securities finance times
The primary source of global securities finance news and analysis
Issue 303 24 May 2022

Lead architect

State Street's Gino Timperio speaks about service innovation, capital efficiency and the need to watch out for the unexpected

EQUILEND SPIRE
POWERED BY STONEWAIN
Flexible. Modular. Customizable.
A Bespoke Technology Solution for All Your Securities Finance Business Needs

HQLA^X

The distributed ledger for Securities Finance and Repo

Frictionless ownership transfers of assets

At precise moments in time

Without cross custodian settlement movements

Delivery vs. Delivery ("DvD")

Capital cost savings

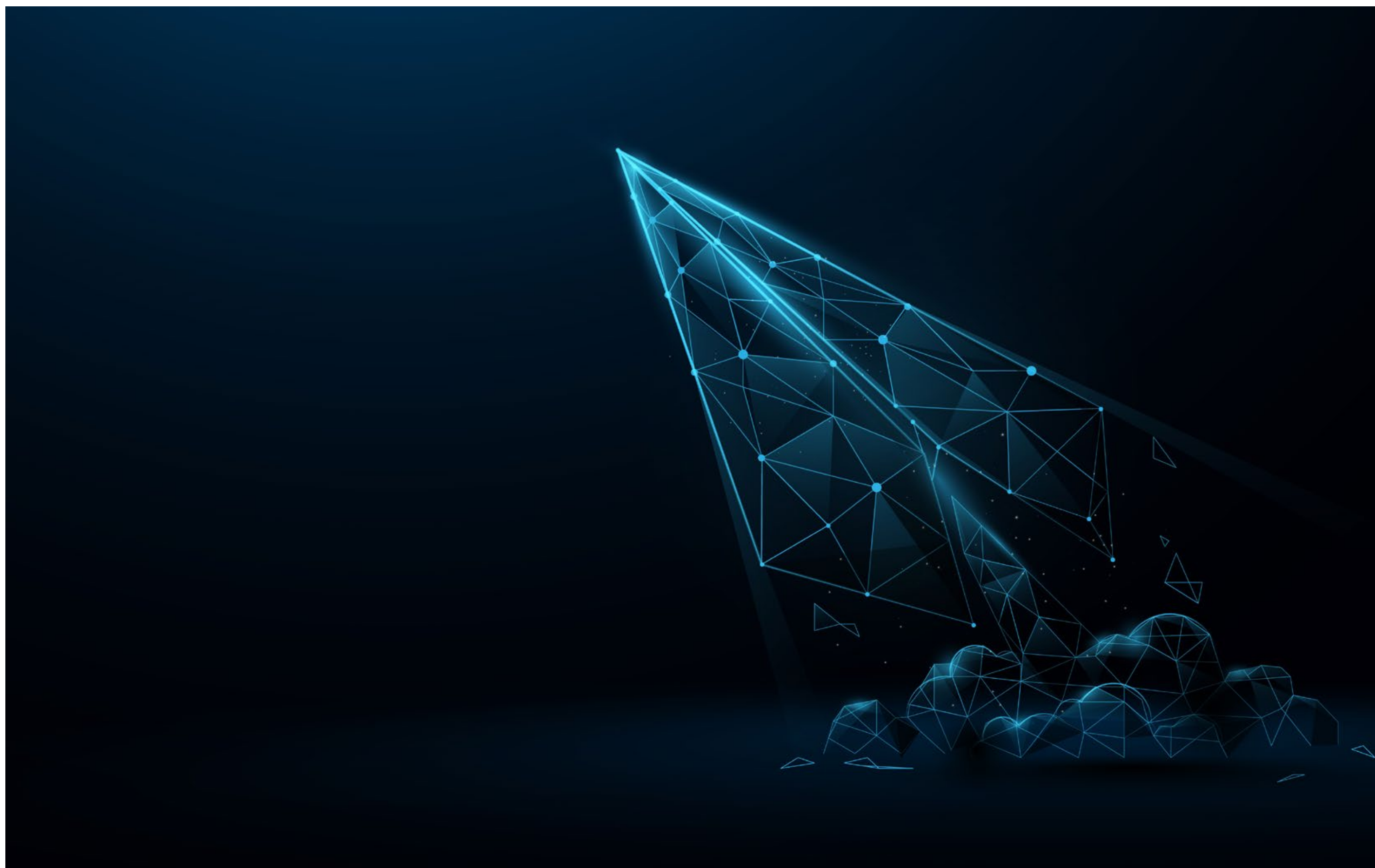
MARKETPLACE — EUREX

DIGITAL COLLATERAL REGISTRY — HQLA^X

TRUSTED THIRD PARTY — DEUTSCHE BÖRSE GROUP

www.hqla-x.com

HQLA^X



OSTTRA launches new service for repo trade confirmation

Post-trade solutions company OSTTRA is to launch OSTTRA Trade Processing for Repos, in an effort to increase repo efficiency for the global market.

The new service will establish a set of industry standard electronic workflows for repo trade confirmation and lifecycle event management, built on MarkitWire's global network. The platform is expected to go live in Q3 2022.

With the interest rate and repo markets coming closer together as a result of the transition to risk free rates, OSTTRA aims to harmonise the post-trade processing of both asset classes.

By creating a legally confirmed record, updated through the trade lifecycle, the service intends to meet growing regulatory demands to increase settlement efficiency, minimise the need for reconciliation, and reduce trade confirmation processing times.

OSTTRA was formed in 2021 through the merging of MarkitServ, Traiana, TriOptima and Reset.

Testing of the OSTTRA Trade Processing for Repos is underway with more than 10 firms, including global banks, brokers and investment managers.

Peter Altero, head of rates business development at OSTTRA says: "The introduction of new regulatory mandates has focused our customers' attention on repo post-trade workflows, which have been slow to evolve.

"Following broad engagement via our industry working groups, we are leveraging our established MarkitWire platform and global community of more than 2,000 firms to transform the repo post-trade lifecycle, delivering a real reduction in cost and risk.

Inside this issue

3
Lead story
OSTTRA launches new service for repo trade confirmation

6
Latest news
ESMA submits final reports on CCP resolution regime

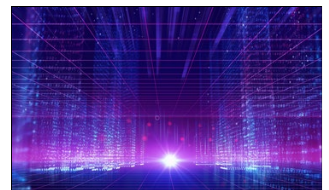
8
Latest news
Baton Systems connects LCH SA to its collateral network

14
Latest news
Sharegain goes live with SWIFT

16
Cover story
Lead architect
State Street's Gino Timperio speaks about service innovation, capital efficiency and the need to be watchful for the unexpected

20
Agency lending
European Securities Lending Panel
Europe-based securities lending specialists focus on recent market performance, the projected impact of central bank monetary tightening and key opportunities for growth of their lending activities

35
Cross-asset synergies
How innovation is changing market dynamics in securities finance
Anne Taieb, Wematch's head of product, securities financing, explains how their product has established industrial scale for synthetics, but can be easily adapted to other areas of securities finance with the objective of offering cross-asset synergies between synthetic and physical products



41
Digitisation initiatives
Accelerating into a digital future
GLMX's chief product officer Andy Wiblin observes that securities financing markets are entering a new phase of electronification, enabling complex flows that were previously locally optimised in spreadsheets now to be digitised

COMYNO
Your Specialists in Securities Finance

Consulting Services
✓ Strategic Consulting
✓ Project & Program Management
✓ Business Analysis & Consulting
✓ Technical & Infrastructure Consulting
✓ Product Architecture & Design
✓ Software Development
✓ Blockchain Development

Software Solutions
► C-One Securities Finance In-house/Platform Hybrid Solution
► C-One Connectivity Standard Market Interfaces
► C-One RegReporting Solutions SFTR | CSDR | MiFID
► C-One Blockchain/DLT Platform

Efficient. Innovative. Modular. | www.comyno.com | contact@comyno.com

In the search for alpha, you need more than just a lending agent.

RETURNS

You need complexity made simple. Uncertainty made clear.
Decisions made with confidence.

MADE

Above all, you need a trusted partner like State Street.

SIMPLE

Our lending program is the most innovative in the world.[1] We give you easy access to the intelligence and lending tools you need to make the right moves and unlock growth.

STATE STREET®

statestreet.com/globalmarkets

3390559.1.1.GBL ©2021 State Street Corporation. For informational purposes only. Securities lending services are provided through State Street Global Markets, the marketing name and a registered trademark of State Street Corporation, used for its financial markets business and that of its affiliates. Products and services may not be available in all jurisdictions.
[1] *Global Investor*/ISF Survey 2020 – Securities Finance Agency Lending named Most Innovative Lender.

Matrix updates collateral management system

Matrix Application has announced an update to its QTIX trade lifecycle and collateral management system, which has been rebranded as ‘Elevate’.

Elevate is a fixed-income and equities securities lending platform that offers a cohesive front-to-back office solution for institutional post-trade processing.

The New York-based fintech service has been developing Next Generation deployments over the past year, with the aim to improve user experience and create an adaptable micro-services architecture.

The redesigned system Elevate will be released in Q4 2022 and will feature an “appealing user interface, enhanced functionality, streamlined workflows and back-end modernisation for extreme efficiency”, according to Matrix.

Speaking on the announcement, James Tabacchi, president and chief executive officer at Matrix Applications, comments: “The Elevate rebrand reaffirms Matrix’s commitment to continuously improve our software and services for our customers.”

Stephen Mellert, managing director at Matrix Applications, adds: “Elevate offers an improved user experience. From static data, trade entry, position management and operations, all the way down to settlement and matching, credit, accounting, auditing and reporting, Elevate enables our clients to navigate the trade lifecycle better and faster.”

ESMA submits final reports on CCP resolution regime

The European Securities and Markets Authority (ESMA) has published six final reports of its review of the CCP Recovery and Resolution Regulation (CCPRRR) and these reports have now been submitted to the European Commission.

The final reports set out proposals for Regulatory Technical Standards (RTSs) on the content of central counterparies (CCPs) resolution plans, resolution colleges, valuation of CCPs’ assets and liabilities in resolution, and safeguards for clients and indirect clients.

It also contains guidelines on the circumstances under which a CCP is deemed to be failing or is likely to fail, as

EMIR – MiFIR – SFTR – FinfraG – MAS – US Dodd Frank – REMIT

Compliance is a beast
We help you tame it.

office@deltaconx.com | www.deltaconx.com

... to the next level.

Let Securities Lending take you...

Make idle assets work harder with Securities Lending. Behind the scenes, we generate low-risk additional revenues on your securities. The only impact on your business is enhanced performance figures, and today, every basis point counts.
We offer tailor-made agency, principal and lending solutions with remote access to suit your precise needs.
CACEIS, your comprehensive asset servicing partner.

www.munier-bbn.com

Contact:
Dan.Copin@caceis.com

www.caceis.com

caceis
INVESTOR SERVICES
solid & innovative

well as on the methodology to value each contract prior to termination.

Aiming to guide resolution authorities in developing effective resolution plans, the overarching goal of ESMA's reports is to contribute to market preparedness generally and in the "unlikely event" of a CCP entering into resolution.

To determine whether a CCP has failed or is likely to fail, the relevant authorities should assess the available objective elements as they relate to the availability and adequacy of the CCP's recovery tools, the pre-funded and committed financial resources still available to the CCP, and the liquid resources and liquidity arrangements still available to the CCP.

The authorities will also need to consider the operational capacity of the CCP and other requirements for continuing authorisation.

They should also be prepared for situations where a CCP is unable to manage the default of one or more clearing members, and where a CCP is unable to address a non-default event that results in unmanageable losses for the CCP. ESMA notes that these are both typical circumstances that may result in a CCP's failure.

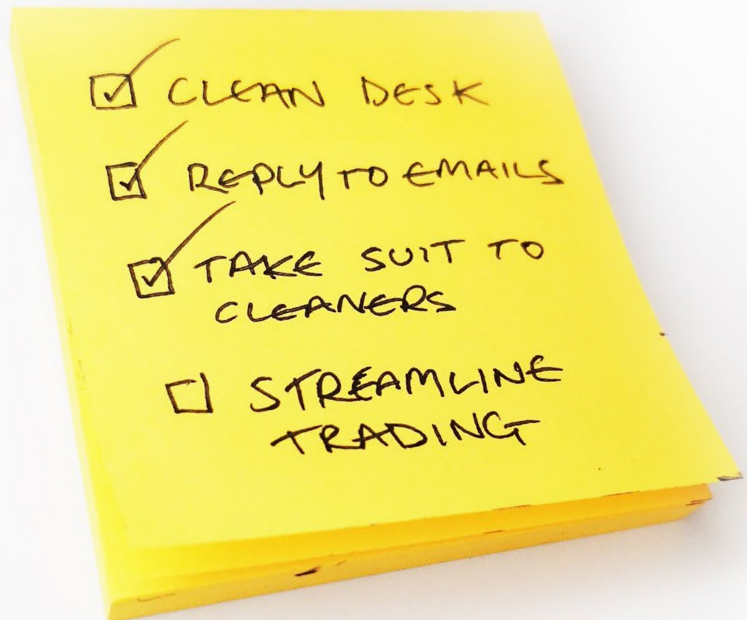
According to ESMA, the determination that a CCP is failing or likely to fail should remain an expert judgement and should not be automatically derived from any of the objective elements alone.

The European Commission has three months to decide whether to endorse the proposed standards under a Delegated Regulation.

