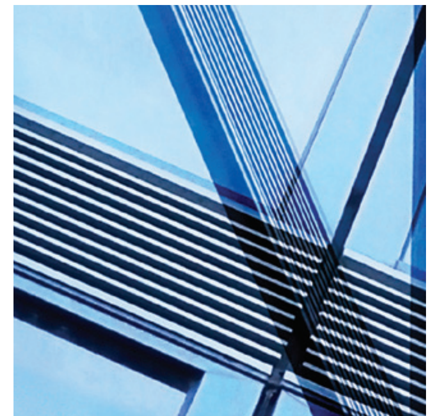

As the world's largest equity derivatives clearinghouse, OCC is committed to providing market participants with high quality and efficient clearing, settlement and risk management services. As a Systemically Important Financial Market Utility, we work to enhance our resiliency in order to reduce systemic risk, increase market transparency, and provide capital and collateral efficiencies for the U.S. capital markets.

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of SFTR with other forces at play in our market, including the other new regulations coming into force or already in place, then we see an influence on the market that is much wider than perhaps the original individual requirements intended.

Looking at a number of these regulations, a common thread becomes evident. Just like many other segments of the financial markets, regulators are looking to regulate out risk as far as is possible—in the same way, health and safety commissions look to protect the public from harm. Risks cannot be eradicated, of course, because without it, returns make little sense; but they can be minimised, and this is what a number of regulations are aiming at. Central Securities Depositories Regulation (CSDR), Fundamental Review of the Trading Book (FRTB), the various incarnations of Basel and, of course, SFTR, all have common factors either directly or indirectly affecting the way collateral is managed or reported.

The need for additional capital under Basel III has driven many banks to reorganise their balance sheets as they move to meet the new requirements applied to them. This has had an effect on the securities finance market as borrowers look for high-quality liquid assets (HQLA) to improve their balance sheets. However, in a report by the European Banking Authority (EBA) on the progress of Basel III implementation released this month, it is indicated that across the 189 banks questioned, the capital requirements would rise by an average of 24.4 percent. This translates, in the report's terminology of "conservative assumptions", to a capital shortfall of some €135 billion, including €91 billion of common equity tier one. Looking at large global banks, it is clear that they are carrying the larger part of this increased obligation, as medium-sized banks are looking at an average rise of just 11 percent of the capital or around €1 billion. Small banks fare even more favourably at just 5.5 percent and around €100 million of additional capital required.

In its recommendations, the EBA advises that Basel III reforms are introduced by the European Commission with regard to the "calculation of exposure values of counterparty credit risk exposures stemming from securities financing transactions (SFTs)". This would suggest that the need for HQLA is unlikely to be diminishing any time soon.

In an article, published by the Financial Times on 22 May 2019, Manmohan Singh, a senior economist at the International Monetary Fund, explained how collateral velocity is once again on the increase. Collateral velocity, first measured effectively in 2011, is the ratio of the total pledged collateral received by large banks that is eligible to be reused, divided by the primary collateral sourced from financing activities, including repo, securities lending, prime brokerage and derivative margins. In simpler terms, the ratio indicates the level of reuse of collateral due to financial intermediation between banks and non-banks, something regulators are keen to understand, and which can be seen reflected in some of the data requirements we see in SFTR.

Having dipped significantly from around three in 2017, velocity was calculated at around 2.5 between 2010 and 2011, immediately post the Lehman default and the ensuing financial crisis. Collateral velocity continued to fall, dipping to a low of 1.8 in 2016 as regulations and a general aversion to counterparty risk saw collateral pledged fall from $10 trillion to around $6 trillion. It could also be argued that quantitative easing by several central banks was also sucking up a lot of HQLA supply. Since 2016, however, it has been on the rise: two in 2017 and 2.2 in 2018. This has been caused by a growth on both sides of the equation but with primary collateral rising by only around 10 percent, while the volume of pledged collateral has grown more than three times as fast at 33 percent. While this rise has only closed half the gap that was created by the financial crisis, it does put pledged collateral back over the $8 trillion level.

