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The evolving market

GLMX's Robert Zekraus discusses regulations, technology, and the growing securities lending market

South Korea proposes changes to short selling regulations

A revision bill for the Financial Investment Services and Capital Markets Act (FSCMA) has passed at National Assembly's plenary session, the Financial Services Commission (FSC) of South Korea announced.

The bill aims to enhance regulations on short selling and is scheduled to lift the ban on short selling by the end of March 2025.

The Pan Asian Securities Lending Association (PASLA) welcomes the passing of the revision bill, which is an "encouraging development for all investors and issuers".

The association says: "The revisions provide a key step toward reopening the South Korean market. The resumption of short selling activities will enable both international and domestic market participants to engage fully in the market with a comprehensive suite of hedging and investment tools."

The FSC banned short selling in November 2023 amid concerns about frequent occurrences of naked short sale activities and their disruptive effects on market's fair pricing function.

The revised FSCMA requires institutional investors to set up their own electronic short sale processing system, while both institutional and corporate investors will need to prepare relevant internal control standards.

For institutional investors, there will be a new restriction on the stock repayment period for borrowed stocks.

In addition, the bill aims to enhance the effectiveness of punishment and sanctions by strengthening monetary penalties that can be imposed on unfair trading and illegal short sale activities.

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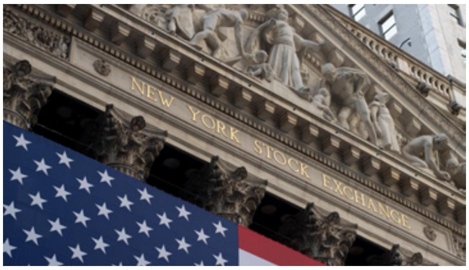

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Lamb to leave EquiLend

EquiLend will undergo a search for a new CEO as Brian Lamb is to depart from the firm. Lamb is one of the industry experts who conceptualised and designed the EquiLend platform in 2000 and is named as a co-inventor on the company's technology patents.

ISLA welcomes QMM as member

The International Securities Lending Association (ISLA) has added Q Market Makers (QMM) as a new member.

Established in 2020, QMM is an active securities lender for Abu Dhabi's Exchange (ADX) listed securities, as well as a market and liquidity provider on both ADX and Saudi-listed securities.

Through its expertise, technology, and capital deployment, the firm aims to enhance liquidity and improve overall market quality across Abu Dhabi's market and beyond.

In the announcement, ISLA said: "QMM's membership further strengthens ISLA's growing precedence in Abu Dhabi and the broader Middle East.

"We look forward to collaborating with QMM and other regional members as we develop our Abu Dhabi Securities Lending & Borrowing Guide, set to be published in the coming months."

ISLA currently has more than 200 members across 22 countries around the globe, representing all facets of the securities lending market.

South Korea proposes short selling regulations

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The new sanctions mechanisms include a ban on trading financial investment products and restriction from being appointed or serving as an executive at listed companies.

PASLA supports the FSC's objective to level the playing field for market participants and to address illegal and unfair trading practices.

The association adds: "PASLA will continue to maintain close communication between our members and local stakeholders to support the future growth of a healthy securities finance market in South Korea."

The revised FSCMA will go into effect on 31 March 2025, considering the time it requires to establish an electronic short sale processing and monitoring system as initially planned until March next year.

However, the penalty clauses will become effective six months after the law promulgation due to the need to gather sufficient comments prior to making changes to subordinate statutes.


EX
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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.
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BoC sets date for securities lending launch

The Bank of Canada (BoC) has confirmed that the launch date of its securities lending programme (SLP) will be 2 October 2024.

As previously mentioned, the BoC will discontinue the current daily securities repo operation (SRO), with the final SRO to occur on 1 October 2024.

The SLP is designed to support the liquidity of Government of Canada (GoC) securities markets.

The SRO came into effect in July 2020, with the suspension of the bank's SLP, to provide a temporary source of GoC nominal bonds and treasury bills for primary dealers to support liquidity in the securities financing market.

The BoC has updated the terms and conditions on its website to reflect the operational details and objectives of the programme.

Instead of making its holdings of GoC securities available against cash through repo in the case of the SRO, the bank will lend specific GoC securities that are in high demand and receive other GoC securities or fixed rate Canada mortgage bonds as collateral under the SLP.

The minimum bid fee for tenders in the SLP will be set at 15 bps, which is in line with the maximum bid rate for the SRO, which was 15 bps below the bank's target for the overnight rate.

Prior to the launch of the SLP, the BoC will conduct some small value SLP trades with primary dealers to test the operation.

At the same time, the bank has updated the terms and conditions for the overnight reverse repo (ORR), as a counterparty's limit in the ORR operation will no longer take their usage of the SRO into account.

At its discretion, the BoC may adjust the size, pricing, and other parameters of the programme to achieve its objectives.

The BoC says: "The bank has made significant investments in its systems to improve the efficiency of its operations and will collaborate with primary dealers to further enhance functionality and alignment with market standards.

"The bank continuously monitors market conditions and remains committed to providing the required support for the well-functioning of the Canadian securities financing market."

Women in Securities Finance select new Boston leads

Women in Securities Finance has appointed three new Boston chapter leaders.

Chelsea Grossman, Bridget McGill, and Meredith Roderick will succeed the current founding members of the chapter.

Grossman, head of US asset owner client management at State Street, brings more than 14 years of experience at the financial firm to the post.

In her current role, she is responsible for existing customer management across the agency lending, prime services, and sponsored-repo products, contributing to revenue growth and the enhancement of client relationships in the US market.

Prior to focusing on the US client base at the start of 2023, she led sales and client management for the Canadian client base in Toronto.

The second new lead, McGill, has served as head of securities lending trading at Invesco for more than three years.

She joined the firm in 2021 to manage its securities lending trading capabilities within Invesco Advisers as the funds' affiliated lending agent.

Prior to Invesco, McGill was a vice president at Goldman Sachs within their agency securities lending business.

And finally, Roderick has been with Brown Brothers Harriman (BBH) for more than 17 years, most recently as head of US securities lending relationship management.

In this role, Roderick oversees client engagement and strategy with a focus on growing existing client relationships.
She joined BBH in 2007 holding various positions across the firm, including corporate actions operations with a focus on securities lending support.

Roderick is active with the BBH Affinity Network Community and is currently the global co-chair of the Diverse Abilities Allies Network, which is dedicated to supporting an inclusive environment for individuals with disabilities and caregivers.

In a joint statement, Grossman, McGill, and Roderick say: "We are honoured to be named as chapter leads and to succeed the incredible founding chapter leads.

"We look forward to progressing the chapter further together and are grateful to the current leads for championing us."

The four founding members of the chapter will help to ensure a smooth transition to the new leadership, the group says, with the intent to officially step down by the end of the year.

Christel Carroll, Betsy Coyne, Brooke Gillman, and Marney McCabe, formed the Boston chapter in 2018.

Contributing their time and experience to the chapter during their six years as co-leads, they helped to develop the chapter to more than 150 members.

New York investment advisor charged with short selling violations

The US Securities and Exchange Commission (SEC) has settled charges against Gates Capital Management, a New York investment advisor, for violating Rule 105 short selling restrictions.

The company violated the rule when it purchased stock in a public offering of securities for fund clients after shorting the same stock for fund clients, the SEC says.

The firm did not admit or deny the findings in the SEC's order, and has agreed to cease and desist from committing or causing the violations.

Gates Capital will pay disgorgement of US$432,564, prejudgment interest of US$5,445, and a civil penalty of US$57,615.

Rule 105 of Regulation M under the Securities Exchange Act of 1934 prohibits short selling an equity security during a restricted period (generally five business days before a covered public offering) and then purchasing the same security in the offering, absent an exception.

Rule 105 applies regardless of the trader's intent and is designed to prevent potentially manipulative short selling before the pricing of covered secondary offerings.

The SEC's order finds that Gates Capital violated Rule 105 by participating in a covered offering of securities in September 2023, after effecting short sales of the same security during the applicable restricted period.

The order also credits Gates Capital with promptly self-reporting the violation and undertaking remedial measures, which the SEC considered in determining the amount of the penalty and the calculation of prejudgment interest.

R3 and Ownera partner on digital and financial market interoperability

R3 has partnered with Ownera to enable interoperability across production-grade use cases and networks for digital assets and digital currencies.

This partnership will make R3's Corda platform available with an integrated connection to Ownera's interoperability routers.

In turn, users of the open-source, decentralised protocol FinP2P will be able to connect to a large collection of production-grade distributed ledger technology (DLT) use cases on the R3 ecosystem.

According to R3, this solution facilitates data interchange and transactions, which can improve the security of DLT designs, boost flexibility, and optimise operational performance.

"In the context of financial markets, interoperability is essential to overcoming the existing silos of legacy and blockchain systems," the firm says.

Commenting on the collaboration, Kate Karimson, chief commercial officer at R3, says: "The industry is making exceptional strides toward developing solutions for regulated markets. However, for this next phase of adoption, interoperability will be key for the industry to fully benefit from this technology."

Ami Ben-David, founder and CEO of Ownera, adds: "Interoperability is essential to the exponential growth of the tokenised market. It goes beyond just linking blockchains — it's about bridging supply and demand for both assets and digital cash, no matter where they reside.

"Through this partnership, we are thrilled to connect the vast R3 Corda ecosystem with Ownera's network of routers users across sell side organisations, buy side firms, payment providers, and other financial services and legacy networks across global markets"

Broadridge finds first HQLA use case for DLR platform

A Tier-1 Canadian bank has implemented Broadridge Financial Solutions' distributed ledger repo (DLR) platform for high-quality liquid asset (HQLA) treasury securities management.

This collaboration marks a significant milestone, says Broadridge, as the bank becomes the first to go live with this HQLA use case through DLR, showcasing the potential of distributed ledger technology (DLT) in transforming financial operations.

Horacio Barakat, head of digital innovation at Broadridge, comments: "As a trusted and transformative technology partner, we are thrilled to see another Tier-1 institution recognise the value of our DLR platform helping them operate, innovate and grow.

"This implementation not only simplifies their workflow and generates cost savings, but also lays the foundation for further DLT use cases that can drive even greater efficiencies and innovation in the financial sector."

According to Broadridge, the global expansion of the DLR platform across sell-side and buy-side firms is generating a network effect, amplifying benefits and supporting a wider variety of transaction types.

ECMS postponed until 2025

The European Central Bank (ECB) has announced a further delay for the launch of the Eurosystem Collateral Management System (ECMS) on the recommendation of its Market Infrastructure Board (MIB). The launch of the centralised collateral management facility for Eurosystem central banks is now planned for the first half of 2025.

With the original launch date scheduled for November 2023, the ECB will announce the new date in October 2024.

The MIB concluded that "additional time was required to achieve sufficient readiness for a smooth go-live, despite the good progress made in the testing phase over the summer".

In the announcement, the ECB said: "The rescheduling will support national central banks of the euro area and the counterparties that will be joining the ECMS by enabling them to achieve sufficient testing coverage in a stable environment to ensure their readiness by the revised go-live date."

The ECMS is a unified system that will replace the existing systems of the 20 euro area national central banks that are currently employed in managing assets used as collateral for Eurosystem credit operations.

It is linked to the TARGET2-Securities (T2S) platform for the settlement of securities and to the T2 system for the transfer of central bank liquidity.