Baton Systems connects LCH SA to its collateral network

The California-based post-trade fintech indicates LCH's Paris-based clearing house has become the latest clearing entity to link to the Baton Core-Collateral ecosystem, partnering in the first instance to support trade flow cleared through CDSClear, the CCP's credit default swap clearing service.

Baton's Core-Collateral solution is designed to support automated end-to-end collateral workflow for cleared derivatives, extending intraday visibility around their



Say goodbye to tedious tasks.
Say hello to potential.

Wouldn't Securities Finance be simpler with more integration and automation?
Shouldn't the day be about opportunities, not mundanities?

It's time to change the way we work.

www.tradingapps.com

J.P.Morgan

EXPERIENCE

One collateral platform to manage tri-party and margin

Optimized globally, across trades, assets and custodians

Delivered by a trusted partner and market leader

Put our experience to work.

Contact your J.P. Morgan representative to learn how we can help.
jpmorgan.com/securities-services

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

The products and services described in this document are offered by JPMorgan Chase Bank, N.A. or its affiliates subject to applicable laws and regulations and service terms. Not all products and services are available in all locations. Eligibility for particular products and services will be determined by JPMorgan Chase Bank, N.A. and/or its affiliates.

J.P. Morgan is a marketing name for businesses of JPMorgan Chase & Co. and its subsidiaries and affiliates worldwide. The material is produced and distributed on behalf of the entities offering Corporate and Investment Banking activities, including but not limited to JPMorgan Chase Bank N.A. (including through its authorized branches), J.P. Morgan AG, J.P. Morgan Bank Luxembourg S.A. (including its authorized branches), J.P. Morgan Bank (Ireland) Plc, J.P. Morgan (Suisse) SA, J.P. Morgan Europe Limited and its authorized branches, J.P. Morgan Securities LLC and J.P. Morgan Securities plc. JPMorgan Chase Bank, N.A., organized under the laws of U.S.A. with limited liability, is authorized by the Office of the Comptroller of the Currency in the jurisdiction of the U.S.A. For additional regulatory disclosures regarding these entities, please consult: www.jpmorgan.com/disclosures.

© 2021 JPMorgan Chase & Co. All rights reserved.

current margin obligations and collateral holdings and enabling users to instruct multiple security and cash movements through a single interface.

Utilising distributed ledger technology to support its efforts to improve post-trade efficiency, Baton indicates that it has facilitated settlement of more than 15 million transactions over the past 12 months. It says that it has now orchestrated settlement of more than US$7.1 trillion of cash and securities in total, with several of the world's largest banks now using its technology.

LCH SA global head of CDS Clear Frank Soussan says: "We are pleased to have connected to Baton, working together to help clearing members to increase the speed in which collateral movements settle. We look forward to developing our collaboration with Baton further to improve post-trade operational efficiency for our members and clients."

Tucker Dona, head of business development and client success at Baton Systems, adds: "We are focused on ensuring clearing members can automate and optimise as large a proportion of the collateral holdings as possible, because this has real implications for their bottom line.

"In doing so, they can take greater control of their collateral under management and better support their clients, achieve higher net interest income and build a more scalable business with reduced dependency on manual processes. Connecting to LCH SA [increases] access to the group of CCPs of greatest strategic importance to our clients."

ASIC releases second consultation paper for changes to its derivative transaction rules

The Australian Securities & Investments Commission (ASIC) has released its second consultation paper for proposed changes to simplify the ASIC Derivative Transaction Rules.

WHAT'S IN YOUR TECHNOLOGY'S DNA?

Our next-generation platform provides end-to-end support for the front-, middle- and back-office processes of the securities finance and collateral value chain.

With advanced automation, the latest digital functionality and simplified integrations, you can increase economies of scale while generating new revenue streams and better serving your customers.

FIND OUT MORE TODAY

www.fisglobal.com

1.877.776.3706

©2021 FIS. FIS and the FIS logo are trademarks or registered trademarks of FIS or its subsidiaries in the U.S. and/or other countries. 1431251

Don't mind the gap

Our repo markets bridge liquidity gaps. More than 160 European financial institutions are currently active on our Repo, GC Pooling, HQLA^{x} and eTriParty markets. They benefit from trading opportunities with fully integrated clearing and settlement.

Architects of trusted markets EUREX

The consultation sets out further proposals to amend the ASIC Derivative Transaction Rules (Reporting) 2013 made under s901A of the Corporations Act 2001, following its first round of consultation, released in November 2020.

This consultation process on the second consultation paper is designed to help ASIC to develop its policy on over-the-counter derivative transaction reporting requirements.

The existing reporting requirements for derivatives transactions in Australia are designed to provide transparency in relation to trading activity, positions and counterparty exposures, helping regulators to identify financial system vulnerabilities, to conduct market surveillance, to monitor market metrics and practices, and to inform policy developments.

International standards have been developed for entity identifiers, transaction identifiers, product identifiers and critical data elements for transaction terms as well as valuation and collateral information for use in derivative transaction reporting.

Several overseas regulators have updated their existing rules to implement these standards.

In its second consultation paper, released on 16 May, the ASIC looks to understand and assess the financial implications of the proposals and any alternative approaches on stakeholders.

The commission has asked stakeholders to outline the likely compliance costs and the likely effect on competition the proposals would have, if they are implemented.
The deadline to submit comments for the second consultation paper is 8 July 2022.

Commenting on the new consultation paper, Priya Kundamal, general manager and head of data repository at DTCC (Singapore): "DTCC commends the ASIC for taking the lead in the Asia Pacific region to advance global data harmonisation efforts that are critical in enabling cross-border data

OVERCOME YOUR CAPITAL MARKETS CHALLENGES

Enhance Performance
Manage Costs
Increase Access to Liquidity
Manage Exposure and Mitigate Risk
Improve Governance and Transparency

Tackle these challenges head on with solutions from Northern Trust Capital Markets – capitalise on advanced technology, transparent trading, quality execution and smart liquidity solutions across:

Foreign Exchange | Securities Finance | Integrated Trading Solutions | Transition Management

For more information, visit **northerntrust.com**

© 2022 Northern Trust Corporation. Head Office: 50 South La Salle Street, Chicago, Illinois 60603 U.S.A. Incorporated with limited liability in the U.S. Products and services provided by subsidiaries of Northern Trust Corporation may vary in different markets and are offered in accordance with local regulation.

Northern Trust Capital Markets is comprised of a number of Northern Trust entities that provide trading and execution services on behalf of institutional clients, including foreign exchange, institutional brokerage, securities finance and transition management services. Foreign exchange, securities finance and transition management services are provided by The Northern Trust Company (TNTC) globally, and Northern Trust Global Services SE (NTGS SE) in the EEA. Institutional Brokerage services including ITS are provided by NTGS SE in the EEA and Northern Trust Securities LLP (NTS LLP) in the rest of EMEA and APAC and Northern Trust Securities, Inc. (NTSI) in the United States.

This material is directed to institutional investors and professional clients only and is not intended for retail clients. For Asia-Pacific markets, it is directed to expert, institutional, professional and wholesale clients or investors only and should not be relied upon by retail clients or investors. **For legal and regulatory information about our offices and legal entities, visit www.northerntrust.com/disclosures.**

standard chartered

Progress doesn't have to cost our planet

From financing innovations that build sustainable cities to powering millions of people through clean energy – find out all the ways we're using money as a force for good at **sc.com/hereforgood**

here for good™

aggregation and in achieving systemic risk mitigation across global jurisdictions.

"Crucially, this includes incorporating critical data elements within the core reporting data framework, adopting common global identifiers, such as the legal entity identifier, the unique product identifier and the unique transaction identifier, and aligning to the ISO 20022 technical format and data standards."

She concludes: "We thank the ASIC team for their collaborative approach with the industry during the consultation process and we look forward to continued progress on this important initiative."

Sharegain goes live with SWIFT

Sharegain, a capital markets finance technology company, announced it has launched SWIFT public cloud connectivity, enabling full SWIFT messaging capabilities via the cloud.

SWIFT aims to further reduce costs for capital markets participants and lower the barriers of entry for new entrants by making on-premise connectivity redundant.

Sharegain, the first company globally to offer SWIFT to its clients and their custodians, is using its Securities Lending as-a-Service (SLaas) solution to remove from clients the overhead of sending SWIFT instructions to their custodians.

Boaz Yaari, Sharegain CEO and founder, comments: "Being the first company globally to offer its clients SWIFT public cloud connectivity underscores Sharegain's innovative and transformational use of technology, to enhance client experience and move the industry forward toward more efficient, transparent and open capital markets.

"I am proud of our team playing a key role in helping SWIFT, a foundational capital markets infrastructure player, develop the Alliance Connect Virtual product for the benefit of the entire market."

When you're looking to extend your global reach, turn to the proven prime finance solutions and seamless execution of BMO Capital Markets.
BMOCMPrimeBrokerageSales@bmo.com

BMO Capital Markets is a trade name used by BMO Financial Group for the wholesale banking businesses of Bank of Montreal, BMO Harris Bank N.A. (member FDIC), Bank of Montreal Europe p.l.c., and Bank of Montreal (China) Co. Ltd, the institutional broker dealer business of BMO Capital Markets Corp. (Member FINRA and SIPC) and the agency broker dealer business of Clearpool Execution Services, LLC (Member FINRA and SIPC) in the U.S., and the institutional broker dealer businesses of BMO Nesbitt Burns Inc. (Member Investment Industry Regulatory Organization of Canada and Member Canadian Investor Protection Fund) in Canada and Asia, Bank of Montreal Europe p.l.c. (authorised and regulated by the Central bank of Ireland) in Europe and BMO Capital Markets Limited (authorised and regulated by the Financial Conduct Authority) in the UK and Australia. "Nesbitt Burns" is a registered trademark of BMO Nesbitt Burns Inc., used under license. "BMO Capital Markets" is a trademark of Bank of Montreal, used under license. "BMO (M-Bar roundel symbol)" is a registered trademark of Bank of Montreal, used under license.
® Registered trademark of Bank of Montreal in the United States, Canada and elsewhere.

GLOBAL SECURITIES FINANCING

More than just securities financing, together we can create the right solution

*Group 2 Borrower - Global Market Lenders and Borrowers were split into 2 groups based on the volume traded

Natixis Corporate and Investment Banking offers high quality solutions thanks to its in-depth knowledge of the Securities Financing market.

Collaboration || Financing || Solutions

Contact: Romuald Orange, GSF - Global Head of Client Strategy
Tel: +33 1 58 55 11 09 - romuald.orange@natixis.com

www.cib.natixis.com

Gino Timperio
Global head of securities finance
State Street

Lead architect

Reflecting on a State Street career spanning more than three decades, the bank's global head of securities finance Gino Timperio speaks to Bob Currie about service innovation, capital efficiency and the need to be prepared for the unexpected

Gino Timperio's financial services career has moved hand-in-hand with the growth of securities finance services at State Street, with the Bentley University alumni working at the heart of multiple projects that have defined the advance of the company's securities lending, financing and collateral services solutions.

Timperio joined State Street over 30 years ago, serving initially as a portfolio accountant before joining the bank's Enterprise Risk Management Group as a broker-dealer credit analyst, working principally in support of the securities lending team.

After half a decade in this role, Timperio moved into the securities finance area within the Global Markets division in 1997, spending the next 19 years in agency securities lending and becoming the lead architect of the team's risk-based capital model over this period. "This provided true ground-level experience," he volunteers. "Among other responsibilities, this involved forecasting the team's financials and modelling market risk and capital coverage."

Over time, he served as chief operating officer and then was promoted to head of State Street's agency lending business, reporting to Lou Maiuri and working alongside Paul Fleming who, at that time, was global head of the bank's Enhanced Custody product.

In 2016, Maiuri invited Timperio to transition within State Street's Global Markets division to lead the creation of a global financing and collateral solutions team for the Boston-based banking giant. On the financing side, this grew initially from taking leadership of State Street's FICC sponsored repo programme and building its client base, expanding the range of qualified institutions that the bank supported through this sponsored clearing product and extending the collateralisation and margining benefits, particularly out to firms falling into scope of BCBS-IOSCO Uncleared Margin Rules.

At the start of 2022, Timperio's role expanded again as he returned to lead State Street Securities Finance, taking on combined responsibility for agency lending and enhanced custody, while continuing to manage the global financing and collateral services business that the bank had nurtured over the preceding five years. With this development, State Street brought its established FICC Sponsored Repo services and its newer peer-to-peer (P2P) repo programme, launched in March 2021, under a now-wider Securities Finance umbrella.

State Street's peer-to-peer repo service facilitates overnight and term repurchase agreement transactions between buy-side firms, with State Street offering a guarantee for repo trades that meet programme requirements. Timperio notes that repo transactions are traditionally early morning trades and demand has been heavily driven by sell-side organisations seeking to access liquidity by financing their securities inventory. However, there is also significant demand from buy-side asset owner and asset manager clients as both cash providers and cash receivers. Some may receive cash collateral against securities lending activities, for example, and are seeking a wider range of cash placement opportunities to generate an attractive risk-adjusted return on their cash balances. Other buy-side firms, particularly hedge funds, may require liquidity to support their investment strategies and recognise benefits through extending financing options beyond their established prime brokerage relationships.

"The P2P repo service aims to widen clients' opportunity set," Timperio notes.

