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Issue 301 26 April 2022

Spotlight on agency lending

Fidelity leaders discuss agency lending and how insights from institutional clients are shaping their programme development

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Provable Markets forms alliance with FIS

Provable Markets, a US-based broker-dealer and alternative trading system (ATS), has announced an alliance with FIS to allow clients access to the Depository Trust and Clearing Corporation (DTCC) SFT Clearing Service.

The partnership will integrate Provable Markets' SEC registered securities finance focused ATS, Aurora, and FIS' Securities Lending Processing Platform and related product suite.

All National Securities Clearing Corporation members, and sponsored access firms who are customers of FIS Loanet, will have immediate access to DTCC's service with minimal disruption to current workflows at little cost.

As a result, interested SFT Service participants can onboard and begin trading with 'little to no friction', reaping the benefits of Aurora's architecture.

Matthew Cohen, co-founder and CEO of Provable Markets, comments: "What once took months, if not years, bogged down by long-term contracts and heavy internal burdens for onboarding, can now be done in a matter of weeks, or even days, with this alliance. We are excited to see the industry collaborating to use its relative strengths to provide the market with more pragmatic solutions."

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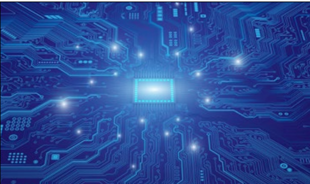

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[1] *Global Investor*/ISF Survey 2020 – Securities Finance Agency Lending named Most Innovative Lender

Kaizen Reporting partners with Point Nine

Kaizen Reporting has announced a partnership with trade and transaction reporting firm Point Nine.

The partnership will aid organisations in improving the quality and accuracy of their regulatory reporting across multiple regimes, offering a streamlined end-to-end experience from pre to post-submission.

These regulatory reporting regimes include the Markets in Financial Instruments Regulation, European Market Infrastructure Regulation, Securities Financing Transactions Regulation, Commodity Futures Trading Commission, Securities Exchange Commission, FingraG, Australian Securities Investments Commission, and Canadian reporting.

Andreas Roussos, Point Nine CEO, comments: "We strive to provide a peace-of-mind trade and transaction reporting service to all market participants in the capital markets. By combining our expertise with industry leaders like Kaizen Reporting, we enable existing and potential clients to benefit from their leading products and services as well as their regulatory expertise."

BrokerTec launches next-generation Stream platform

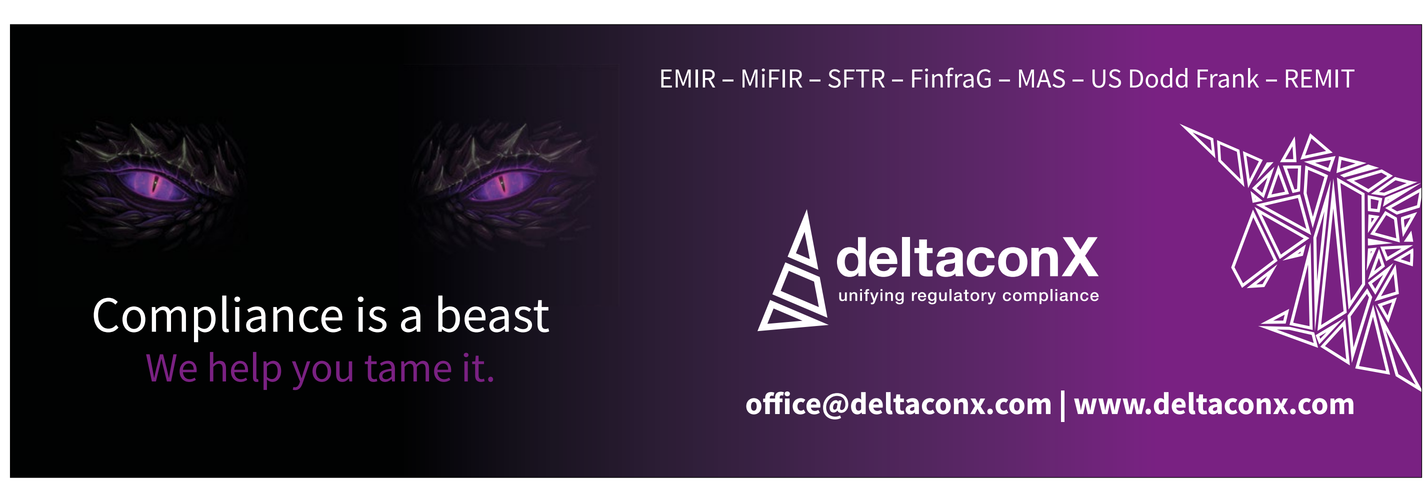
CME Group has announced the launch of a next-generation trading platform for BrokerTec Stream, a relationship-based streaming service for US treasuries.

BrokerTec, a provider of electronic trading platforms and technology services for fixed income and repo markets, says the new platform will provide clients with enhanced processing times and faster market data.

It will enable greater price discovery, execution certainty and cost efficiencies for clients, and support their overall trading performance.

While the platform retains existing features — such as the current API, single ticket and full amount trading protocol, firm pricing, and directed orders — it will include new features such as sweepable orders, client-to-client matching and enhanced market maker inventory management.

In addition, it will be integrated with independent software Vendors (ISVs) such



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Speaking on the announcement, Sean Hodgson, executive director at BrokerTec Products, comments: "Providing our customers with advanced technology to improve the execution experience is of the utmost importance to BrokerTec.

“The next-generation BrokerTec Stream platform delivers significantly reduced latency and will enable us to further innovate by rolling out new products, order types and execution logics in the future."

John Estrada, global head of eMacro, Credit Suisse, adds: “We are always looking to work with partners to provide better solutions to clients. The new BrokerTec Stream platform shows that innovation continues, and we believe clients will benefit from the improved ability to trade US treasuries.”

RepoClear cleared nominal hits new Q1 highs at Ltd and SA

Combined activity across RepoClear’s Paris and London operations reached a record €67.47 trillion in cleared nominal for Q1 2022, across 2.9 million trade sides cleared.

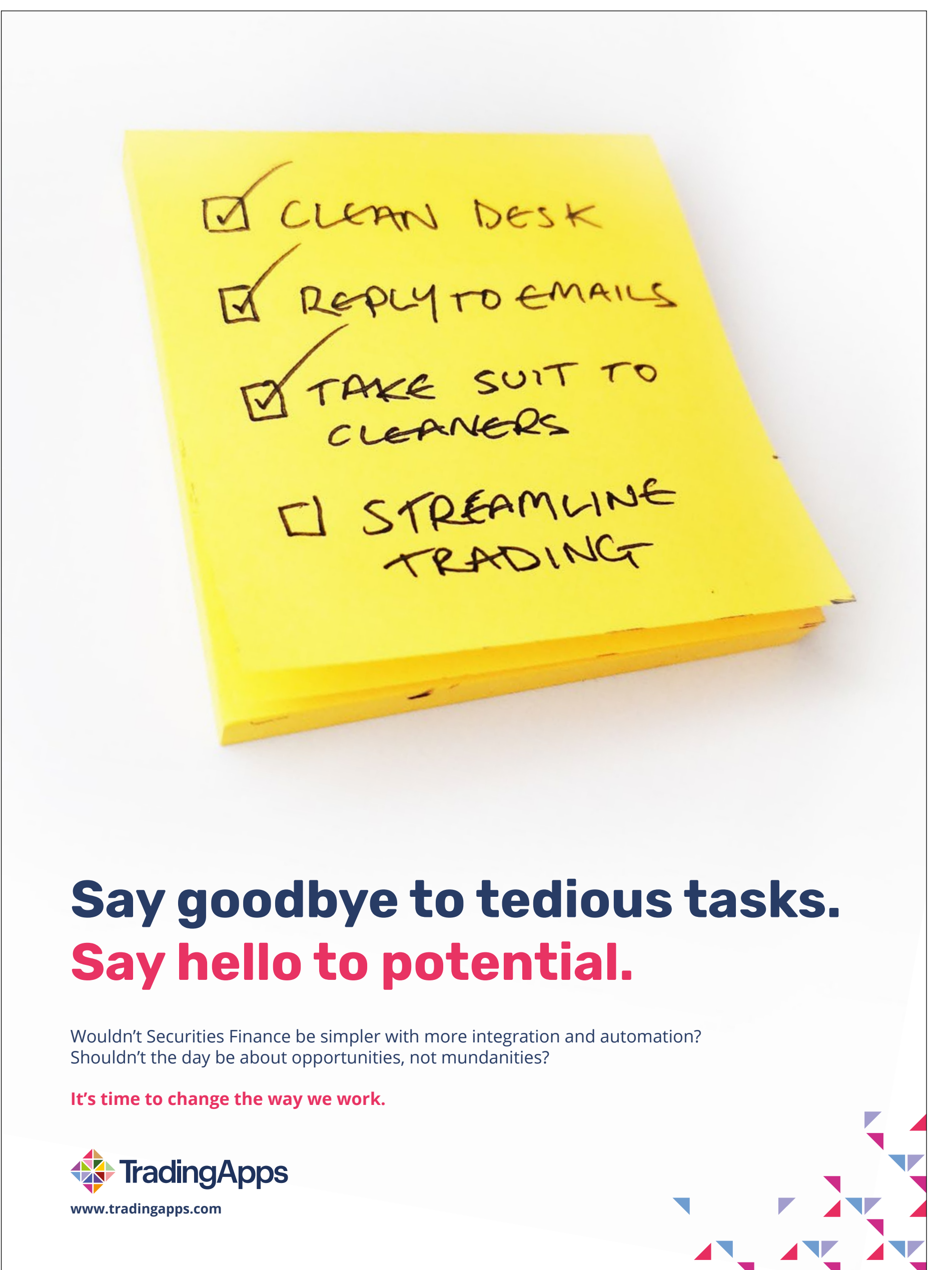
This represented a new record for both RepoClear SA and RepoClear Ltd.