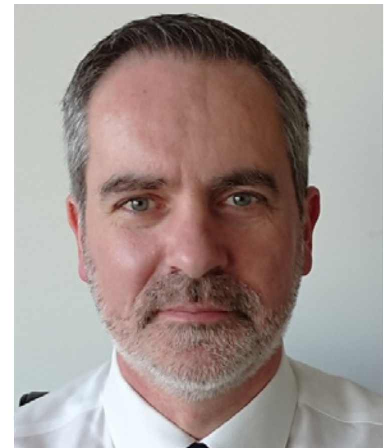
But what does all this mean to the securities finance industry? The rise in primary collateral has been driven primarily by securities lending and prime brokerage activity, reflecting the additional activity in collateral sourcing and supply to meet regulatory changes. It is also indicative of market participants changing the way they trade in order to stay within new balance sheet constraints. What may follow is a loosening of those pressures as central banks begin to reduce the size of their balance sheets and free up the HQLAs that they have taken from the market. Certain central banks have undertaken securities lending programmes themselves, which have muddied the waters somewhat, but that will be offset by the reduction in the quantitative easing programmes.

The impact of FRTB has also been felt across the market as capital is allocated towards illiquid assets, and market participants have pushed away from holding anything they cannot efficiently price. This regulation is another potential demand on the capital of banks, bringing further pressure to the market. It is a regulation that is, arguably, easily defended on the basis that it is not unreasonable to expect a bank to hold capital to secure an asset that does not meet a fairly low bar on asset pricing. Anyone who has seen 'The Big Short' will understand the knock-on effect of mispricing illiquid or distressed assets. Such requirements certainly uphold the health and safety objectives of the regulators when they are considering the security of the financial markets.

With multiple regulations bringing numerous layers of complexity to the capital and collateral requirements of the financial markets, the securities finance industry finds itself firmly in the crosshairs, not least because as of April 2020 we will need to be able to report comprehensively on collateral traded and its level of reuse. The roll-out of margin requirements for uncleared derivatives will be another major driver of change, requiring either the posting of additional collateral by hundreds of more counterparties or the move into the clearinghouses.

In either case, the objective of protecting the end consumer and the stability of markets is being addressed. All we need to do now is find all that extra collateral and optimise it across all our businesses.

David Lewis
Senior director
FIS



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Outlook of Collateral Management and Optimisation

The global securities lending market was once quite clearly bifurcated along collateral lines, with US-domiciled lenders expecting and receiving cash collateral and the rest of the world's lenders predominantly seeking (and receiving) securities. For various reasons–including regulatory reforms post-financial crisis, and a cascade of US and EU sovereign debt issuance boosting available security supply–the long-predicted tip towards even greater use of non-cash collateral is fully evident.

This panel aims to touch upon the changing landscape from the point of view of the beneficial owner, the borrower and the agent lender–current state and near-to-mid future outlook. Is the growth in non-cash collateral within the securities lending market impacting the price borrowers are willing to pay for loans collateralised with securities? How do banks and dealers optimise and allocate collateral to be used for securities financing transactions versus other required business lines? What, if any, impact does the shift have on cash collateral reinvestment opportunities?

Moreover, the final phases of the BCBS-IOSCO Uncleared Margin Rules are slated to become effective in September 2020 and 2021. We'll debate whether their implementation likely proves to be a tipping point for borrower/market demand for lenders' available high-quality liquid assets securities–collateral transformation and optimisation generally–and consider what challenges and opportunities the market faces with regards to preparedness.