Under the supervision of State Street's managing director for financing solutions, Travis Keltner, the P2P repo platform carried its first live trades in October 2021, between entities organised in the US and the Cayman Islands. State Street plans to extend the service into selected markets in EMEA and APAC during 2022 and 2023. Buy-side firms can participate as repo buyer or seller under the programme master repurchase agreement (MRA).

"We initially tested an incubation trade where a buy-side firm received cash collateral from a traditional sell-side counterparty and invested that cash through our P2P solution with another buy-side counterparty," explains Timperio. "With the proof of concept complete, we went live with the service and have gradually been building the number of participating firms and the pipeline of transactions executed via this platform."

Expanding triparty

Recent debates around the future of securities finance have reflected heavily on product convergence, recognising the importance for service providers to support clients' needs across a wide range of collateralised trading activities. Through its Collateral+ service, State Street has targeted a solution that is agnostic to the underlying service that requires collateralisation — whether securities lending, bilateral repo, cleared and OTC derivatives trading, or total return and longevity swaps — and is able to support clients front-to-back, supported by an STP workflow.

"Selling these services to the client as a set of independent products is an outdated approach," observes Timperio. "A primary focus for our team is how we present one State Street to the customer and how we deliver an integrated service that is best suited to each of our customer's specific needs."

It was the pursuit of an integrated, front-to-back solution for buy-side clients that was central to State Street's purchase of front-office technology and investment management solutions specialist Charles River Systems in 2018.

The development of State Street's triparty collateral management solution, Collateral+, is a natural extension of these dynamics, says Timperio. With a wider group of buy-side firms required to post initial margin under Phases 5 and 6 of UMR, it is important to have a solution in place to meet their regulatory needs. But beyond ensuring regulatory compliance, clients are also seeking assistance with their alpha generating activities, identifying valuable securities from their portfolios that can be loaned or financed in line with their risk appetite.

Typically, this may involve helping clients to fulfil margin requirements on a cheapest-to-deliver basis, while targeting securities that may command a higher fee rate through intrinsic lending. But beyond established collateral sets, clients may also over time wish to post digital assets as collateral and to manage a collateral inventory that contains a mix of 'traditional' cash securities, 'tokenised' assets and digitally-issued assets.

In driving its digital asset strategy, the bank has established a State Street Digital group under Nadine Chakar, former head of State Street Global Markets, with attention to managing clients' end-to-end digital investment across pre-trade, trading and post-trade commitments. "As demand grows, we will work with the digital asset group to deliver financing and lending for our clients, drawing on its DLT-based architecture," says Timperio.

He highlights a number of key considerations in guiding this service development. One, inevitably, is to establish robust historical data to evaluate the volatility associated with these digital instruments to ascertain how they should be collateralised. "What margin levels should we apply? And how will these be accommodated within the indemnification programmes that we offer to securities lending and P2P clients?" he questions. "Indemnified agency and P2P lending are capital intensive and the capital consequences of these decisions need to be well understood."

Operationally, State Street is also taking a close interest in Securities and Exchange Commission (SEC)-backed steps to reduce the securities settlement period in the US, whether to T+1 or T+0. A move to next-day settlement will put pressure on settlement participants to ensure timely population of message fields and trade confirmation within a reduced timeframe. If the US market ultimately does move to same-day settlement, this may accelerate adoption of DLT-based settlement infrastructure to avoid potential transition drag of legacy systems.

In parallel with State Street's in-house digital asset team led by Chakar, the bank has also established partnerships with a

number of fintech companies to support its range of technology development options.

Expecting the unexpected

In bringing discussion to a conclusion, SFT asked Gino Timperio to reflect on the key lessons that he has learnt in his 33 years in securities finance — and how these are shaping his own decision making and development strategy within State Street.

"The primary lesson must always be to expect the unexpected," he responds.

In practice, he suggests, State Street generates solutions that support trading and post-trade efficiency in a business-as-usual environment, empowering the customer to make good trading decisions based on the data and insights provided by the bank. "But we also design our systems to support the customer in a wide range of stress environments," he says, "creating the technology, the client service, the market data support and the right people to execute in any environment, whether under normal conditions or under high market stress."

More specifically, indemnified securities financing remains a core activity. While it is capital intensive, State Street has tailored solutions for a range of different participants in the market, including globally systemically important financial institutions (G-SIFIs) and an expanding cohort of non-G-SIFIs.

"A lot of the value comes back to how we deliver effective optimisation of our clients' securities inventory," says Timperio. In line with its fiduciary responsibilities and client service commitment, State Street provides detailed performance updates and attribution, covering a wide range of factors from loan availability and utilisation, pricing, distribution, credit quality, market and volatility risk and product development activities.

"Our job is to support clients holistically wherever they are globally," Timperio concludes. "Through innovation, this has included the sponsored access product, enhanced custody and creation of the peer-to-peer network and we continue to work hard to build our critical mass in these areas. Over time, it will also include the expansion of our digital asset custody, lending and financing solutions."

"The primary lesson must always be to expect the unexpected. We design our systems to support the customer in any environment, whether under normal conditions or under high market stress"

European Securities Lending Panel

Europe-based securities lending specialists focus on recent market performance, the projected impact of central bank monetary tightening and key opportunities for growth of their lending activities

Panelists

Zoë Balkwell, vice president, trading, EMEA Agency Securities Finance, J.P. Morgan
Julien Berge, head of fixed income and repo trading, CACEIS
Chris Brown, vice president, trading, EMEA Agency Securities Finance Cash Reinvestment, J.P. Morgan
Sunil Daswani, global head of securities lending, Financing & Securities Services, Standard Chartered
Andrew Geggus, global head of agency lending, BNP Paribas Securities Services
Mark Jones, head of securities finance, EMEA, Northern Trust
Matthew Neville, managing director and head of agency lending trading EMEA, State Street Global Markets
Olivier Zemb, head of equity finance and collateral management trading, CACEIS

How do you assess the performance of European securities lending markets over the past 12 months?

Mark Jones: Demand for European sovereign bonds fared well in 2021, with on-loan volumes and fees increasing. This was most prevalent towards the end of the year as further lockdown measures led to subdued economic activity, prompting a flight-to-quality bid for core sovereign bonds. In addition, a collateral crunch became apparent into the year-end as sovereign bonds were in strong demand from market participants, with rates trading deeply into negative territory over the year-end reporting date. This bond scarcity eventually drove a significant specials premium, principally in the German curve, prompting the Deutsche Finance Agency to intervene and increase the outstanding nominal of the cheapest in order to calm market conditions.

Aside from sovereign bonds, demand for loans of corporate bonds increased, as the inflationary environment resulted in higher funding costs. The Central Securities Depositories Regulation (CSDR) Settlement Discipline Regime also came into effect in Q1 2022. This may have meant that some lenders felt less comfortable in lending bonds with liquidity challenges.

Equity lending has been a more challenging environment over the past 12 months. Through 2021, the upward trajectory of European equity markets saw investors maintain a greater net-long bias within their investment portfolios, resulting in softer demand and a weaker specials environment.

However, in the early part of 2022 we have seen a steep reverse in equity market trends, with heightened volatility amid sharp declines in asset valuations. Increased geopolitical tensions, surging inflation and aggressive tightening of monetary policy have all contributed to a risk-off approach. Hedge funds looked to de-gross equity exposures, again translating to weaker borrower demand. Capital raising activity has been one good source of borrower demand. With firms' balance sheets weakened through the pandemic period and a low interest rate environment, we observed an increased number of companies coming to market to raise cash, creating opportunities for securities lending activity. Short interest across those sectors most exposed to COVID-19 lockdowns increased supply chain disruption and surging commodity prices have also been prominent.

Olivier Zemb: The last 12 months have seen growing balances and revenues across just about every asset class and region. The end of the COVID-19 pandemic has been a big relief for the whole market and corporate action activity increased significantly (including spin-offs, IPOs and M&A activity).

European equities have benefited from strong demand for scrip dividends and directional shorts, mainly around industrials, healthcare and consumer discretionary.

On US equities, a large number of stocks continuously traded at high fee rates and very "GC" names like Visa (for hedging purposes) generated strong returns.

Exchange-traded funds (ETFs) reached new highs nearly every month thanks to a few "top payers" (particularly high yield, investment grade and emerging markets) and activity has been strong on all types of corporate bond, especially French healthcare services and financials.

The conflict in Ukraine has brought back volatility and tension to the markets, which has increased opportunities for sector arbitrage and created additional demand for specific securities. CSDR has laid out requirements for flexibility, responsiveness and efficient settlement processes, with penalties for non-compliance. Demand increased on same-day borrows for liquid names, which are mainly short-duration transactions to reduce potential late settlement and matching issues.

The constant need to optimise collateral posted, to limit the all-in cost of borrowing, pressured lenders to reduce haircuts and maintain a flexible collateral profile — cash and non-cash. Low interest rates made cash the cheapest form of collateral, but this will probably not remain the case for long. Lenders which are able to accept cash and have a suitable balance sheet can capture the majority of GC trades.

Collateral and haircut impact the consumption of risk-weighted assets (RWA), as does the weighting of underlying lenders. Borrowers have therefore put more effort into onboarding or borrowing from "RWA-friendly" beneficial owners.

The "smart bucket" concept has gained traction, becoming increasingly relevant owing to growth in the global lendable base and the arrival of new market players, leading to fiercer competition between lenders.

Finally, we have noted growing appetite for trades over six months (cash

vs non-cash) or shorter duration for specific underlying clients, particularly corporates. This may be a consequence of the closer scrutiny from all market participants on the net stable funding ratio (NSFR).

Zoë Balkwell: Over the past 12 months, uncertainty and volatility in the market and the introduction of the CSDR regulations have led to increased volumes across all asset classes in Europe.

Automation and transformation projects have supported these high volumes on both the trading and post-trade sides, especially within the warm space. With the ongoing COVID-19 pandemic and prolonged closures across Europe, sectors impacted by tourism, such as airlines and hospitality, have struggled to recover. Many firms are looking to restructure, raise capital or pivot their business strategy in an effort to recover from a tough two years of depressed revenues.

Sunil Daswani: Equity finance revenues in Europe dropped in the second half of 2021, driven by low equities specials balances in the region. Lendable assets were on the rise — however, the utilisation of these assets failed to match the pace. Two key markets in the region, the UK and Germany, declined in revenues. On the other hand, France's equity finance revenues increased. A significant contributor to France's sharp increase was the Vivendi Se spin-off. Broadly speaking, European equity markets have undergone a degree of softening over the past 12 months, with pandemic names in particular (airlines, travel companies) coming off from previous levels. Returns have held up well in Emerging Europe, specifically Greece, Turkey, Israel and pre-invasion Russia. With corporates being long cash, we have also seen improved yield enhancement activity in markets such as Switzerland, France, and Norway.

Capital raising activities have led to some new corporate events, which in turn have led to some additional specials across the board.

Matthew Neville: From a financial resource management (FRM) perspective, we have seen an increase in borrowers taking targeted action to actively manage their capital around quarter-ends by sourcing general collateral (GC) supply from low RWA clients and we expect this trend to continue.

In terms of asset classes, we have seen persistent strong demand in US Treasuries and core European government bonds, particularly bunds and gilts, in the short-end as the demand for High Quality Liquid Assets (HQLA) continues to remain as strong as it did throughout the pandemic.

European equities markets have remained reasonably flat, with minimal corporate activity. Levels achieved for COVID-19-impacted stocks have lessened, along with utilisation. However, increases in company dividend payouts compared to the previous couple of years, combined with sustained seasonal demand, puts us in a stronger position to outperform in this space than last year.

"Regarding collateral, so-called risky assets were no longer correctly valued and will, henceforth, be traded more on their real fundamentals and no longer according to liquidity and various stimulus measures"

***Julien Berge**, head of fixed income and repo trading*
CACEIS

In which European markets (by jurisdiction, asset class) do you identify strongest opportunities for growth of your lending business?

Daswani: In line with the past 12 months, we expect to see continued good performance from the aforementioned European emerging markets.

Neville: In addition to monitoring developments in emerging markets, State Street continues to invest in electronic execution to maximise our existing distribution capabilities. Current initiatives include automating single-fund allocation markets to improve utilisation in countries such as Turkey and Poland.

We are also conducting due diligence on lending in Israel and are closely monitoring developments in Saudi Arabia as the lending model there continues to evolve.

Balkwell: Given our strategic focus on automation and efficiency, we have been able to support the broad increases in volume as well as to deliver post-trade efficiencies for a smoother front-to-back experience. With rising inflation and interest rates, we expect short interest in the international space to continue to increase across asset classes, regions and certain sectors. We are also seeing increased activity among corporate bonds due to disclosure limits on equity short positions, which is creating new opportunities.

Jones: We expect credit markets to be impacted as the growing inflationary environment gives way to recessionary fears. Consequently, demand for corporate bonds is likely to continue to push lending fees higher. This is likely to be mirrored in emerging market issuance as higher funding costs, supply chain disruptions and heightened geopolitical risks pressure asset valuations.

In the equity space, we see Saudi Arabia as a new market with strong growth opportunities. With a regulatory framework now in place, and significant demand materialising, we think this is a really exciting opportunity to be at the forefront of a rapidly developing market and we expect to see an increase in activity in the market before the year end.

Zemb: All things considered, we do not forecast any major change in EMEA Equities. Indeed, we believe the upward trend should continue throughout 2022.