At RepoClear SA, the Paris-based repo and cash bond clearing service, cleared nominal rose 16 per cent YoY for Q1 to €53.77 trillion. This corresponded with 2.6 million trade sides cleared, a 25 per cent increase on Q1 2021.

For RepoClear Ltd, cleared nominal rose 49 per cent YoY to €13.70 trillion for Q1, across 346,600 trade sides (up 41 per cent on Q1 2021).

In April, LCH SA reported that Commonwealth Bank of Australia had become its first Australian clearing member.

On 25 March, LCH confirmed, following a statement from the European Commission, that equivalence for LCH Limited and other UK central counterparties will be extended beyond 30 June 2022 and will remain for at least three further years, until 30 June 2025. The European Securities and Markets Authority (ESMA) has also recognised LCH Ltd as a third-country CCP. With these developments, there will be no change to LCH Ltd’s ability to provide clearing services for all its products and services over this period.



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J.P. Morgan was named Collateral manager of the year at the AsiaRisk Awards 2020, in September last year.

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The clearing house noted that it will continue to engage and cooperate with the appropriate regulatory authorities regarding long-term recognition of LCH Ltd on an ongoing basis under EMIR 2.2 and with ESMA on risk mitigation measures.

LCH SA continues to receive regulatory recognition from the Bank of England. This deemed recognition will extend for a maximum of three years after the close of the transition period on 31 December 2023, but may be extended by HM Treasury on a 12-monthly basis.

LCH reports that the Bank of England (BoE) has recently consulted on the future framework for Tiering and Comparable compliance Technical Standards, which is expected to finalise the UK's clearing framework applicable to both UK and non-UK CCPs. This, it understands, will allow LCH SA to apply formally for recognition by the BoE.

Nexo releases prime brokerage digital assets platform

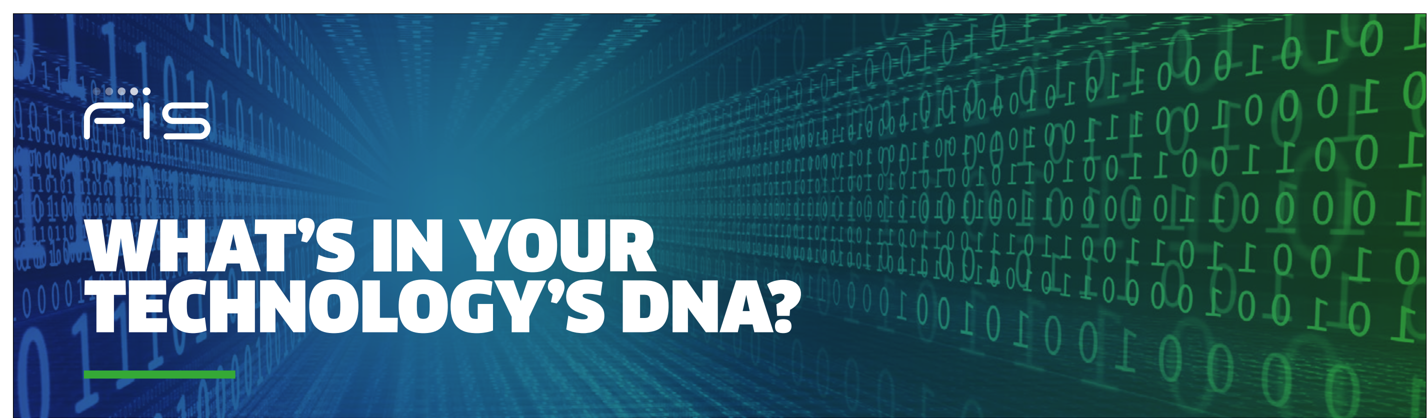
Nexo has released a prime brokerage platform that aims to provide investors with the tools needed to trade, lend, borrow and provide custody for their digital assets in a single solution.

Known as Nexo Prime, the platform aims to provide an integrated digital prime brokerage solution for institutional, corporate and private wealth clients on an around-the-clock basis.

Commenting on the service, Nexo co-founder and managing partner Kalin Metodiev says: "Institutional and corporate demand for digital assets has never been greater and the market for prime services could [grow] ten times over the next year.

"Clients entering the space demand a sophisticated all-in-one institutional-grade platform and that's exactly what we provide them with Nexo Prime."

Yasen Yankov, Nexo Prime vice president



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of development, says: “We’ve carefully built and incubated Nexo Prime over the past 18 months with a core client group and [will now] unveil the platform for the rest of the world to see. We are already a trusted partner to leading trading firms, hedge funds, family offices, and OTC desks.

“We provide our clients with access to deep diversified liquidity pools, lending to meet any need, offering the best prices in the market with efficient low latency execution. This offers an industry-leading custody solution in partnership with BitGo, Fireblocks, Ledger Vault and Fidelity Digital Assets, all combined with US$375 million in custodial insurance via Lloyd’s of London and Marsh & Arch.”

Goldman Sachs completes acquisition of NN Investment Partners

Goldman Sachs has completed its acquisition of Netherlands-based asset manager, NN Investment Partners.

The €1.7 billion agreement will integrate NN Investment Partners into Goldman Sachs Asset Management (GSAM), with the Netherlands becoming an important location in Goldman Sachs’ European business and a ‘centre of excellence’ for sustainability in public markets investing.

It will bring Goldman Sachs’ assets under supervision to approximately US$2.8 trillion and assets under supervision in Europe to over US$600 billion, advancing the firm's ambitions to expand its global presence.

Commenting on the announcement, David Solomon, chairman and CEO of Goldman Sachs, says: “This acquisition advances our commitment to put sustainability at the heart of our investment platform. It adds scale to our European client franchise and extends our leadership in insurance asset management.

“We are excited to welcome the talented team at NN Investment Partners, a centre of excellence in sustainable investing, to

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Goldman Sachs and together we will focus on delivering long-term value to our clients and shareholders."

LGT Capital Partners implements Hazeltree's liquidity management solution

LGT Capital Partners has completed the initial phase of implementation of Hazeltree's cash and liquidity management solution.

This phase focused on aggregating and automating LGT's cash wires activity, which replaces a legacy application. It allows further enhancement of LGT's fund financial management operations by improving its cash, debt and liquidity management processes.

Daniel Hautle, business architect private markets at LGT Capital Partners, comments: "Working with Hazeltree allows us to consolidate our payment processes onto one platform, adding to the industrialisation of operations.

"Hazeltree's solution further improves our operational efficiency and controls, and allows for a fast aggregation of data by combining various systems. Completing this initial implementation phase marks a significant operational milestone for us."

Jeremy Slade, managing director, EMEA, APJ and head of international at Hazeltree, adds: "The platform allows LGT Capital Partners to consolidate processes and improve the speed and efficiency of its operations. We find that our clients not only benefit short term from the aggregation of data and the resulting improvements in efficient and robust execution, but also they have set the stage for further optimising and automation down the road."

Hazeltree is a provider of integrated treasury and liquidity management solutions for the investment management industry, with offices in New York, London and Hong Kong.

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*Global Investor/ISF Beneficial Owners Survey - Custodial Lender Category Unweighted, 2021

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Spotlight on agency lending: through the eyes of the institutional client

SFT recently spoke with three senior Fidelity leaders to discuss agency lending and the latest insights they are hearing from institutional clients. For this conversation, Bob Currie is joined by Fidelity executives Justin Aldridge, head of agency lending, Doug Brown, head of business development for agency lending, and Yuri Brightly, head of securities finance product

Justin, I will start with you. What are the key trends you are seeing in the agency lending space?

Justin Aldridge: One of the prominent trends we are seeing is that firms are finally starting to review their agent lender providers again. Firms have been reluctant to review and change providers while working from home during the COVID crisis and many programmes have gone unreviewed for five years or longer. Now that people are comfortable with working from home, or are returning to the office, they are engaging with the industry providers to evaluate their options.

It is important for firms to review providers, given that the dynamics of the industry are changing rapidly with increased regulation, industry consolidation and retrenchment, and the technology advances needed to perform agency lending services. These factors may influence the performance of a client's lending programme. Firms need to do their due diligence to understand how their programme is being impacted.

In April 2021, Fidelity began marketing Fidelity Agency Lending to asset managers, insurance companies and other institutional clients. What are you hearing from prospective clients?

Aldridge: Since our launch, we have engaged with many prospective clients and there are three key areas that consistently come up in our discussions. The first is the disappointing results, compared to the market or estimates obtained during the RFP process. The second is a need for more customisable programme parameters. And the third is a strong demand for transparency tools.

Lately, many prospects have expressed disappointment with their lending returns — and some have even highlighted their frustration with the estimates they received during the RFP process and the actual results experienced. There are many flaws in the estimate processes, specifically around trying to predict future results with a one-day snapshot of holdings. It is hard to predict the future, so we recommend that prospects utilise backward-looking estimates with multiple holding periods to evaluate performance with other agents. It is far more reasonable and reliable to do a lookback and benchmark your programme with an "apples-to-apples" comparison during the same time period on comparable securities.

Customisation is a hot topic and generally all agents say they can do it. However, we are hearing from firms that this is not being executed in an automated fashion and this is leading to exceptions and creating dissatisfaction. In general, registered investment vehicles (RICs) require more customised and tailored programmes and firms want the ability to control the lending parameters to protect their information while maximising returns. Fidelity's programme was built to allow for customisation at a very granular level using sophisticated, automated technology and this is resonating with our prospective clients.

Clients continue to demand more transparency to help with programme management and to improve investment decisions and corporate governance. The tools that we have developed in our affiliated fintech, PB Optimize, have really resonated with prospects and these are seen to be a valuable addition to our programme. Specifically, clients are looking for tools to manage their proxy voting decisions, evaluate their providers on a more granular level, and assist with programme optimisation and oversight.

Which red flags should a firm look for that will signal that it may be time to seek a new provider and begin the RFP process?

Aldridge: Fidelity believes that you should evaluate your agency lending programme every three to five years. There are a few things to keep an eye on — for example, significant changes to your firm's assets, major changes to the agency lending provider landscape, and underperforming assets in relation to benchmarks or a steady decline in revenue and balances. Other red flags you should look for are an uptick in compliance violations and operational issues, major staffing changes, and a shift in the overall focus and quality of the company providing the service.

