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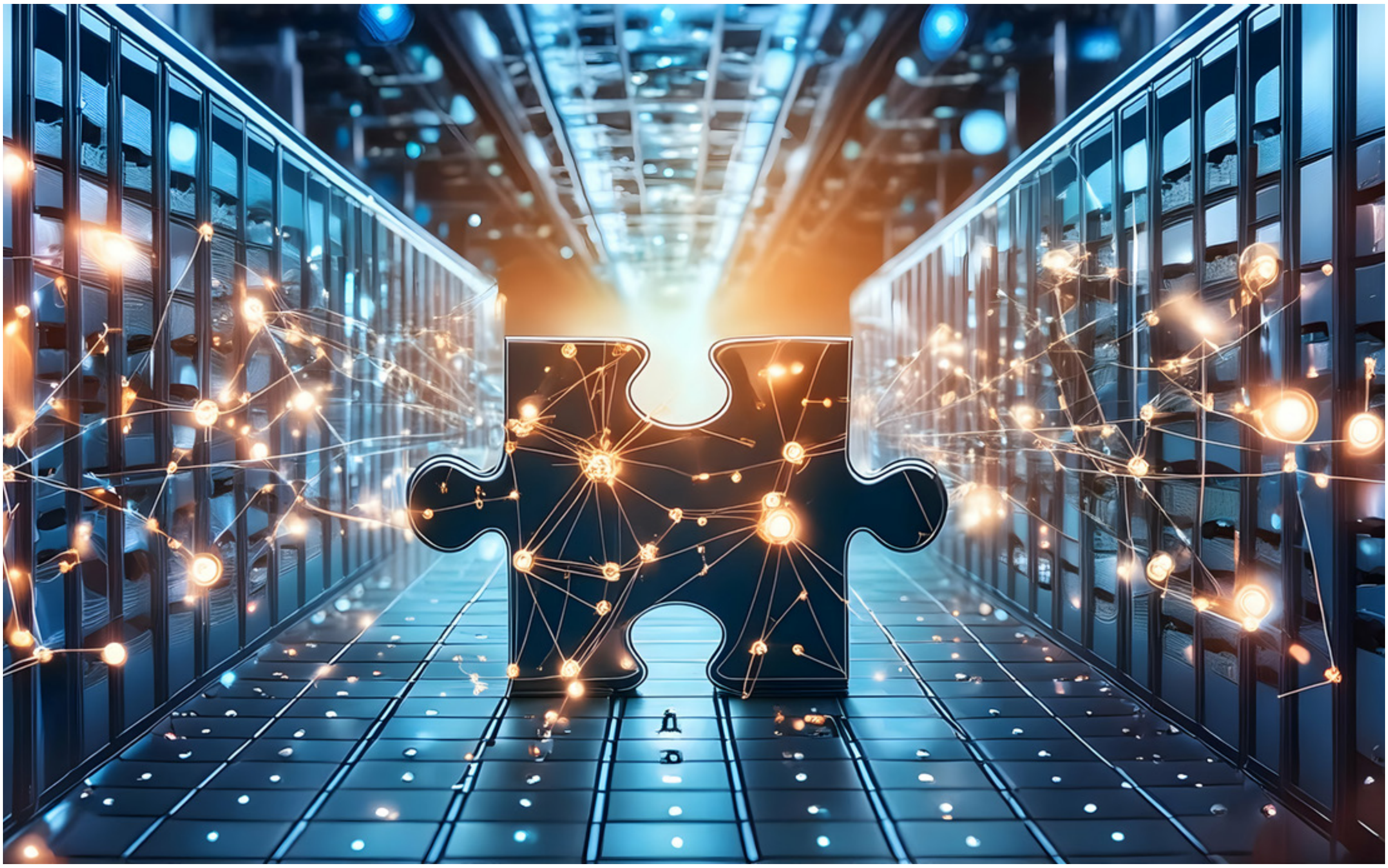
Automated Execution

FIS's David Lewis on alternative and secure routes to market



FIS launches new trade matching platform

FIS has launched a new automated matching and execution platform for securities finance trades in the UK.

The Securities Finance Matching Platform uses automated matching technology to facilitate secure, scalable, and cost-effective straight-through processing of securities finance trades.

The cloud-native solution aims to increase resilience and identify the best-match scenario by the evaluation of multiple factors, including fee or rebate rate, capital requirements, transaction and reporting costs, as well as counterparty trading patterns.

According to FIS, these capabilities will allow customers to achieve the "greatest possible depth" and liquidity in the market, while enhancing risk management by mitigating single-point-of-failure risk.

Nasser Khodri, head of capital markets at FIS, says: "In an industry where margins are tightening and market volumes are increasing, efficiency and automation have become paramount."

Khodri believes that lenders and borrowers have been searching for a service provider that can offer automated matching services, reducing manual intervention for the most economical outcome.

He adds: "FIS's new solution, coupled with our scale and industry expertise, will be transformative in securities lending, and by unlocking financial technology to the world we will be helping these financial institutions to reduce costs, minimise risks, and enhance returns."

The newest component of the FIS Securities Finance and Collateral Management product suite will also be available to non-UK institutions, but the expansion into EU and US markets still awaits regulatory approvals.

Inside this issue

Clearstream releases new collateral management solution

Clearstream has announced the launch of its new data-driven solution, Collateral Insights Dashboard, which aims to simplify and optimise collateral management.

The new solution is designed to eliminate the challenges of scattered data and manual processes, according to the international central securities depository (ICSD).

It aims to provide clients with “actionable insights” into their collateral activities, enabling them to make data-driven decisions. The platform will consolidate clients’ collateral data into a single, “user-friendly” dashboard, providing a holistic view of their collateral and lending activities.

Commenting on the new dashboard, Priya Sharma, head of data and client connectivity at Clearstream, says: “Our collateral data suite provides comprehensive analytics for capital optimisation and liquidity management.

“The dashboard offers risk management, collateral allocations, borrowing cost insights, and more, aiding regulatory compliance and decision-making.”

EquiLend NGT closes out record quarter

Trade volumes across the Next Generation Trading (NGT) platform reached 2,528,964 in June, equal to US$2.86 trillion, according to EquiLend.

This represents a 7 per cent decrease compared to May 2024, and a 1 per cent drop year-on-year (YoY).

Mike Norwood, head of trading solutions at EquiLend, says volatility remained subdued as core inflation cooled and markets closed out the first half with continued highs.

The June figures contributed to a “record quarter” for securities lending trade volumes across the NGT platform, which reached 7.9 million trades, generating US$8.4 trillion.

Q2 2024 was relatively active, says Noorwood, with trade volumes up 9 per cent YoY on flat equity performance.

However, the platform saw a 36 per cent rise in fixed income execution as corporates (+37 per cent) and sovereign issues (+30 per cent) continued to be in demand.

Commenting on market conditions during Q2 2024, Norwood adds: “June witnessed increasing volatility in Europe as concerns around elections in France and the UK weighed on investors, while the ECB and Swiss National Bank cut rates by 25 bps on improving economic conditions.”

During the month of June, the NGT platform observed an uptick in demand for EMEA names, with daily average trading volumes up 12 per cent for equities and 9 per cent for fixed income month-over-month (MoM).

Fixed income demand slowed in June as yields dropped and prices increased, according to EquiLend. The US and EMEA fixed income space saw reduced volumes of 10 per cent and 6 per cent, respectively.

Norwood indicates that inflation shows signs of easing, with the 2 per cent target hit in the UK and markets beginning to price in “two and maybe three” US fed rate cuts for the remainder of the year.

In conclusion, Norwood says: “The second half should be interesting as markets respond to the UK and French election results and the ongoing US presidential race. “Eyes continue to be on inflation and the geopolitical situation, and with indices registering gains YTD so far, there could be an opportunity for increased volatility.”

Clearstream upgrades digital post-trade platform D7

Clearstream has released an enhanced version of its digital post-trade platform, D7 Generation2.

According to the private market platform, the new architecture, developed with Google, will make the issuance process faster, easier, and more efficient.

D7 Generation2 now supports a wider range of complex retail structured products (RSP), covering around 90 per cent of RSP issuance volume in the German market.

In addition, the new application programme interface (API) enables up to 40,000 issuances per day, the firm says.

Clearstream has also introduced a harmonised data model to adhere to international market standards.

The firm states this move “paves the way” for geographical expansion and technical innovation such as tokenisation.

China approves suspension of securities relending

The China Securities Regulatory Commission (CSRC) has approved the suspension of applications for securities relending, a tool used for short selling, aiming to stabilise the capital markets.

The suspension will take effect from today [Thursday, 11 July]. Existing securities lending contracts can be extended, but must be settled no later than 30 September.

According to the CSRC, the move will “further strengthen the counter-cyclical regulation of securities lending”.

The stock market regulator has also approved to raise margin requirements for short sellers.

It will increase the margin ratio for securities lending from no less than 80 per cent to 100 per cent, and the margin ratio for private securities investment funds participating in securities lending from no less than 100 per cent to 120 per cent, which will be implemented from 22 July.