Nasdaq expands presence in Latin America

Nasdaq has expanded its digital bank financial technology (fintech) presence in Latin America, having agreed to provide its AxiomSL regulatory reporting solution to Nubank.

The agreement extends Nasdaq's existing partnership with the Brazilian-based bank, which includes managing its fixed income and money market operations, and now its regulatory reporting obligations in Colombia.

According to Nasdaq, this move reflects the regional accelerating demand for third-party fintech solutions that can support a short time to market for new products and services.

Ed Probst, senior vice president of regulatory technology at Nasdaq, comments: "Digital banking services in Latin America are experiencing a period of extraordinary development, with online marketplaces, open banking, and innovative technology combining to empower a new generation of consumers.

"Nasdaq's technology is helping to underpin the maturation of the industry, with regulatory solutions reducing time to market and providing a competitive advantage in such a fast-paced industry."

With more than 100 million customers across Brazil, Mexico, and Colombia, Nubank is the largest fintech bank in Latin America, according to the firm.

Nasdaq has more than 50 banking and payment services clients in Latin America, comprising a range of digital and traditional banks, local and regional players, as well as Tier 1 global banks.

The provided technology includes Nasdaq AxiomSL, which supports financial and regulatory reporting requirements across 55 countries and 110 regulators, and Nasdaq Calypso, which provides the SaaS technology platform that underpins banks' treasury, risk, and collateral management workflows.

In the last 12 months, more than half of Latin American clients adopting Nasdaq's AxiomSL and Calypso technology have sought to expand their partnership, alongside strong growth in new customer numbers, the firm says.

Securities lending: An ever-evolving market

Three months into his new role as head of Global Business Development, Securities Lending at GLMX, Robert Zekraus speaks with Carmella Haswell to talk about regulations, technology, and the growing securities lending market

You have been in your new role at GLMX for about three months. Can you give us an idea of what you are focusing on?

It has been a quick three months, and it is worth taking a minute to explain how I arrived in this position. For the majority of my career, I was a securities finance trader, focusing on securities lending, and a manager responsible for building, scaling, and leading businesses for global banks. I saw first-hand the multiplier effect that properly developed and agile technology had on the growth of my businesses, so I always worked with internal technology teams and external providers to solve many operational challenges across day-to-day activities. These endeavours led to enhancements across all aspects of trading, including gaining better access to liquidity, improved operational efficiency, and ultimately to more profitable business. I am a staunch believer in the benefits that technology delivers to the market. Three years ago, I left my position as global head of prime services, client capital management, to lead the US expansion of a technology provider. You could say that I put my money where my mouth — or passion — is.

Earlier this year, I saw a unique opportunity to help bring long overdue change to the securities lending industry (SBL), the industry in which I spent the bulk of my career and where I have made lifelong connections. There is currently a significant prospect to evolve market structure to be more resilient and efficient. Borrowers and lenders are aching for alternatives. What was fit for purpose over 20 years ago is no longer sensible for a rapidly growing marketplace. Although there is a general agreement amongst practitioners about what is needed, there remains some confusion about the solutions out there, and uncertainty as to the most efficient and, importantly, practically implementable path ahead. This makes for many interesting conversations with clients and their decision-making units as both small and large institutions cannot afford the resources and time for a misstep.

I joined GLMX because of the people, product and platform. The firm's existing technology offering combined with its fastidious client-centric approach to development, make it uniquely suited to help the industry effect this change. Leveraging my market experience, product knowledge, and deep network, my primary focus is to accelerate market adoption of GLMX's comprehensive, fully built, fit for purpose securities borrow and loan technology.

As a sponsor of the upcoming International Securities Lending Association (ISLA) Americas conference, the team and I have a robust client-focused agenda, from hosting a welcoming event to scheduling over 40 meetings with active and on-boarding clients, and prospective clients looking for solutions. The chance to have an influence on market structure in such a significant way does not come around often.

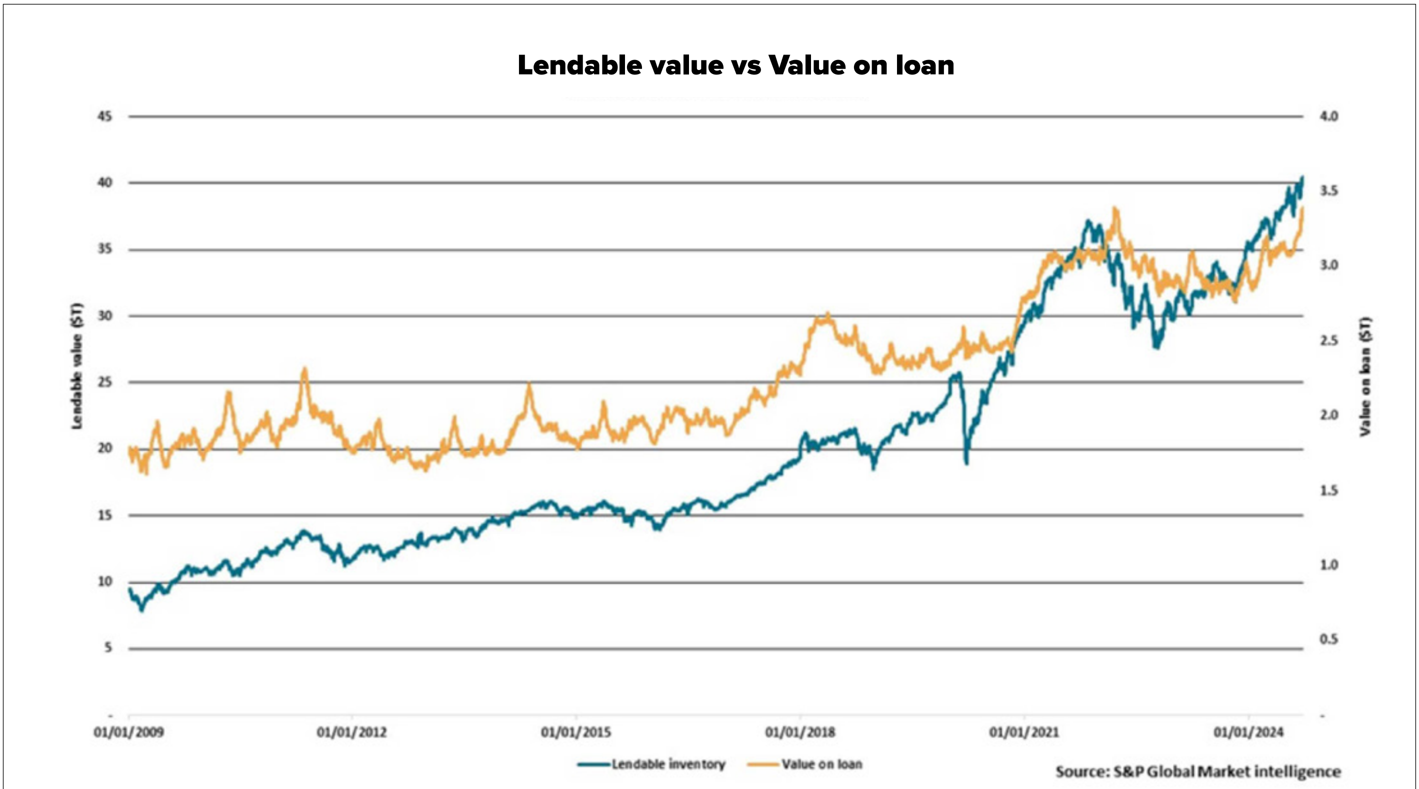
The securities lending market is forever evolving, do you think the industry is moving forward, and at what pace?

Evolving is a very good way to put it for a market that has historically been slow to pivot and adopt change. But we have seen green shoots over the last several years to accelerate the pace of change — especially in a technologic sense. Some recent momentum can be attributed to a robust regulatory agenda, a global pandemic and mitigating single point of failures. I do think that the market has, and is, moving forward. The statistics bear this out.

Since the trough in the market in 2009, during the 'Great Financial Crisis', there has been significant growth in the both securities on loan and access to liquidity, measured by lendable securities availability. The chart below from S&P Global Market Intelligence Securities Finance provides a good representation of this long-term trend. You can see securities on-loan values have increased approximately 75 per cent to around US$3.5 trillion across equities and fixed income, and availability is approaching US$41 trillion. Near-term growth is impressive as well, with availability and on-loan increasing 18 per cent and 19 per cent year-over-year, respectively.

Additionally, with year-to-date fee revenue for the sector nearing US$8 billion, and an estimated 600 firms participating in global securities lending, there is a significant responsibility to advance how liquidity is accessed and trades are executed and managed.

As more liquidity is looking for a route into the market to support the growing demand for securities, only technology can support increased volumes, lower latency, mitigate operational risks and automate and digitalise all trading bands across asset classes, from matching of high volumes, low margin easy to borrow and general



collateral (GC) flows through the intrinsic value layer of warms, specials and hard-to-borrows.

With so many moving parts, connectivity is the lifeblood of SBL. Connecting directly with each counterpart is not conceivable to scale one's business. That is why the market has reached an inflection point and needs to embrace change.

You mention changes occurring in the SBL market. Can you provide an overview of some of these changes you are referencing?

Specific to technology, over the past few years the SBL market has been faced with the unique challenge of balancing its growing adoption and dependence of innovative technology across the trading lifecycle with how to optimise and ensure resiliency around their use.

The market has been discussing resiliency for years but has not come together to find and adopt alternative solutions and, unfortunately, the need for redundancy became all too apparent earlier this year. Now there is urgency and determination to support diversification of technology providers and resolve some areas of concern including the single point of failure conundrum. And as you can imagine, there is no shortage of ideas.

I would generally describe the market offerings in three broad categories: technology that roughly fits into pre-trade; trading and execution; and post-trade.

Messaging hubs that provide rule-based matching logic fit into pre-trade. The majority of electronic SBL trading done today is seen as a utility and falls into this category. This type of offering centres around connectivity — connect once to gain access to the many. The dominant platform in the industry is a hub model where lenders and borrowers match availability and needs through an automated process — think machine to machine. This process services the easy to borrow (ETB) segment of the market that generates the majority of the volume and tickets. There are two new solutions in the market that are building technology with a similar concept. The 'nirvana state' for borrowers and lenders is the promise that through this single pipe they will gain access to the whole market, including borrowers, lenders, trading platforms and market utilities like central counterparty clearing houses (CCPs). The challenge to achieving success for pre-trade hubs is whether they can, in a timely manner, deliver open

source, state of the art connectivity to the marketplace, including trading and execution venues, with all of the trading features exposed, but used in a way that efficiently executes all transaction flow.

Post-trade providers have been a mainstay in the industry for decades. Geared to back office and operations personnel, they provide a valuable service by ensuring that new trades done manually or via a hub and inter-life cycle changes that are agreed to manually have been inputted correctly into front end applications and booking systems. This process flags exceptions and allows the trading counterparties to reconcile, avoiding costly fail charges. These services require different levels of integration depending on the client's needs and come with different costs.

The final segment, trading and execution platforms, provide the ability to source liquidity and to dynamically negotiate terms with enhanced tools provided by the platform. 'At trade' decision support is becoming a need-to-have, not a nice-to-have, as the number of inputs and requirements into trading decisions continue to grow. This dynamic process is well suited for quick decision making while accessing the broad market across equities and fixed income trading bands, with a focus on specials and hard-to-borrows. Percentages vary by firm, but generally this intrinsically valued segment of the market represents 10 to 20 per cent of the transacted volume, but generates upwards of 90 per cent of the revenue. It is easy to understand the value that proven and sophisticated technology can bring to this important segment of the market. In the space, there are only a few providers out there — including GLMX — that are live in this capacity, and working both sides of the aisle to usher automation and move this tranche of trading on platform.