Doug Brown, you head up the sales efforts for the Fidelity Agency Lending programme. What are the key elements you suggest a firm looks for when reviewing providers?

Doug Brown: One of the first things to consider is the business focus of the agent lender. Are they focused or specialised on the structure of your firm (i.e. 40 Act or pension)? Or are they a generalist provider trying to serve the needs of many different client types that may have competing interests? It is important to ensure that the agent's focus aligns with your firm's needs and that they can help

> *"The tools that we have developed in our affiliated fintech, PB Optimize, have really resonated with prospects and these are seen to be a valuable addition to our programme"*
>
> ***Justin Aldridge***
> *Head of agency lending*

to improve oversight, programme management and performance — along with any other key areas important to the firm.

You should ask probing questions about technology and how much they invest in technology. Determine whether they are more focused on people and spreadsheets, or if they place a premium on AI-powered technology for efficiency and automation. Gain a good understanding about the connectivity and size of their relationship with their custodian and other custodians. Additionally, take a good look at the leadership team in place that will support the agency lending programme. Look at the team's experience, tenure, and professional designations, and discuss any specialised areas within the organisation that are in place to successfully support the agency lending programme.

When evaluating a new agency lender, a firm should get a good sense that securities lending and capital markets expertise are core competencies. Of course, you also want to ensure that the agency lender has enough scale to be relevant and stable for borrowers.

Contract negotiations can be an unforeseen issue and expense. As the firm narrows the list of potential providers, ask for the contract and assess whether there are major pain points. Then discuss how much flexibility is available to address these challenging areas. To complement this information, it is valuable to talk to some of the provider's most recent clients and ask about the onboarding experience.

Lastly, evaluate the strength of the relationship between your two firms and the importance of that relationship. It may be valuable to deepen the strategic relationship.

I anticipate that risk mitigation features regularly in these discussions. Doug, what are the most important risk concerns prospects and clients should be thinking about?

Brown: Yes, for sure – it is a key area of focus, especially as it relates to operational risk. A firm should ask questions about how the agency programme mitigates this risk. At Fidelity, technology is critical to help manage risk. You should ask what percentage of a provider's lending transactions are automated with their street-side counterparties and global custodians. A high percentage of

automation will help reduce operational risk, generate additional returns, and get to the top of the queue with borrowers.

Many firms will be interested to discuss indemnifications, providing a clear understanding of the liability they will bear if certain events arise. What are you hearing?

Brown: Indeed, a firm should have comprehensive discussions about indemnifications and come away with a solid understanding of the liability the firm will assume if certain, common events occur. A good example would be borrower default indemnification. There are a number of key questions you should ask. Who are the counterparties? How do they approve and monitor the counterparties? Have any counterparties defaulted in the programme and has the agent used capital to cover past defaults? Also, how much capital do they have to support their indemnification?

I imagine that you are getting a lot of inquiries about sustainable investing and ESG. What is top of mind with prospects?

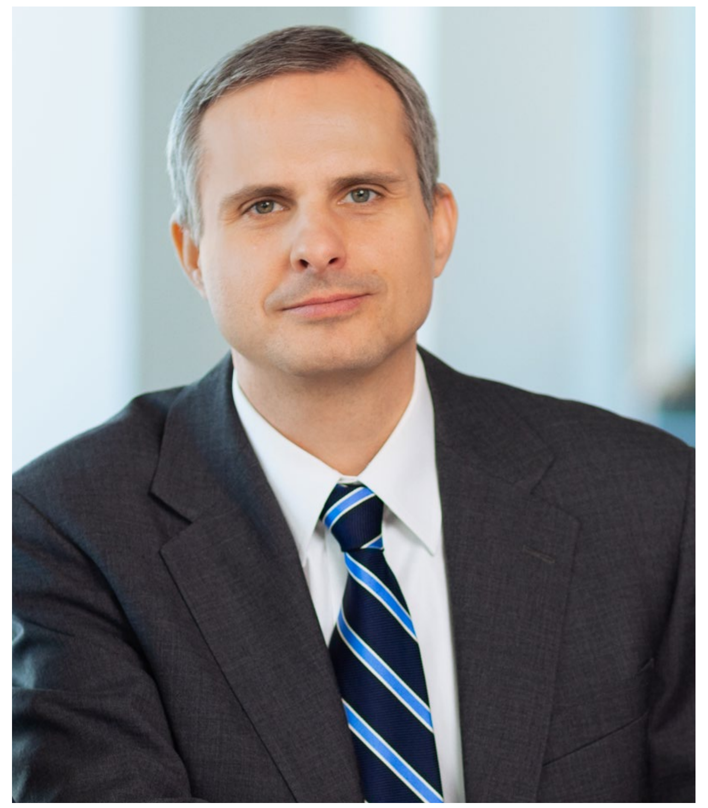
Brown: Yes, that is true, we get many inquiries about meeting the requirements of ESG and sustainable investing. Given our client roster and prospect base, the focus tends to be on the proxy voting aspect of ESG. Many firms are looking for a technology solution that provides real-time lending and proxy data to determine the relevance of an upcoming vote.

It is important for lenders to evaluate how much potential income could be generated if they continue to lend the securities and the revenue they would forgo if they decided to participate in an important shareholder vote. In conducting this analysis, firms should determine how difficult it is to have shares returned from loan and the expected timeframe needed to have the shares back to vote.

These complexities demand a strong technology solution that can really simplify this process for clients — so I would say this is an important area to discuss during the evaluation process. Tools that can help with these complex "what if" scenarios are important to meet the requirements of ESG and sustainable investing.

"Given our client roster and prospect base, the focus tends to be on the proxy voting aspect of ESG. Firms are looking for a technology solution that provides real-time lending and proxy data to determine the relevance of an upcoming vote"

Doug Brown
Head of business development for agency lending



"We will continue to focus on improving our programme through our AI-powered automated-lending technology to maintain our status as a first destination for borrower's needs"

Yuri Brightly
Head of securities finance product

Yuri, you oversee product development for agency lending. Each firm may have specific needs based on its business and strategic goals. Is customisation important when it comes to an agency lending programme?

Yuri Brightly: It is very important to tailor a programme that fits the needs of the firm's business objectives. This requires flexibility and the ability to leverage technology to make these customisable programme options systematic and efficient. These points are key for a successful programme.

Specifically, firms identify the need to tailor a programme to help manage ownership, trading volume, and percent of float, along with limits, minimum return thresholds, active limits designed to preserve qualified dividend income (QDI) and to maximise returns associated with non QDI, proxy voting, missed opportunity reporting, and more. Firms should think carefully about which options will be most important as they work to optimise the success of their programme.

Which areas of technology and product is Fidelity Agency Lending focused on for the remainder of 2022 and into 2023?

Brightly: We will continue to focus on improving our programme through our AI-powered automated-lending technology to maintain our status as a first destination for borrower's needs. At Fidelity, we are continuously enhancing our reporting and data distribution technologies to ensure we can meet our clients' evolving data needs. We are also focused on expanding our collateral flexibility for existing clients. A lot of time and effort is being applied to transparency and optimisation tools that help clients to maximise their returns. Our team is also doing some unique work on QDI optimisation for firms that view this as a binding constraint for their lending programmes.

The entire Fidelity Agency Lending team continues to be laser focused on streamlining operational processes and improving the overall experience for our clients and the entire securities lending ecosystem. For us, a major priority is to ensure that our technology is well positioned to manage changes driven by the regulators or general market dynamics to the lending market. We expect the demand for automation and efficiency to continue into the future.

Please visit i.fidelity.com/agencylending for more information about Fidelity Agency Lending.

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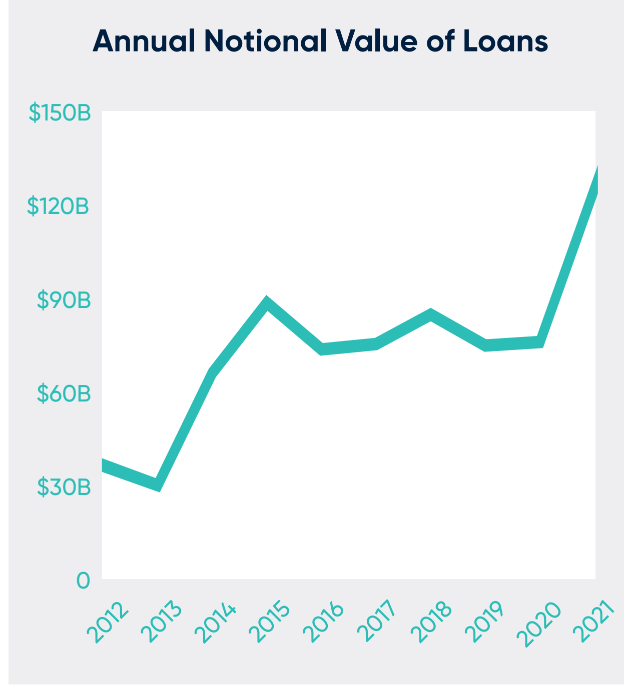
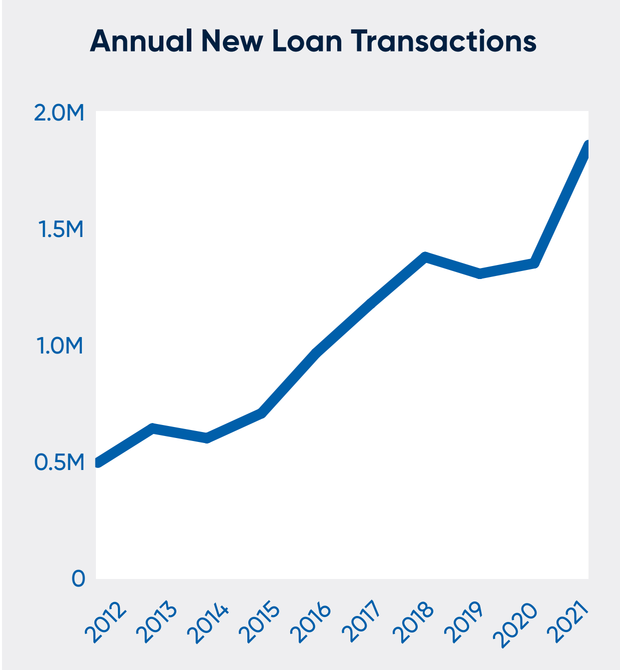
- Margin offset
- Automation and streamlined operations

79
HEDGE LOAN PROGRAM MEMBERS

125B
AVERAGE DAILY LOAN VALUE AT YEAR END 2021





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Securities finance: a holistic approach to optimising your portfolio and alpha generation

Upgrading to a centralised data platform that provides real-time views can empower investors to leverage their assets and seize new opportunities to boost portfolio returns, says Northern Trust's Judson Baker and Mark Jones

As institutional investors face multiple pressures to enhance alpha generation, firms that use a holistic approach to their financing, liquidity and collateral needs are best positioned to optimise their portfolios for greater revenue potential and higher returns. Given this, it is not surprising that firms are increasingly upgrading their securities finance strategies to incorporate integrated frameworks that allow the collective leveraging of their assets while improving control and monitoring.