The CSRC has taken a series of measures to “strengthen the supervision of securities lending and securities lending business” since last August, through restricting strategic investors from allocating shares for lending and raising the margin ratio for securities lending. This has come as a result of investor concerns and market conditions.

Responding to the new restrictions, the Pan Asia Securities Lending Association (PASLA) says: “The CSRC has removed any remaining equity leverage from the margin trading market and taken further action to reduce securities lending capacity from the equity market, describing this as a counter-cyclical measure.

“The CSRC detailed that securities lending activity accounts for approximately 0.20 per cent relative to the total A Share traded volumes as of June 2024.

“PASLA expects this to be a temporary measure. We encourage the CSRC and policymakers to engage with our membership as they adapt the market structure, and we will continue to support efforts to ensure that securities firms educate all categories of investors about appropriate market behaviours and business practices.”

DTCC unveils public-facing VaR calculator ahead of US Treasury Clearing rule

The Depository Trust and Clearing Corporation (DTCC) has launched a public-facing Value at Risk (VaR) calculator.

The new tool will enable market participants to evaluate potential margin and clearing fund obligations related to the membership of the Government Securities Division (GSD) of DTCC’s Fixed Income Clearing Corporation (FICC).

According to the DTCC, the VaR calculator will play a crucial role for firms, as the post-trade market infrastructure expects US Treasury Clearing activity processed through FICC to rise by US$4 trillion daily, following the expansion of the US Securities and Exchange Commission’s (SEC's) clearing mandate.

Tim Hulse, managing director of financial risk and governance at DTCC, says: “VaR is a widely used risk management concept in the financial services industry and is the primary component of GSD's clearing fund requirements.

"The calculator considers factors such as historical data, volatility, and confidence levels to estimate VaR, increasing market transparency."

The new calculator will provide market participants with the opportunity to calculate potential margin obligations on a simulated portfolio, for given positions and market value, using FICC's VaR methodology.

Hulse adds: "FICC understands the urgency and importance of evaluating firms' risk exposure associated with the expansion of US Treasury Clearing. The VaR calculator provides market participants with increased transparency into these obligations."

As part of its commitment to the industry, DTCC continues to assess calculators, tools, and access methods to support the expansion of US Treasury clearing activity.

Eurex cooperates with Bloomberg

Eurex has launched its Trade Offset workflow which allows users of cleared interest rate swaps to automate the close-out process.

The solution connects Bloomberg's electronic trading tools to the original Eurex trade record.

Clients who need to close out a swap position at the central counterparty clearing house (CCP) can retrieve their trade details by inputting the Eurex CCP ID into Bloomberg's trade register, TREG.

The original swap details are then pulled directly from Eurex into this register.

The exact offset of the original swap can then be sent to Bloomberg's list trading tool, BOLT IRS, for execution, the firm says.

Nicholas Bean, global head of Electronic

Trading Solutions at Bloomberg, says: "We are happy to continue to build on our collaboration with Eurex Clearing to deliver improved connectivity and increased workflow efficiency to market participants.

"As clients' usage of electronic trading increases, it is important that they can trust Bloomberg to source market interest and access deep pools of liquidity."

Stefan Schmidt, certified international investment analyst at the multi-asset trading desk of Union Investment, adds: "We are proud to have been the first to use this new workflow. It has significantly streamlined our processes and enhanced our operational efficiency."

GLMX reports record volume and balance growth

GLMX has released its platform activity highlights for the second quarter of the year.

The average daily volume (ADV) of securities finance transactions traded on the GLMX platform increased 74 per cent year-on-year (YoY) to US$793 billion for Q2 2024.

For the average daily balance (ADB) of new and existing trades on the platform, GLMX reports an 82 per cent YoY rise, which generated US$2.38 trillion in the same quarter.

According to the global provider of technology solutions for repo, securities lending and money markets, record volume and balance growth were driven by new clients adopting the platform, existing clients increasing their business, and new functionality to support nuanced client workflows.

EBA consults on CVA risk exposures from SFTs

The European Banking Authority (EBA) has launched a consultation to specify the conditions and criteria to assess whether the credit valuation adjustment (CVA) risk exposures arising from fair-valued securities financing transactions (SFTs) are material.

The concept of materiality in the draft regulatory technical standards (RTS) will determine whether fair-valued SFTs can be exempted from own funds requirements for CVA risk.

The draft sets out a ratio that quantifies the amount of CVA risk arising from fair-valued SFTs relative to the CVA risk of transactions within the scope of own funds requirement for CVA risk.

To ensure consistency with the regular calculation and reporting cycle of own funds requirements by institutions, EBA says the draft RTS proposes to carry out the assessment on a quarterly basis.

A public hearing on the draft RTS will take place via a conference call on 4 September 2024.

The consultation will run until 8 October 2024.

Repo ADV jumps 20.8% YoY for June, says Tradeweb

Repo average daily volume (ADV) traded on the Tradeweb platform increased 20.8 per cent year-over-year (YoY) to US$599.2 billion for June 2024.

The combination of quantitative tightening, increased collateral supply, and current rates market activity shifted more assets from the Federal Reserve's reverse repo facility to money markets, according to Tradeweb.

ADV across all asset classes on the platform jumped 40.9 per cent YoY to US$1.94 trillion for the month of June.

The second quarter of 2024 meant a 48.3 per cent YoY increase in ADV to US$1.92 trillion.

US government bond ADV was up 50.8 per cent YoY to US$210.7 billion. European government bond ADV was also on the rise by 17.4 per cent to US$50.5 billion.

According to Tradeweb, US government bond volumes were supported by growth across all client sectors, and the addition of r8fin contributed positively to wholesale volumes.

Market volatility and sustained primary issuance across Europe helped to drive trading volume in European government bonds, especially gilts, says Tradeweb.

For swaps and swaptions, ADV climbed 56 per cent YoY for June to US$437.3 billion. Total rates derivatives ADV also increased by 69.1 per cent to US$782.2 billion.

This was driven by global political uncertainty and pending central bank policy decisions, as well as a 41 per cent increase in compression activity, which carries a lower fee per million, according to the global operator of digital marketplaces for rates, credit, equities, and money markets.

In credit markets, fully electronic US credit ADV was up 41.4 per cent YoY to US$7 billion, while European credit ADV was up 24.2 per cent YoY to US$2.5 billion.

Tradeweb captured 18.9 per cent share of fully electronic US high grade TRACE and 8.1 per cent share of fully electronic US high yield TRACE.

Tradeweb CEO Billy Hult says: "Tradeweb in Q2 reported double-digit, YoY volume growth in rates, credit, money markets and equities. We set new records for quarterly ADV in US government bonds, fully electronic US high yield and repo, as well as capturing record share of fully electronic US high-grade credit.

"The second quarter of 2024 culminated with a strong June, led by a 54 per cent YoY increase in rates ADV and continued momentum in credit ADV — up 67 per cent YoY. In addition to volatility across many of our markets, Tradeweb volumes in June and throughout Q2 reflected increased adoption in a range of trading protocols and strong client engagement."

Eurex Repo daily volume down 16% YoY for June

Trading volumes on Eurex Repo have declined 16 per cent YoY to €321.6 billion for June, in average daily term-adjusted volume.

This lower number was driven by a 7 per cent YoY drop in GC Pooling average daily term-adjusted volume to €156.7 billion, and a 22 per cent YoY decline in special repo average daily term-adjusted volume to €164.9 billion.

For OTC derivatives clearing, notional outstanding volumes have risen 5 per cent YoY to €35,412 billion.

This growth has been driven by a 7 per cent YoY expansion in notional outstanding for interest-rate swaps to €15,189 billion for June, of which overnight index swap clearing volumes have risen 36 per cent YoY to €3,773 billion.

Average daily cleared volumes through Eurex Clearing have increased 16 per cent YoY for June to €200 billion.

This features a 77 per cent YoY increase in average daily cleared volume for interest rate swaps to €35 billion, and a 58 per cent YoY rise in overnight index swaps average daily cleared volume to €21 billion.

Automated execution: Delivering alternative and secure routes to market

David Lewis, senior director, securities finance at FIS, speaks to Justin Lawson about the development of FIS's automated matching and execution platform for securities finance trades and the benefits that this will bring to lenders and borrowers

What motivated your decision to establish a trading platform?

There were two coinciding events or actions that led to the start of the project overall. First, the ongoing strategic analysis of our own business, which is targeted at innovation, integration and modernisation of our solution suite, highlighted the opportunity presented by having more than 250 lender and borrower clients globally — bringing them together on an automated execution platform. We realised we had, in effect, a ready-made marketplace which could be combined with non-FIS clients to construct a deep and diverse global marketplace.

Second, we were approached by several of our larger existing clients that were keen to see an alternative provider in this section of the market. They had seen other entrants attempt to break into this space, but had failed to gain real traction. It was clear that it would take a major technology provider to make the kind of dollar and time investment needed and one that had a significant existing market footprint.

It has become abundantly clear just how much the market depended on one provider back in January. Having an industrial strength — and more importantly secure — route to market is vital for the industry to keep operating efficiently.

Could you share more details about the new service and its market positioning? Is it tailored for a specific product type such as equities or does it possess broader market appeal?