Processing SBL collateral transactions is multifarious and with many manual and automated options to choose from along the chain.

How are client demand and attitudes towards securities lending changing? And what impact is this having on competition and innovation within the industry?

Clients are demanding more, regulators are requiring more and as a result, technology and service providers are producing more. We are in the midst of an evolution — and maybe even a revolution — in securities lending. The period of 'build and they will buy and adopt' was the norm when technology providers were scarce, solutions that were monolithic to service one part of the SFT market were stretched to serve new needs, and business lines were siloed, causing firms to adopt multiple services that would not connect and communicate with each other.

This question is very timely as firms are in their planning and budgeting phases for 2025 and beyond. As it relates to front end markets, clients are demanding a standardised, comprehensive, multi-product, and multi-asset class platform. Repo, SBL and reinvest and total return swaps (TRSs) achieve the same result, but each come with their own costs, operational processes and liquidity profiles. From our ongoing conversations with clients, common themes are emerging, including one where the industry wants the ability to trade across these products with price transparency and operational ease in a single platform. A technology platform that looks and acts like a trading front end, has a trader or sales-trader 'brain', and one that can handle all aspects of trading, from access to deep liquidity pools to better decision support at the point of execution to lifecycle and trade management for multiple product types. As I have seen before, this type of technology can scale their business through electronification of workflows, from high touch into low touch, reduce costly and prohibitive barriers to entry, and benefit from ongoing innovation.

There are many platforms out there but not many with comprehensive access to multiple products, across multiple asset classes, across multiple regions. Fortunately, GLMX is one. In this world view, GLMX and a few other providers compete to provide the industry innovative technology, premium client support and customisation, ease of connectivity and reasonable cost. Collectively, this is the value proposition the industry demands.

Looking forward to the end of 2024 and into 2025, what hopes do you have for the evolving securities lending landscape? What can participants expect next from GLMX?

Given that the SBL industry is at a pivotal time, it is understandable that many are struggling with how to proceed. Some may simply onboard additional providers across the value chain in order to 'check the redundancy box', while others may look to models from other markets for alternative solutions to optimise technology access and resiliency.

In many markets, and including our recent experience in the repo market, liquidity centralises around a few trading platforms. There are several reasons for this behaviour, but the ultimate leaders often provide the best value for users, measured by breadth of product, depth of functionality and access to the most diverse ecosystem. Cost is always part of the conversation but it is not the most important factor. As an industry executive from a market leading SBL firm told me last week: "I am willing to pay for something that *works*."

As I laid out earlier, the SBL market has 'grown up' with disparate technology solutions across the financing value chain. GLMX has succeeded in being the dominant platform for repo, a sibling market to SBL, by building solutions for each step in the trading process, pre-trade, trading and execution, and trade management workflows, into its core technology offering. The approach for SBL is exactly the same and through a single application, users can utilise automated matching messaging for easy to borrow and general collateral flow, enhanced trading tools to find and negotiate hard to borrows (HTB), and a trade blotter to initiate recalls, returns, rerates and substitutions on outstanding trades. In addition, the platform supports equity and fixed income securities across all trade types, including cash and non-cash and collateral transformations, and this functionality comes with the attendant benefit of electronic trading, pre and post-trade integration for operational ease and risk mitigation.

In addition to the advanced and centralised workflow technology, GLMX provides access to over 150 (and growing) clients, including banks funding desks and securities lenders, dozens of third-party technology vendors and industry infrastructure providers. Our clients get the utility of GC trading, the sophistication of specials/HTB trading technology and flexibility to action trade lifecycle events in real-time as well as a viable solution for the industry's need for technology service optimisation and trading resiliency.

Based on client demand and extensive and ongoing client input, GLMX is rolling out TRS for both equities and fixed income very soon. Capital constraints are driving desks to eliminate inefficiencies across their funding businesses and are increasingly driving convergence of collateral usage and across funding desks. The ability to source liquidity across repo, SBL and reinvest, and TRS in a single platform with straight through processing on new and existing trades is a game changer and GLMX is heavily leaning on its development process to make this a reality.

I have a fervent appreciation of the transformative ability great technology can provide, and once again, I am backing up my conviction by having joined a firm that can deliver these superpowers to the SBL industry.


NEW YORK STOCK EX

The evolution of the US securities finance market

Darren Crowther, head of securities finance solutions at Broadridge, looks at the impacts of mandatory repo clearing, new market entrants, and technological investments

The US securities finance market stands at the cusp of significant transformation, driven by several converging trends and regulatory changes. As we approach 2026, the landscape is poised for a seismic shift, underpinned by the introduction of mandatory repurchase agreement clearing for US Treasuries (UST), the entry of new market players like CME Group and the Intercontinental Exchange (ICE), the rise of synthetic securities finance offerings from agent lenders, and the expansion of the Options Clearing Corporation (OCC) in securities borrowing and lending (SBL), alongside the National Securities Clearing Corporation's (NSCC) securities financing transactions (SFT) initiative.

These developments are set to reduce capital costs and balance sheet usage, ultimately benefiting the securities finance business. However, the true potential of these changes will only be realised when firms invest in technology that enables the scalable transaction of these products across the same business lines.

Mandatory repo clearing for US Treasuries in 2026: A game-changer

The 2026 mandate for mandatory repo clearing for US Treasuries represents a pivotal moment in the securities finance market. Historically, the repo market has been a cornerstone of liquidity for financial institutions, enabling them to secure short-term funding by pledging securities as collateral. However, the bilateral nature of these transactions has often led to inefficiencies, counterparty risks, and significant capital requirements due to the need for banks to hold reserves against potential defaults.

Mandatory clearing through central counterparties (CCPs) like the Fixed Income Clearing Corporation (FICC) will fundamentally alter the structure of the repo market. By interposing a CCP between the buyer and seller, counterparty risk is mitigated, and netting efficiencies are realised. This not only reduces the capital burden on financial institutions but also enhances market stability. The reduced counterparty risk allows for more favourable capital treatment under regulatory frameworks like the Basel III capital adequacy standards.

The introduction of mandatory clearing is also expected to increase transparency in the repo market. With a CCP at the centre of transactions, regulators and market participants gain better visibility into the aggregate risks and exposures within the system. This increased transparency can help prevent systemic risks and enhance the overall resilience of the financial markets.

The entry of CME and ICE: Expanding the clearing ecosystem

In addition to the regulatory push for mandatory repo clearing, the entrance of new market participants like CME Group and the Intercontinental Exchange into the securities finance market marks another significant development. Traditionally, the securities finance market has been dominated by a few large players, but the arrival of CME and ICE introduces new competition and innovation.

CME and ICE bring with them extensive experience in derivatives clearing, which could lead to the introduction of new products and services that further enhance market efficiency. Their entry into the market is likely to drive down costs for participants by fostering competition among clearing houses. Moreover, the expertise of these firms in technology and risk management could lead to the development of more sophisticated clearing solutions, such as cross-margining across different asset classes, which would further reduce capital requirements for market participants.

The presence of multiple clearing houses also offers participants greater flexibility in choosing the most cost-effective and efficient clearing solutions. This could lead to a more dynamic and competitive market environment, where participants can optimise their clearing strategies based on their specific needs and risk profiles.

The rise of synthetic securities finance offerings

Another trend reshaping the securities finance market is the rise of synthetic securities finance offerings by agent lenders. Traditional securities lending involves the temporary transfer of securities from a lender to a borrower, with the borrower providing collateral in return. However, the rise of synthetic finance — where exposure is achieved through derivatives like total return swaps (TRS) or contracts for difference (CFDs) rather than the physical transfer of securities — is changing the game.

Synthetic securities finance offers several advantages over traditional lending. For one, it reduces the need for physical settlement, which can be costly and operationally complex. Additionally, synthetic finance can be more capital efficient, as it allows for greater leverage and does not require the same level of collateralisation as traditional lending. This is particularly attractive in a regulatory environment where capital efficiency is paramount.

Agent lenders are increasingly offering synthetic products as part of their broader securities finance services. These offerings allow institutional investors to achieve the same economic exposure as traditional lending but with greater flexibility and potentially lower costs. As demand for synthetic products grows, it is likely to become an increasingly important component of the securities finance market.

The growth of OCC in securities lending and the introduction of NSCC's SFT

OCC has long been a key player in the US securities finance market, particularly in options and futures clearing. However, in recent years, OCC has expanded its role in SBL, offering market participants new avenues for liquidity and risk management. This expansion is aligned with the broader trend of clearing houses playing a more central role in securities finance, as they offer the credit and liquidity benefits that are increasingly necessary in a post-crisis regulatory environment.

Simultaneously, the NSCC has introduced its Securities Financing Transactions (SFT) service, which allows for the central clearing of SFTs. The NSCC's SFT initiative is designed to reduce systemic risk and improve efficiency in the securities finance market by centralising the clearing and settlement of these transactions. This reduces the reliance on bilateral agreements, which are more opaque and carry higher counterparty risk.

The growth of OCC in SBL and the introduction of NSCC's SFT service are likely to contribute to a more integrated and efficient securities finance market. By centralising these activities through established clearing houses, market participants can benefit from reduced capital requirements, enhanced liquidity, and lower operational risks. This is particularly important in a market where the cost of capital is a critical concern for many participants.

Broadridge's role in shaping the market

As these sweeping changes take hold, technology providers like Broadridge Financial Solutions are playing a crucial role in enabling market participants to navigate and capitalise on the evolving landscape. Broadridge has been at the forefront of developing solutions that address the complexities and regulatory requirements of the modern securities finance market.

Broadridge’s suite of securities finance and collateral management solutions offers end-to-end support for the entire transaction lifecycle, from trade capture and collateral optimisation to settlement and reporting. These tools are designed to help firms meet the stringent requirements of new regulations, such as the mandatory clearing of UST repos, while also enhancing operational efficiency and reducing costs.

One of Broadridge's key contributions is its advanced repo clearing platform, which integrates seamlessly with multiple CCPs, including FICC. This platform enables firms to automate and streamline their repo transactions, reducing the manual processes that often lead to errors and inefficiencies. By providing real-time visibility into repo positions and collateral movements, Broadridge helps firms optimise their capital usage and ensure compliance with regulatory mandates.

In addition to its clearing solutions, Broadridge is also pioneering in the area of synthetic finance. The company's technology facilitates the efficient management of synthetic securities lending and total return swaps, allowing firms to expand their product offerings without significantly increasing their operational burden. Broadridge's solutions are designed to be scalable, enabling firms to grow their synthetic finance businesses in line with market demand.

Furthermore, Broadridge is investing heavily in data and analytics capabilities, recognising that the future of securities finance will be driven by data-driven decision-making. Its platforms provide firms with the tools they need to analyse market trends, assess counterparty risk, and make informed trading decisions. This is particularly important as the market becomes more complex and fragmented, with multiple clearing houses and a growing array of synthetic products.

By offering a comprehensive and integrated suite of solutions, Broadridge is helping to shape the future of the securities finance market. Its technology not only addresses current regulatory and market challenges but also positions firms to take advantage of new opportunities as they arise.