At the highest level, an integrated securities finance framework allows buy-side firms to make the best decisions on utilising their assets to achieve specific goals. By thinking holistically about financing and liquidity products, such as securities lending, borrowing, repo, collateral management and cash products, firms with a mandate to make risk-based decisions on optimal use of their portfolio are better able to identify and execute opportunities.

As an asset servicer, there have been many times that Northern Trust has seen firms want to use the same asset for two different purposes — for example, its collateral department pledging out a security only to find that the same security was just repo'ed out for cash, meaning they must then scramble to find a different security. Upgrading to an integrated securities finance framework allows firms to coordinate their assets and optimise usage for the same asset pool.

A successful integrated securities finance framework starts with two critical features: inventory aggregation of assets; and real-time access to an updated, refreshed view of that inventory.

First, firms need to aggregate their asset pool into a centralised place that is accessible to everyone, removing silos or barriers. Second, they need a platform that provides a real-time reflection of those assets because, with different parts of an organisation tapping into a central asset pool, latency in data updates can cause problems. That is a critical foundation to being able to maximise alpha.

Market forces are driving firms to make their securities finance strategies more effective. From a buy-side perspective, the two most influential drivers are the increase in regulatory requirements and mounting pressures for firms to seek greater returns for their asset pools to generate alpha.

The derivatives space offers a great example regarding regulatory drivers. In September 2021, the fifth phase of the Uncleared Margin Rules (or UMR) became effective. This was a new requirement forcing several hundred firms to set aside more capital or pledge more assets to meet the margin obligations of their derivative trading portfolios. The sixth and final phase of UMR becomes effective in September 2022 and is anticipated to impact nearly a thousand firms globally. In order to be able to set aside more capital, firms will want to be sure they are maximising their assets, which can be supported by an effective securities financing strategy.

> *"As an asset servicer, there have been many times that Northern Trust has seen firms want to use the same asset for two different purposes — for example, its collateral department pledging out a security only to find that the same security was just repo'ed out for cash"*

Banking regulations offer another clear example of how regulatory issues influence this space; each bank has its own liquidity ratios, leverage ratios, capital reserves and so forth that it must follow. Investors want to be sure they can meet each of these requirements and need to evolve their finance strategies to meet the changing regulatory environment.

Alpha generation

There is also a shift toward chasing alpha, with more firms trying to squeeze as much revenue out of their portfolios as possible. Many of Northern Trust's clients use a buy-and-hold strategy that has their securities sitting on the sidelines. How can they leverage that asset pool to generate revenue? Traditionally, most have used securities lending and Northern Trust can

facilitate those lending arrangements with broker-dealers who need to borrow securities. But we can also provide other services to help institutions seek alpha from their assets. Enabling repo clearing in the US for eligible US domiciled clients, for example, or aiding disintermediation.

Disintermediation – or when buy-side firms trade directly with each other instead of using an intermediary – is another trend driving the growing need for stronger securities finance strategies. In the past, most of the liquidity was between firms tapping into a small group of broker-dealers, including large banks and prime brokers. The trend of firms trading amongst themselves has been growing stronger for the last couple of years and that is compressing margins since there is no longer a broker arrangement. However, peer-to-peer trading can be difficult and firms need a party to bring those entities together and handle the administrative tasks and other important functions through the trade lifecycle. Northern Trust helps many institutional investors use disintermediation effectively and we serve as a key player in their trading relationships.

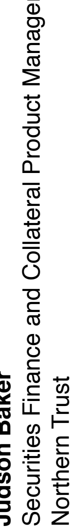
Institutional investors are dealing with a number of key challenges in improving their securities finance capabilities. For example, breaking down the historic silos inside their firms is one of the biggest hurdles that organisations face in creating a modern securities finance framework. A typical pension fund that does not manage their investments in house may have multiple asset managers, each with different mandates. This makes it more difficult to leverage their securities with a collective strategy. While seeing the big picture has been historically challenging for many firms, advances in technology – and growing market awareness – are changing this. Consider this a step beyond the traditional overlay strategy.

Technology is key to connecting the dots. Silos are much more easily dismantled with a strong, integrated technology platform. It can be a challenge to link legacy platforms together, but the technology is available and by connecting development closely with business objectives, it is possible to make incremental jumps forward without “big bang” implementations.

As a provider, Northern Trust is evolving our platforms to help our clients link their activity without requiring a big build on their side. Along with our ability to provide expertise and operational support, we can help to minimise the cost and effort required to realise the benefits of a strategically optimised securities finance approach.

Our securities finance offering provides a suite of integrated capabilities across securities lending and borrowing, financing and liquidity and collateral solutions.

Mark Jones
Head of Securities Finance for EMEA
Northern Trust



Judson Baker
Securities Finance and Collateral Product Manager
Northern Trust

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In your best interest

CCP Margin Exchange

Russell Pudney, executive director for platform sales, securities services at J.P. Morgan, outlines the bank's new product offering, a hybrid triparty solution for delivering efficient mobilisation of CCP margin

J.P. Morgan's latest product innovation leverages its proven triparty collateral management infrastructure to facilitate a single gateway for initial margin mobilisation across central clearing counterparties (CCPs). The product offering complements all collateral activities, delivering a centralised collateral management solution.

The new service addresses some of the key industry challenges, including:

- increasing margin requirements at CCPs, resulting in highly manual and bifurcated processes and less-than-optimal outcomes;
- increasing focus on scarce financial resources globally;
- drive for cost efficiencies directing the industry towards standardisation, interoperability and digital transformation across the ecosystem;
- increasing convergence across pre and post-trade driven by regulation, data access and granular cost allocation.

Traditionally, CCPs have preferred to receive collateral bilaterally and, in the past, triparty agents have tried to fit the CCPs in a "square peg into a round hole kind of way" by asking them to accept collateral via triparty, which they will do to a limited degree. But J.P. Morgan has moved to making its model fit the needs of the CCPs and clearing members by making the delivery to and from the CCP bilateral.

In line with their strategic pillars of asset mobilisation, collateral efficiency and investment in strategic architecture, and in response to clearing member feedback, J.P. Morgan Collateral Services has expanded its triparty service to include margin requirements at CCPs. By combining their triparty's optimisation and eligibility engines with its bilateral collateral management capabilities, J.P. Morgan can move collateral bilaterally while still providing the benefits of robust optimisation, automation and the eligibility tests triparty offers.

The new service makes the delivery and return of CCP-related collateral, including intraday recalls and substitutions, substantially more efficient and, at the same time, provides economic benefits to the clearing members by replacing cash margin auto-debited by CCPs with securities margin.

Efficiencies are created when the clearing member outsources its daily margin interaction with the CCP to J.P. Morgan and the CCP sends the margin requirements on behalf of the clearing members to J.P. Morgan Collateral Services. When the relevant pool of collateral is accessible, J.P. Morgan manages that collateral against margin obligations, continuously adhering to the CCP's eligibility requirements, the clearing member's optimisation parameters and the CCP's specific messaging protocols. When the CCP confirms the proposed assets, the service automatically delivers the asset in the market to the CCP. The management of collateral includes the ability to substitute securities at the CCP and replace cash margin with securities.

This solution eliminates two daily requirements: the front office task of selecting the optimal collateral; and the operational task of moving it back and forth across multiple CCPs, while eliminating the need to manage differing messaging protocols.

In designing this service, J.P. Morgan considered both house and client margin requirements and has founded the service to address house activity at launch with a roadmap for providing support for client requirements in the near future.

For house requirements, a traditional funded longbox approach is employed, whereby collateral is selected based on pre-defined algorithmic rules and the CCP's eligibility schedule and matched up against the available pool of the clearing member's collateral held in the J.P. Morgan longbox. This longbox may be shared with traditional repo, securities lending, pledge and Uncleared Margin Rule (UMR) activity.

For client margin requirements at a CCP, J.P. Morgan will integrate the existing capability to source collateral from internal or external custodial locations with triparty functionality. This eliminates the need to change standing securities instructions (SSIs) with underlying clients.

The first clearing member client went live on CCP Margin Exchange in 2021 and the solution is now actively delivering efficiencies for sizeable initial margin requirements at a major CCP. This allows the client to consolidate collateral inventory in a single location using the triparty engine to allocate in the triparty books and then systemically deliver the collateral bilaterally.

Ultimately, by providing visibility into repo, securities lending, pledge, UMR and CCP collateral activity, broker-dealer clients will have a consolidated view of their collateral obligations across various financing markets and trade types.

Collateral convergence

The CCP space is only one example of a use that benefits from the application of the convergence of triparty capabilities with bilateral movements. J.P. Morgan sees further practical opportunities in the exchange of variation margin, posting of segregated initial margin and also through having major application in the repo markets that predominantly transact bilaterally. The idea is that any transaction where bilateral movements are required or preferred can be managed more efficiently and effectively, in the converged triparty environment, than existing processes.