In our search for growth opportunities, focus should be on key European emerging countries where revenues are increasing such as Poland and Turkey and to a lesser extent the Czech Republic and Hungary.

We also expect increased traction for ETFs and a widening of spreads for Core Euro Government Bonds. As mentioned, ETFs hit a new record almost every month. With our clients' loan base, we are confident that this asset class will stand out in 2022.

"The current geopolitical climate in Europe has led to more acute focus across the lending programme on appropriate client liquidity in assets that are now more exposed to risk compared to last year"

***Chris Brown**, vice president, trading, EMEA Agency Securities Finance Cash Reinvestment J.P. Morgan*

We believe spreads on Core Euro Govvies should increase due to past and future rate hikes in Europe and the UK. This will also create opportunities for cross-currency arbitrage.

Global financial markets have been subject to major fluctuations in liquidity and market pricing over the past two years, with current geopolitical instability following close on the heels of the Covid pandemic. What pressures and opportunities has this created for your securities lending business?

Chris Brown: The current geopolitical climate in Europe has led to more acute focus across the lending programme on appropriate client liquidity in assets that are now more exposed to risk compared to last year. The market volatility has caused greater and more active rebalancing in portfolios than previous years. Our role as trusted partners is to act seamlessly with our beneficial owners to ensure that lending activity does not impede our clients' ability to be nimble in these markets. In conjunction with our Quantitative Research team, we can price this added risk on a day-to-day basis, ensuring our ability to provide incremental risk-adjusted returns to our clients.

Jones: Borrowing counterparts are more focused on sourcing High-Quality Liquid Assets (HQLA) in term-maturity tenors. We have seen rising demand to upgrade lower-rated or less-liquid assets for sovereign bonds through COVID-19 and the most recent period of geopolitical instability. In addition, we have continued to see a shift in borrower demand to more targeted lending. Borrowing counterparts are becoming more sensitive to capital usage and, in particular, to RWA — a measure to determine the risk of trading exposures and subsequent capital required.

Julien Berge: The drop in yields, and beneficial owners' hunt for stronger performance in the current geopolitical environment, have led to an abundance of collateral supply as investors try to maximise yields. Consequently, even though overall revenues are increasing, historical lenders are competing with new lenders and struggle to maintain revenues across all asset classes. We are helping clients to understand the benefits of modifying their collateral matrix to become more attractive in an important step to maintaining market share.

After the pandemic and the return of strong growth, central banks' efforts to control inflation with rate hikes, while preserving growth, will be decisive for the coming months. This should be positive for our activities since economic distortions, and the responses from central banks, play out at a different pace across each geographical zone. This should contribute to a more favourable environment for our activities, generating opportunities which had disappeared in recent years.

Daswani: We have seen hedge funds de-grossing, reducing long-short exposures and this has dampened demand. The rising interest rate environment in particular is going to be a consistent

"We have seen hedge funds de-grossing, reducing long-short exposures and this has dampened demand. The rising interest rate environment in particular is going to be a consistent theme throughout 2022"

***Sunil Daswani**, global head of securities lending, Financing & Securities Services, Standard Chartered*

Securities Finance and Collateral Management Solutions for Every Firm

- Optimize lending, funding and collateral decisions
- Reduce counterparty and operational risks
- Enable efficient and high-growth operations
- Flexible to firms of all sizes in any location
- Meet regulatory and market requirements

Ready for Next

Communications
Technology
Data and Analytics

broadridge.com

theme throughout 2022, impacting lenders running cash reinvestment programmes and those lenders holding sizeable positions in government bonds (ie HQLA). Judicious management of cash reinvestment pools will increase returns from lending GC and 'warm' securities, given reinvestment opportunities along the yield curve, and for now we continue to see strong demand for US Treasuries throughout the tenor range. Given this unique environment, at least in recent times, stock loan and cash reinvestment desks will need to be closely aligned to optimally manage this asset-liability dynamic.

Neville: The magnitude of central bank quantitative easing (QE) led directly to lower spreads in the fixed income upgrade space compared to previous years, as banks were able to sell paper more cheaply than they would have been able to finance through securities lending. This created a competitive challenge for lenders to generate opportunities for clients while avoiding chasing rates downwards — including ensuring that the pricing achieved from borrower demands to face specific client profiles reflected the value those clients added to a borrower's capital profile.

As we look beyond the pandemic, and as quantitative tightening (QT) reduces liquidity, we can see opportunities developing should spreads emerge between north and south Europe — depending on the relative growth of the economies in each region. We also see more value in corporate bonds as weaker, less capitalised companies become targets for short-sellers.

What investments and adaptations to working practices have you made to sustain and grow your European securities lending activity in this environment?

Neville: Working from home during the pandemic placed increased pressure on operations and trading teams across all firms. This was particularly in the post-trade space, where offshore models came under significant strain given disparate working restrictions across different countries and regions. We resolved to rapidly advance our post-trade capabilities and connectivity with the vendors, aiming to improve visibility and workflows and, consequently, to increase straight-through-processing (STP) and reduce manual pressures on individuals. These steps are creating greater efficiencies and capacity within our teams, enabling us to work on new initiatives to service our clients more effectively.

Andrew Geggus: One major element has been in preparing for CSDR and now actually answering CSDR requirements for our clients. Outside of that, two primary areas of focus have been ESG and technology strategy. At this stage, we already have the capacity to align our programmes to clients' ESG requirements in multiple ways. Yet, we are still looking at how things could be pushed further, whether it be through our own developments or by working with the market on harmonised practices. Alongside this, 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

"Many firms are looking to restructure, raise capital or pivot their business strategy in an effort to recover from a tough two years of depressed revenues"

***Zoë Balkwell**, vice president, trading, EMEA Agency Securities Finance*
J.P. Morgan

REDEFINING SECURITIES FINANCE EXECUTION

PRE TO POST TRADE TECHNOLOGY SOLUTION

US: +1 (866) 610-4569 (GLMX)
UK: +44 (0)20 3637 9678

@GLMXTech

linkedin.com/company/GLMX

GLMX Technologies, LLC, is an SEC registered broker-dealer and member of the Financial Industry Regulatory Authority, Inc. (www.finra.org) and the Securities Investor Protection Corporation (www.sipc.org). The information and services provided on this document are not provided to and may not be used by any person or entity in any jurisdiction where the provision or use thereof would be contrary to applicable laws, rules or regulations of any governmental authority or regulatory or self-regulatory organization or where GLMX is not authorized to provide such information or services.

Copyright © 2022 GLMX, LLC. All rights reserved.

elements of the lending process, while offering enhanced analytics to both the lender and agent.

Jones: As a consequence of the capital focus, our borrowing counterparts have sought more bespoke trading routes, including pledge and other capital-efficient lending structures. We have focused on developing this as a key area as we recognise that adapting to changes in demand is crucial to keeping our agency lending programme relevant and competitive.

Brown: Global inflation pressures since 2021 have prompted central banks to become significantly more hawkish on monetary policy so far this year. With implied rates of 3 per cent in the US by the end of the year, coupled with quantitative tightening, and with the European Central Bank (ECB) keen to start raising rates after it ends QE in June, the proliferation of cash in the market will certainly be less than it has been since QE began after 2008. The relative cost of non-cash collateral will also have an impact on the supply of cash collateral in the market. Cash reinvestment programmes already have to keep a close watch on pockets of liquidity and volatility, especially given the medium-term uncertainty with the timing and magnitude of any interest rate moves.

J.P. Morgan's cash reinvestment team works closely with the lending desk to manage liquidity from loan legs and to capitalise on the greater certainty of liquidity, allowing us to invest cash at more competitive risk-return levels for our clients.

Berge: To enhance our clients' portfolio performance, we are constantly developing our lending offer through continued innovation and improvement of our processes. The key word is automation, as well as streamlining our processes to better handle volume spikes and the complexity of our clients' growing constraints.

We are constantly investing in and developing quantitative internal tools to automate essential but lower value-added tasks such trade bookings, recalls and reallocations. The goal is for traders to have more time to focus on finding opportunities in the market and, by doing so, maximising our clients' revenues. We have also made significant improvements to our communication methods with our clients and counterparties.

What impact will the potential for monetary tightening over the coming 6-12 months have on lending opportunities and collateralisation strategy in Europe?

Berge: Regarding collateralisation strategies, I believe Eurozone monetary policy will tighten, but far slower than in the US. The characteristics and nature of inflation differ on each side of the Atlantic. The withdrawal of excess liquidity in Europe will be gradual and measured. Rate normalisation will mainly impact cash as collateral, which until now has seen very little interest and is handicapping banks in terms of their balance sheet. However, in the coming months this could change when rates return to positive.

"We see Saudi Arabia as a new market with strong growth opportunities. With a regulatory framework now in place, and significant demand materialising, we think this is an opportunity to be at the forefront of a rapidly developing market"

***Mark Jones**, head of securities finance, EMEA*
Northern Trust

Regarding collateral, so-called risky assets were no longer correctly valued and will, henceforth, be traded more on their real fundamentals and no longer according to liquidity and the various stimulus measures.

We can already measure the effects, particularly on "collateral switch" operations, with levels widening again over maturities ranging from one month to six months.

Regarding lending opportunities, the volatility that implies rate hikes should definitely have an impact on the demand for securities and special situations.

Neville: We expect reductions in bond purchases by the central banks through quantitative tightening, leading to an increase in borrower financing requirements. This will result in growing demand for upgrades for HQLA as the breadth of collateral inventory across the asset classes returns to the market. Additionally, the increase in interest rates will create some volatility to generate spreads along the yield curve where there has been little premium in recent months.

Geggus: Volatility linked to the withdrawal of liquidity from a coordinated central bank tightening campaign will provide opportunities across the collateral transformation segment. The demand for cash collateral will be impacted, as other opportunities to invest that cash into high-yield instruments will materialise owing to the tightening. As such, the desire to deploy non-cash collateral will increase and will translate into new securities lending opportunities.

Jones: Collateral scarcity is an area of concern. We have already observed a challenging environment which is likely to persist once the later phases of the Uncleared Margin Rules (UMR) are fully implemented and digested. As such, clients require a full suite of options, allowing them to make quick decisions regarding the best use of their assets. Northern Trust is creating an ecosystem where expanding capabilities within the securities finance space can be harmonised to achieve maximum portfolio optimisation.

What expectations do your clients have from you as a service provider in supporting their commitment to sustainable lending and borrowing? Have recent market conditions and geopolitical stresses had an impact on demand for ESG-compliant lending solutions?

Geggus: For BNP Paribas Securities Services, our clients look to us as their agent to see what is possible and to guide them on the implications — particularly in working through the value chain with borrowers and collateral managers. Proxy voting was the first element discussed and now we are seeing collateral screening as the next natural phase for ESG Securities Lending. Securities lending is not always considered by beneficial owners when they think of ESG. As such, our role as agent is critical to highlight that a fund's core ESG objectives can be stretched

"The increase in interest rates will create some volatility to generate spreads along the yield curve, where there has been little premium in recent months"

***Matthew Neville**, managing director and head of agency lending trading EMEA*
State Street Global Markets

into their securities lending mandates in a complementary way. Recently, we are seeing more and more discussions on that topic.

Daswani: Our role as an agent lender is to support our clients' requirements in the ESG space, which our business model can deliver effectively given our segregated and highly customisable programmes. An example of this relates to non-cash collateral, which is becoming a bigger topic on the ESG agenda, specifically the ability to screen for non-compliant securities. This is challenging in the traditional pooled environment but relatively straightforward in a truly segregated structure, which is how we have always managed all our client programmes. Tailoring ESG principles into each client's programme is therefore an extension of what we do for them today.

An argument could be made that some of the more macro aspects of the recent market environment have shone a light further on the topic, particularly around proxy voting. This subject has been front and centre for some years now and this will remain the case as the ESG story evolves in the securities lending context.

Jones: In one word, flexibility. Our client base has a diverse range of views and requirements in respect of their approach to sustainability and ESG matters. Our focus is to ensure we can meet that diversity with optionality. Recent events have brought additional attention and a shift in approach for some firms, but the importance of this topic to our clients was already extremely high in preceding years.

Berge: The central question coming from beneficial owners is: "Can sustainable development and therefore ESG portfolio management be compatible with securities lending?" Academic research and discussions between market participants are ongoing. However, securities lending is already widely recognised as a useful activity, given its contribution to market liquidity and the potential to tailor lending programmes to the specific ESG criteria of lenders and borrowers — for example, relating to collateral selection or General Assembly voting.

Our clients nevertheless expect us to help them navigate the ESG topic. Our clients know we provide full support without impacting their sustainability objectives. Costs incurred by these new investment policies are not negligible and securities lending, while meeting their sustainability criteria, nevertheless constitutes an additional source of alpha at relatively low risk.

ESG policy is a long-term consideration and we have noted little clear impact from recent market conditions, apart from collateral type exclusion (particularly oil and arms) in response to the current geopolitical situation.

Neville: ESG has become a standing agenda item with clients. The lack of homogeneity in approach remains a challenge, given that every client has a unique perspective — whether in terms of the securities in which they are willing to invest or the collateral they are willing to receive. Prior to recent military action in Ukraine, securities in arms

"The conflict in Ukraine has brought back volatility and tension to the markets, which has increased opportunities for sector arbitrage and created additional demand for specific securities"

***Olivier Zemb**, head of equity finance and collateral management trading*
CACEIS

S&P Global
Market Intelligence

Analyze. Understand. Monitor.