Reducing capital costs and balance sheet usage: A common thread

A unifying theme across these developments is the potential for significant reductions in capital costs and balance sheet usage. The adoption of central clearing, the rise of synthetic finance, and the expansion of clearing house services all contribute to a more capital-efficient market structure.

Central clearing reduces the capital that banks and other financial institutions need to hold against their exposures, as counterparty risk is transferred to the CCP. This is particularly beneficial in a regulatory environment where capital costs are rising due to stricter capital adequacy requirements. Similarly, synthetic finance allows market participants to achieve desired exposures without the need for physical settlement, further reducing the burden on balance sheets.

The reduced need for capital and balance sheet resources frees up capacity for financial institutions to engage in additional activities, thereby enhancing profitability. Moreover, the increased efficiency and reduced risk associated with these changes are likely to attract more participants to the securities finance market, further boosting liquidity and market depth.

The critical role of technology in unlocking full benefits

While the structural changes in the securities finance market are promising, the true benefits will only be realised if firms invest in the technology necessary to transact these products at scale and across business lines. The complexity of modern securities finance requires sophisticated technology platforms that can handle large volumes of transactions, manage risk in real-time, and ensure compliance with evolving regulatory requirements.

Investments in technology will be crucial for firms looking to take full advantage of the new opportunities in the securities finance market. This includes developing or acquiring systems that can seamlessly integrate with CCPs, manage synthetic finance products, and optimise capital usage across different business lines. Firms that fail to make these investments risk being left behind as the market becomes more automated and data-driven.

Moreover, technology will play a key role in ensuring that firms can scale their operations to meet the growing demand for securities finance services. This includes not only the ability to handle increased transaction volumes but also the ability to offer more sophisticated products.

New leadership, new prospects

J.P. Morgan's Ed Corral and George Rennick sit down with Carmella Haswell to discuss the future of the bank's Tri-party Agency Services business, following a retirement and a promotion within the firm's senior leadership team

With a career spanning over three decades, industry veteran Ed Corral of J.P. Morgan has decided to step down. The move will see George Rennick become global head of J.P. Morgan's Tri-party Agency Services business, effective as of October.

A leadership change looks to provide J.P. Morgan with a "fresh perspective", allowing the firm to take a step back, ponders Rennick.

The bank will use this opportunity to develop a strategic vision focused on where the triparty and collateral services product needs to be in a few years' time, accounting for new market structures, regulatory changes, market expansion and new asset classes such as digital assets.

"It is very early days, but I am extremely fortunate to be moving into a leadership position for a very strong global team and a robust product. It is a nice position for me to be in, client relationships are strong, the business is on a great growth trajectory, and things are working really well," says Rennick.

Taking on the reins from Corral's leadership, Rennick brings a host of industry experience. He has been in the financial services industry for over 32 years, more than half of which was spent on the sell side, working for prime brokers.

With his experience at Nomura, Barclays, Lehman Brothers, and Goldman Sachs — to name a few — Rennick will now take on J.P.

Morgan's Tri-party Agency Services globally. Prior to his current role, Rennick was responsible for the bank's Agency Securities Finance business in the Americas and global responsibility for the relationship management team.

Rennick adds: "Representing the agent lenders, representing the beneficial owners, having sell side experience, and having a flagship triparty product allows us to really develop for the future."

Reviewing his near term strategy for J.P Morgan's Tri-party business, Rennick anticipates that the team will maintain its focus on developing solutions for clients. He will pay much attention to key deliverables within the core platform, as well as initiative like collateral expansion and collateral mobility. The sales and relationship management teams will continue to partner with clients to identify capital-efficient structures and deliver differentiated solutions and products.

He continues: "Our client segments are expanding. It's no longer just the traditional sell side clients; buy side clients also need to find liquidity, optimisation, and capital-efficient structures. There is significant potential for us to continue growing this product, and we will take the time to develop that vision in the near future."

Singing his praises, Corral says Rennick is able to see the business from the investor's perspective, which is sometimes "the underappreciated part of triparty". According to Corral, triparty agents usually have a heavy focus on the sell side, so to have someone that thoroughly understands and is coming from the buy side in triparty, in this respect, "is a tremendous addition" to the firm's leadership with this product. Known to be coming from a role where he was "the biggest triparty investor" on the platform, Rennick's experience as a client on the sell side "brings that dimension in as well".

Reflecting on his own career, Corral indicates that this is an experience he also benefited from, with his time at both J.P. Morgan and Morgan Stanley. He continues: "Being able to come back from that and bring that experience into the product, which is exactly what George is bringing to the table here, is a turbo boost to the product. It will be exciting to see where George is going to take this business."

Corral's enthusiasm is reflected in the International Securities Lending Association's (ISLA's) excitement for Rennick's transition into triparty — a critical and growing function of the lending ecosystem.

Rennick, who is currently on the ISLA Americas board of directors, says: "The industry working together on things like central clearing and shortened settlement cycles, with T+1 in the US, and now going global, has allowed us to be successful. Just being able to have this multifaceted perspective is welcomed by the association."

Making a mark

From a mailroom supervisor to a global head position at J.P. Morgan's New York headquarters, Corral's 35-year career has succeeded through the global financial crisis, technology evolution, and industry innovation. Speaking to Securities Finance Times, Corral says: "It's been quite a run. I've enjoyed pretty much every minute of it."

Discussing the key transformations in the collateral market, Corral says the proliferation of computers is an obvious example — as his time at Chemical Bank in 1989 proved with the use of a shared computer, an item that went amiss in his first role in the mailroom.

Following a number of mergers, Chemical Bank later became J.P. Morgan. During the early days of his career with the bank, Corral was previously responsible for global clearance and collateral management, as well as corporate trust finance.

He then took a 10-year-long break from the bank with a position at Morgan Stanley, where he was responsible for firm-wide collateral management and optimisation.

Looking back on his career, Corral recalls one of his greatest accomplishments to date, which took place during the aftermath of the global financial crisis in 2008, and involved his work in the reform of US triparty repo.

"The industry had to undergo a fundamental restructuring, up to and including Lehman. The two triparty banks in the US — J.P. Morgan and the Bank of New York Mellon — engaged in a process called 'unwinding the entire book'," Corral explains.

According to the Federal Reserve Bank of New York statistics, intraday credit extension peaked at US$2.7 trillion in February 2008. The two triparty banks were on the hook, intraday, for that amount of credit, Corral says. Typically, the triparty investors did not take the cash out of the banks, so it was more 'credit on the books' as opposed to an actual cash flow.

He notes: "That was a risk that the banks took, and it was not really recognised at the time. The whole industry, post the financial crisis, went through this reform of US triparty repo, and restructured how that worked. Now, it is similar to the way it has always worked internationally."

The dealers stayed continuously collateralised and this extinguished that intraday credit extension, he explains. That made the whole industry “fundamentally much safer” by de-risking that intraday credit extension. Corral believes this to be the biggest change, and one of the largest accomplishments he was a part of.

“Going through the financial crisis was such a learning opportunity that, I am sure we can all agree, had a profound impact on everyone,” he notes.

A strategic overview

Just like with playing chess, strategy is everything.

J.P. Morgan has seen clients take a much more sophisticated approach to triparty and recognising it as a key element of how they manage, not just their collateral, but how they manage their financial position.

The liquidity coverage ratio (LCR), net stable funding ratio (NSFR), along with the whole “alphabet soup” of all the regulations, have all come into play in how clients manage their triparty book, says Corral.

From a triparty bank's perspective, optimisation was “always about cheapest to deliver collateral”, making it the most financially attractive way of allocating collateral, he adds. But all of these other regulations have come into play, such as the Comprehensive Capital Analysis and Review (CCAR), risk-weighted assets (RWA), etc.

“All of that is now considered in how the banks manage their collateral, not just in triparty, but enterprise wide, and that level of sophistication has driven us to improve our product offering quite dramatically,” notes Corral. It has also resulted in larger firms, such as the global systemically important banks (G-SIBs), managing this comprehensive optimisation themselves.

They now manage optimisation in a much more holistic way, Corral explains, extending beyond just their triparty activities. These firms now instruct J.P. Morgan on how they want to manage the collateral within the bank’s programme. Our ability to respond quickly and adapt to these client instructions has been a significant change.

Previously, firms completely relied on the triparty bank to handle everything, but now J.P. Morgan operates in partnership, leading to “much better outcomes” for the banks.

While the sector has developed, there remain challenges for firms and their clients. For one, Rennick believes bank and broker-dealers, traditional sell side clients, are trying to solve universal needs, but not always in consistent ways.

He continues: “As a triparty agent, you have to be flexible to accommodate different models, different needs solving for different constraints. Flexibility creates contention, capacity constraints, and has costs and resource needs. Trying to address that, and making sure that you have the flagship product, is certainly a challenge, but also an opportunity.”

J.P. Morgan is trying to blend together what triparty offers with what the bilateral market already does, Corral interjects. For him, triparty is great at eligibility, optimisation, independent pricing — tasks that individuals typically manage on their own in a bilateral trade. In the CCP space, J.P. Morgan has created the ability to manage collateral on the triparty engine, but then delivering that collateral bilaterally out to the market — providing “the best of both worlds”.

By doing this, the firm aims to provide efficiency and optimisation through triparty, but also to break free from some of the limitations that triparty, as a closed ecosystem, has. J.P. Morgan has now deployed this tool and is already live and using this model in the CCP space — as well as with the segregation of initial margin (IM), in the Uncleared Margin Rules (UMR).

Corral adds: “Due to the affiliate rule, we cannot hold certain collateral ourselves if it is related to our trading activities. Therefore, we manage that collateral in triparty, but deliver it bilaterally to an independent third-party custodian.

“All of our clients would likely prefer to handle everything through triparty, but certain limitations prevent this. Some tasks don't work as well within the triparty framework, or the counterparties they are dealing with may not want to participate in triparty.”

For J.P. Morgan, managing collateral behind the scenes in triparty and delivering it bilaterally has unlimited capabilities. There is still as much collateral in the bilateral world as there is in the triparty world, Corral pinpoints. Triparty currently handles around US$9 trillion, and there is at least that much, if not more, still managed bilaterally, the firm confirms.

"There is an opportunity for a significant portion of it to go to triparty, by doing this merger of bilateral and triparty," he highlights. "So it is more of an opportunity than a challenge, and it should be a really exciting development for triparty."

Reviewing the current state of the collateral market and the use of triparty, Corral also evaluates where the future lies for these two sectors. Being in the digital age, where the securities finance industry is taking great interest in digital assets, blockchain and distributed ledger technology (DLT), it comes as no surprise that this modern technology is shaping the future.

Corral asserts that where blockchain and DLT is heading, is still in the early stages. "The concept of triparty, which involves locking up an asset to release its value, translates to the digital space," he adds. "The goal is to eliminate the need for moving assets around the market, thereby reducing settlement risk and friction, while unlocking the value of those assets. Everyone is striving for this."

By combining triparty with the emerging capabilities of digital technology, Corral believes the firm can achieve this on a larger scale, akin to the concept of a collateral superhighway.

His key recommendation for the market is to leave assets where they natively live — whether that is treasuries in the US or Japanese government bonds (JGBs) in Japan. He insists that the industry should not try to move these assets, but instead lock them up where they are, and then represent that value, whether that is through triparty or on a DLT.