Ultimately, what convergence delivers to the collateral provider and receiver is the best of both worlds — the automation, optimisation and robust eligibility of triparty combined with the flexibility of bilateral market movements. It allows for a broader pool of collateral to be managed through one standardised process, instead of bifurcating triparty and bilateral activity into two workstreams.

By driving long-term partnership through scale, platforms and connectivity, J.P. Morgan's goal is to be their clients' "Global Collateral Partner of Choice" through innovation, collaboration and transformation, creating a truly centralised collateral management solution.

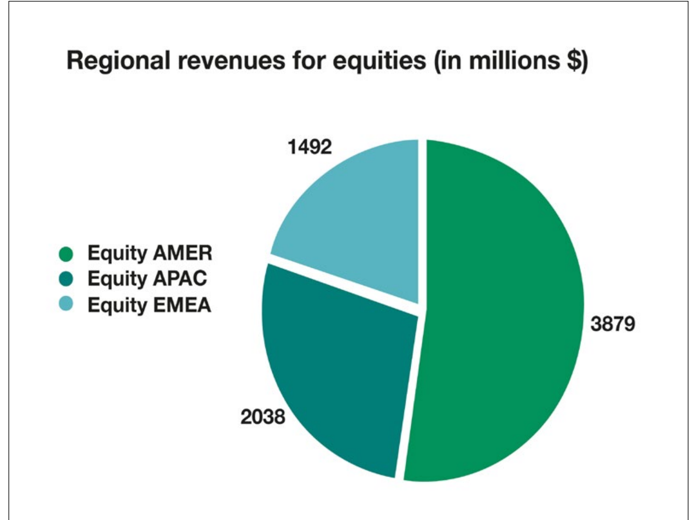
"In designing this service, J.P. Morgan considered both house and client margin requirements and has founded the service to address house activity at launch with a roadmap for providing support for client requirements in the near future"

The Securities Lending Market in 2022

Clients that elected to remain active lenders throughout 2021 have performed well, as have many beneficial owners and agents. But what does the coming year have in store for the securities lending market? Will 2022 see a continuation of the recent volatility and regulatory trends? And what else can we expect? BNP Paribas Securities Services shares its view on the current outlook for global securities lending markets

After a dip in activity in 2020, global securities lending revenues bounced back across every market segment in 2021. Figures from IHS Markit show annual industry revenues totalled US$10.98 billion, up 18.1 per cent year-on-year and well ahead of the US$10.1 billion generated by lenders in 2019.

Performance in the APAC equity markets – where revenues surged 35.8 per cent to over US$2 billion – was particularly strong, in sharp contrast to the low single figure growth seen for equities lending in the Americas (2.08 per cent) and EMEA (6.57 per cent). Despite slower growth, the American equities market remains the largest region globally.



Revenues from American Depository Receipts (up 178 per cent YoY), exchange-traded funds (+60 per cent) and corporate bonds (+33.7 per cent) also enjoyed notable jumps on the previous year. Government bonds experienced a less stellar 7.3 per cent rise.

While the return of revenues to pre-Covid crisis levels is welcome, the outlook for 2022 performance is mixed. In the year ahead, we envision revenue opportunities around increased M&A activity and the associated corporate action trading for our agency lending programme. Volatility linked to the withdrawal of liquidity from a coordinated central bank tightening campaign will also provide opportunities across the collateral transformation segment. The lifting of short-selling bans is expected to provide additional revenue potential. The combination of reduced liquidity, health of corporate balance sheets and new market entrants will present opportunities which we will help clients to monetise.

Securities lending prospects for 2022

For the securities lending market, 2022 may be a year of two halves. The first will likely see a continuation of the patterns evident last year – perhaps with some uptick in market activity and volatility, with specials and M&A activity emerging in greater quantities as we move into the second half. Equity markets in general had a good run through 2021.

However, the start of 2022 has seen a turnaround, although it is too early to say if this marks the beginning of a longer-term correction. The equity market trading strategy we employ across our agency lending business is designed to meet the longer-term requirements of the borrower community with larger, long-duration, modest fee loan baskets and the optionality to re-rate when specials materialise.

On the fixed income side, government balances increased over Q4 and in particular for year-end. Fee levels remained fairly static, though, with some balances rolling off to pre year-end levels. We expect no material change in balances and fees for the first quarter of this year.

However, other trends will require dedicated care.

Outstanding market risks

How the Covid-19 pandemic plays out, and what ongoing impact it will have on global markets and the securities lending industry, is a major question.

The Omicron variant has shown the virus' continuing potential to mutate and disrupt people's daily lives. While the variant appears milder and less damaging to national economies, global growth remains susceptible to further outbreaks.

Unblocking supply chains and getting economies back to firing on all cylinders may take us some way into 2022 before we see a marked change in recovery and growth. Any pickup could be undone, though, if new and potentially more dangerous variants emerge. The impact on economic activity and market volatility that would result means the Covid effect will remain a risk for the securities lending industry worldwide for the foreseeable future.

Resurgent inflation also looks set to impact global equity and bond markets through 2022 and beyond. How 'transitory' the current inflationary spikes prove to be is open to debate. Yet after more than a

decade of low interest rates and excess liquidity, a period of progressive monetary tightening now looms. Interest rate increases predicted for the coming year in the US – with the growing prospect of a 50bps rise as early as March – could stifle growth and impact wages and spending power. The energy crisis is a further headwind, requiring energy supplies to expand to stimulate production beyond current levels.

Further ramp-up of regulation

Regulation will remain a key theme for the securities lending market throughout 2022. In Europe, the Central Securities Depositories Regulation (CSDR) aims to augment settlement discipline in its in-scope markets. The regulation will affect all settlements, whatever their origin, including securities lending and repo transactions. All participants (buyers, sellers, lenders, borrowers and service providers) should benefit from the CSDR rules and mechanisms once they are bedded-in, but it will take some adjustment.

In the short-term, we anticipate two effects:

1. A change in market participant behaviour. Borrowers may increase borrowing activities to ensure greater settlement efficiency, with lenders potentially looking at larger buffer reliance. Some behaviour will be formed in the early months of the regulation.
2. Rapid development of the partial settlement mechanism in all markets that fall under the regulation. This would prevent a potential liability gap stemming from the difference between the size of a failing sell and the size of a failing loan recall at the origin of the failing sell.

To minimise penalties, custodians are making sure partial settlements are available to clients, while buyers and sellers are encouraged to select the partial settlement option when available. In parallel, service providers such as agent lenders need more than ever to prove their capacity to manage recalls efficiently by receiving sales instructions on time and substituting when possible.

Across the Atlantic, two critical pieces of legislation were proposed in Q4 2021 which, if passed in their current state, will lead to significant market disruption.

The first, Securities and Exchange Commission (SEC) Exchange Act Rule 10c-1, aims to increase transparency in the US securities financing markets in a similar way to the EU's Securities Financing Transactions Regulation (SFTR). Rule 10c-1, in its existing form, requires market participants to report all transactions to a registered national securities association, such as the Financial Industry Regulatory Authority (FINRA), within 15 minutes of execution.

The comment period closed on 1 April 2022. At this stage, industry participants are seeking greater clarity around the scope of the proposal. There are still questions surrounding which assets will be affected, which transactions will be excluded from the reporting requirements and how much extraterritorial reach this may have.

The second SEC proposal is a revision to Rule 2A-7, specifically institutional prime and tax-exempt money market funds. The proposed increase in overnight and one-week liquidity buffers, along with implementation of 'swing-pricing', will present operational challenges if the rule is implemented. There is a possibility these new liquidity and pricing mechanisms will deter investors from allocating new assets to prime money funds. This would create a potential opportunity for beneficial owners to capture any dislocation in the market.

Regional multi-speed market evolution

Global markets in the year ahead will transition towards monetary policy normalisation. This coordinated global tightening will affect lending markets. Throughout EMEA, the increase in scrip and dividend reinvestment plan (DRIP) opportunities will lead to significant revenue growth potential. In APAC, the lifting of short-selling bans, combined with new market openings, will contribute to revenue generation.

However, the ability to quickly monetise opportunities in these markets can be challenging. Reliance upon a global custody network infrastructure will help with the opening of new markets and in staying abreast of market settlement practices and post-trade reporting requirements.

In the United States, the pace and timing of a new phase of balance sheet normalisation – with ongoing tapering of the Federal Reserve's bond-buying programme and a ratcheting up of interest rates – will take centre stage. Balance sheet normalisation will drive liquidity normalisation, which will benefit clients owning high quality liquid assets (HQLA). Equity markets will continue to present opportunities, although special purpose acquisition companies (SPACS) and meme stocks are likely to have less impact on performance than in previous years. The

strength of corporate financial conditions may also lead to increased M&A activity, presenting opportunities for beneficial owners.

No going back on ESG

Environmental, social and governance (ESG) issues have become a central focus as beneficial owners seek to develop their internal ESG policies and relate those to their securities lending business.

Lack of clarity around the categorisation of products and services under the Sustainable Finance Disclosure Regulation (SFDR) is one sticking point. Under the advocacy of the International Securities Lending Association, the industry is reviewing the legislation to determine which aspects of their lending programmes market participants may need to consider with an ESG lens. Whether the envisaged ESG-promoted changes to investment behaviour and capital allocation impact revenue streams, positively or negatively, remains to be seen. With its experience in sustainable finance, BNP Paribas Securities Services is working with clients to align their lending programmes with their internal ESG policies.

We expect the adaptation of detailed ESG-driven metrics on lending programmes to gather pace through 2022. Agents are mobilising to create coordinated working groups tasked with establishing ESG standards in a bid to develop universal criteria that market participants can abide by. At the same time, beneficial owners have unique requirements, with each putting forward a bespoke set of parameters. Adaptability to accommodate these bespoke client requirements and changes to client programmes will be paramount.