Leverage our experience to optimize your program performance, enhance investment decisions, and confirm good governance through powerful tools and analytics.

- Largest securities lending dataset includes corporate actions, credit consensus, ETF collateral lists, liquidity and more
- Global securities lending flows, borrow costs and market share updated intraday
- Diverse signals to identify short squeezes, capture alpha, and refine risk management
- Robust performance measurement tools exceed enhanced industry standards
- Full-service governance, performance, risk, and operational assessments

ihsmarkit.com/SecuritiesFinance

The global leader in securities finance solutions

CONTACT US

MSF-Sales@ihsmarkit.com

The Americas
+1 800 447 2273

EMEA
+44 1344 328 300

Asia-Pacific
+604 291 3600

Japan
+81 3 6262 1887

manufacturers may have been deemed to be ESG non-compliant. However, in some quarters the view that defence is a requirement to protect citizens has changed that perspective.

Industry solutions will need to be nimble to cater for rapid changes in individual client's ESG parameters and that continues to be work in progress. That said, we have established our first ESG-aware commingled cash collateral reinvestment vehicle which applies a proprietary ESG scoring system when making investment decisions. This is already available to retirement plan clients and further innovation in this space is underway.

Additionally, we have seen an increase in client enquiries around our proxy voting product, which enables clients to recall and restrict securities ahead of key dates including AGMs, enabling securities lending to remain compatible with clients' ESG objectives.

How do you assess the outlook for European securities lending markets for the remainder of 2022 and into 2023?

Zemb: For the remainder of 2022 and in 2023, we should be operating in an economic environment characterised by normalisation of monetary policy, but potentially also accompanied by higher asset volatility.

Central banks have given clear indication of what they intend to do and this enables market participants to anticipate and efficiently price future moves. On the other hand, the geopolitical context is still unstable. Pressures may rise on specific sectors and we could witness a high level of specials activity owing to directional shorts. More broadly, the low interest rate environment has prompted more beneficial owners to enter into securities lending programmes in search of additional yields.

The increase in the global lendable asset base could lead to rising pressure on clients with very liquid assets and a defensive collateral profile.

Neville: We anticipate volatility over the coming period, given current levels of inflation and the expected increase in interest rates. As households deal with higher costs, we expect non-essential spending to be curtailed and growth-company equities to suffer in favour of defensive longs. We anticipate an increase in warms and specials as rising interest rates and falling revenues create pressure on companies with large debts, leading to capital increases and debt defaults in those companies that are most directly impacted.

In the fixed income space, we believe there will be continued demand for core HQLA, such as bunds and gilts, versus the lower-grade Spanish and Italian government bonds which will need to be financed. We also believe volatility and a widening of spreads will result as global central banks take measures to adjust their monetary policies at

"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"

***Andrew Geggus**, global head of agency lending*
BNP Paribas Securities Services

differing cadence, given that the European Central Bank is acting more cautiously compared to the Fed.

Daswani: At this stage, we believe the outlook for the European securities lending markets for the rest of 2022 and into 2023 will not be markedly dissimilar to what we have witnessed over the past 12 months — that is continued borrower demand in certain emerging market countries and robust yield enhancement trading, but offset against a broadly soft landscape at a regional level.

Balkwell: As European economies recover and interest rates rise in the US, confidence in European short interest is expected to return. Corporate action activity will continue to be a theme as those impacted by the pandemic look to restructure amid slower than expected returns to pre-pandemic levels. With the implementation of CSDR and rising volumes, those who have invested in technology and automation will begin to see the rewards. Global inflation will inevitably be a key factor when looking at sector and regional trends. Corporate bonds cannot be overlooked as a core focus for the remainder of 2022 and in 2023, ensuring both trade and post-trade volumes can be supported across the industry.

Jones: With market volatility still very high, and much uncertainty in the macroeconomic and geopolitical environment, it is difficult to see a big change in hedge fund risk appetite. Short interest will continue to be evident in industries most impacted by rising interest rates, supply chain concerns and persistent inflation. With recession risks recently starting to replace interest rate risks, we should see the safe-haven bid maintained for sovereign bonds, providing a fee premium for the most liquid lendable assets. In addition, this is likely to continue to push demand and lending fees higher for credit and emerging market issuance, boding well for fixed income lending revenue.

What is top of your development priorities to capitalise on these market conditions?

Neville: State Street continues to focus on automation, efficient management of financial resources and maximising alpha through effective pricing along the collateral spectrum.

Given our outlook for fixed income, we see opportunities to improve the distribution of corporate bonds and we are working with borrowers to ensure electronic capabilities are active and utilised.

Additionally, we are engaging with borrowers who do not use vendor platforms to source securities and exploring opportunities to interface directly to our proprietary lending platform, WebLend. This connectivity will increase speed of execution and ensure less post-trade intervention through improved STP.

From an FRM perspective, we continue to invest in our pledge capabilities, which we intend to expand across all triparty agents to ensure borrowers can maintain liquidity at their chosen triparty providers. We are also able to support RWA structures at the request of our borrowing clients.

Finally, where it makes commercial sense, we are focused on expanding collateral guidelines in the emerging markets sector, given that the pace of QT will widen spreads versus countries of risk.

Jones: Market and collateral expansion are key to driving a successful lending programme. Opening up new market opportunities to drive revenues and offering flexible collateral schedules will be crucial to capturing new business and generating the best returns for our clients. We continue to invest heavily in our technology, with a focus on automation, flexibility and enabling our clients to make the best possible data-driven decisions for their portfolios.

Berge: We aim to increase investments to streamline our internal trading, enabling us to refine our strategy to support clients' ESG policies, but also to enhance our reporting services, focusing on technology innovation, digitisation of workflows, and automation of manual processes. As a well-known service provider with a heavily tailor-made approach, we will continue to actively support our clients through innovation by offering solutions around ESG and CSDR topics.

Brown: The impact of increased short activity and volatility across European markets, and the introduction of the CSDR regime at the start of this year, creates a challenging environment for lenders. Ease of doing business has always been a priority and automation will become more important as flows in the region increase. The rise in post-trade automation continues to cut both settlement costs and losses resulting from manual errors. Ultimately, market participants that can provide the best trading efficiency for beneficial owners and borrowers will benefit the most.

REGISTRATION

Now Open!

YOU ARE INVITED TO ATTEND THE

12th Annual CASLA Conference on Canadian Securities Lending

Join us as we kick off the conference with a economic overview, followed by discussions on current market dynamics, ESG and upcoming regulatory/infrastructure changes

---

THURSDAY, JUNE 23, 2022
THE DELTA TORONTO
8:00 A.M. – 5:00 P.M.

How innovation is changing market dynamics in securities finance

Anne Taieb, Wematch's head of product, securities financing, explains how their product has established industrial scale for synthetics, but can be easily adapted to other areas of securities finance with the objective of offering cross-asset synergies between synthetic and physical products

What trends have you seen in collateral optimisation and what has been the main driver of your product?

As an ex-delta one trader, balance sheet costs and collateral costs were a key factor in my trading decisions. As head of product at Wematch, it is exciting now to be helping our clients to manage the optimisation of their books and to bring greater effectiveness to the marketplace. Over the past few years, the market trend has been all about spread compression and the true cost of doing business. The cost of the balance sheet and the various forms of capital requirements — for example risk-weighted assets (RWA), net stable funding ratio (NSFR) and liquidity coverage ratio (LCR) — are now such a huge component of any trading decision. Therefore, as a dominant trend, we have seen banks building out new algorithms and taking steps to trade as effectively as possible.

With more than US$1 trillion of collateral optimised in our platform in 2021, collateral optimisation on synthetic books (total return swaps, TRS) has seen a very significant increase in terms of demand and product sophistication. Our current clients have been contributing to building a complete product, where users can now select rules within a very rich library, allowing them to enjoy a fully customisable experience. Collaboration is one of our key values as a firm and this is true for my product team. We listen to our customers' requirements and strategically innovate to ensure our technology benefits the entire community. This has encouraged the adoption of market standards in an opaque marketplace, ensuring the market wants to use Wematch for liquidity and lifecycle management.

A second major trend we have identified is around connectivity. Our web-API is now being rolled out to most of our clients, who then benefit from low-touch workflows and optimal time management, focusing on the optimisation rules and adjusting the outputs depending on their daily needs.

Do you think your current solution can be adapted to multiple asset classes and alternative structures?

Absolutely. The product has now reached an industrialised status for synthetics, but it can be easily adapted to other segments of securities financing. We are looking to leverage this powerful tool to address securities lending and repo markets, with the intention of offering cross-asset synergies between synthetic and physical products. There is also a natural extension of our solution to address collateral optimisation on financial resource management. Our algos within TRS can be easily adapted to fixed-income securities and we have started discussions with the market and implementation of our technology into this sphere.

We have also implemented a dedicated workflow for sales, enabling sales teams to use the platform to interact with traders and to act on behalf of their end clients. This module is extremely popular and enables multiple teams within a single bank to benefit from the Wematch technology to drive more efficient communication.

Finally, we have recently released a similar solution for ETF Synthetic management into production, where clients can set up funds and manage highly bespoke collateral constraints such as UCITs rules and sophisticated rules attached to Index and underlying ETF positions.

Towards the end of 2021, you launched a new securities lending platform. Why did you decide to re-engineer your platform and how is it going ?

Once again, we applied a very simple recipe. We sat down with our clients and listened. It was clear to me that the focus should be on hard to borrow, as that seemed still to be in the dark ages with voice-to-voice communication remaining a leading avenue to source liquidity and trade.

With our signature design and new algos, we have brought equity-like protocols to the SBL space. Since launch last November, the traction has been unbelievable. Our clients value the speed of execution, the dynamic approach we have built.

And, as is common when you innovate and iterate at speed, we have discovered a second derivative of our original build. As a result, we have been integrated into the daily workflow of some of the largest prime brokers on the Street. We are encouraged by what we have accomplished in a short period of time and thankful to our key partners, which have provided detailed feedback and rich idea generation to us at Wematch. We are excited to announce that we will be offering our product globally in the near future and expanding into a wider range of securities lending products.

What are the main inefficiencies in the synthetic market today and how are you working to address these constraints?

The synthetic market currently suffers from a lack of standardisation. For instance, term sheets are not standardised and require a lot of manual processing within banks. This results in extensive back and

forth, commonly resulting in a need to sign term sheets manually. Those processes are cumbersome and we are actively looking for a way to leverage our import tools to facilitate more efficient trade reconciliation.

A derivation of this significant pain point is the tedious process around cash flow reconciliation. Any delta in the term sheet will inevitably lead to a break in the cash flow management process, with another set of back and forth between middle-office and operations teams and the need for the desk to accept losses as long as these fall below the acceptable threshold. Being able to identify those differences at inception and implement a reliable and seamless process to reconcile data can be a game changer and save significant costs and operational risks to banks.

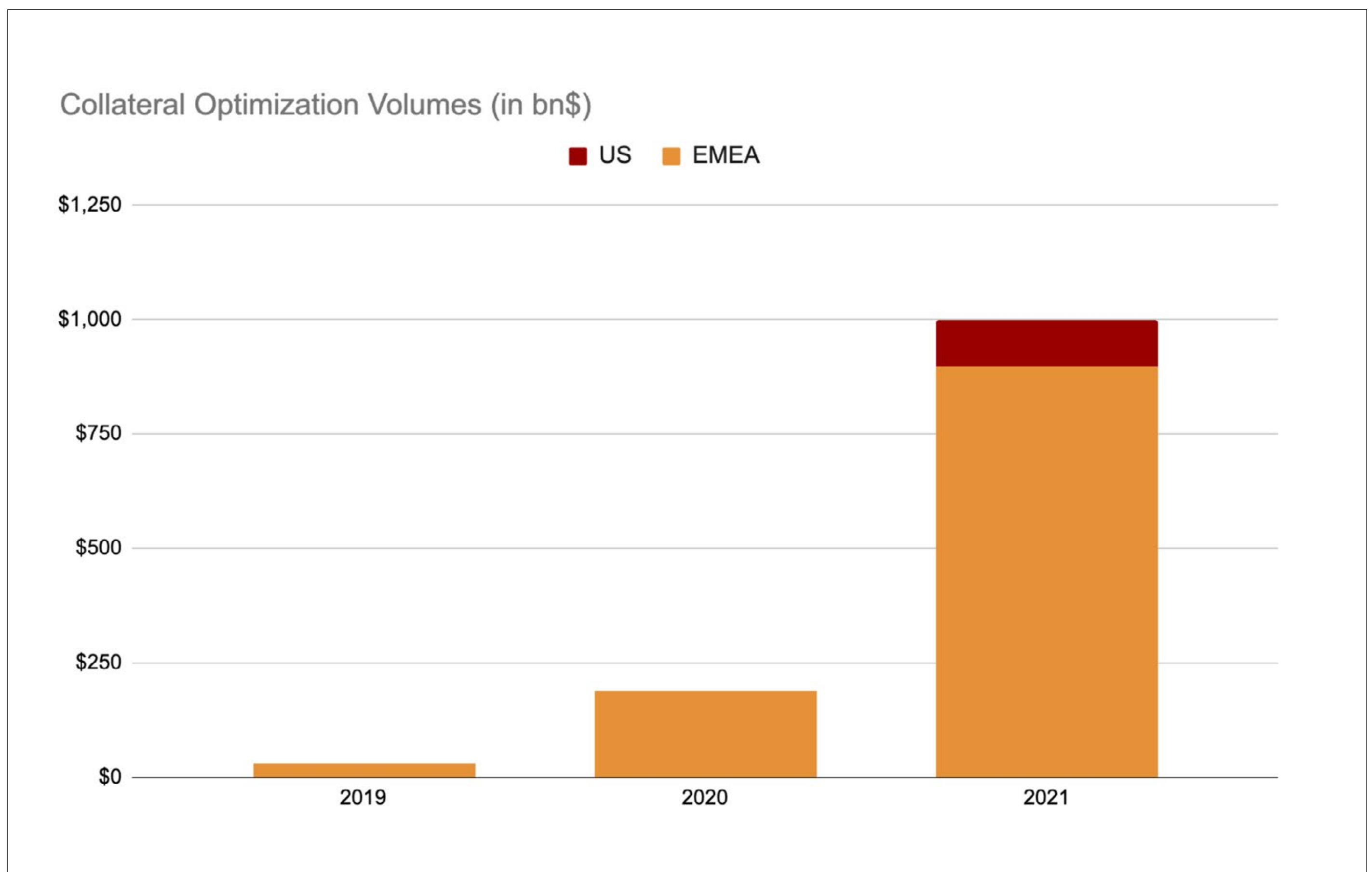
We understand that you held a synthetic forum in London in April. What was the driver of that idea and was it a success?