"I am not sure how that is all going to develop, but that notion of the safety and the good control location of a product like triparty, and then allowing the value to go wherever it needs to go, whether that is through a CCP or a repo trade, stock loan, wherever that value is needed," Corral comments.

He concludes: "Mobilise the value while you immobilise the assets. Triparty does a lot of that already, but I can really see the combination of triparty and digital taking it to a level that it has never been before."

Looking ahead

After predicting the future path for the triparty sector, reminiscing about the early days and achievements in their careers, Corral and Rennick use their years of experience to provide advice for newcomers entering this space.

"The goal is to eliminate the need for moving assets around the market, thereby reducing settlement risk and friction, while unlocking the value of those assets. Everyone is striving for this."

Ed Corral
Global head of Tri-party
J.P. Morgan

“We are still learning every day, and acknowledging that there is still more to learn, it is also the exciting part of this role.”

George Rennick
Global head of Tri-party
J.P. Morgan

For Rennick, he recalls how he sat at Lehman the day it went bankrupt during the financial crisis, in the prime brokerage business, a core part of the firm’s funding. A number of lessons have been learned from this event. Liquidity crunches, credit deterioration, crisis events, market volatility, all happen from time to time, this is an apprenticeship type of industry, he advises.

Because of this, Rennick highlights that these are the times where people should want to be in the office, come to work, pay attention, and watch what everybody is doing.

“Crisis management, leadership — that comes with experience,” he states. “You cannot learn that any other way and those experiences allow you to expand your career, your understanding of risk management and discipline and form resilient products and services.”

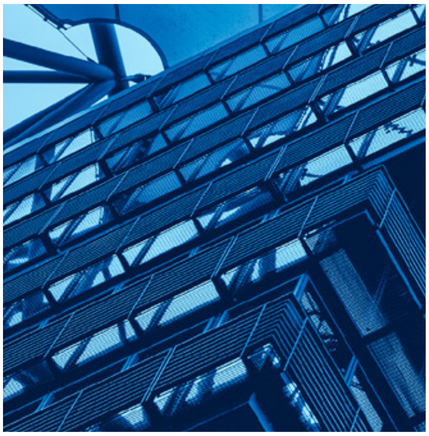
He insists that, on a day-to-day basis, it is important to build relationships, build a network of people that you can bounce ideas off, and talk about your environment and what is going on. That is “tremendously helpful” in building your career, he adds.

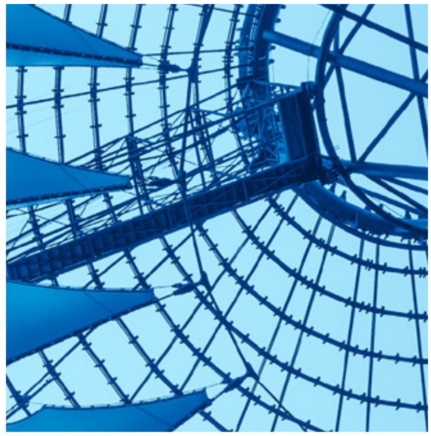
“Ed and I have been doing this for years. We are still learning every day, and acknowledging that there is still more to learn, it is also the exciting part of this role.”

From Corral’s perspective, he believes there is “still so much opportunity” in this space for newcomers. J.P. Morgan represents every type of job in financial services, he promises. He continues: “There is always an opportunity to move on to the next challenge and explore new opportunities. I would love to see my kids and the young people we work with today get more involved, take bigger roles, and expand their remit. I think it is just a tremendously exciting space, and I would encourage anybody to get into it.”

Closing the page on a three-decade-long career, Corral will still look to keep active in some way, shape or form in the industry, but is also looking forward to some well deserved time off.

In his final thoughts, Corral says: “I have a ski house, I have let my skiing abilities deteriorate for quite some time, so hopefully I can pick that up again. I have four children, three of whom are married. I have a grandson, so I have definitely been enjoying spending time with him and look forward to doing a lot more with him.”






US securities finance panel

Leading participants in US securities lending markets discuss the major themes shaping the past year after an eventful 12 months, client engagement, and significant regulatory initiatives which are set to shape the landscape for the industry

Panellists

John Fox, US Head of Market and Financing Services, Securities Services, **BNP Paribas**

Lori Paris, Senior Vice President, Head of Client Management NA, Securities Finance, **Northern Trust**

Jarrod Polseno, Managing Director and Head of Agency Lending Trading, **State Street**

Simon Tomlinson, Global Head of Agency Lending Trading, **BNY**

Which trends stand out in terms of lending activity and strategy in the US securities lending market over the past 12 months?

Jarrod Polseno: 2024 has been an interesting year for the US securities lending market. Three major themes that standout as we look back on the year would be the move to T+1 settlement for the US, Canada, and Mexico; the overall lack of specialty (intrinsic value lending) in the US equity space; and the overarching theme of if or when we would see changes in monetary policy from the Federal Reserve and central banks around the world.

Simon Tomlinson: The trends in the US securities lending market have changed significantly this year compared with 2023. While there were several notable special issues last year, including AMC and JNJ, there has been a considerable decline in such issues over the past 12 months, with only a few names contributing substantial value.

The market is now saturated with equities, driven by long-bias activities and index arbitrage, resulting in greater internalisation and reduced borrower demand for equities compared to 2023. Conversely, increased inventory pools have made it necessary to finance more equities, resulting in substantial growth in both our upgrade and equity repo trading books.

There has also been a continued upward balance trend in the US corporate bond sector, bolstered by record-breaking new issues in investment-grade bonds, a surge in financing and refinancing activities in the high-yield sector, and an influx of new participants, which has driven increased demand.

US government securities have continued to grow following a robust performance in 2023. This sector is benefiting from the increase in upgrade and equity repo activities I mentioned before, as well as higher funding requirements amid the prevailing uncertainty surrounding interest rate policies.

What notable securities or asset classes have been particularly vibrant in terms of securities lending activity? What have been the primary drivers of this?

Lori Paris: Level 1 high-quality liquid asset (HQLA) securities, such as US Treasuries (UST), have been particularly well sought after in the securities lending market — several factors have contributed to this strong demand. Regulations such as the liquidity coverage ratio (LCR), net stable funding ratio (NSFR), and global systemically important bank (G-SIB) scores, led to borrower demand to source Level 1 HQLA securities and pledge back lower grade collateral, known as collateral upgrade trades.

Polseno: While it would be hard to argue that there has been a robust lending market for the majority of the year, certainly there were advantageous opportunities. In the first quarter, there were lending opportunities for shares of Manchester United (MANU), as well as the exchange offer as Cummings (CMI) split off their remaining holding of ATMUS Filtration. The second quarter brought the annual reconstitution of the Russell indices, historically an event which causes volatility in lending markets — the 2024 edition was fresh off the back of the move to the new T+1 settlement cycle and created a sense of uncertainty. Finally, in Q3 the market witnessed the long anticipated merging of SiriusXM with multiple Liberty Media Corporation tracking asset classes. The ETF sector is an asset class that has seen, and continues to see, interest and growth. Within the ETF world demand for trackers such as S&P and sector-specific names that follow real estate, utilities and banks, seem to garner a lot of interest.

Earlier in the year, with interest rates at historical highs, the broader market-tracking ETFs such as SPY saw a lot of borrower interest. As the interest rate decline cycle starts, the borrowing community has shifted focus to defensive names that track banks and utilities. In the government fixed income markets, US Treasury Bills have undoubtedly been the main attraction over the past year.

There have been fewer specials in current issues due to an inactive Fed and Federal Open Market Committee (FOMC) since July 2023, and larger issue sizes. T-Bills have especially picked up over recent months as speculation on Fed rate cuts has increased, and has forced more cash to be ‘parked’ in the front-end of the curve, creating sporadic illiquidity in various T-Bills and UST issues maturing less than six months, widening some spreads to 10 to 25 (or more) basis points.

Tomlinson: For BNY, US corporates and US Treasuries have been the most vibrant asset classes.

US corporations have continued to gain momentum. Given the previous challenges in the credit space as a result of higher interest rates and the constrained financing environment, there is now an influx of new market participants, at both banks and hedge funds. This additional demand has led to significantly higher balances over the past 12 months. The statistics are astonishing. According to LCD News, high-yield deal formation is up 42 per cent quarter-on-quarter, and year-to-date volumes have already surpassed the total for 2023, with US$220 billion compared to US$176 billion last year.

US Treasuries have largely remained steady in a general collateral (GC) market this year, albeit in an orderly and range-bound manner. The secured overnight financing rate (SOFR) has gradually moved higher in the second half of this year, due in part to increased issuance, quantitative tightening, reduced reverse repurchase agreement (RRP) usage, and increased sponsorship volumes.

While balances have grown as a result of demand for more term upgrades, the specials market has remained muted. Apart from the occasional short coupon or T-bill, the current 20-year bond has been the highlight in this market over the past 12 months. This has primarily been driven by a relative-value short base, coupled with relatively small issuance and limited system open market account (SOMA) availability, leading to short demand trading through fail levels.

Have there been any notable trends or changes on the supply side in terms of lendable assets?

John Fox: The majority of market participants and prospects are now very aware that a substantive income stream on the right type of assets can be attained with controlled low risk elements. Our industry's lendable assets have just eclipsed US$40 trillion in assets, according to DataLend. This is a testament to the education securities finance market practitioners have successfully engaged in over the last 15 years. We will need to continue this to ensure that future changes, especially those regulatory in nature, are interpreted clearly and communicated by our industry to ensure a widespread understanding of the impact of those changes.

Polseno: The theme on the supply side this year has been one of continued growth, both due to asset appreciation as well as new assets entering the market. We are seeing even more client interest in lending, whether it is to help offset fees, better compete with other investment manager returns that participate in lending, or simply to earn incremental alpha on their fully-paid assets. The evolution of our risk management centric lending programme resonates with clients and brings comfort that lending returns can be generated with minimal value at risk exposures.

Tomlinson: There has been a clear expansion of lendable inventory. Notably, S&P Global reported a headline figure of US$40 trillion in lendable assets this year, which is a remarkable increase compared to the early post-global financial crisis (GFC) landscape. This reflects not only an influx of new market participants, but also a significant mark-to-market adjustment as equity markets have rallied post-pandemic.

We have seen interest from a wide array of clients, from those entirely new to the securities lending business to existing clients seeking to broaden their offerings. This widespread client engagement underscores a collective intent to participate in the securities lending market, leveraging opportunities to achieve ancillary returns that align with risk management strategies.

Paris: Lendable assets have grown at a faster clip than revenue, standing at US$38 trillion across international and domestic equities, corporate and government bonds, exchange traded products (ETPs) and other products, with around US$2.7 trillion on loan, according to DataLend.

The increase in lendable assets is attributed to three factors: first, increased client interest in securities lending to generate alpha to increase fund performance or to offset costs. Second, government bonds made available for lending in increasing amounts, with new supply coming into the market — government bond lending is about 36 per cent of on-loan balances and

"The strongest opportunities for growth lie with clients with collateral flexibility."

Lori Paris
Senior Vice President
Head of Client Management NA, Securities Finance
Northern Trust

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contributes to overall secondary market liquidity and the role of lending in sourcing HQLA. Third, US equity markets have increased year-over-year, resulting in increased lendable asset values (for the 10 years ending in August 2024, the S&P 500 has outpaced the historical average, returning an annual average of 12.9 per cent with dividends reinvested).