Many of our client discussions around ESG focus on proxy voting and collateral requirements. Historically, an agent may have offered clients three collateral buckets: for example, main index equities, G7 sovereigns and corporate bonds. The wider the collateral schedule, the greater the market opportunities and the higher the return.

At BNP Paribas Securities Services, we increasingly see clients looking at screening collateral according to ESG criteria. But, for the concept of ESG collateral to gather momentum, the counterparty community must be able to allow such segregation and the implementation of ESG scoring. Additionally, limiting collateral acceptance to specific ESG criteria could potentially affect performance.

To assist our clients with this process, we work closely with external data analytics firms. This helps with the review of collateral portfolios, providing market metric analysis on the suitability of differing types of collateral in line with individual client requirements and wider UN Sustainable Development Goals (SDGs).

Securities lending programme optimisation

Regulatory changes, dynamic markets and ESG considerations are creating an ever more complex environment for lenders. It is vital to ensure that they can navigate this environment and optimise the monetisation of their lending programme within it.

Access to liquidity has become of primary importance. Firms have been leveraging their securities lending programme to either raise liquidity or use their agent to help them manage excess liquidity post the liquidity injections that have resulted from global central bank easing campaigns.

At BNP Paribas Securities Services, we have worked closely with clients to create the Directed Agent Repo Liquidity Solution (DARLS). This new product leverages the existing operational and trading infrastructure of the agency lending business to help clients invest their excess liquidity into a bespoke, reverse repurchase structure that offers a competitive yield to traditional money market products. While the solution is only available in the US at the time of writing, we are looking to expand it to other regions.

Liquidity discovery and supply distribution are also critical to helping clients generate additional revenue. Initiatives focused on expanding into new markets, additional collateral sets and trade structures ensure that, wherever possible, we can monetise market opportunities for our clients beyond their existing securities lending programmes.

Continuing the drive for efficiency through technology and automation is another key focal point for our teams. Deploying a combination of proprietary technology developments and vendor-based applications eases the manual elements of the lending process, while offering enhanced analytics to both the lender and agent.

Ensuring we provide a seamless and efficient offer to any client is a central tenet of BNP Paribas Securities Services' varied range of securities lending solutions for both the buy and sell-side. We will continue to concentrate on that effort through the coming year and beyond.

Taking stress out of mid-life events

The optimal way to manage mid-life trade maintenance is to transact on a centralised electronic trading platform that standardises traditional and complex trade structures and streamlines manual, risk-prone event workflows, says Sal Giglio, chief operating officer, GLMX

On 16 March 2022, the Federal Reserve's Open Market Committee (FOMC) raised the federal funds rate by 25 basis points. This was the first time the Fed moved the rate since reducing it by 100 basis points on 15 March 2020 at the onset of the COVID-19 pandemic. With inflation at its highest level in 40 years, the FOMC indicated that this will be the first of many more rate increases to come. The Bank of England's Monetary Policy Committee (MPC) also raised the Bank Rate by 25 basis points on the same day.

Although short term interest rate movements create opportunities for securities finance trading desks to generate significant revenue, they also create a lot of work in the form of trade maintenance. Market events lead to an increase in activity and can generate sizeable, hard-to-manage increases in operational activity. Changes in monetary policy drive mid-life events like rate adjustments to variable-rate trades. Unfortunately, trade maintenance is often manual and, therefore, both error-prone and time-consuming.

In many respects, the manual process supporting a securities financing transaction (SFT) relates to the old adage about a duck sitting on a pond: "On the surface everything looks calm, but beneath the water its feet are churning a mile a minute". Once a trade occurs, a flurry of activity ensues to ensure the transacted securities and cash make it to the agreed destination in the agreed timeframe. Traders, salespeople, assistants and mid-office personnel communicate trade details with each other, and with their trade counterparts, through a variety of media including chats, emails, third-party electronic confirmations, phone calls and, believe it or not, via fax. Beneath the surface, or post trade, settlement risk is created due to the traditional market practice which requires both parties to manually enter trade details into their own position management systems.

Given the risk and attendant high cost of manual trade entry errors, affirming trade details prior to settlement is essential. This often entails a time-consuming two-step process. The front office of the sell-side firm delivers a written communication of the trade details to its buy-side counterparty and then, prior to settlement, the back offices of each firm verify, often by phone, chat or email, that the matched trade details were entered correctly into each firm's system.

This is an important, but highly inefficient and inadequately addressed, aspect of the financing market. International Capital Markets Association's (ICMA) European Repo and Collateral Council (ERCC) Operations Group publishes a standardised template for trade matching and affirmation of repo transactions. According to the ICMA website, "affirmation in the repo market is the process of one party seeking urgent validation from the other of the key economic terms and settlement addresses of selected transactions, either immediately after execution or during the life of a transaction after any material change to that information". The ICMA also indicates that "currently, affirmation is a manual process in which the operations group of one party telephones or e-mails the operations area of the other party, lists the key economic terms and settlement addresses of the selected transactions or any material changes and requests the other party to immediately agree or identify details on which they disagree."

To add another level of operational complexity not seen in other markets, securities finance transactions have two settlement legs, the start-leg (start date) and the close-leg (maturity), and for many trade structures mid-life trade maintenance is required. Mid-life trade events can take many forms and these events are mainly driven by either the need to maintain flexibility around the pledged collateral — such as early termination, repricing, substitution, and resizing — or to manage the risk parameters of the trade such as rerating and cleaning up accrued financing interest.

Intricate trade structures include variable-rate open and term maturity, puttable/callable, extendable and evergreen. These trade structures exist to provide flexibility around collateral, to lock in certainty of liquidity, to reduce leveraged capital exposure, and to avoid fixed rate interest rate exposure while reducing settlement risk. As with new trades, these material mid-life changes need to be affirmed by both parties and can create operational bottlenecks on high volume days.

The future is now

The industry has tried to address the operational risks associated with manual trade inputs but the results have been costly and incomplete. Intraday third-party electronic matching services require double keying for one or both parties and still result in trade mismatches. End-of-day post-trade comparison services require both the sell-side and the buy-side institutions to be clients of the same service and to manually deliver a daily file or build direct connectivity. However, trades that require same-day settlement — which represent a large percentage of transactions in the US — present a significant challenge to such services in that the 'matching' is asynchronous. Said plainly, a communication error in any single link of the complex communication chain can go unnoticed until well after the fact of the trade.

The ideal way to address these manual, inefficient and risk-prone workflows is to transact on a centralised electronic trading platform that standardises both traditional and complex trade structures and streamlines mid-life event workflows, while also providing pre and post-trade connectivity to trade capture systems, central counterparties, triparty providers, prime brokers and custodians. At their core, electronic trading platforms are synchronised communication systems which mitigate the operational risks associated with manual processes and eliminate the need for an inefficient affirmation process, since trade details are digitally affirmed by both parties at the point of the trade and straight-through processing (STP) eliminates trade input risk. This comprehensive technology is precisely what GLMX provides to its clients today.

Since its launch, GLMX has supported mid-life trade maintenance through its native user interface (UI) and full STP connectivity. Through an interactive blotter accessed through the trading UI, users can action

mid-life events, including variable rate trade structures with open and term maturities, trades that have optionality such as puttables/callables, evergreens and extendables, and collateral management needs through substitutions and resizing of trades. These actions are bilateral and automatically flow into each counterparty's system, reducing workflow friction and mitigating operational risk.

The GLMX experience

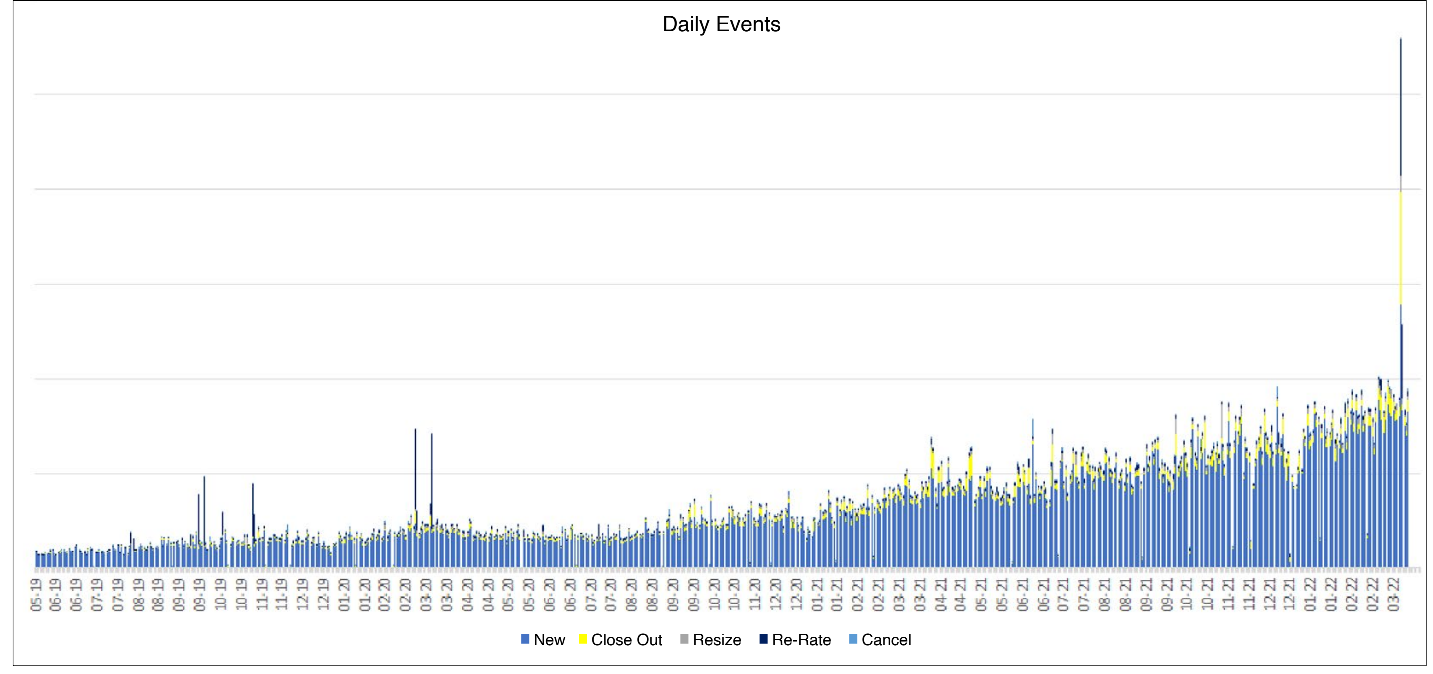
On 17 March, as a result of the previous day's change in monetary policy by the Fed and the Bank of England, GLMX experienced a 3.5-times increase in trade events on its platform compared with the previous 20-day average. Trade events included new trades, close outs, resizes, rerates and cancels. Not surprisingly, re-rating of variable-rate trades accounted for the majority of the increase in activity. Since user trade-capture technology is varied, GLMX accommodates re-rating in several ways: first, by tracking the new rate and calculating accrued interest based on that new rate; second, by utilising GLMX resizing functionality in which the existing trade is closed and a new trade is automatically created with a new rate; and, third, by initiating mass closeouts, followed immediately by opening new positions — all via a single upload.