Moderator:
Gino Timperio, Senior Managing Director and Global Head of the Funding and Collateral Transformation State Street

Panelist:
Abhinav Chandra, U.S. Head of Equity Finance Funding and Hedge Fund Pricing, Barclays
LJ Jhangiani, Director, Head of Securities Lending Trading, BMO Global Asset Management
Gerald Pucci, Managing Director, Global Head of Repo and CEO of BlackRock Execution Services Chair Of the TMPG, BlackRock
Taryn Siglain, Executive Director, Head of Americas Collateral Optimization, Morgan Stanley

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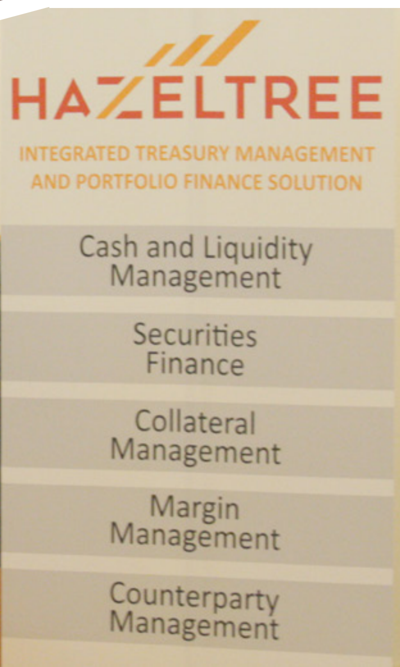

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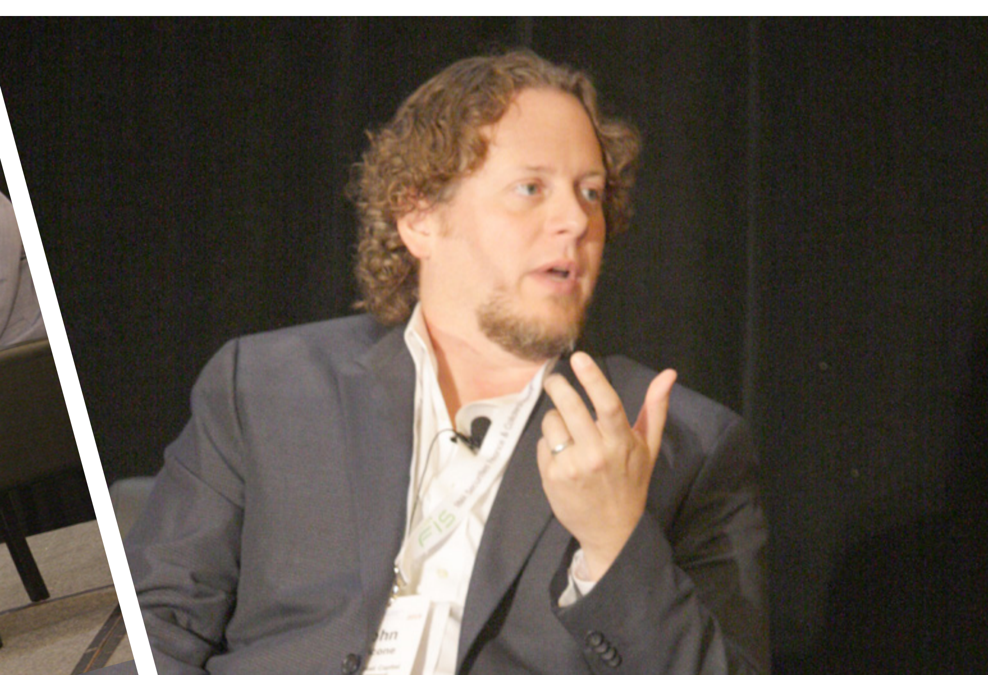
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Agenda Day 3

7:30 A.M. — **Buffet Breakfast**

9:00 A.M. — **Outlook of Collateral Management and Optimization**

Moderator:
Gino Timperio, Senior Managing Director and Global Head of the Funding and Collateral Transformation, State Street