What new pressures are facing firms' securities lending activities in the US in anticipation of Basel III Endgame? How will industry participants and banks cope with the three-year transition period, starting from 1 July 2025?

Tomlinson: Market participants are well-versed in navigating the implementation of global regulations, and we do not anticipate any significant challenges as a result of the Basel Endgame. All regulatory changes present both opportunities and constraints for individual market participants, and it is expected that the market will naturally adjust to these modifications. It is crucial to understand that, while regulations apply uniformly to firms, their impact varies depending on each firm's unique business mix, balance sheet structure, growth strategy, and the systems employed to measure resource consumption. Consequently, these impacts will be nuanced rather than binary.

The nuanced nature of these impacts is particularly evident in the context of overall capital costs, leading to elevated funding pressures and a reduction in some balance sheet capacities. Over the years, there has been a considerable discussion about central clearing, and our position is unchanged: an increasing focus on risk-weighted assets (RWA) by primary dealers, coupled with additional supply, has heightened this need.

Polseno: In short, capital usage is always a consideration, this past year we saw a continuation of borrowers being more discerning with regards to the beneficial owners with which they face off from a regulatory capital classification standpoint. With capital constraints at the forefront of borrowers' minds, borrowers look for more efficient, low risk weighted lenders which tend to be government associated entities. From a supply side standpoint, this creates an unlevel playing field for some types of clients to match market demand. This is spurring further innovation in terms of capital efficient structures that will allow a wider lender base to receive similar low risk weighted treatment.

In May, the US, Canada and Mexico moved to T+1. How has the move impacted the US securities lending market? How will this achievement guide other regions looking to implement the shorter settlement cycle?

Fox: The T+1 transition in the US, Canada, and Mexico went extremely smoothly due to a tremendous amount of preparation in the 18 months leading up to implementation. Risk reduction, reduced counterparty

"AI and machine learning are expected to play crucial roles in enhancing decision-making processes and operational efficiencies in securities finance."

Simon Tomlinson
Global Head of Agency Lending Trading
BNY

and settlement risk, and further automation were great outcomes that may motivate other markets to move on a more accelerated basis to a shorter settlement cycle. Given that the US equity market is the largest in the world, it was obvious that each institution had to adopt a global implementation approach. Many will find this as a good case study with many applicable elements for future market adaptations.

Tomlinson: The impact of the transition to T+1 on the securities lending market has been minimal, primarily due to the high level of automation in the market prior to implementation and existing market practices, including T+0 settlement capabilities for US securities. These factors had already resulted in most securities lending transactions settling on T+1 or earlier before the change was enacted.

For other markets considering a similar transition, it is imperative to have the same level of automation, same-day settlement capabilities, and market liquidity depth before implementing such a major change. Failure to have these capabilities in place may result in increased transaction problems, which could deter market participation and ultimately harm liquidity.

Paris: The transition to the shortened settlement cycle of T+1 went smoothly. One measure of this is the amount of failed trades across the industry. At Northern Trust, fails of securities lending transactions have not changed materially since the advent of T+1.

One area where we saw benefit from T+1 was the engagement with borrowers to improve automated communication in the lead up to the transition. Northern Trust worked with borrowers across the industry to ensure we had robust and timely recall notifications. This included using vendors to automate the notification, tracking and settlement process. This was viewed as a positive step forward to ensure our clients and their securities lending programmes were not impacted by this significant industry change.

In Canada, Northern Trust worked with borrowers to automate our loan recall process as part of our overall efforts to prepare for T+1. The Canadian market is going to add a communications hub for securities lending loan recalls and Northern Trust will participate in this automation when it is ready.

Using the US and Canada as a model, other markets in Europe and Asia will see the success as a path forward to moving their markets to T+1.

Polseno: The implementation of a shorter settlement cycle has forced the entire market to focus on efficiency and the reduction of manual workflows. A shorter settlement cycle has led to firms adopting and implementing automated processes. This focus on a shorter settlement cycle has also started the conversation across the Street on the readiness for T+0.

Most firms have taken this opportunity to take a long, hard look at their T+0 capabilities and are using the existing technological budget to

"Given that global asset managers now have to deal with multiple settlement time frames across their books, a push for more uniform settlement schedules globally will be to their benefit."

Jarrod Polseno
Managing Director and Head
of Agency Lending Trading
State Street

make sure T+0 readiness is also part of the equation. Other regions have seen no major disruption due to this move and have taken note of the headwinds that were faced during the preparation phase. Given that global asset managers now have to deal with multiple settlement time frames across their books, a push for more uniform settlement schedules globally will be to their benefit as well.

What implications will the proposed US Treasury clearing mandate have for your securities lending business (or the clients you support)? What adaptations will you need to make ahead of this enactment on cash and repo transactions?

Polseno: We have a long history of centrally cleared repo and see this impending mandate as an opportunity for our clients to potentially source even more liquidity than they previously have been able to. The largest initial impact will be for our reinvestment funds, where we will amend contracts and build our access to centrally cleared repo over the coming year. Overall, given the adoption of sponsored repo, our current use and comfort with the structure, we do not see the move to centrally cleared UST repo as a significant disruption but rather the end state of an evolution that is already occurring for our clients.

Tomlinson: The US Treasury clearing mandate will have significant implications for our securities lending business given our unique position as both an agent lender and a sponsoring member of the Fixed Income Clearing Corporation (FICC). Our clients across the franchise will certainly be impacted as well.

Currently, only 15 to 20 per cent of the repo market is cleared, but the goal is to clear most of the market, which is a daunting challenge. The new rules could bring an estimated US$2-3 trillion in daily activity into scope, a substantial increase that the market will need to digest. There is a significant amount of work involved for both dealers and clients to arrange sponsored or agent clearing relationships. The process typically takes 6-12 months, given the length and complexity of the required documentation.

There are additional benefits and complexities that arise from the rule. This includes reduced reserve requirements on the broker-dealer side, and potential indemnification relief for UST investments via cash collateral reinvestment programmes. On the other hand, trading efficiency could be impacted when it comes to block trading and allocations involving certain clients who are exempted from the rules.

Market participants will need access to a variety of options to help them comply with the new rule. This could mean execution using existing clearing models like the FICC's sponsored member programme, or new clearing pathways like the 'done away' model, which allows clients to leverage diversified counterparty relationships without having to contract with each one.

"The majority of market participants and prospects are now very aware that a substantive income stream on the right type of assets can be attained with controlled low risk elements."

John Fox
US Head of Market and Financing Services,
Securities Services
BNP Paribas

BNY has unique capabilities that we use to ensure our clients retain access to liquidity and continue to invest in accordance with their risk guidelines. Our expertise is informed by our role as a provider of custody, clearing, collateral management, liquidity, margin, and financing services for US Treasuries. By taking a holistic view of our clients' challenges and our capabilities, BNY is able to offer solutions that are precisely aligned with our clients' objectives.

What new technologies or processes will you be adopting or expanding on in the coming year?

Tomlinson: The securities finance landscape is undergoing continuous transformation, propelled by technological advancements and regulatory changes. Looking ahead, several new technologies and processes are poised to further redefine the industry in the year ahead.

Artificial inteligence (AI) and machine learning (ML) are expected to play crucial roles in enhancing decision-making processes and operational efficiencies in securities finance. Key focus areas include risk management, using AI-driven analytics for predictive modelling and risk assessment, and developing more sophisticated automation for trading strategies and portfolio optimisation.

Asset tokenisation, which involves creating digital representations of real assets to facilitate transfers and trading, is expected to gain significant traction. Our ongoing collaboration with HQLAx demonstrates our commitment to innovations in this space.

Central counterparties (CCPs) will play an increasingly important role in the securities finance ecosystem by mitigating counterparty risk and enhancing market stability. Cboe Clear will be launched in Europe sometime in the next 12 months, with the US strategy currently being refined. Additionally, we continue to explore opportunities with the National Securities Clearing Corporation (NSCC) regarding their offerings.

Lastly, the importance of resilience was underscored by the challenges faced by a key market vendor. Alternative options are needed to address this situation, either through direct connectivity or one of the new offerings that enable business continuity.

Polseno: We are focused on our ongoing re-platforming internally and how the investments we are making in key technologies will create a more seamless lending and borrowing experience by more fully integrating automations into our daily business. We are doing so with specific attention paid to interoperability of systems, especially as we move towards more of a multi-venue approach to lending. A key component of this is our proprietary bilateral lending platform, Venturi ALP, which allows borrowers to directly source lendable supply from State Street against a full suite of collateral offerings. Additionally, we are always looking at the breadth and depth of our data offerings, and are working with our research partners to leverage the enormity of our internal data sets to create predictive modelling for lending rates.

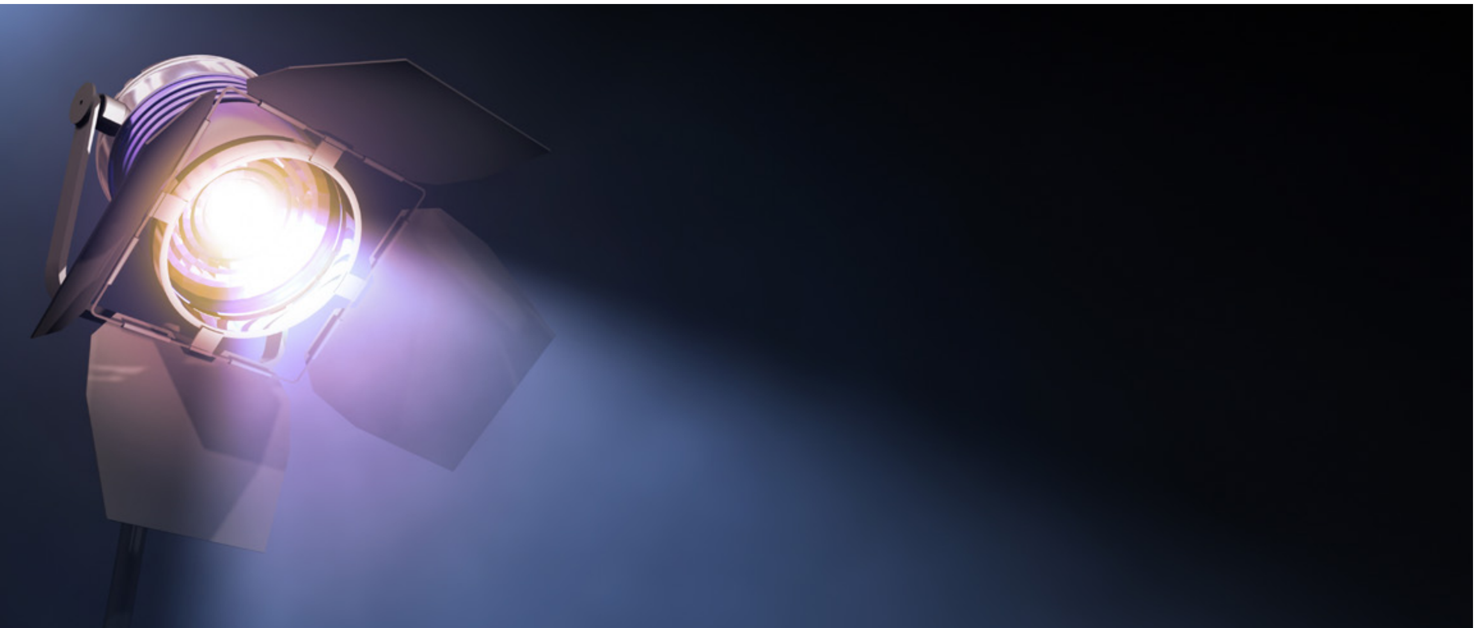
Where do you identify the strongest opportunities for the growth of your US securities lending activities in the 12 months ahead?