GLMX provides automation to support high volume days (see 17 March 2022 on the chart below) to help clients efficiently manage their increased workflow and minimise risk of mistakes.

Post 17 March, both buy and sell-side clients praised the smooth and seamless experience rerating variable rate trades using GLMX technology. In fact, one client compared the experience of rerating their corporate book on GLMX versus rerating their smaller emerging markets (EM) book, which has not yet completed onboarding to the GLMX platform. They were effusive about how the automated GLMX process was measured in minutes, while the manual off-platform process was measured in hours.

While the full power of GLMX technology shines on days such as 17 March, the daily impact of digitally streamlining the complete securities finance trading workflow — pre-trade, trade and post-trade – is similarly powerful. Combining GLMX's advanced trading functionality with STP, new trades and mid-life events are handled more efficiently and GLMX, as the single source of mutually agreed trade accuracy from the moment of execution, drives further efficiencies and provides a convenient gateway for managing regulatory requirements such as best execution, Securities Financing Transactions Regulation (SFTR) and the Central Securities Depositories Regulation (CSDR).

In sum, digitised SFT negotiation and execution, such as that uniquely offered by GLMX, provide an enormous leap in the quest to minimise operational friction, transaction, fail and regulatory costs.



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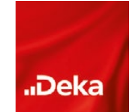

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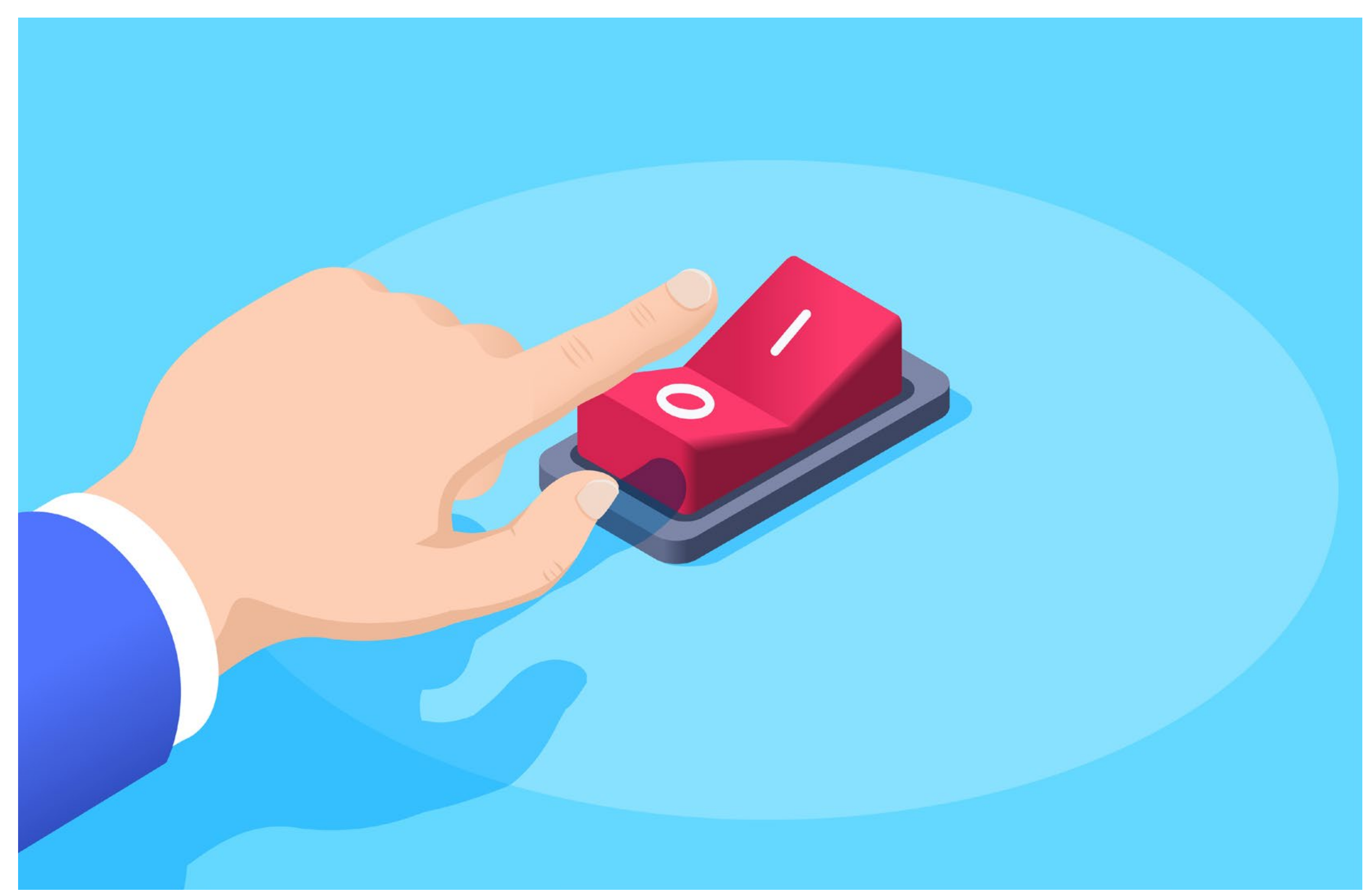

More than incremental income?

FIS' David Lewis notes that there are already many fund providers where the fund management fees are low or even zero and where securities lending revenues are used to keep the lights on and the funds managed

Four basis points does not sound like a lot. Four hundredths of one per cent sounds even less. US$10 billion, however, sounds significantly better to many people. In recent years, the securities finance and collateral management industry has made more than US$10 billion for its participants and their clients. It is likely that 2022 will also create revenues north of that important watermark. The basis points figure comes into play when the assets employed to make that revenue are considered. US$10 billion of revenue sounds great, but as a percentage of assets available or employed at, say US$25 trillion, the margins appear paper thin.

Few who are reading this would likely argue that statistics cannot be presented to suit most needs, and these are no different. Many of the available assets in the securities lending markets are rarely if ever lent, bringing into play the concepts of assets that are "actively lendable" etc. Removing those funds or assets that for various reasons never get lent pushes up the yield averages for those that do, brightening results and performance figures. Taking one revenue item and comparing it to the entire pool of assets is a very blunt measure after all, especially considering the almost infinite combination of factors that can affect the lendability of a given asset and the levels

of demand in the market for it, many of which are simply out of the sphere of control of lenders and borrowers in the market.

It is more than fair to say that the activity of lending securities has not always been a popular one, particularly in times of financial crisis. The common linkage made between the lending of a security and the shorting of that asset, permitting the short seller to gain as the value of the stock falls, has been debated extensively for decades. Many have even described the practice as immoral and evil (despite their own pension funds benefiting from that very activity) while others are convinced that short selling drives down asset prices rather than fundamentals or wider economic patterns.

One major financial organisation that has taken action to back up such concerns was the Japan-based Government Pension Investment Fund (GPIF). This major fund, with around ¥200,000 billion (US$1.55 trillion) under management according to the latest Q3 2021 performance statement, exited securities lending very publicly in 2019, citing its incompatibility with its long term investment strategies as well as raising the moral flag regarding the support of short selling. Having already restricted lending domestic securities, the 2019 action extended that ban to its non-Japanese fixed income and equity assets. As at Q3 2021, the allocation of funds between the four categories of domestic and international equities and bonds was almost exactly 25 per cent each.

As such, notwithstanding changes since the withdrawal, we can broadly say that GPIF removed some US$750 billion of lendable assets from the international markets. In terms of its domestic holdings, GPIF was a substantial segment of the market with, for example, equity holdings representing close to 40 per cent of the availability. However, in non-domestic markets, their withdrawal will have made less of an impact. Using current valuations, the circa US$750 billion would have represented a fraction under 3 per cent of the lendable pool globally. Isolating fixed income increases that impact to a little over 8 per cent.

It was announced recently that the GPIF has issued a Request for Information (RFI) looking for research into the effect its ban on lending their securities had on the market. Focusing on equities as the larger revenue driver, and not wanting to pre-empt the results of any research that will be commissioned, removing their (on average) 3 per cent holdings would not be likely to have had a measurable impact. For example, non-Japanese equities lent today where utilisation exceeds 97 per cent number just 271, or less than 1 per cent of the market in terms of active securities.

What can be relatively safely predicted as an outcome of the research, should the RFI result in that work being undertaken, is that the GPIF has forgone around three years' return of 4 basis points on US$750 billion, or a total of around US$900 million. To a fund the size of the GPIF, that is a small percentage of course, but that US$900 million is not an insignificant sum and perhaps a large price to pay for the stand it took.

Looking to more recent events, short sellers — and by association securities lending — was back in the spotlight due to the GameStop debacle. Many column inches have been written on the democratisation of finance and specifically the marketplace for trading equities and bonds. Equal access for all, and the erosion of some of the advantages provided by the size of institutional players, has been enabled by the lowering of the barriers to entry. Stock trading apps on your mobile device, combined with fee-free trading facilities, has opened the markets to many more players. However, a pattern that has been seen before is emerging again. While it is laudable to keep lowering the barriers to entry to any free market, nothing is really for free, and the costs of the services provided “free” to the consumer at the point of that consumption do need to be paid for.