We set out to gather a comprehensive set of market requirements and created a Design Partner Group of five lenders and five borrowers, taking input from their front office and technology teams across the EMEA, APAC and North American regions. Those conversations led to the development of a comprehensive specification that was used as the development blueprint.

Importantly, three main requirements bubbled to the surface. An alternative route to market was needed to provide that all important mitigant to such a large single point of failure risk. That solution needed newer, smarter and more automated matching. And, third, the solution needed to offer significantly better value for money. Delivering the service to market answers the first requirement. The second and third are satisfied by the way we are doing it. My mantra throughout the development programme has been to ensure “low barriers to entry, both fiscal and technical”. Any new service has to provide value for money, but it also needs to be easy to adopt technically to ensure that it is open to every type and size of market participant. The more open that a platform is, the more diverse and deep the pool of demand and availability.

The proposed service will deliver functionality that everyone is used to, although some of it in a new way, coupled with many new features and functions not seen before. That way, we plan to appeal to all markets and participants, be that in securities lending and borrowing or repo, covering global equities, fixed income and ETF securities.

The proposed new platform faces established market competitors. What are the unique selling points that distinguish this service in the competitive landscape?

We have been very careful to consider how we deliver new functionality, while ensuring there is ease of adoption. To achieve this, the proposed solution is initially focused on delivering the automated matching and execution service itself, plus several significant functional steps forward that should not need major adaptations or changes for subscribers in terms of their systems or workflows.

There is a quid-pro-quo — some of the new features require the subscribers’ underlying platforms to deliver new types of responses, but doing so will bring the advantages those functions offer to the user.

As I said previously, it is a market segment that is difficult to access, but FIS brings the size and depth required to make that a success.

Interoperability is a prominent industry term. Was your new trading platform crafted with this in mind, ensuring its capability to seamlessly coexist with other systems?

Keeping the barriers to entry as low as possible, and adoption easy, requires effective interoperability, whether that is through integration with other FIS systems or any other non-FIS system using standard connectivity protocols. Improved automation is a key deliverable for this solution and that requires close and effective interaction with other systems and solutions.

Beyond the new FIS Securities Finance Matching Platform, how does FIS assess the market's readiness for T+1. Do you anticipate that the UK will follow suit in transitioning to T+1?

The key to success here is in lifecycle management. The securities lending market is operating on T+0 settlement in the US already. FIS is adjusting our recall processing to meet the Securities Industry and Financial Markets Association (SIFMA) best practices to allow for recall issuance until 23:59 on T+0, which should more than accommodate the market needs for T+1 settlements in the cash market.

Regarding changes to the books and records requirements, FIS has adjusted end of day processing times to allow for the new Depository Trust and Clearing Company (DTCC) updated report timings, as well as the many other vendors and products that we interoperate with. We are now aware that the UK is set to move forward with T+1 in 2027, and are actively working with industry groups to ensure a smooth transition there as well.

What other developments does FIS have in the pipeline for the rest of the year?

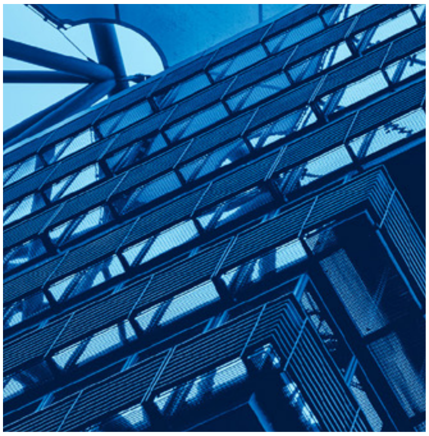
Vendor interoperability remains a key focus for us. We are currently working with Pirum System and released Phase one of recall interoperability before the T+1 go live.

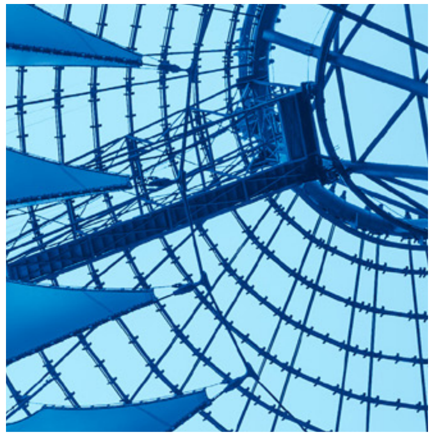
With the T+1 go live now in the past we are currently in preparations for 10c-1/ SLATE Transparency reporting for delivery in 2024/25. We are also finalising the full lifecycle management of National Securities Clearing Corporation (NCSS) SFT trades in both Smart Loan and Loanet.

Other developments for our Smart Loan service include Short Sale Authorisation modules to improve client usability, as well as automated instruction of collateral for third-party fully-paid lending (FPL) collateral managers.

"We were approached by several of our larger existing clients that were keen to see an alternative provider in this section of the market."

David Lewis
Senior director
Securities finance
FIS






Serving the community

Following Tradeweb's move to connect its repo and interest rate swap offerings, Nicola Danese, co-head of international developed markets, speaks to Carmella Haswell about electronification in the repo market, and the core events set to shape the industry

It is safe to say that one of Tradeweb's core focuses is on the repo market. How would you describe the current landscape within this market, and what trends are you seeing?

Is repo a target and a core focus area for Tradeweb? Unequivocally, yes.

If you think about what Tradeweb does in the fixed income space, there is cash and derivatives. Repo is the other big building block in having a very comprehensive product offering across the institutional fixed income space. Financing is very relevant for the provision of liquidity in the cash markets, so not only does it make sense in terms of coherence, but it also supports the liquidity that financing can add to the cash market.

From a commercial perspective, repo is very much behind compared to most of these markets that have embraced electronification for a lot longer. We aim to leverage some of the technology we built elsewhere for the purpose of adjusting it and making it available in repo. As it provides a synergetic value, a commercial opportunity, and given where markets are today, it is a no-brainer for us to be engaged in the repo space.

We are increasing the amount of resources that we are allocating to this product. We are firmly committed and committed for the long term.

From a client, dealer, and technology provider's perspective, the trends we are seeing for each are not vastly different. The first clients to embrace electronification were institutions that used leverage — hedge funds and the UK liability-driven investment (LDI) community. Now, there are even more investor types that are looking to embrace repo electronification.

For the existing clients, there is a desire to be more efficient. Market participants are looking to better integrate with their risk systems and their order management systems (OMS). Tradeweb has work underway to ensure the functionalities we support through our user interface (UI) are equally supported through clients' OMS.

Dealers who first embraced electronification, typically managed client enquiries through our UI, but now they feel it is not a scalable model anymore. There is demand to upgrade connectivity to the next level via API, provide pre and post-trade STP, and develop algo pricing capabilities. Electronification will ultimately increase the number of trades. So, from a dealer's perspective, the ability to accommodate scalability and to facilitate higher trading volumes is definitely a priority.

In terms of other priorities, we feel positively about the dealer network that we have been building. We currently have 43 dealers supporting the platform in Europe. There is a lot of work to do from a product development perspective. We are very focused on open-ended repo and providing a good lifecycle management tool that works within the platform. Tradeweb is also looking at supporting additional repo workflows.

In June, Tradeweb announced the bridging of its repo and interest rate swap product offerings to enhance execution workflows in these markets. Can you tell me more about the decision to connect the two offerings?

We are well-positioned because we have repo on one side, but we can also leverage the swaps platform on the other. How can we use that for the purpose of creating solutions that are valuable to our clients? There are two functionalities here, the first is the ability to electronically execute OIS trades to manage the interest rate exposure of their long-dated fixed-rated repo transactions.

After completing the repo trade, the system will allow users to open up a swaps ticket, which is pre-populated with a number of fields — the cash proceeds, the start date, and the end date — all of which have been taken from the previously-executed repo trade for the convenience of use. It allows for a more seamless execution and reduces operational risk. We think it is going to be valuable for those clients to have immediacy and efficiency, when managing their interest rate risk and liquidity risk.

The second function is broader in terms of its applicability, and it impacts any repo platform user. In the negotiation of an request for quote (RFQ), clients will be able to see for every dealer the quoted fixed rate and its spread to the OIS curve, whether it is ESTR, SOFR or SONIA. This is available across the three currencies; euro, US dollar and UK sterling.

"Efficiency and scalability are the main catalysts for electronification for the overwhelming majority of our client base."

At the point of execution, Tradeweb will provide users with an immediate sense of the cost of that funding trade versus OIS, which is very valuable. This information will be available post-trade, allowing clients to build a repository of these trades to better inform future investment decisions.

Broadly speaking, the strive for greater efficiency and scalability is a core focus for the market. How is Tradeweb working to achieve this goal?

Efficiency and scalability are the main catalysts for electronification for the overwhelming majority of our client base. We aim to connect with a broader number of clients and, ultimately, serve the community in a much more holistic way.

In terms of connectivity, there is a lot of work to do here. For unsolicited clients, clients that do not use an OMS, it is relatively easy to connect to the Tradeweb platform. As our client base expands from the hedge fund community to others entering the space, ensuring OMS connectivity is going to be more and more relevant.