Yes, we held our inaugural TRS forum in London last month. We felt that this segment of the market place was under represented. The International Securities Lending Association (ISLA) has securities lending, the International Swaps and Derivatives Association (ISDA) has derivatives, but the TRS segment of the market has no one!

So we felt it was an ideal opportunity with our collaboration mindset to address this. We invited our key partners to attend a forum to discuss industry topics. It was very much the "David and Shane" show but, as with all sales, they need a product person when the going gets tough! We were overwhelmed by the enthusiastic discussions that took place that evening and the positive feedback from the event — so much so that we are holding the second TRS forum in my home town of Paris in September.

Do you have an analytics offer and where do you see the value for your clients?

Yes. Now that most clients are using our platform for either 100 per cent, or a very significant portion of their synthetic book, we are looking



into implementing more sophisticated analytics to enable them to find all the information they need. The ability to gather market data for securities lending, repo, TRS, and listed products [single stock futures, total return on futures] offers to our users a unique view covering the whole spectrum of the securities financing and Delta 1 space. Benchmarking tools can also offer to our clients the ability to stress test their book per currency, per tenor, or even per counterpart or client segment, depending on their needs.

Do you see differences across regions? And how do you plan to roll out your solution globally?

The product has reached its maturity phase in Europe and we have seen a significant increase in volumes and interest in both the US and APAC in recent months. We have beefed up our teams in both regions to offer more onshore support to our clients and we are currently rolling out more connectivity to our current users in both regions. The US market is extremely focused on execution risks and the product has been built to address those risks very specifically, also offering the ability to adjust basket details extremely quickly in case of high market volatility. APAC markets necessitate local processes and expertise and we are looking into a phased roll out, setting priorities according to our clients' requirements and needs.

Do you see regulation as an opportunity in your product roadmap?

Regulation has played such a significant role in the evolution of markets and it is clear that regulation will continue to adapt the shape of the business. You only need to look at the scrutiny of the synthetic market in the US post Archegos. We have also seen a plethora of regulations around short selling in the US of late. My view is that with every challenge there is an opportunity. For example, the recent deployment of the Central Securities Depositories Regulation (CSDR) in Europe led to thinking about how Wematch can help solve this new market dynamic. The focus for CSDR has been very much in the post-trade world — and rightly so. But I recollect getting bought in while trading an MSCI world basket due to a "reg sho" issue in the US. Upon further investigation, it was amazing to me that traders in the US would spend hours running around trying to cover scraps of liquidity to avoid buy-ins. So, although the automatic buy-in rules changed, we have built a specific section on the platform allowing traders to highlight their needs on a T+0 basis and cover these regulatory issues more effectively.

What is your roadmap in the other asset classes?

We are about to release a new EQD platform for delta one, volatility and exotic products. We hired a team of experts from top tier banks to build and sell an innovative tool focused on automation, data collection and analytics. Our vision is not to disrupt, but to empower, trading desks with powerful tools, allowing them to scale up their executions and handle transactions automatically. A lot of trading desks still rely on ageing tools and processes and are not benefiting from automated setups. We are here to help them transition to a digital era and to ensure they get modern tools to collect and analyse data on a systematic basis. Our approach is both time and cost efficient as we offload the IT burden from the banks, and it is evolutive as we constantly improve our platform to ensure we deliver the best tool to the industry.

> *"Collateral optimisation has been our strong focus in 2021, and we have facilitated the optimisation of US$1 trillion of collateral on synthetic trades"*

Do you have any regrets now that you have transitioned from investment banking to fintech? Does the fintech sector offer everything you expected from it?

I was a market person for a decade and, while I thoroughly enjoyed my time in that space — learning so much and having the pleasure of working with some super smart people — I decided to go a more entrepreneurial route. I have not looked back. I love the creativity my role provides me. I was employee number 15 at Wematch and now we are close to 50 in less than 18 months. Being part of that growth is exhilarating and exciting. I am working harder than I ever have, but it is amazing to be part of a team that is so focused on our core values to enable us to succeed. I would recommend the jump to the new world!

Investor &
Treasury Services

Optimizing portfolio performance

For over 35 years, RBC Investor & Treasury Services' industry-leading securities finance program has been helping clients generate incremental returns through our trusted market expertise and established risk management framework.

#1 Income Generated*

To find out how our team of specialists can deliver a securities finance program that meets your risk and return objectives, visit rbcits.com.

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

© Copyright Royal Bank of Canada 2021. RBC Investor & Treasury Services™ is a global brand name and is part of Royal Bank of Canada. RBC Investor & Treasury Services operates primarily through the following companies: Royal Bank of Canada, RBC Investor Services Trust and RBC Investor Services Bank S.A., and their branches and affiliates. In Luxembourg, RBC Investor Services Bank S.A. is authorized, supervised and regulated by the Commission de Surveillance du Secteur Financier (CSSF), and jointly supervised by the European Central Bank (ECB). In the United Kingdom (UK), RBC Investor & Treasury Services operates through RBC Investor Services Trust, London Branch and Royal Bank of Canada, London Branch, authorized and regulated by the Office of the Superintendent of Financial Institutions of Canada. Authorized by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available on request. RBC Investor & Treasury Services UK also operates through RBC Europe Limited, authorized by the Prudential Regulation Authority, and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Additionally, RBC Investor & Treasury Services' trustee and depositary services are provided through RBC Investor Services Bank S.A., London Branch, authorized by the CSSF and ECB, and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Details about the extent of our regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available on request. RBC Investor Services Bank S.A. maintains a representative office supervised by the Federal Reserve Bank of New York. RBC Investor Services Trust (Australian Branch) is licensed and regulated by the Australian Securities and Investment Commission, Australian Financial Services licence number 295018. Details about the extent of our regulation by the Australian Securities and Investment Commission are available on request. RBC Investor Services Trust Singapore Limited is licensed by the Monetary Authority of Singapore (MAS) as a Licensed Trust Company under the Trust Companies Act and approved by MAS to act as a trustee of collective investment schemes authorized under S286 of the Securities and Futures Act. RBC Investor Services Trust Singapore Limited is also a Capital Markets Services Licence Holder issued by MAS under the Securities and Futures Act in connection with its activities of acting as a custodian. RBC Offshore Fund Managers Limited is regulated by the Guernsey Financial Services Commission in the conduct of investment business. Registered company number 8494. RBC Fund Administration (CI) Limited is regulated by the Jersey Financial Services Commission in the conduct of fund services and trust company business in Jersey. Registered company number 52624. RBC Investor Services Bank S.A. is a restricted license bank authorized by the Hong Kong Monetary Authority to carry on certain banking business in Hong Kong. RBC Investor Services Trust Hong Kong Limited is regulated by the Mandatory Provident Fund Schemes Authority as an approved trustee. Royal Bank of Canada, Hong Kong Branch, is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission. This material provides information on the services and capabilities of RBC Investor & Treasury Services. It does not constitute an offer, invitation or inducement with respect to any service or financial instrument. RBC Investor & Treasury Services' services are only offered in the jurisdictions where they may be lawfully offered and are subject to the terms of applicable agreements. This material is for general information only and does not constitute financial, tax, legal or accounting advice, and should not be relied upon in that regard. ® / ™ Trademarks of Royal Bank of Canada. Used under licence.

Flexibility.
Reliability.
Durability.

There's No Substitute for Certainty.

certainty-bnymellon.com

Accelerating into a digital future

GLMX's chief product officer Andy Wiblin observes that securities financing markets are entering a new phase of electronification, enabling complex flows that were previously locally optimised in spreadsheets now to be digitised

The financial markets are evolving at an accelerating pace. At GLMX, we are privileged to observe this playing out within the securities financing and money markets. Indeed, at GLMX we are an active agent of change, helping firms adapt to new challenges.

One key observation we have made over the past six months is that a new phase of electronification in these markets has begun.

Progress to date

First, to recap. The initial evolutionary phase can be characterised as solving two challenges:

1 ***Flow automation:*** optimising high volume, repetitive, commoditised processes such as short-dated flow business or GC lending

1 ***Regulatory:*** coming from the second Markets in Financial Instruments Directive (MIFID II), the Securities Financing Transactions Regulation (SFTR) and, more recently, the Central Securities Depositories Regulation (CSDR).

A key component of this phase was to move the mechanics of negotiation from unstructured or semi-structured means of voice, instant messaging or email into structured form. This removed the manual effort of dual-keying and reduced the attendant operational risk. Success in this component has freed human capital to focus on their relationships, which allowed increased volumes to be managed without sacrificing the quality of the client experience. In many cases, relationships have been enhanced as parties have had more time to focus on discussing market colour and to review current and future needs.

We have witnessed how firms have invested in next generation technology to optimise this flow – covering both self-build and vendor-supplied aggregators, automated pricing infrastructure and API-connected order management systems (OMS) and execution management systems (EMS). We are also proud to work with our industry partners on projects to help reduce the friction of integration – the work done with the International Capital Market Association (ICMA) and the International Securities Lending

Association (ISLA) on the Common Domain Model (CDM) being a key part of this.

Entering a new phase

The investments made have now opened new and powerful horizons. Flow that was previously unmanageable in a manual world has rapidly become possible – for example financing a systematically traded credit portfolio. Such an effort requires the ability to communicate, price and negotiate, agree and book rapidly, and at scale, with minimal errors. This enables trading strategies that otherwise would not have been possible, either in totality or at the scale which makes them viable.

Complex flows that have been locally optimised in spreadsheets over the years have also now come into play. These flows were largely left untouched in the initial evolutionary phase. However, advances in platform capability and depth of integration into the wider technology ecosystem mean that these can now be digitised. This type of flow typically covers more than simple new trade initiation. It might cover a mix of events – opening new positions, closing or reducing existing positions, re-rating and substituting. As noted in the recent Securities Finance Times article by GLMX COO Sal Giglio, "Taking the stress out of mid-life events", GLMX excels at managing this type of flow for our clients.

Finally, for the most advanced liquidity providers, the question turns to how to manage the long tail of lower-volume but diverse clients. In the earlier phase, the reward associated with onboarding this client type would not have been worth the effort. Now, the marginal cost of having these flows remain manual is increasing, and firms are pushing ever harder to transition this activity to platform and to bring them into the automation ecosystem. At GLMX, we have found that the key to helping our clients achieve this is our ability to offer the widest range of features, across the entire collateral universe, with the best possible user experience.

Moving beyond negotiation

As firms review what they have achieved to date, thoughts unsurprisingly have turned to what else can be digitised in the quest for further efficiency. Price discovery is a natural next step. Most liquidity providers are keen to leverage their established digital channels to distribute market colour and axes to their clients in a consistent, structured fashion. This helps clients better analyse how and where to direct their flow in the interest of accessing the best possible liquidity.

For other players in the space, the challenge of how to extend their coverage into adjacent asset classes which are further down the electronification curve is a natural attack point. Success in this effort will reap additional returns from initial automation investment, from normalisation and consolidation of what are currently separate flows, and from better cross-asset class contextual data. GLMX's ongoing expansion of product coverage into securities lending and broader money markets is designed to support these needs.

The future is now

In summary, for a world in which there is increased market volatility, and the attendant challenges around managing volumes and increased complexity, it is ever more essential to have the best possible digital connectivity with counterparts. Within securities financing, this has moved from being a small part of an overall operation to being a vital component of the modern business. GLMX is proud to be at the forefront of this new phase.

The future is digital, and it has arrived.

Andy Wiblin
Chief product officer
GLMX

The front-to-back SFTR solution from MarketAxess

Our SFTR solution helps you to manage the entire SFTR reporting process, from trading and matching to reporting and monitoring.