Paris: The strongest opportunities for growth lie with clients with collateral flexibility. First, clients who accept equity collateral may take advantage of equity versus equity trades or government debt versus equity trades. Borrowers continue to optimise their balance sheet by obtaining HQLA. Second, clients who are open to collateral pledge or pledge-back models, where the collateral remains in the borrower's name throughout the lifecycle of the loan, may see additional volume from borrowers who are looking to significantly reduce their regulatory capital burden.

Polseno: The two items that are top of mind for growth in the coming year are ones we have touched upon in this conversation. Such as creating structures and solutions to reduce the capital impact of our clients on borrowers, making our assets as commercial as possible. And, using our technology stack from our trading and post-trade management system to connect with counterparties over a growing network of electronic trading platforms.

Tomlinson: With the evolving macro and regulatory environment including shifts in global rates and the geopolitical landscape, working with our clients to ensure they are well positioned for whatever lies ahead will be key.

Given increasing supply and decreased central bank intervention, prioritising efficiency and optimisation will be crucial. We believe that the most promising opportunities will come from partnering closely with clients to offer integrated solutions — rather than individual products — tailored to clients' specific needs. Clients want comprehensive solutions across financing, liquidity, and collateral. We are well-equipped to innovate and adapt by providing alternative funding options and using cutting-edge technology.



US repo comes into the regulatory spotlight

With new rules and guidelines coming from the SEC and the OFR, Ed Tyndale-Biscoe, head of secured funding product development at ION, looks at the importance of the US repo market as a linchpin in the financial system

Volatility is unsettling. Especially when it cannot be explained or was not predicted. Regulators react by tightening procedures, market participants adapt to the new realities, and platforms emerge to seize opportunities. In times of upheaval, getting the most out of the latest advances in technology can become a question of business survival.

Nowhere is this more relevant than in repo, where trillions of dollars flow daily to cater to the funding needs of financial institutions, and governments signal monetary policy. But there is a problem — a large chunk is out of regulatory sight. That is about to change.

Earlier this summer, the Office of Financial Research (OFR), a research entity under the US Treasury Department, finalised a rule to collect data on non-centrally cleared bilateral repurchase agreements (NCCBR).

The repo market allows banks and other firms to borrow cash for short periods using collateral like high-quality government securities and this new legislation aims to shed light on NCCBR transactions, which have remained largely opaque despite being the largest segment of the repo market. Recent data shows daily outstanding commitments exceeding US$2 trillion.

Attributes of US repo markets

This product type is popular with investors, especially hedge funds, due to the flexibility in contract terms such as haircuts and margin, which are crucial in determining transaction pricing, as they dictate the leverage on individual trades.

The OFR states that "permanent data collection will shine a spotlight into this opaque corner of the financial market, provide high-quality data on NCCBR transactions, and remove a significant blind spot for financial regulators".

In contrast, centrally cleared and triparty repo sections are already regulated in the US and Europe. The OFR began data collection for the US market five years ago, while firms offering triparty services follow national and regional rules. This involves an independent institution, like a clearing bank or central securities depository (CSD), acting as an intermediary to manage the administration between the two parties in the repo transaction.

Different compliance deadlines

The OFR's data collection requirement, effective from 5 July 2024, covers 32 data fields and applies to two categories of firms with different compliance deadlines. The first group, comprising around 40 firms, including brokers and dealers, has until 2 December 2024 to comply. These firms have significant daily commitments in NCCBR transactions. The second, smaller group, which includes other financial companies, has until 1 April 2025, followed by an additional three months to fully comply.

The groundwork for this regulation began in 2022, but the OFR only submitted a concrete proposal in early 2023 after the Financial Stability Oversight Council's urging. A consultation was launched in March 2023, and the final rule was published in May 2024.

The lack of transparency in the repo market became a critical issue in September 2019 when increased government borrowing led to a shortage of bank reserves, causing repo interest rates to spike from 2.43 per cent to 5.25 per cent, and at one point exceeding 10 per cent. The Federal Reserve had to inject approximately US$350 billion into the market to stabilise it.

The market was relatively stable until December 2023, when quantitative tightening to curb inflation caused significant fluctuations in short-term loan markets. The Depository Trust & Clearing Corporation (DTCC) GCF Treasury Repo Index, which tracks the average daily interest rate for the most traded general collateral finance repo contracts for US Treasuries, jumped from 5.395 per cent to 5.45 per cent in the last week of December 2023.

Push for transparency and clearing

Although December 2023's volatility was less severe than in 2019, and the furore soon died down, it again highlighted the repo market's importance in the smooth operation of the global financial system and the need for transparency to understand market movements.

New US Securities and Exchange Commission (SEC) rules, effective in phases by June 2026, will require cash and repo transactions in US Treasury securities (UST) to be centrally cleared. "The USD 26 trillion Treasury market — the deepest, most liquid market in the world — is the base upon which so much of our capital markets are built," said SEC Chair Gary Gensler last year. "Having such a significant portion of the Treasury markets uncleared — 70 to 80 per cent of the Treasury funding market and at least 80 per cent of the cash markets — increases system-wide risk.''

While regulators need comprehensive market data to assess systemic risk, market participants must prepare for more rigorous daily transaction reporting. It is safe to say that some uncertainty exists about the impact these changes will have, never mind the readiness of the market to move to this model, given that it is now less than 18 months until the first phase comes into effect. While there may be a general consensus that the changes will improve market resilience and reduce contagion risk (the knock-on impact of a market specific scenario spreading) there

	BNY Triparty	FICC GCF Repo Triparty Service	FICC DVP Bilateral Service	Uncleared Bilateral
Cleared by a counterparty		Yes	Yes	
Collateral managed by triparty custodian	Yes	Yes		
Trades anonymised by an inter-dealer broker		Yes	Both	
Leaders know the specific collateral pledged			Both	Yes
Limited to Fedwire elidible collateral (treasuries and agencies)		Yes	Yes	

Source: Office of Financial Research

“Since the 2008 global financial crisis, the Fed has been more involved in the repo markets through new secured funding facilities. These facilities are here to stay.”

Ed Tyndale-Biscoe
Head of secured funding product development
ION

seems to be widespread uncertainty about the cost and market liquidity consequences in the short and medium term.

ION recently detailed the scope of the mandate, Fixed Income Clearing Corporation (FICC) access methods, and financial costs associated with UST repos clearing after the SEC mandate goes live in mid-2026. But what will remain of uncleared UST repo activity after that date?

The SEC’s UST clearing mandate requires any UST central counterparty clearing house (CCP) to amend its rulebook, mandating direct participants (ie bank ‘netting members’) to clear all UST trades with in-scope counterparties. However, uncleared UST trades will still be allowed in two scenarios:

1. Between a direct participant and an out-of-scope counterparty.
2. Between two non-direct participants.

Another aspect to consider is done-away clearing, the practice of trading with one dealer and clearing the trade with another. A recent Greenwich Coalition report said it is expected “to be the norm when the dust settles, but the path toward the final model is going to take time”. For done-away to thrive, as it does in derivatives, it may require comprehensive market-wide automation across clients, dealers, and FICC.

Interbank and central bank trades

Even before the mandate, UST repos between two FICC netting member banks were regularly cleared for regulatory capital advantages, such as reducing leverage ratios and risk-weighted assets (RWA). US banks must clear their UST trades with US dealers. Non-US banks, being out of scope, can continue trading uncleared UST repo. However, the capital burden from local Basel III implementations may incentivise them to clear via sponsored or agent clearing or by becoming netting members.

Since the 2008 global financial crisis, the Fed has been more involved in the repo markets through new secured funding facilities. These facilities are here to stay as they complement traditional quantitative easing (QE) tools and provide short-term cash injections for managing severe end-of-day cash liquidity shortages or surpluses.

Banks, foreign central banks, and authorised money funds and hedge funds can use these facilities to park or raise cash from the Fed in exchange for US government bonds, including USTs. The Fed and other central banks are out-of-scope counterparties for the mandate, so their trades are not required to clear.

Buy side trades

Beyond banks and central banks, UST repo buy side clients include non-bank financial firms that want to borrow or lend cash against UST. These are usually hedge funds (borrowing cash to create leverage) and money market funds (lending cash for a safe return). Other buy side investors, like traditional asset managers or insurance companies, typically invest cash one-time or unleveraged in buy-and-hold securities and do not lend or borrow cash.

Currently, money funds and hedge funds always trade repo with a dealer, because money fund credit policies prohibit direct exposure to leveraged, lower credit-rated hedge funds. A dealer bank stands in between as principal, generating two dealer-to-client (D2C) repos. D2C UST repos with US financial firms will be required to clear after mid-2026, impacting banks financially. Foreign buy side firms will be exempt, but banks may charge higher spreads or increase haircuts on uncleared trades, discouraging such activity.

The impact that clearing will have on this segment of the repo market is interesting — sell side firms, acting as the bridge between the less tightly regulated parties already have to manage higher capital costs. Central clearing may increase these, reducing the spreads they can achieve and hence impacting liquidity. The buy sides, however, may be betting on a more commoditised, and competitive market, and tighter spreads.

New repo markets

Post-mandate, uncleared UST repo activity will primarily involve trades with central bank facilities and a small volume with foreign banks and buy side firms. Some vendors are innovating to change this with new firms introducing peer-to-peer trading platforms, where clients trade directly via a proprietary protocol, with a sole broker-guarantor, or via new multi-dealer trading platforms, where dealers compete to broker and guarantee client-to-client repos based on standardised trading and guarantee documents.

Guaranteed repos on these platforms work as follows:

- The repo executes and settles directly between two client principals with operational assistance from the platform.
- A bank brokers the repo but is not a principal, so clearing is not required.
- The bank guarantees the money fund, stepping in if the hedge fund defaults.

Money funds can only engage in such trades if they are comfortable with the credit exposure transfer from the hedge fund to the bank. Providers claim banks receive favourable capital treatment over both cleared and D2C uncleared repos.

What can we conclude?

In summary, banks will still broker trades and provide hedge fund credit upgrades via guarantees instead of intermediating as principals. After the SEC clearing mandate goes live in mid-2026, uncleared UST repos will include Fed facilities trades and limited foreign bank and financial firm trades. The extent of guaranteed repo activity will depend on participants' willingness to invest in the necessary infrastructure.

The path to the clearing mandate going live is a phased one but market participants should be ready to act quickly. Just like the move to a shorter settlement period (T+1), firms should be preparing and testing for all scenarios long before 2026. Any mistakes in this corner of the market, the lifeblood of the system — where financial institutions can meet their day-to-day funding needs and governments transmit monetary policy through interest rates — will have costly implications beyond the immediate affected markets.

Some consideration should be given to whether the market, post-implementation, will morph into an extension of the futures market, where standardisation simplifies access for a broader range of participants, even if the overall costs for everyone involved increase to cope with the additional margin, clearing and capital costs. Futures and repo markets are very different for a wide variety of reasons, but lessons from the swap clearing mandates over the last decade can be learned.