"Data and automation are really coming together to enhance trading workflows. These are trends worth paying attention to, and we certainly see them defining the future evolution of our products."

We believe in the full value of electronification. Ultimately, the end game for our clients, buy side or sell side, is not to just interface with our UI, but we are always keen to provide flexibility to ensure that all of our functionalities are supported through FIX API.

If I look beyond the repo market and ask: what are the trends that are relevant in other markets that we see here at Tradeweb? And, do I think that some of those trends could become relevant for readers? The answer is yes. The two big trends are automation and the use of data.

AiEX is our rules-based automated execution protocol and, while it is not yet available for repo, automation adoption is fast accelerating in many other asset classes. In European government bond cash trading, clients used AiEX to complete about 40 per cent of the tickets in 2020, and now it is closer to 70 per cent. I could envision a similar trajectory happening in the repo space at one point.

Data and automation are really coming together to enhance trading workflows. These are trends worth paying attention to, and we certainly see them defining the future evolution of our products. And we do see that, potentially, they will become relevant in the repo space as well.

As a whole, how would you describe the repo market's performance in terms of efficiency and scalability? What is missing for the market to further evolve?

The reality is, pipes in the repo space have been problematic. Ultimately, firms want to streamline their workflows from the point of execution. But if pipes are not fit for purpose and, for example, the settlement ratios worsen as a result of an expected increase in the number of trades, then it means that there is a more fundamental problem to solve, which goes beyond the point of execution. For repo, that is definitely the case.

The International Capital Market Association (ICMA), and other industry-wide associations, have been clear in highlighting how working on pipes is relevant for the industry. Settlement ratios remain subpar and are not where they should be. Regulatory discussion on mandatory buy-ins and settlement penalties took momentum precisely because settlement was not where it was meant to be. There is still work to be done here.

The second point is standardisation. In many of our efforts around electronification, we have faced standardisation challenges. We need to agree on a common way of dealing with workflows.

Tradeweb has been working closely with ICMA, which has been working on a Common Domain Model (CDM) for repo. Anytime we saw discrepancies in the way the industry was operating, we reached out to ICMA and tried to find a standardised solution.

How is client demand, upcoming regulation, and advances in your technology stack, shaping Tradeweb's development strategy?

Regulation is a big e-trading driver. We are always keeping an eye on what is upcoming, which in turn could be driving industry trends and changes to the market structure. In the securities finance space, there are two big regulatory changes that could shape the industry in the years to come.

The first is T+1 in Europe. We have just finished the T+1 exercise in the US, and it has been successful. In the first week of implementation, 93 per cent of RFQs initiated on in-scope instruments happened on a T+1 settlement cycle. Only seven per cent of the time, buy side firms felt that they were not ready for the shorter settlement cycle — that is an exceptional result.

I am worried that in Europe, on the wave of this very successful implementation in the US, the industry will be forced to accelerate towards a European implementation of T+1. The challenge in Europe is that the market itself is far more complex than in the US. First, because it involves a more fragmented ecosystem — in terms of the number of CSDs and ICSDs and the bond realignment that needs to happen across them.

In the US, Treasuries were already operating on T+1. In the UK, gilts settle on T+1. In Europe, all government bonds are still operating on a T+2 basis. In-scope securities, as part of the European implementation of T+1, will then include both corporate and government bonds. As a result, the scope will be much broader. And this has ramifications, not just in terms of in-scope asset classes but also from an intraday liquidity perspective and for the repo market. Electronification is going to help incredibly, but without work on the pipes, this is going to be a challenging transition.

The second regulation we are focused on is mandatory clearing in repo for Treasuries. It is US focused for now, certainly driven by the dash for cash in March 2020; the regulatory community wants better visibility on basis trades and to reduce the leverage in the system. Mandatory clearing will help achieve this.

The market structure in Europe is different. The dash for cash in March 2020 was predominantly a US dynamic, which is also why it is less of a priority for European policymakers.

After a successful transition to T+1 in the US, policymakers in Europe now want to move in the same direction. We are watching the US mandatory clearing initiative very closely, because even if the situation is different, even if the market structure is different, a successful implementation of mandatory clearing in the US is likely to accelerate a very similar regulatory push in Europe.

Can you share with me the firm's core focuses over the coming 12 months, and of any projects you have in the pipeline?

We are very focused on repo product development and keen to work with our clients to resolve a number of challenges, whether it is around execution, or potentially addressing the broader market infrastructure constraints. There are a number of initiatives that are about to go live at Tradeweb.

We will soon be introducing dealer axes, similar to what we offer in other products, but adjusted to the specific needs of the repo market. The sell side has the ability to publish axes to a select group of clients, and those clients can then initiate RFQs on the basis of the axes they have seen being published by the sell side.

The second initiative is what we call 'Locates', which is more relevant for credit and emerging markets. The introduction of Locates will nicely complement our product suite for those asset classes.

With lifecycle management for open-ended repos, and now Locates, we will have a product offering that will be fit for purpose across the entire credit and emerging markets space.

"With lifecycle management for open-ended repos, and now Locates, we will have a product offering that will be fit for purpose across the entire credit and emerging markets space."

We have a third functionality we are very excited about, which is multi-tenor pricing. It is, essentially, the ability for the buy side to build and negotiate RFQs for multiple maturity dates on the same list, and then trade on the best tenor. The spread to OIS functionality is going to be incredibly helpful when paired with the multi-tenor pricing workflow. We are bringing information from our swaps platform into the workflow, so traders can decide what the most convenient repo rate is by looking at its OIS spread equivalent.

Industry Excellence Awards

The third Securities Finance Times Industry Excellence Awards brought the industry's finest together for a night of celebration and entertainment in London

Securities Finance Times celebrated its third annual Industry Excellence Awards on 11 July 2024, returning to London's Plaisterers Hall.

Legendary host Neil Griffiths presented 30 awards to the industry's finest, declaring the winners of this year's event, who were selected by an independent panel of market experts.

The awards are dedicated to supporting and recognising talented and dedicated firms, individuals and departments across the industry. Winners of the awards form part of an exclusive group comprising some of the most influential names in the financial services market.

Attendees celebrated lenders, data and technology providers, as well as repo, client services and operations teams.

This year's Lifetime Achievement Award recognised Tony Venditti, head of strategic initiatives and sales, for his over 35 years of experience in the securities industry. Venditti embodies leadership, innovation, mentorship and expertise.

He has been instrumental in spearheading South Street Securities expansion into US equity finance and managing strategy across its affiliates. In addition, Venditti has been dedicated to mentoring the next generation, as he actively engages with students at a prominent college, offering individual mentorship and participating as a guest speaker.

Venditti says: "Thank you to my peers, colleagues, coworkers, and friends for making my career so fruitful and enjoyable over the past 35+ years. Lastly, I would like to thank my beautiful wife and family for being so supportive throughout the years of late nights and travel that allowed me to cement strong relationships, a key to making a milestone like this happen.

"As long as I can continue to learn something new, meet the next big client and teach by example (this is what makes me tick), it seems like the industry will always be stuck with me. A big thanks to all."

Guests also applauded Shaan Jivan, securities finance data product specialist at S&P Global Market Intelligence, on his Rising Star award win. He was recommended for being a dynamic and forward-thinking member of the team, who has quickly become a vital asset to the securities finance community.

Known to go the extra mile, Jivan is set to become one of the industry leaders of the future.

Commenting on his win, Jivan says: “I'm incredibly honoured to receive the Rising Star award from Securities Finance Times. It reflects the support, guidance and collaboration I've received from my colleagues and mentors. I'm deeply grateful for this acknowledgment and aim to continue to contribute positively to the securities finance industry.”

The team at S&P Global became this year’s most prolific winner, taking home another three awards from the night: Asian Data Provider of the Year, Global Data Provider of the Year, and Best Partnership of the Year — which the firm achieved through its partnership with FinOptSys.

Matthew Chessum, director of securities finance at S&P Global Market Intelligence, adds: “The entire securities finance team at S&P Global Market Intelligence is very grateful for the awards that we won. They are a testament to the hard work and extraordinary capabilities of our incredible team, as well as the strength and depth of collaboration with both our clients and the broader market.”

Brooke Gillman, managing director and global head of client relationship management at eSecLending, claimed the Industry Inspiration Award. This honour is awarded to an individual who is engaging, motivating and dynamic, and has been making waves in the securities finance industry for over 10 years.

Gillman has been a founding member of eSecLending since its inception in 2000. Her commitment extends beyond her professional role, as she became a founding leadership team member for Women in Securities Finance, and serves as secretary for the Global Peer Financing Association. Gillman’s leadership inspires many within and outside of the industry.

“This award is more about how much our industry has changed and evolved over the past years than it is about one person,” says Gillman. “The collective voice that many new organisations have amplified has changed how people see themselves in this industry and that matters a lot.”

She continues: “I am beyond grateful to my peers and colleagues in this industry for the recognition and can’t wait to continue learning, sharing, and networking with you in the years to come. Thank you, Securities Finance Times!”