Advantages:

- UTI generation and sharing portal
- Display and manage loan allocations
- Complete lifecycle event management
- Customized, intuitive dashboard

©2020 MarketAxess Holding Inc. (the "Company"). MarketAxess Corporation and LiquidityEdge LLC are members of FINRA and SIPC. MarketAxess Canada Company is a member of IIROC. MarketAxess Europe Limited (04017160), MarketAxess Capital Limited (09777893), and Xtrakter Limited (01917944) are incorporated in England and Wales, and each authorised and regulated by the Financial Conduct Authority. MarketAxess NL B.V. (69592888) and Trax NL B.V. (69597774) are incorporated in the Netherlands, and each licensed by the Autoriteit Financiale Markten. MarketAxess Singapore Pte. Limited is recognised by the Monetary Authority of Singapore. MarketAxess is a trading name of the aforementioned entities. Trax is a trading name of Xtrakter Limited and Trax NL B.V. To the fullest extent permitted by applicable law, all warranties and representations are disclaimed. All information presented herein is considered to be accurate at the time of writing, provided "as is" with no express or implied representations or warranties. This information is for instructional investor use only and does not constitute investment advice. Proprietary and confidential information of the Company – all forms of copying and redistribution prohibited.

Is the bilateral repo market working for the buy side?

Christopher Page, VP for product and business development at Eurex, explains that the benefits of CCP-cleared repo far outweigh the costs, delivering greater capital efficiency and significant operational and legal simplification over bilateral channels

As regulation continues to drive change, increased capital costs for banks have stifled capacity for the buy side in the bilateral repo market, which has increased costs and limited trading opportunities. This has led to a search for new sources of repo liquidity which rely less on bank balance sheet, while also offering the ability to maintain existing bank relationships. Experience shows that the bilateral repo market has not been very liquid in stress situations and the additional capital and liquidity constraints on banks have further reduced the available capacity. These challenges have been difficult to address in light of scarce resources and a heavy regulatory workload, taking away from infrastructure-led projects.

Meanwhile, cash management and collateral transformation has become increasingly important for the buy side due to regulatory

challenges, such as Uncleared Margin Rules (UMR) and the end to the pension fund clearing exemption. The operational burden on the buy side has increased, which has created the need for efficiencies in relation to legal documentation, balance sheet optimisation and data. Ensuring access to cash for Variation Margin (VM), and having the right collateral in place to cover operational risks and collateral demands, has brought collateral management into the front office. The related scarcity of quality collateral means that the buy side must now understand sources and uses of collateral as well as the constraints and costs even better.

Regulatory pressures have led to a convergence of securities finance and derivatives and there has been a need for consolidation and optimisation across asset classes and desks. In contrast, the majority of bilateral client repo is still transacted manually using outdated settlement infrastructure.

Eurex expands its buy-side repo offering

Eurex is seeking to address these challenges through its pioneering ISA Direct for Repo models: ISA Direct, ISA Direct Light and the newly launched ISA Direct Indemnified. Through these models, Eurex is able to offer direct access to CCP-cleared repo to a wide array of buy-side participants, adding them to the already diverse range of counterparties on the Eurex Repo trading platform. Eurex allows a principal client relationship between the buy side firm and Eurex Clearing, providing access to a new source of repo liquidity. Additionally, by bringing the buy side into Eurex's repo clearing ecosystem, dealer banks have increased opportunities for balance sheet, leverage, and risk-based capital optimisation, leading to lower capital requirements which, consequently, should drive better execution terms for the buy side.

We are excited to introduce the ISA Direct Indemnified model, which builds on our established direct access model for the buy side, ISA Direct, by broadening its availability to a greater range of market participants, including hedge funds. These firms, and their counterparty dealer banks, will now be able to benefit to an even larger degree from the capital, risk management and operational advantages that come through direct access to repo clearing at Eurex. By extending the benefits or direct CCP access to a greater number of market participants, Eurex can deliver greater efficiencies and create new opportunities for specific ISIN financing and treasury management. Eurex is pleased to be working with several banks and hedge funds to pilot the new offering this year.

Eurex's existing ISA Direct for Repo offering, designed for buy side banks, pension funds, asset managers and insurance companies, continues to go from strength to strength. We currently enable multiple beneficial owners through several asset managers to access the benefits of Eurex cleared repo directly. April 2022 volumes marked a 135 per cent year-on-year increase in buy side activity under the ISA Direct model, showing that the service has become an indispensable tool for both managing cash and accessing funding. Eurex is actively working with new clearing agent banks and buy side firms to bring more participants into repo clearing at Eurex.

Solutions for a changing environment

Continued uncertainty and volatility over the past few years has shown that now is the time to add additional sources of liquidity to the toolbox. While concerns remain around legal documentation and margin calls, the benefits of CCP-cleared repo going forward far outweigh costs and lead to operational and legal simplification over time. Lessons from UMR, and the impending end to the pension fund clearing exemption, highlight the importance of alternative liquidity sources that are underpinned by a centralised 'golden source' framework and standardised data.

CCPs are uniquely placed to offer a capital-efficient framework for repo, which is why today we see the majority of interbank repo in Europe being centrally cleared. By expanding this to a wider range of market participants, Eurex addresses liquidity concerns and regulatory challenges. The balance sheet netting opportunities available to banks within a CCP can lead to more capacity and better pricing for the buy side. Additionally, the automated nature of CCP cleared repo addresses operational challenges and leads to higher settlement efficiency than in the bilateral repo market.

By accessing Eurex Repo's liquid markets, participants can access multiple liquidity providers under one standardised legal agreement, with reduced counterparty risk, electronic trading, and straight-through processing. Our markets have provided proven liquidity in times of stress and Eurex Clearing has the benefit of decades of experience in risk and default management.

Eurex is proud to offer ground-breaking solutions for the buy side and looks forward to this new phase in establishing repo clearing for a wider pool of participants. Our ISA Direct for Repo solutions lead to increased repo capacity, lower risk, and improved profitability.

securitiesfinancetimes

GIVE MORE VALUE TO YOUR CLIENTS
& GET THEM LISTENING TO YOU MORE

Securities Finance Times is now offering companies the opportunity to partner with us and promote your podcasts to a wider audience

Let us help you grow your audience.

For more information contact **Justin Lawson** on 020 8750 0929
or email **justinlawson@securitiesfinancetimes.com**

Balancing protection and progress

FIS' David Lewis welcomes the return of in-person conference sessions and assesses the merits of cooperative data sharing in advance of the ISLA conference in Vienna

This June sees the long-awaited return of the ISLA Securities Finance and Collateral Management Conference. Such forums are often the crucibles for new ideas and collaborations, innovative thought and even pushing the occasional boundary. Being invited to moderate a panel is a pleasure that has been sorely missed — and a session focusing on market collaboration, doubly so. That is not to say that virtual panels at other cyber events did not work and, indeed, they provided the best alternative to not meeting at all. But as we look back on the last two years or so, it must be asked whether virtual meetings could ever deliver collaboration as well as physically meeting together.

Much has been written and discussed about the impact that remote working has had on collaboration. Virtual meetings often focus on the set agenda, squeezing out the opportunity for a chance remark to spark off a totally new conversation and potentially different, unrelated outcome. But what if we systemise or industrialise that collaboration? Perhaps it could be made part of the process of product and service development instead of leaving it to chance meetings in the corridor, at your desk or the kitchen.

Deep involvement in the cooperative data space over the past 20

years has demonstrated the advantages and obstacles attached to cooperative data sharing. Significant effort has been expended, and continues to be spent, on privacy and anonymity, obfuscating contributors' positions and strategies while ensuring the maximum positive impact of the data is shared to the benefit of the whole group. If it is fair to say that this innovation has been a success and brought an overall positive impact to the securities finance market then, logically, replicating that process could bring benefits to other areas of the market and the clients they serve.

Beyond the hive mind

Without wanting to pre-empt some of the issues that will be addressed on the panel itself, consider the possibility that there are joint endeavours that can benefit the whole market — while not necessarily giving anything proprietary away to the competition. Take regulatory compliance, for example. Regulations are often open to a degree of interpretation. Witness some of the requirements in the Securities Financing Transactions Regulation (SFTR) documentation and the confusion these caused. However, also witness the multiple, often trade association led, working groups that pored over every article with the objective of developing an industry-wide best practice for the requirements. This was, in effect, a manual version of open-source software development.

Open-source software as a concept used to be sufficient to cause serious anxiety for any technology security chiefs, but now many of the major banks and technology providers are actively involved in such projects, keenly sharing data models with other market participants and even competitors. The key characteristic is that such activities are limited to areas of work that are considered non-competitive, such as regulatory reporting. Appealing to the "hive mind" can benefit all its members as the collective experience and abilities are brought to bear on complex issues. Effort does have to be expended on ensuring the negative aspects of the hive mind (sometimes referred to as "group think," where members blindly accept the decisions of others) are kept at bay.

Access to, and processing of, the required data is also a major hurdle. Examining your own data – such as trade settlement performance – is valuable. But comparing it with others — for example, to identify outlier events — is vital to understand where improvements may be made. In a relationship business, settlement performance is likely a factor when grading counterparties, but it is a negative one or a "hygiene factor." If all parties scored 100 per cent, then no one gains an advantage but the whole market moves forward and benefits. At FIS, we are looking at pre- and post-trade data (along with wider market supply and demand dynamics) to develop predictive analytics for trade settlement. There are clear benefits to the individual market participant, of course, but the whole market will benefit from greater settlement certainty.

According to a 2021 survey by Deloitte, nearly 70 per cent of consumers believe that the financial institutions that serve them need to increase their efforts to improve data protection. On the basis that the end user is concerned about protection of their data, it is safe to assume that financial institutions, as custodians of that data, will be very reluctant to share their clients' information at any level for fear of alienating their client or crossing the regulators.

Getting the owners of the data comfortable with what is shared is key, although it only takes a moment to click on "manage my options" instead of simply "accept cookies" to realise just how many third parties already hold significant information on where you have been and what you have bought. The concept of differential privacy will certainly have a part to play in the protection of both consumer and institutional data, but adoption is not yet widespread.

Once that data is accessible, turning it into actionable information that can be understood by legacy technology is the next major hurdle. Again, collaboration will be key in the generation of market standards and models, with the Common Domain Model (CDM) being a prime example impacting the securities finance market right now. Such initiatives require the lowering of protective barriers around all data and replacing them with protection around only that data which represents proprietary and intellectual property.

The final hurdle to the successful collaboration of institutions across wider segments and types of data will be regulation. Much of the present regulation affecting our marketplace defines what must not be done, as opposed to what activity or level of transparency might be encouraged for the benefit of the market. With the speed at which the market for data is advancing, whether that is the transactions on your credit and debit card or the lending and borrowing of securities between institutions, the opportunity for intelligent self-regulation is obvious. Best practice standards for the gathering, processing and use of anonymised data should provide confidence for both the client and the regulator, but only if it is done in the right way. Perhaps the development of these standards is the next major challenge for the hive mind of the securities finance and collateral management market.

Tailor-made solutions in Prime Finance.

Visit us at **www.zkb.ch**

We are the perfect choice when it comes to prime finance. Our central Prime Finance Desk will deliver a bespoke solution that is sure to lead you to your desired goal in the shortest time. Nowhere else will you find more expertise than on +41 (0)44 293 62 62 or at primefinance@zkb.ch.

Zürcher Kantonalbank

Bridging the value chain

Comyno's Markus Büttner profiles the company's hybrid platform C-ONE

This hybrid platform supports securities lending and borrowing (SLB), collateral management, regulatory reporting and blockchain in one single source.

Depending on customer requirements C-ONE is available on-premises or as a software-as-a-service (SaaS) model. Its modular approach leads the securities finance business step by step into the future. A particular focus here is to expand the existing business while increasing profit simultaneously.

The innovative C-ONE suite offers a complete solution for securities finance trading and collateral management, covering the complete value chain of the corresponding transactions. It is built as a 'hybrid platform', incorporating features for an in-house trading and collateral management system, a multi-entity and multi-product platform across asset classes. (See figure 1)

This enables clients not only to manage their whole securities finance business with C-ONE, but also grants online access to and for their clients and counterparts, including white-labelling potential simply via the web. C-ONE provides seamless possibilities for position sharing, locates management as well as affirmation processes. Furthermore, clients and counterparts can see 'their side' of the trading activity, as well as 'their side' of the collateral and exposure management. Even the profit and loss (PnL) features can be used by all entities with access to the platform.