Enter fully paid lending. There are already many providers of funds where the fund management fees are either very low or even zero, where securities lending revenues are utilised to keep the lights on, and the funds managed. Newer entrants to the financial services arena that have brought market access to a new group of individual participants are now looking to pay their bills and offer additional incremental income to their clients through a simple check box on their trading app. Sign me up for lending my shares is now as simple as clicking a box on a screen, providing liquidity to the market, income to your pocket and assets to those taking up short positions in the securities you hold.

Standing up for your principles is to be admired, whether you are one of the world’s largest investment funds or an individual amateur trader. But every participant needs to play their part in the market if it is to be truly a free and democratic place — and you may get between a few dollars and a few hundred million dollars a year for your involvement.

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Latest industry appointments at Citi, Clear Street, MUFG and VERMEG

Katelyn Smith joins MUFG

Katelyn Smith has been appointed by Mitsubishi UFJ Trust and Banking Corporation as assistant vice president.

She joins the bank's Global Securities Lending Solutions Group (GSLS), where she will report to Thomas Ryan, head of GSLS Trading in North America.

Smith will enter the firm's relationship management team in a multi-faceted role, which will be based in New York.

Prior to her new position, Smith was an associate at Deutsche Bank's agency lending division since 2019, where she managed global profit and losses for New York, London and Hong Kong trading desks.

The California Public Employees' Pension Retirement System (CalPERS), one of the largest pension funds involved in securities lending, has announced the hire of Nicole Musicco as chief investment officer.

Effective from 28 March, Musicco will become the second woman to lead the investment operations.

She will report to CEO of CalPERS, Marcie Frost, and lead a team of more than 300 investment professionals.

Musicco joins CalPERS from RedBird Capital Partners, where she led the firm's Canadian investment business.

Prior to this, Musicco managed the private markets investment programme at the Investment Management Corporation of Ontario.

Her experience also includes 16 years with the Ontario Teachers' Pension Plan, leading both the private equity and public equity investment teams. She opened the fund's Asia Pacific office in Hong Kong and helped build its presence in Asia.

Marcie Frost, CEO at CalPERS comments: "Nicole's experience, vision and skill as an investor in public and private markets is critical for CalPERS. We were determined to take our time to ensure we found the right candidate who could succeed in a high-pressure and demanding environment. Nicole is exactly the leader we want to lead CalPERS' investment office and is an exceptional addition to our team."

Commenting on her new position in an online statement, Musicco says: "CalPERS has achieved remarkable success during the last five years, strengthening the organisation, navigating the pandemic, and improving its funded status. My goal is to build on these achievements recognising that, as long-term investors, CalPERS must maintain focus and discipline to deliver consistent investment returns and retirement security for dedicated public servants."

Theresa Taylor, president of the CalPERS Board, adds: "Nicole's leadership and experience are well suited for the strategic goals we've outlined for our fund. We are getting the investor we need to skillfully manage our investment portfolio on behalf of our members, now and in the future."

Musicco joins CalPERS at a time when the pension fund has increased its funded status from 60 per cent, five years ago, to 80 per

Societe Generale appoints Jane Karczewski

Jane Karczewski has joined Societe Generale as UK head of asset manager and hedge fund sales.

She will report to Antoine Broquereau, UK head of global markets at Societe Generale, and will be based in London.

In this newly created role, Karczewski will be responsible for defining and implementing the bank's commercial strategy with UK-based hedge fund and asset management clients. She will be working closely with sales, trading and client coverage teams across the organisation.

Karczewski moves to Societe Generale from her previous position as head of global custody at HSBC.

She has more than 28 years' experience in trading, sales and product development, having held senior roles at Morgan Stanley, Deutsche Bank and Citi.

Karczewski is also a prominent diversity advocate, having been co-chair of the Citi Women group when working with that organisation. She is chair of the London Women's Forum and holds a position on the Forum's board of directors.

cent today and is increasing its investments in private markets to continue closing the gap.

Dawn Giuffra has been appointed associate director at Clear Street.

Based in New York, Giuffra will be reporting to Vincent Avena, head of securities finance. She joins Clear Street from EquiLend, where she was vice president for the clearing services division during the 12 years she spent with the firm.

Prior to this, Giuffra worked for Kellner DiLeo between 2007 and 2009, within sales and operations for the firm's securities lending business.

Giuffra began as a sales trader in securities lending in 1999, where she worked for five years at Neuberger Berman.

Citi has appointed Julia Raiskin as Asia Pacific (APAC) head of markets, replacing Stuart Staley who has been appointed as co-head of global foreign exchange.

Based in Singapore, Raiskin will report to Peter Babej, APAC CEO as well as Carey Lathrop and Andrew John Morton, global co-heads of markets.

As part of her new role, Raiskin will also join the APAC executive committee.

Raiskin will be responsible for developing and implementing new strategies to improve product delivery to clients, lead senior regulatory relationships, and maintain strong risk management discipline across the region.

Raiskin was most recently APAC head of equities at Citi. Since joining Citi in 2007, she has held various APAC roles such as head of investor sales and relationship management, head of G10 rates sales, and head of fixed income retail structured product.

Commenting on Raiskin's appointment, Babej says: "Markets is a strategic pillar of our broader APAC strategy, and Julia's proven leadership will be key in advancing Citi's franchise across the region."

London-based technology company Copper.co (Copper) has appointed Sabrina Wilson as chief operating officer.

Founded in 2018 by Dmitry Tokarev, Copper is a provider of digital asset custody and trading infrastructure.

In her new role, Wilson will be responsible for leading Copper's operations, as tier 1 banks and other financial institutions increasingly allocate funds to digital assets.

Prior to Copper.co, Wilson was global co-head of the futures, over-the-counter clearing and FX prime brokerage business and also oversaw a period of development of the bank's global execution and algorithmic platforms in futures.

Wilson has also held other senior roles at Goldman Sachs, J.P. Morgan and Deutsche Bank.

At Deutsche Bank, Wilson was the European clearing head and global head of exchange-traded derivatives electronic execution.

Commenting on her new role, Wilson says: "It is an exciting time to be joining Copper, to work with the team to provide digital asset custody and trading solutions to the traditional financial sector. As institutional investors increasingly embrace crypto as an essential asset class, I am confident the advances in technology that Copper is making will become the gold-standard for global financial infrastructure in the future."

Tokarev adds: "Our goal is to bring the technology underlying digital assets into the wider financial world. To do that, we need individuals like Sabrina, who have experience across world leading traditional financial institutions, to align our operations even closer with the needs of accredited investors, so it can best contribute to the evolution of global financial infrastructure. I look forward to seeing how the business will grow with her expertise adding to the strength of our senior leadership team."

CEO of treasury services BNY Mellon has appointed Jennifer Barker as CEO of its treasury services business, effective from 2 May 2022.

Barker will be responsible for BNY Mellon's domestic and cross-border payments, US dollar clearing, trade finance and liquidity management capabilities to clients in Asia Pacific (APAC) as well as Europe, Middle East and Africa and the Americas.

Sustainability will also be at the core of Barker's responsibilities, as the bank aims to favour digital alternatives that have a smaller carbon footprint for global payments and the wider trade supply chain.

In addition, Barker will become a member of the BNY Mellon executive committee. Barker has almost two decades of

Joshika Dutt joins S3 Partners

S3 Partners appoints Joshika Dutt as director of business development.

Based in New York, Dutt will report to Tom Griffin, head of sales, Americas.

Dutt joins S3 Partners from Gerson Lehrman Group (GLG), a New York-based global information services company, where she held several senior positions between 2014 and 2022. Most recently, her role at GLG was senior vice president and head of equity hedge fund sales and business development.

Prior to this, Dutt was assistant vice president of equity strategy research and product management at Barclays Capital.

experience in treasury services, both in the US and APAC.

She joins BNY Mellon from J.P. Morgan, where she held a wide variety of roles across commercial banking and payments, most recently serving as head of client service and implementation in the firm's payments business.

Paul Adamo, interim CEO of treasury services, will resume his previous role as chief financial and operating officer for treasury services, reporting to Barker.

Robin Vince, vice chair of BNY Mellon and CEO of global market infrastructure, says:

"Jennifer's comprehensive understanding of the entire treasury ecosystem, combined with her strong client focus, makes her the ideal leader to build upon the success and growth our treasury services business is experiencing."

He adds: "Her established leadership in digital initiatives will amplify the investments in technology and partnerships with fintechs that we are making to ensure our offering remains both nimble and market-leading."

Christy McKibbin has departed from Citi after almost a decade with the firm, formerly as vice president.

Based in Belfast, McKibbin joined Citi in 2012 as associate vice president of prime finance after spending three years at BNY Mellon as supervisor.

In an online statement, McKibbin says: "I have loved it, the people, the laughs, the forever friends I have made and, of course, what I learnt along the way and the wonderful people who helped me get to where I am."

VERMEG for Banking and Insurance Software, has appointed Hanne Jepsen as sales executive.

Based in London, Jepsen will report to UK regional sales director Jay Mistry and will be covering client activity in the UK and Sub-Saharan Africa.

Jepsen joins the specialised software house after 18 years at the Depository Trust and Clearing Corporation (DTCC), where she was most recently relationship manager.

At DTCC, she was responsible for revenue growth and protection, building and maintaining strategic senior-level relationships to expand the use of DTCC solutions across all applicable business segments.

Additionally, Jepsen was responsible for helping clients navigate and address the regulatory landscape.

Commenting on the announcement, Jepsen says: "I am excited to join VERMEG as they continue to address ongoing regulatory and market-driven changes. VERMEG is a provider to a wide range of financial institutions across regulatory reporting, collateral management (COLLINE) and digital transformation. What attracted me to join its ranks is the positive energetic culture and simple effective solutions to complicated challenges."

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