Two new award winners to grace the stage at the annual Industry Excellence Awards included Wealthsimple — recipient of the New Securities Finance Team of the Year award — and Japan Securities Finance — winner of the Asian Repo Team of the Year award.

David Mak, executive director, securities finance at Wealthsimple, comments: “We are deeply humbled to be recognised on an industry-wide platform as the best new entrant in the global securities finance marketplace. What started as just an idea not too long ago to the ever-growing programme that stands today, this award is a testament to the commitment, drive and vision of everyone involved within the Wealthsimple team.

“The love for learning, dedication to providing innovative solutions, and passion for delivering an exceptional client experience has culminated with this achievement. This is truly an honour and privilege that would not be possible without the support and collaboration from all our stakeholders. We look forward to building on this momentum and delivering value-added contributions to the industry."

Commenting on Japan Securities Finance’s win, Yutaka Okada, senior managing executive officer at JSF, says: “We are very much proud of our team as the JSF has been acknowledged for its active role in the Asian Repo market as a leading Japanese liquidity provider specialised in securities finance.

“Based on our corporate message, “Be unique. Be a pioneer.”, we will continue to fully leverage our advantageous unique position, thereby contributing to intermediate securities and financial markets, as well as domestic and global markets as market infrastructure.”

Other winners included EquiLend, which won three awards at the London event. The firm collected the European Data Provider of the Year, Americas Data Provider of the Year, and Regulatory Solution of the Year awards.

Ownera was chosen for the Innovation of the Year award, while LCH RepoClear won the ESG Initiative of the Year award, and Murex holds the title of Post Trade Technology Provider of the Year.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Winners

European Lender of the Year
HSBC

Asian Lender of the Year
State Street

Americas Lender of the Year
MUFG Investor Services

Global Lender of the Year
J.P. Morgan

European Repo Team of the Year
Eurex

Asian Repo Team of the Year
Japan Securities Finance

Americas Repo Team of the Year
Natixis Corporate and Investment Banking

Global Repo Team of the Year
MUFG Securities EMEA

New Securities Finance Team of the Year
Wealthsimple

Client Services Team of the Year
GLMX

Operations Team of the Year
State Street

European Data Provider of the Year
EquiLend

Asian Data Provider of the Year
S&P Global

Americas Data Provider of the Year
EquiLend

Global Data Provider of the Year
S&P Global

Collateral Solution of the Year
ECPOConnect (BNY / Pirum)

Collateral Technology Provider of the Year
Broadridge

Trading System of the Year
GLMX

Post Trade Technology Provider of the Year
Murex

Regulatory Solution of the Year
EquiLend

Innovation of the Year
Ownera

Best Partnership of the Year
S&P Global Market Intelligence/FinOptSys

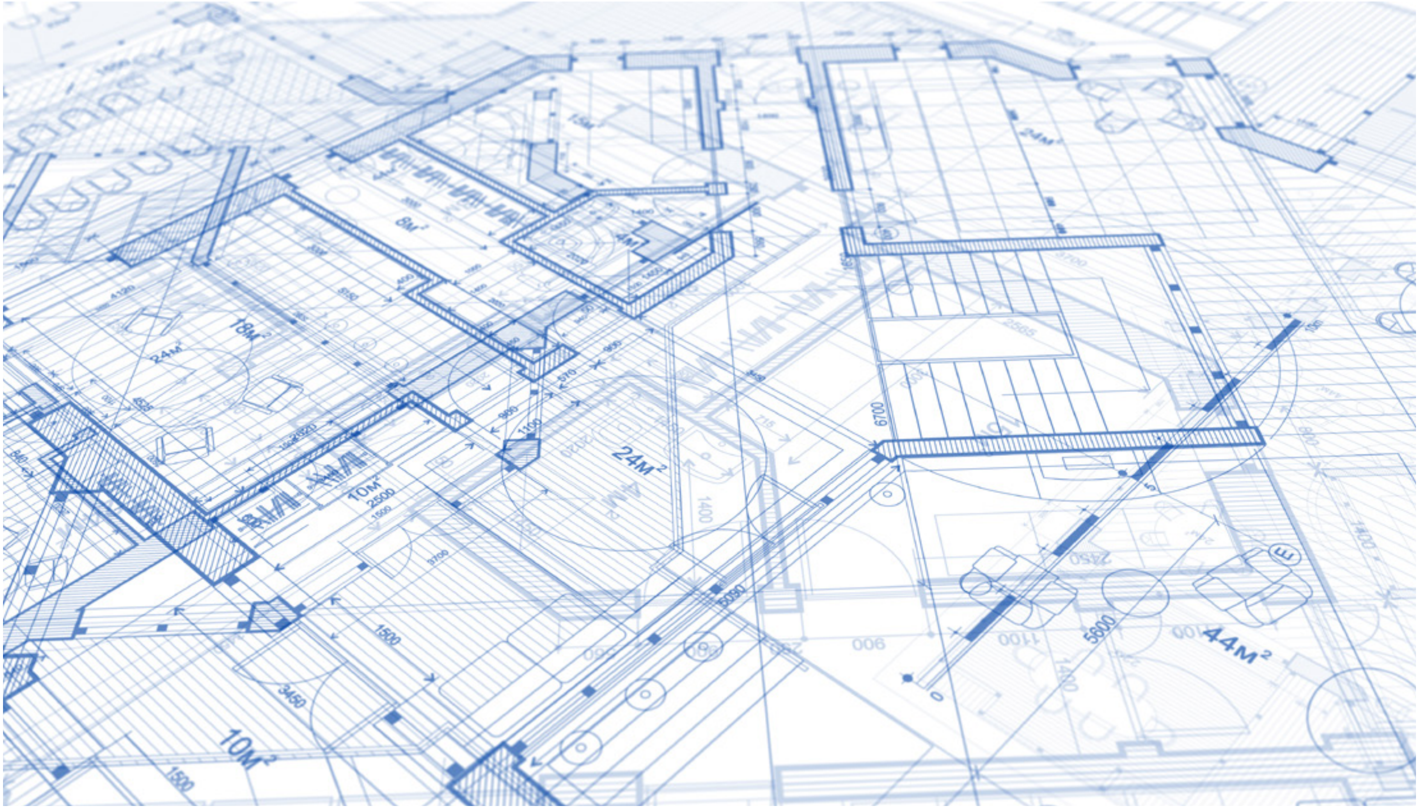
ESG Initiative of the Year
LCH RepoClear

DEI Award 2024
MarketAxess

Rising Star
Shaan Jivan, S&P Global Market Intelligence

Industry Inspiration Award
Brooke Gillman, eSecLending

Lifetime Achievement Award
Tony Venditti, South Street Securities



The blueprint: Striving for efficiency in an evolving market

ICMA's Bryan Pascoe, Andy Hill and Natalie Westerbarkey sit down with Carmella Haswell to discuss the association's new internal structure, divergence issues between the UK and EU, and how its role has changed with increasing pressure

Over the past decade, the International Capital Markets Association (ICMA) has needed to professionalise, as the level of challenge and regulation has "gone through the roof" — putting a greater onus on trade associations. To better engage with all areas of market activity, whether that be standard setting and best practice or regulatory advocacy, the team at ICMA has undergone a new leadership structure.

Andy Hill and Natalie Westerbarkey will sit on top of the existing Market Practice and Regulatory Policy (MPRP) team as co-heads. ICMA CEO Bryan Pascoe believes the move will provide a level of substance and content in the senior leadership, to be able to drive discussions with the industry and regulators.

"This new leadership structure puts us in a better position to future proof the association," Pascoe says. "And [it] enables us to engage with our stakeholders and members."

Hill is tasked with industry-driven best practice initiatives, where he will work to build greater resilience in the market, and investigate the connection between market structure changes and challenges around stress and liquidity. From a regulatory advocacy perspective, the team will focus on the risks of regulation more strategically, and develop a clear understanding of how the organisation identifies changes in market structure.

Pascoe remarks: "ICMA can provide industry input, presenting a viewpoint or position that is more in the interest of best outcomes, rather than individual benefits to individual institutions. This has helped to support and grow the importance of trade associations."

He indicates that regulation and the broadening of capital markets have added further complexity and pinch-points, because of the size and scale of the markets relative to what they used to be. For example, the US Treasury market has grown to US$27 trillion from US$5 trillion 20 years ago, while the high-yield bond markets in Europe and the Chinese bond market have evolved.

"When it comes to some of the basic elements of capacity building — helping market participants and regulators understand how to create a blueprint for the most efficient market that can serve the real economy in the best way — we can do without looking like we are representing our own view, that we have the general industry interests at heart," Pascoe adds.

Positively, Pascoe reports that the association is "often pushing on an open door" in relation to regulators, who are keen to engage and understand the industry viewpoint. One of the roles that ICMA plays in its committees around digitalisation and technology, and certainly in sustainable finance, is trying to look at ways in which it can help to support consistency, harmonisation and standardisation.

In terms of new initiatives, different jurisdictions and organisations are looking at how they will develop their own views on sustainable finance. Sustainable finance is more jurisdictional, where the EU comes up with a set of standards, Southeast Asia has its own taxonomies, and the UK has its transition plugged into the Transition Plan Taskforce (TPT).