Panelist:
Abhinav Chandra, U.S. Head of Equity Finance Funding and Hedge Fund Pricing, Barclays
LJ Jhangiani, Director, Head of Securities Lending Trading, BMO Global Asset Management
Gerald Pucci, Managing Director, Global Head of Repo and CEO of BlackRock Execution Services, Chair Of the TMPG, BlackRock
Taryn Siglain, Executive Director, Head of Americas Collateral Optimization, Morgan Stanley

9:45 A.M. — **Economics of the Trade and Creative Problem Solving**

Moderator: Mike McAuley, Managing Director, BNY Mellon

Panelists:
Thomas Poppey, SVP/Global Securities Lending, Brown Brothers Harriman
Anthony Toscano, Head of North American Agency Securities Lending, Deutsche Bank
Deepta Venkataraman, Managing Director, Morgan Stanley
Nehal Udeshi, Managing Director, Goldman Sachs

10:30 A.M. — **Coffee Break with Exhibitors**

11:00 A.M. — **Risk and Reward in Securities Finance: The Buy Side Perspectives**

Moderator:
Marney McCabe, Senior Vice President, Brown Brothers Harriman

Panelists:
Jared Black, Trader Security Lending, Vanguard
Kip Graham, Director of Portfolio Finance, Schonfeld Strategic Advisors
Cherie Jeffries, Director of Fixed Income Trading, State Board of Admin of Florida
Michael P. Landolfi, Global Head of Alternative Investment Operations, Manulife
Jason Strofs, Managing Director, BlackRock

12:00 P.M. — **Industry Leaders Panel**

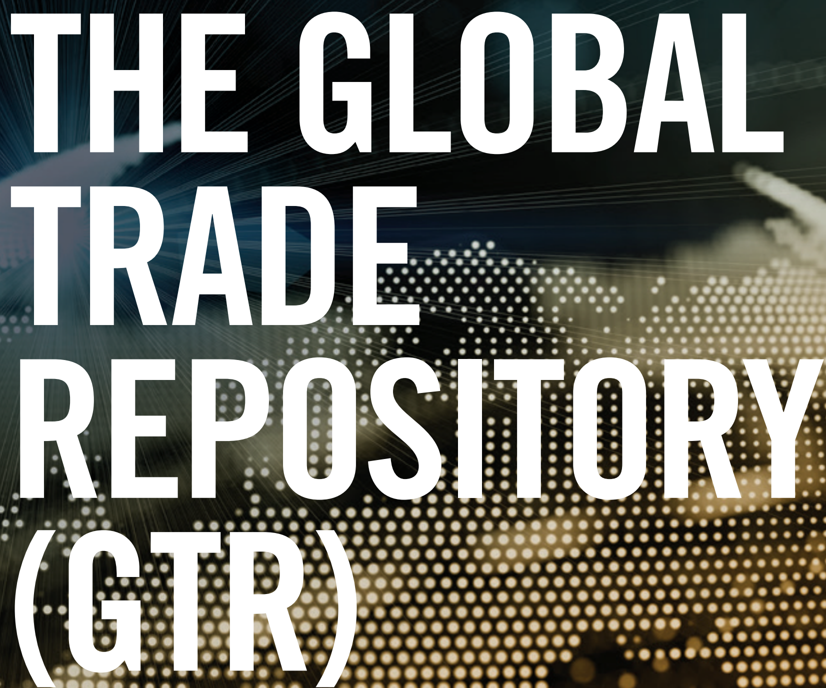
Moderator:
John Stracquadanio, Managing Director, Head of Capital Markets, U.S., Scotiabank

Panelists:
Nadine Chakar, Executive Vice President, Head of Global Markets, State Street
Dane Fannin, Global Head of Securities Lending, Northern Trust
Michael Kelleher, Managing Director J.P. Morgan
Ciaran O'Flynn, Managing Director, Morgan Stanley
Andrea Pfenning, President and Chief Operating Officer, BNY Mellon

1:00 P.M. — **Closing Remarks and Thanks**
Business Programme Adjourns for the Day

1:30 P.M. — **Golf Tournament**

6:30 P.M. — **Closing Reception**



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