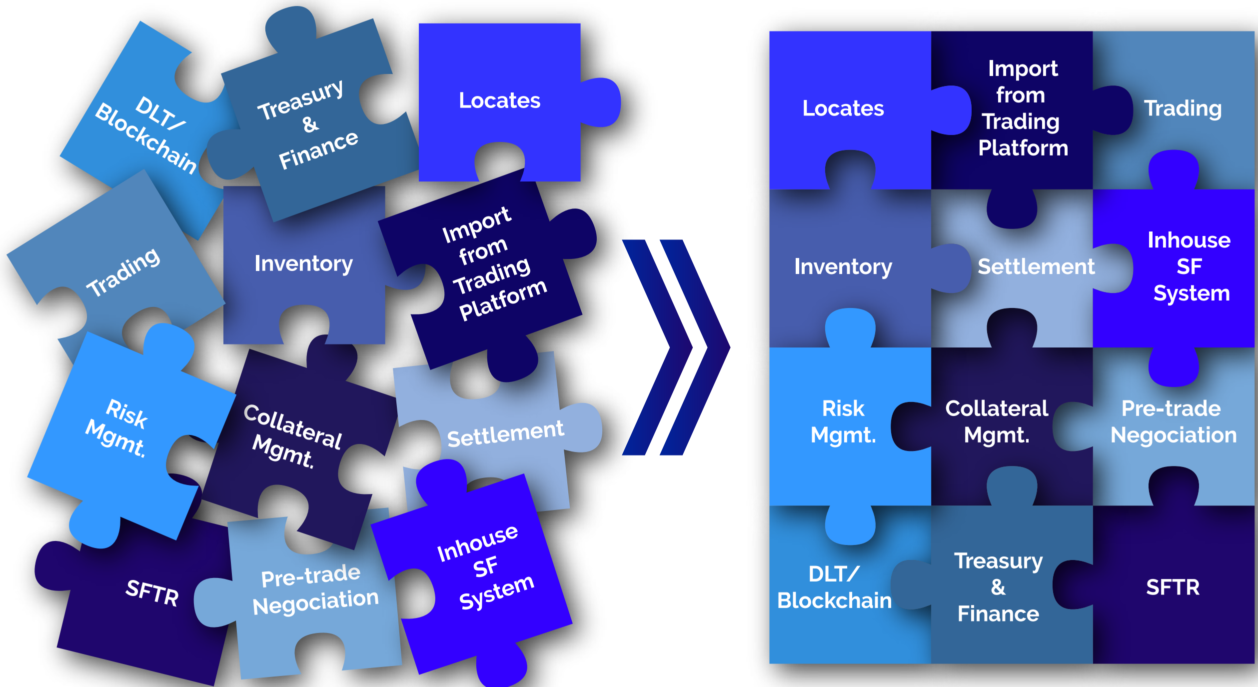
One of the biggest cost drivers for the industry is the multitude of internal and external parties involved in securities finance transactions. The variety of software systems and IT components, as well as a big number of manual workarounds and interfaces which are necessary to fill gaps, lead to high inefficiencies. Comyno has tackled this industry challenge for the benefit of the market with its C-ONE solution: with an extensive modular approach that covers the whole value chain, both from a business and technical perspective. (See figure 2) ■

Launching Comyno´s hybrid platform C-ONE at your company means moving your securities finance business onto an efficient, modern, and state of the art system. Low entry costs and customised solutions through its modular and extensible approach boost profits right from the start. The emerging area of digital assets paves the way for Comyno to add more modules to cover the entire 'digitised' lifecycle

Markus Büttner
Founder & CEO
Comyno

COMYNO

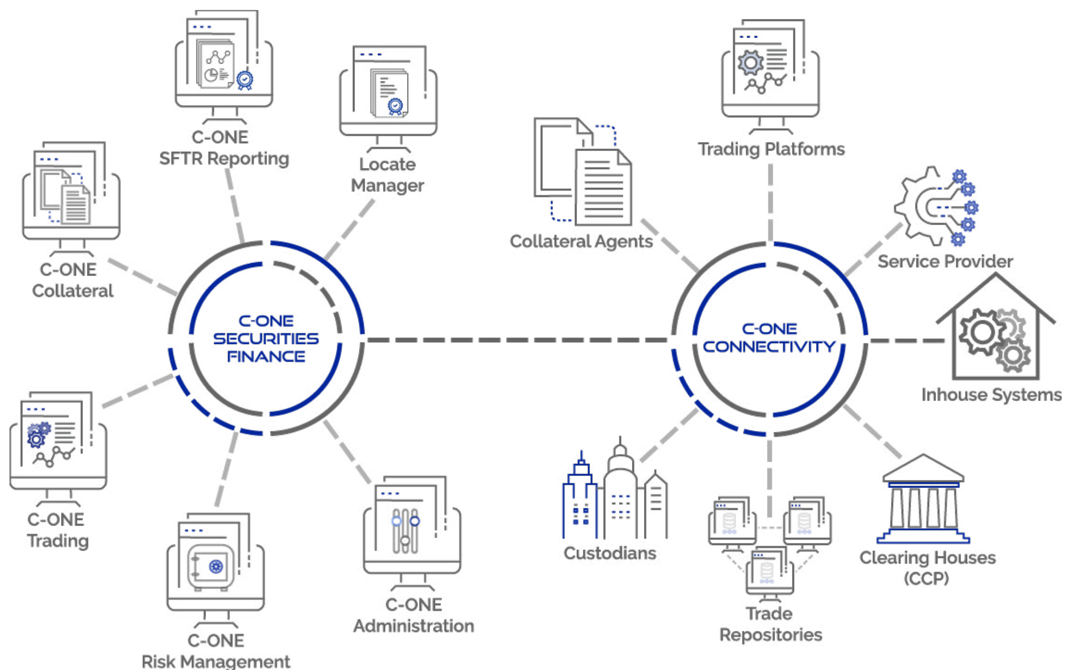
Figure 1: C-One Puzzle.ai



Scattered infrastructure with multitude of processes, systems, vendors and departments.

C-ONE
one platform for all

Figure 2 C-ONE Graphic_SFTR



Latest industry appointments at eSecLending, Provable Markets and Clear Street

eSecLending has appointed Mark Whittaker as senior securities lending associate

The independent third-party securities lending agency provides bespoke securities lending solutions across discretionary lending, exclusive lending, collateral management and risk management.

Whittaker has 26 years' experience in the agency stock lending business, ranging equity and fixed income settlements, collateral management and trading.

He most recently worked in the inventory management segment of Jefferies, an investment bank and financial services company, since March 2021.

Whittaker also previously served as securities lending supervisor for treasury market services operations at RBC. Before this, he was senior analyst for securities lending service delivery at RBC Investor & Treasury Services, where he was responsible for, among others, timely settlement of loans and recalls, transition management and communication with sub-custodian network, front-office and stakeholders.

Whittaker began his career as agency securities lending trader at Hermes Pension Management in 2001, where he was involved in borrower relationship management, non-cash collateral management and loan settlement.

Credit Suisse hires Sophie Jourdain

Sophie Joudain has been appointed securities lending trader at Credit Suisse's Zurich office.

Jourdain will be reporting to managing director and head of collateral trading services Marco Bozzolan.

Prior to this role, Jourdain was positioned at UBS where she worked within the firm's securities lending division as equity trader for Europe, the Middle East and Africa.

Previously, she worked within the cross asset secured financing sales team at Societe Generale Corporate and Investment Banking (SGCIB).

Provable Markets has announced the hire of Rachel Andreassian and Brian Foley, who will join the firm's product and sales teams.

Andreassian joins the firm as director of product and market infrastructure. Previously, she held positions at Liquidnet and Barclays, where her areas of expertise at both firms were in electronic equity trading.

She held positions as product manager, where she focused on collaboration with buy-side participants on automating workflows into the ATS and algorithms, in addition to oversight of the internal trading platforms.

Foley has been appointed managing director of sales after heading sales at Proof Trading, where he led sales for the emerging equity execution platform.

Prior to this, Foley oversaw sales and business development in numerous capacities at IEX and Liquidnet. He led each platform through significant growth and adoption from their respective early stages.

Both hires will join the firm's New York headquarters, where they will support

Do you really get
the best match today ?

wematch.live
SECURITIES FINANCING

At **wematch.live** securities financing we offer you a
new way to share interests and to facilitate negociation and
dealing on TRS, REPO and SBL,
ensuring you always get the best possible match
in a fully compliant environment.

Our web-based platform is hosted on a secured and real time
application **anticipating expected regulatory requirements**
around increased transparency, liquidity, matching and reporting.
Its usage is **very intuitive and flexible.**

Get in touch with us at contact@wematch.live.

www.wematch.live

In your best interest

wematch.live
SECURITIES FINANCING

Provable Markets' cloud-native Aurora ATS. The firm says Aurora "seeks to set a higher standard for managing, trading, and optimising collateral by offering subscribers access to pragmatic digital workflows for securities lending, complex option block trades, and security-based swaps."

The platform is set to go-live with securities lending in Q2 as approved submitter and partner to the Depository Trust and Clearing Corporation (DTCC) Securities Finance Transaction (SFT) Clearing Service, which provides National Securities Clearing Corporation (NSCC) members and sponsored firms access to central clearing for locked-in securities lending transactions.

The news comes as Provable Markets forms an alliance with FIS to allow client access to the DTCC SFT Clearing Service.

S&P Global has appointed Joss Brown to director of sales for Europe, the Middle East and Africa (EMEA), at the firm's London office.

Entering the global regulatory reporting solutions sales team, Brown will support S&P Global clients as they navigate their transaction reporting challenges.

He will report to Charlie Bedford-Forde, head of global regulatory reporting solutions sales for EMEA.

Brown joins the team from the Depository Trust and Clearing Corporation (DTCC), where he spent eight years within the organisation's global trade repository derivative sales and collateral management sales team.

Clear Street has announced the hire of William Dulude as chief product officer of its product, engineering and design leadership team.

Dulude brings experience in trading systems, risk management, engineering, investment and operations management to the role.

Reporting to Clear Street's co-founder and chief technology officer Sachin Kumar, Dulude will be responsible for running product strategy at the enterprise level.

He will also oversee product development for all of Clear Street's business segments, including institutional, active trading, and platform services.

Dulude joins the firm from Galaxy Digital, where he served as director of electronic trading product. Prior to this, he was global head of operations at Tagomi and held several positions at KCG Holdings' New York office.

Also joining the product, engineering and design team is Prerak Sanghvi, who will become vice president of engineering in June. Sanghvi will bring expertise in electronic trading, equities, trading systems and capital markets to the role.

Most recently, Sanghvi was chief technology officer at Proof Trading and previously served as head of venture technology at IEX Group.

Prior to this, he also held roles at RBC Capital Markets, Myrias LLC and Bank of America Securities.

In this new role, Sanghvi will oversee Clear Street's product, securities finance, risk, electronic execution services and fact data engineering teams.

Publisher: Justin Lawson
justinlawson@securitiesfinancetimes.com
+44 (0) 208 075 0929

Group editor: Bob Currie
bobcurrie@securitiesfinancetimes.com
+44 (0) 208 075 0928

Senior reporter: Jenna Lomax
jennalomax@blackknightmedialtd.com
+44 (0) 208 075 0925

Reporter: Carmella Haswell
carmellahaswell@securitiesfinancetimes.com
+44 (0) 208 075 0927

Reporter: Rebecca Delaney
rebeccadelaney@blackknightmedialtd.com
+44 (0)208 075 0923

Accounts: Chelsea Bowles
accounts@securitiesfinancetimes.com
+44 (0) 208 075 0930

Designer: James Hickman
jameshickman@blackknightmedialtd.com

Marketing director: Steven Lafferty
design@securitiesfinancetimes.com

Published by Black Knight Media Ltd
Copyright © 2022 All rights reserved

OCC THE FOUNDATION FOR SECURE MARKETS®

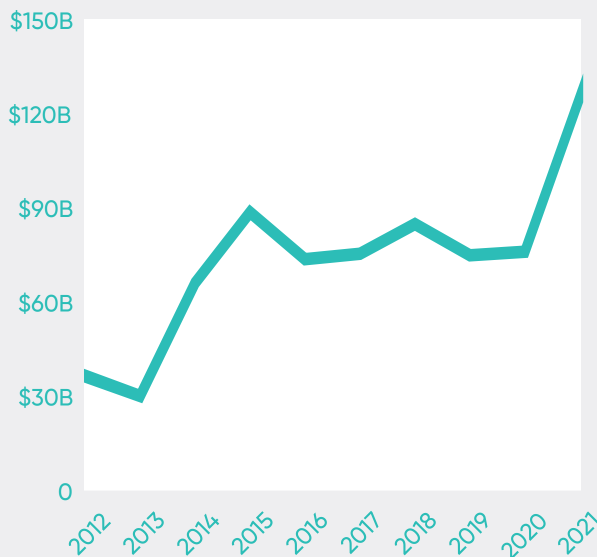
OCC Stock Loan Programs

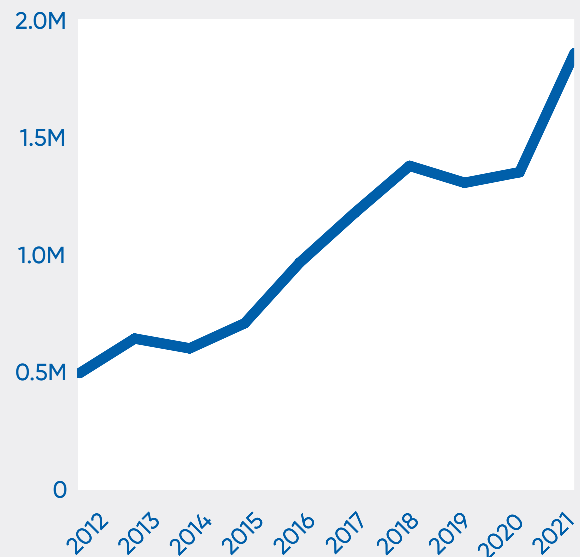
Key Benefits

- Counterparty disintermediation
- Expanded credit and trading allowances for cleared activity
- Risk weighted asset savings of approx. 95% compared to uncleared stock loans
- Margin offset
- Automation and streamlined operations

79 HEDGE LOAN PROGRAM MEMBERS

125B AVERAGE DAILY LOAN VALUE AT YEAR END 2021





For more information about OCC Stock Loan Programs, visit theocc.com

©The Options Clearing Corporation 2022. All rights reserved.

How do we fix
a problem with
no boundaries

by pushing
our own?

HSBC | Opening up a world of opportunity

Issued by HSBC Bank plc, 8 Canada Square, London. E14 5HQ