"Here you have an array of different standards and different approaches," Pascoe highlights, whereas in the digitalisation world, banks are using new digital bonds off of their own blockchain platforms. Or banks are using different protocols or different interpretations of the law. "Increasingly, in many of the new initiatives you tend to see a lot of fragmentation — which is typically not helpful when it comes to achieving resilience and liquidity," he continues.

The current environment

ICMA has an embedded presence within the fixed income, ie bonds and repo space, now with cross-cutting themes of sustainable finance, digitisation and technology. It sets the standards for various areas of market activity in primary and secondary markets, including the primary market handbook, dispute resolution, and legal documentation in the repo space.

The organisation continues to review the growing focus of global and regional regulators on the non-banking financial institution (NBFI) space as it grows in size, the US drive towards efficiency and resilience through the T+1 initiative, as well as the future central clearing of US Treasury cash and repo transactions. ICMA is also keen to examine the ongoing divergence issues between the EU and the UK.

The association's reflection of the current market remains positive, as it "feels pretty healthy" in Hill's mind. The core themes facing participants include quantitative tightening (QT), the unwinding of targeted longer-term refinancing operations (TLTROs), the relative improvement in collateral scarcity, the next move from the European Central Bank (ECB), as well as the expected rate cuts and how that has been revised over the course of the year.

An interesting development impacting the market is the growth seen within the dealer-to-client (D2C) space, which Hill believes is set to continue. He notes an ongoing move to make the markets more electronified.

Settlement fail rates have been key to watch for ICMA, as Pascoe notes a reduction in fail rates with more availability of collateral. It is a "positive reflection" of a market that is showing less dysfunction than what was seen 18 months ago, he adds.

While ICMA has been reviewing settlement efficiency rates, Hill pinpoints a "marked improvement" across all bond classes in this respect. He says: "We can attribute this to a couple of things; higher interest rates which make failing expensive; and we are not seeing the same bottlenecks around collateral availability."

It will be imperative for authorities to track this development carefully, following the amount of pressure to initiate the move to a shorter settlement cycle, T+1. Pascoe states that the industry needs to solve the problems in the existing system before putting an "overload of additional challenges" on the market by shortening periods through which "people need to deal with all of the necessary processes to settle and clear securities".

ICMA has been vocal in trying to mandate some of the initiatives around shaping the size of transactions such as partialling, to create a better infrastructure and ecosystem for collateral fluidity and the ability to avoid outright fails.

The desired outcome, in terms of T+1, is to converge as much as possible across the EU, UK and the Swiss markets. Pascoe says: "Industry participants have been encouraging the regulators to work together as closely as possible from a timeframe perspective. Especially where there are similar asset classes that might have to operate across the European settlement cycle to avoid that fragmentation."

Hill signifies the importance of acknowledging the distinction, from a fixed income perspective, from a UK move and an EU move to T+1. There is a level of complexity in having multiple CSDs, CCPs and different payment systems across Europe. In addition, the UK gilts market already settles on T+1, whereas the whole of the EU bond market would be transitioning to T+1.

These events will be key discussions for the MPRP team. To further the development of this division, and ICMA as a whole, Natalie Westerbarkey says the association can improve the interconnectedness of its relationship with other regions from a policy perspective.

She adds: "It is very valuable that ICMA offers training and certification, building on that core activity is where we feel we can add a lot of value. This will be beneficial for policymakers also, as some may not have a financial services background, and may require the sharing of practical experience. It is not just advocating for specific changes in regulation, but supporting a more educational engagement."

Preparing for new leadership

With new policymakers coming in with a new European Parliament, European Commission and Commissioner's cabinets, the next five-year period will require more work in terms of engagement, warns Westerbarkey.

2024 is *the* election year, as around 65 countries will be heading to the polls by the end of December. The results of such will play a role in which direction the financial markets will take. For example, with a new party leading the UK, market participants will look to Labour and its policies to prepare for a possible new direction of travel.

Pascoe is keen to see how the new government will view the Treasury, in terms of keeping up the pace on a number of regulatory initiatives. "The initiatives that come out of the European Commission, or the FCA or the Treasury in the UK, are often heavily driven by the need to deepen markets, because there is a big focus on growing that long term 'skin in the game' investment, boosting retail investment in the ownership of companies, in particular with medium and small sized companies," Pascoe highlights.

For ICMA, many of the retail investment strategy initiatives and the listing act initiatives are more equity driven, but they still have significant implications for the fixed income space. Westerbarkey intends to focus on regulations that have the largest impact on the bond market. A core area of engagement is in the capital markets union in the EU, she adds, which is trying to solve the need for more private capital funding in the EU and beyond for investors — both institutional and retail investors.

The Sustainable Funds Disclosure Regulation (SFDR) speaks to how certain sustainability type bonds are distributed to consumers, and is a key focus area for the association. In addition, Westerbarkey says NBFI will continue to be of importance, this connects with the capital markets union because it looks into not just fund liquidity from a financial stability point of view, but it also looks into the activities of non-banks in terms of private lending.

For Pascoe, the "big unknown, the elephant in the room right now", is all of the discussions that will be happening around this "very broad term of NBFIs", and in what way they should be regulated, particularly from a macro prudential basis.

Furthermore, the likes of the Markets in Financial Instruments Directive (MiFID) and its work towards a consolidated tape, the Central Securities Depositories Regulation (CSDR) for T+1, as well as the European Market Infrastructure Regulation (EMIR), will remain a priority for ICMA.

Westerbarkey explains: "These policies have been around for some time, but what is new in terms of policy is everything around fintech and digital. Policy around fintechs addresses innovation and new entrants to the market, while the digital aspect addresses more of the process, for example, electronification, digitisation."

As the industry looks ahead, the T+1 agenda is going to be of high priority for the European Commission, and the UK. Increasingly, the market will hear more about central clearing as the US remains significantly focused on this. Pascoe comments: "What we have seen of late is that when the US and the SEC begin regulatory initiatives and imperatives, the European bodies have followed suit to maintain competitiveness."

Lessons learnt

Looking ahead to the second half of the financial year, engagement and reconnecting will be top priorities for the ICMA team. Especially in terms of the newly appointed members of the European Parliament, in particular in the Committee on Economic and Monetary Affairs (ECON). This is in addition to the new politically appointed commissioners, the cabinets, and also within the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA).

The association will begin the second phase of the Bond Market Liquidity Taskforce, which produced a paper in March on liquidity and resilience in the European sovereign bond market. Hill explains: "Somewhat ambitiously, we intend to finish [the second phase] by the end of the year. But the focus is going to be on the European investment grade corporate bond market."

The team will remain heavily engaged in the European Commission consultation on NBFIs, and with the Financial Stability Board (FSB) work more broadly.

Hill speaks to the challenges of this work, using the phrase "it only tells us where it isn't, it doesn't tell us where it is". He describes it as a "nebulous concept", which is diverse in terms of the underlying entities and strategies and how they are funded. "Trying to get a better handle on that, which is what the regulators are trying to do and struggling with, is something that we are working on," Hill adds.

For over 50 years, ICMA and its members have worked together to promote the development of the international capital and securities markets, pioneering the rules, principles and recommendations that have laid the foundations for its operation.

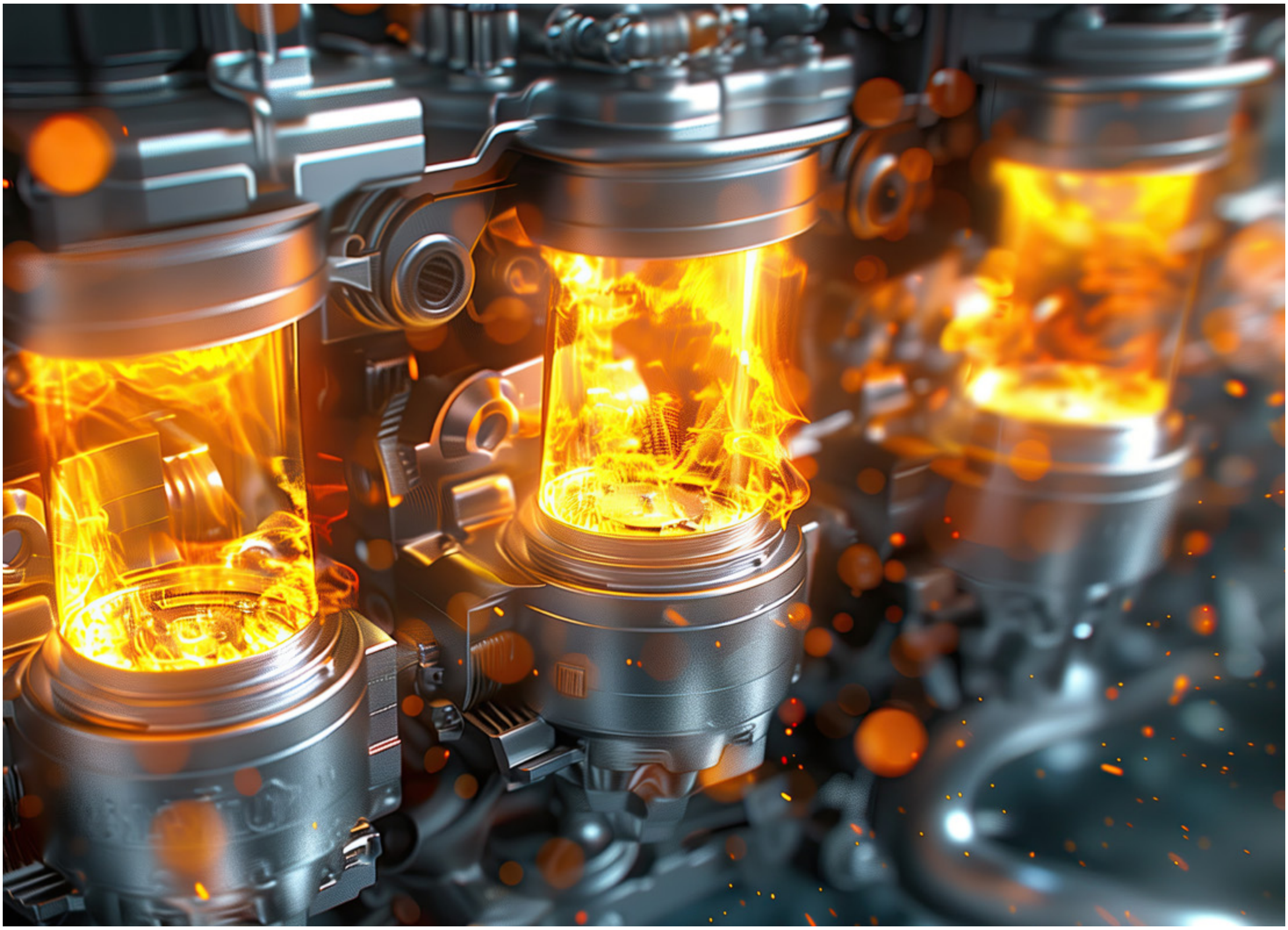
Learning lessons from the past, Westerbarkey says from a public policy perspective, "we should expect the unexpected". The trade association needs to immediately react to policy changes that suddenly appear.

"Everything is interlinked, interdependent, and we have to look across all of our committees and all of our different areas of activity to make sure that we are best serving our membership and the broader stakeholders alike."

In December 2019, Ursula von der Leyen announced her European Green Deal, and shortly after, more geopolitical themes related to international security and autonomy were driving the global policy agenda. Now, in the next five-year cycle, there will be a focus on competitiveness.

Leading ICMA, Pascoe believes that themes of resilience and efficiency are key. "Everything is interlinked, interdependent, and we have to look across all of our committees and all of our different areas of activity to make sure that we are best serving our membership and the broader stakeholders alike," he explains.

In conclusion, he believes: "There are features of the market that may look to be very distinct, but there is an underlying overlap. We need to be very focused on this going forward, perhaps that was not the way trade associations were operating previously."



Catching up with performance in Q2 2024

Revenues continued to cool across most asset classes during Q2, but the market has been firing on all cylinders throughout 2023, according to Matthew Chessum, director of securities finance at S&P Global Market Intelligence

Both stock and bond markets faced a few jitters as the second quarter kicked off, as the outlook for any imminent rate cut by the Federal Reserve bank started to dim, given the strong economic data that continued to flow out of the United States during April.

Markets started to pare back previous expectations of three rate cuts this year, after already cutting expectations from five cuts at the beginning of 2024. Towards the middle of the quarter, the outlook brightened as economic data started to soften, leading to lower than expected levels of inflation and a growing sentiment of the first Fed rate cut being likely during September. Across the globe, asset valuations continued to rally as stocks related to the artificial intelligence theme continued to perform strongly.

Across bond markets, yields fell across US treasuries, and as the quarter continued, French government bond spreads widened sharply versus German government bonds following the snap parliamentary elections in France. The European Central Bank cut its interest rates during the quarter by 25bps after pre-committing to a June cut earlier in the year. This led to central policy bank divergence for the first time in many years. This also led to moves in the currency markets with a strong US dollar causing problems, particularly for the Japanese Yen.

Meme stocks made a comeback into the financial press during Q2 after Keith Gill, the infamous Roaring Kitty, made a comeback on YouTube. Gamestop (GME) who was the original star of the meme stock frenzy rallied as much as 300 per cent at its Q2 peak before experiencing a correction.

In the securities lending markets, revenues continued to decline when compared year-on-year (YoY). Lower volumes and lower average fees across a large swathe of markets lowered revenues. A decline in the mega specials activity that previously lifted market revenues to all-time highs led to more modest H1 2024 returns.

In the second quarter, revenues generated US$3,068 million. A reduction of 15 per cent YoY, but a 12 per cent increase when compared with Q1 2024. June was the worst month of the quarter, producing US$962 million, and May was the best month of the quarter, producing revenues of US$1.07 billion. Interestingly, April was the strongest month of both the quarter and the year during 2023, producing just under US$1.3 billion in revenues.

Across the equity markets, Asia continued to be the standout region, producing revenues three per cent higher than those seen during Q2 2023. Average fees increased five per cent YoY to 105bps, marking the only region to experience any YoY growth. There were a number of standout markets in terms of revenues across the region including Taiwan which produced US$213 million (+49 per cent), the highest revenues of any country within the region, Malaysia (+50 per cent YoY, US$7 million) and Singapore (+30 per cent, US$5 million).

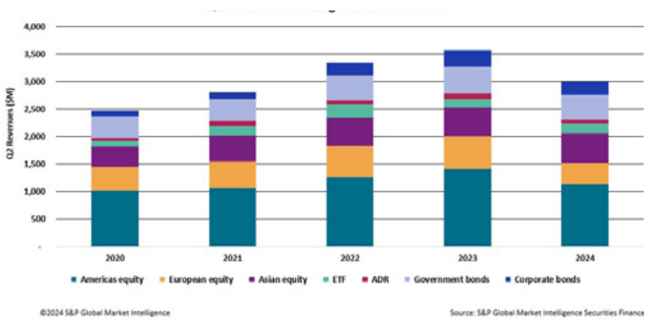
Japan experienced a strong quarter and was the second highest revenue producing country across the APAC region after producing US$167 million (+12 per cent YoY). Average fees across Japan increased 20 per cent YoY which helped to push revenues higher. As a result of the short selling bans across APAC, revenues across South Korea and Thailand continued to suffer, down 69 per cent and 18 per cent respectively. Average fees also plummeted in these two countries as a result.

European equities continued to suffer excruciating YoY declines. The region generated US$386 million in revenues, down 35 per cent YoY, following a decline of 40 per cent YoY during Q1. Not only did average fees decline by 20 per cent YoY but so did balances — and this is during a period where the Eurostoxx 600 increased by over 2.38 per cent.

All of the high revenue producing countries within the region underperformed when compared YoY, Swedish revenues were down 28 per cent, France -52 per cent, Germany -41 per cent and Norway -60 per cent. Other countries such as South Africa (+49 per cent YoY), Italy (+35 per cent YoY) and Spain (+26 per cent YoY) all performed well, but unfortunately the revenues were too modest to make an impact on the regional landscape.

After the blistering performance seen across Americas equities during 2023, when both Q1 and Q2 produced revenues in excess of US$1.4 billion each, Q2 2024 revenues were more modest. US$1.147 billion was generated during Q2 which represents a decline of 19 per cent YoY.

Figure 1: Q2 securities lending market revenues



Across the US, revenues fell by 21 per cent YoY to US$1.017 billion, and in Canada revenues increased by 13 per cent YoY to US$117 million. Average fees were strong across Canada during the period rising 22 per cent YoY to 78bps. Across US equities, average fees declined 21 per cent YoY and balances decreased four per cent YoY, again, this was during a period where the S&P500 increased by four per cent over the quarter.

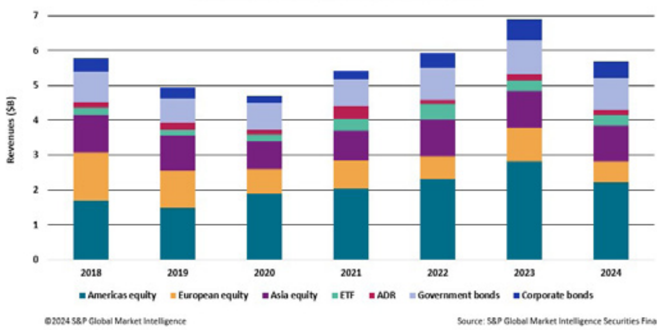
ETPs performed well during Q2 with revenues growing seven per cent YoY. There was growth in borrowing activity for fixed income ETFs, with strong demand seen for LQD and HYG towards the end of the quarter, and equity ETFs with the iShares MSCI EAFE ETF (EFA), which invests in large and mid-cap equities outside of the US and Canada, generating strong returns.

In the fixed income markets, YoY revenues continued to dip. Government bond revenues fell four per cent YoY and corporate bond revenues declined by 22 per cent YoY. Balances continued to grow across both asset classes, increasing nine per cent and 13 per cent respectively. Average fees continued to fall however, continuing the trend of higher on loan balances and falling average fees.

In summary, revenues continued to cool across most asset classes during Q2, but it is important to remember that the market has been firing on all cylinders throughout 2023, generating some of the best returns ever experienced, so any YoY comparisons and declines in revenues must be kept in context.

Market conditions were generally not very supportive for securities lending activity during the quarter with relentless moves higher in equity markets and a lack of any meaningful correctional periods outside of the first few weeks of April. The lack of volatility led to a continuation in the overall decline in average balances across equity lending and a subsequent reduction in average fees.

Figure 2: H1 2024 securities finance market revenues



Edging into Q3, the market rally appears to be broadening out, more movement, both up and down, has been seen across both main index and small cap indices. Several recent events also appear to be having a greater impact upon market sentiment compared to what was seen during the first half of the year.

Interest rate divergence is also now a reality which puts pressure on currency markets and valuations. It also impacts company profits as interest rates change. This may bring opportunities for more directional trading throughout Q3.

The political landscape continues to change and is starting to impact financial markets as well. The on-going speculation of Trump 2.0 and the impact that a new President may have on the global economy continues to be seen in the financial landscape through the newly termed “Trump trade”. In France, the new government is also likely to impact not only domestic fiscal and monetary policy but also that of the European Union.

"The on-going speculation of Trump 2.0 and the impact that a new President may have on the global economy continues to be seen in the financial landscape through the newly termed 'Trump trade'."

Finally, speculation continues to grow regarding the future performance of the technology and semiconductor sectors. Some analysts are predicting an end to the rally, a degree of profit taking and a rotation out of the red-hot tech sector into small caps and other areas of the market that have been out of favour lately. This may provide an opportunity for lenders, as tech now accounts for such a disproportionate share of the market index that any fall in tech stock prices often pushes equity indexes into negative territory, providing the opportunity to spark a broader sell off. This is likely to create more volatility going forward to the benefit of securities lenders.

Heading into the second half of the year it does feel as if uncertainty is growing and the one thsing that financial markets and investors do not like is uncertainty. It is therefore possible that markets will be more volatile and less predictable heading into Q3 and Q4 which should provide a more fertile ground for a wider range of securities lending opportunities, boosting market revenues during the second half of the year.

Shaan Jivan

Growing up in the countryside surrounding London, Shaan Jivan moved closer to the capital after graduating. He always enjoyed playing badminton, and he was also a coxswain for the rowing team during his time at university, which helped shape who he is today.

Jivan graduated from the University of Warwick with a bachelor’s degree in maths, operational research, statistics, and economics (MORSE). While studying, he landed an internship with IHS Markit (now a part of S&P Global) as a technical account management associate, and started as a graduate at the firm a year later. He then moved to the data side of the business covering the securities finance industry as a product specialist.

Rising Star

In the first of our new 'Emerging Talent' series, the winner of the Rising Star title at this year's Securities Finance Times Industry Excellence Awards Shaan Jivan speaks to Daniel Tison about his experience in the industry and his data journey at S&P Global Market Intelligence

Can you tell me about your journey into the securities finance industry?

I started my career as a technical account manager for an OTC derivative post-trade platform vendor, where I honed my technical understanding of data delivery mechanisms and my relationship management skills.

I enjoyed the relationship management part of the role and wanted to combine it with my developing interest in data. An internal job posting for a product specialist in securities finance caught my eye and, after some insightful conversations with the team at S&P Global, I knew this was the perfect fit for me and I have not looked back since!

As a young professional, what aspects of your role or the industry do you find most exciting?

As a product specialist, you become an extension of your client's teams. This can range from an agent lender relationship management team to a prime broker's trading desk, right through to a hedge fund quant research team.

Being able to work with such a wide variety of teams, and maintain a comprehensive view of the entire supply chain, keeps the job dynamic exciting.

The opportunity to have an impact in the company and in the industry through my appointment as vice president of Empower UK, and with my participation in the International Securities Lending Association's (ISLA) DEI steering committee, keeps me motivated.

One of the most rewarding experiences was hosting an educational briefing with ISLA Connects in May 2024, which focused on understanding data. I had the privilege of presenting the use cases of securities finance data to more than 40 clients in our boardroom, which was well received by those attending.

Many companies offer training and development opportunities for their employees. How has your company supported your growth?

S&P Global Market Intelligence has many mentorship programmes and development initiatives. I have taken part in a reverse mentoring scheme where we (affinity network members) had insightful discussions with a senior leader over the course of six months. I also have an internal mentor who has been crucial in helping me navigate my career journey.

S&P is also very supportive of learning and development and provides funding for external qualifications, which I have personally benefited from by earning my Certificate in ESG Investing. This commitment to professional development ensures that employees have the resources and opportunities to advance their skills and knowledge, keeping us at the forefront of industry trends and innovations.

Where do you see yourself in the next five years in terms of your career goals and aspirations?

I am looking to deepen my expertise in the industry to understand how I can best leverage the wealth of data, technology and expertise S&P Global has to offer to support the securities finance industry.I would also like to help develop the next generation, either through mentoring or thought leadership. My goal is to continuously grow professionally and make a meaningful impact in the industry.

What advice do you have for other young professionals aspiring to pursue a career in your industry?

One key piece of advice is to recognise that the financial industry is not just for those who studied mathematics. The industry is so vast and accommodates a wide range of skill sets. Even within areas that are slightly more mathematical, effective communication can still be more important as even the best ideas or strategies can fall flat if not communicated effectively.

J.P. Morgan selects Heath

J.P. Morgan has appointed Simon Heath as global head of the agency securities finance.

Based in London, he will be responsible for global trading, risk management, and buy-side relationship management.

According to the financial services company, this move comes as part of J.P. Morgan's ongoing strategy to build a cohesive and coordinated global agency securities finance franchise.

In his new role, Heath will partner with the firm's senior leaders and stakeholders to create opportunities and deliver more comprehensive and holistic financing services to buy side clients.

He will also continue to work with O'Delle Burke on the buy side client agenda.

Heath has been working with J.P. Morgan since 2018, previously as global head of agency securities finance trading and EMEA head for agency securities finance.

Before that, he served as managing director of securities finance at State Street for two and a half years, and as EMEA head of agency trading at Citi during his 11-year tenure with the firm.

Morosini leaves i-Hub

Pascal Morosini has left i-Hub, a subsidiary of the POST Group, where he had been CEO for over seven years.

Announcing the news on LinkedIn, Morosini spoke of his desire to find a new challenge after "building i-Hub relentlessly, piece by piece".

Under his stewardship, i-Hub delivered the mutualisation of know your customer (KYC) files and improved the speed of onboarding and periodic reviews of KYC and customer due diligence (CDD) files.

Morosini said: "Now that the company is on the right track, it's time for me to seek a new challenge, and as always with the same positive will to make a difference!

"I would like to thank all my colleagues and now friends for their commitment and hard work. It has been an honour to spread with them our values of trust, respect and customer first."

Morosini previously spent over two decades at Clearstream where he rose to the position of executive director, global head of GSF Sales and Relationships.

PASLA welcomes Evans

The Pan Asia Securities Lending Association (PASLA) has appointed Robert Evans to its executive committee as a new board member.

Evans is currently positioned at J.P. Morgan as APAC head of triparty, collateral services.

He has held a 15-year tenure with the firm and has served in positions across J.P. Morgan's London, New York and Hong Kong offices.

Commenting on the announcement, PASLA says: "PASLA looks forward to [Robert's] contributions to the region.

"PASLA remains committed to growing the association and advancing securities finance in Asia markets."

Trading Apps hires Levin

Trading Apps has appointed Ross Levin as the head of its new product offering, which is set to be revealed soon.

Based in New York, Levin brings more than two decades of experience in finance and technology to his new role.

He will focus on developing new products that address the growing demands of Trading Apps's customer base, and tackle some of the biggest challenges within the securities finance industry, according to the firm.

Levin joins Trading Apps from Wematch. live, where he helped with the company's expansion in the US and international markets as the global head of securities lending product.

Prior to Wematch, Levin led a transformational programme for a large Japanese bank's prime brokerage division, assisted a healthcare organisation with digital transformation, and advised on a fintech startup's tokenisation platform.

At global online broker Tiger Securities, and its US subsidiary TradeUP Securities, he managed the implementation of US self-clearing capabilities and spearheaded all securities lending initiatives.

Mirae appoints Revel

Mirae Asset Securities has enlisted Erwan Revel to its securities finance and delta one (SecFin and D1) team as vice president.

Based in London, Revel will be responsible for building out the firm's synthetic financing offering.

He will report to Raj Karan Singh and Alasdair Sutherland, co-heads of SecFin and D1.

Revel has worked with Singh at both Clearstreet UK and BCS Prime Brokerage in a similar capacity. At Clear Street, Revel acted as executive director for almost two years before joining Mirae Asset Securities.

At BCS Global Markets, Revel was a director, working in securities finance and delta one trading during his two-year term with the company.

Earlier in his career, Revel held equity finance trader roles at Waterline Capital and Natixis, as well as analyst positions at BNP Paribas Securities Services and Société Générale.

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