In times of evolving regulations, cost pressures, market and political uncertainty, firms should look at their workflows and processes. Those relying on disjointed and outdated technology must act now and future-proof their business. In what is largely a scale business model, simplifying and automating trading and risk management workflows, increasing trading via electronic platforms, consolidating and executing tasks in one system, and having a holistic view of business in real time are the optimal route to achieving this.

Develop, modernise, transform: Expanding technology infrastructure

Sara Carter, global head of repo at CME Group's BrokerTec, discusses the growth and robustness of its central limit order book and BrokerTec Quote, highlighting the success of both platforms, alongside their expanded product offerings and enhanced functionalities

Over the past few years, BrokerTec has rolled out several developments to set it up for its next stage of growth. What have been the most transformative developments in the business over the last few years?

Since CME Group's acquisition of NEX Group in 2018, the focus for BrokerTec has been to heavily modernise and expand the underlying technology infrastructure while also extending further efficiencies to clients across products traded at CME Group. The migration of BrokerTec's dealer-to-dealer (D2D), anonymous central limit order book (CLOB) to the Globex matching engine gave us the scalability, enhanced security and global connectivity necessary to support a broader range of products and features. The result of this technology upgrade has been enhanced performance and efficiency, particularly in cash bonds and repo trading, allowing us to innovate faster and respond to market demands with greater agility.

By operating BrokerTec on Globex, clients can access CME Group's network of international and regional banks, and extensive product suite. This has been particularly beneficial as we look to complement our collateral offerings and integrate products, such as an ability to view euro short-term rate (ESTR) and secured overnight financing rate (SOFR) futures together with our BrokerTec repo and cash bond services on a single platform. Globex's global reach and robust infrastructure have been instrumental in our ability to offer a more comprehensive service to our clients.

Working in partnership with the CME Benchmark Administration and Data Services division, we continue to expand securities financing benchmarks via publishing the Repo Funds Rate (RFR) in Europe, the UK and Japan, with our partners.

BrokerTec's CLOB is a key player in the repo market. Can you talk about how the repo side of the business has evolved?

The repo market has been the beating heart of the BrokerTec business for nearly 25 years. The platforms have continued to grow, producing record volumes globally over the last few years.

BrokerTec remains one of the largest liquidity pools for D2D electronic repo execution in the cleared markets, handling over 30,000 trades daily and transacting more than US$750 billion in average daily volume (ADV) per day.

As we look to expand our CLOB platform, we continue to invest in enhancements that provide premium electronic trading opportunities and functionality, currently not available in the global repo markets, to create greater execution efficiencies for our clients and deeper electronification of voice executed transactions.

BrokerTec has been instrumental in bringing ESTR floating repo trading to the electronic market in Europe. While in the US, over the last three years we have focused on dramatically improving the bulk order manager to build efficiencies around the liquidity pools and reduce operational costs. The impact of this is that the decision making process is simplified for clients and the speed of execution accelerated.

BrokerTec Quote has been a relatively recent addition to the platform. How has it developed and what role does it play in your broader repo strategy?

BrokerTec Quote has been a game-changer for us and has complemented our position in the D2D market. There was a clear need for a platform which offered comprehensive repo execution and collateral management solutions. In 2019, we launched BrokerTec Quote, a dealer-to-client (D2C) RFQ platform for the global repo markets, which provides clients with an intuitive and efficient way to trade, while allowing for straight-through processing (STP). The platform was designed to increase liquidity and enhance automation in the repo market globally, and we have been really pleased with its success to date.

Over the last 12 months, we have seen accelerated growth in both nominal volumes and client adoption, with many buy and sell side firms coming on board and the pipeline exploding with fast momentum. We have consistently achieved ADV records month-over-month, including multiple daily ADV records week-over-week. Year-on-year, BrokerTec's Quote ADV has increased 200 per cent, demonstrating strong client demand for the product.

This can be attributed to multiple factors: the aggressive price points for sell side and free for the buy side; connecting the buy side and sell side to execute with their trusted counterparties while enriching negotiation; RFQ workflow for a wide product suite (including corporates and securities lending in Europe); and connectivity via a wide independent software vendor (ISV) integration. BrokerTec Quote incorporates first-rate monitoring and protection systems to safeguard data, therefore offering a comprehensive alternative platform.

As we continue to add new functionalities and asset classes in 2024 and into 2025, and with a strong customer pipeline, I am excited about the momentum of this business and its growth trajectory.

You mentioned new functionalities – can you share more about what has been added and what is coming next for BrokerTec Quote?

We have introduced several key features — the most exciting has been the ability to trade repo on corporate bonds. It is a huge addition for the platform, rounding out our securities finance offering and complementing our existing G10 and emerging market (EM) government bond products. Alongside the securities lending option, it allows centralised execution of all repo requirements. The addition of repo on corporates has also contributed to the growth in ADV on the platform.

In 2024, we introduced new order types such as evergreens, one-cancels-other on 'all or nothings' and the axe dealer board which allows the sell side to show positions to selected counterparts, enabling buy side clients to quickly convert those positions into RFQs. We also introduced repo on ESTR floating rates, pre-trade assignments, a position management tool and risk management functionalities for clients. These are just some examples of features introduced that significantly reduce negotiation time and reduce the number of booking errors for clients. We also continue to focus on offering connectivity across multiple vendors to support our clients.

Given the agile development sprints that we can conduct and the production timelines that we are working to, we can work with clients to ascertain their priorities and develop features while pivoting development where required to consider changes in market structure.

CME Group's partnership with Google Cloud will support BrokerTec in continuing to expand our product offerings, the ability to provide clients with comprehensive analytics and ensure we can quickly adapt to market structure changes and client needs.

With the global repo market continuously evolving, where do you see BrokerTec's growth in the next few years?

The repo market is increasingly automated and we are committed to staying at the forefront of this trend. We are also focused on increasing our Asian market offerings and exploring new asset classes and product types. As we roll out additional features like pre-trade analytics and expand our collateral availability, I anticipate BrokerTec Quote will continue to see outsized growth and client adoption as we expand our white-glove service and introduce new functionalities. We have several exciting developments planned for the D2D CLOB in 2024 which will further strengthen BrokerTec's position as a leading platform for both D2D and D2C repo trading.

"As we continue to add new functionalities and asset classes in 2024 and into 2025, and with a strong customer pipeline, I am excited about the momentum of this business and its growth trajectory."

Sara Carter
Global head of repo
CME Group

Addressing the transformation of secured funding markets

Shiv Rao, chairman at Sunthay, explores how all-to-all trading that incorporates standardised documentation, electronic trading, and integrated post-trade collateral management services can change the status quo

Secured funding markets are on the cusp of the greatest changes and challenges in decades. Impending regulatory changes that will increase capital requirements and operational risks and costs for banks will force market participants to either deal with substantially higher costs or adopt alternative trading models that can preserve efficiency. Either way, significant changes are inevitable.

For firms willing to change the status quo, there is a solution that results in greater efficiency than any other secured funding model — Guaranteed Repo. Guaranteed Repo is also easy to implement as it uses existing market plumbing and trading conventions.

What is Guaranteed Repo?

Guaranteed Repo — developed by Sunthay Holdings — allows banks to perform their vital credit intermediary role in repo markets without using their balance sheets. Banks facilitate repo trades among end users and end providers that do not normally trade directly with one another (eg hedge funds and money market funds) by guaranteeing the performance of the low-credit quality counterparty.

Sunthay's Guaranteed Repo solution is a form of all-to-all trading that incorporates standardised documentation, electronic trading, and integrated post-trade collateral management services. These services are provided by firms with deep expertise and experience in secured funding markets. The solution is available globally as the structure complies with global regulations and accounting and legal requirements.

The capital and cost efficiency

A host of regulatory changes that will affect the economics of secured funding transactions are scheduled to be implemented

by early to mid-2026. Among the important ones are the Basel III Endgame, the Global Systemically Important Bank (G-SIB) Surcharge, and the US clearing requirement for US Treasury-backed repo transactions. Other existing regulations such as the supplementary leverage ratio (SLR), the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) also impose significant costs on secured funding transactions.

Guaranteed Repo transactions are not included in the SLR calculation, generate risk-weighted assets (RWAs) that are 40 per cent to 100 per cent lower than principal transactions (including cleared transactions), are excluded from most of the components of the G-SIB Surcharge calculation, and have lower operational costs and risks than any other secured funding model. They are also excluded from the LCR and the NSFR.

Guaranteed Repo transactions are expected to be between firms that are not clearing house direct members and are therefore exempt from the US clearing requirement, which only applies to transactions in which at least one counterparty is a clearing house direct member. While guarantors are likely to be direct members of clearing houses, they are not counterparties to transactions.

Guaranteed Repo is a 'one-step' model, in that cash and collateral are exchanged directly between end users and end providers — settlement is delivery-versus-payment (DVP). In contrast, the dominant existing principal secured funding model is a 'two-step' structure, wherein cash and collateral are exchanged twice: first, between end users and intermediary banks (primarily DVP settlement), and second, between intermediary banks and end providers (primarily triparty settlement). One-step models result in substantially lower operational costs (six or more basis points lower) than two-step models.

The tremendous capital and cost efficiency of Guaranteed Repo can make client financing one of the most profitable businesses for banks that adopt it, with return on equity well in excess of the cost of capital and stellar return on assets.

Promoting systemic resilience

Guaranteed Repo addresses the concerns voiced by regulators and market observers relating to systemic resilience. It helps preserve and enhance secured funding markets' liquidity by making credit intermediation by banks economically attractive, while ensuring transparency and adequate capitalisation of risk. As secured funding markets grow in coming years, it is likely to play an increasingly important role in supporting market functioning.

A note on capital efficiency

The impending finalisation of Basel III Endgame and the G-SIB Surcharge rules will increase banks' capital requirements for secured funding transactions. Basel III Endgame sharply limits banks' ability to use internal assessments of counterparty risk weights, instead applying standardised risk weights when calculating RWAs.

This change can result in substantially higher risk weights for many counterparties, particularly low-risk entities such as money market funds (MMFs) or certain beneficial owners. In some cases, the standardised risk weights for these counterparties can be more than 10 times greater than internally modelled ones.

Counterintuitively, RWAs for secured funding transactions under Basel III Endgame are likely to be higher for banks on their liability-leg exposures (eg repo leg) when facing low-risk end providers such as MMFs, than on their asset-leg exposures (eg reverse-repo leg) to high-risk end users such as hedge funds. This quirk results from: (1) the operation of the RWA formula, and (2) the standardised (high) risk weights.

RWAs are determined by what appears to be a straightforward formula — exposure X risk weight. The exposure calculation is symmetrical for transactions with zero haircuts, ie such transactions result in identical exposures for asset and liability legs. However, once haircuts are taken into account, exposures become asymmetrical. Essentially, asset-side transactions can result in zero exposure (if haircuts are sufficiently high), while exposures on liability-side transactions can never be zero. These results hold for centrally cleared transactions as well as bilateral transactions.

When risk weights could be internally determined, the RWA for liability-leg exposures could remain low. The application of high standardised risk weights makes the liability-leg exposure much more significant.

In Guaranteed Repo transactions, guarantors only guarantee the performance of end users, not end providers. The guarantee generates RWAs equivalent to the asset-leg RWAs in two-step structures. Because the guarantor has no exposure to end providers, the liability-leg RWAs of two-step principal structures are eliminated.

Because asset-leg RWAs can be reduced to zero if end users post sufficiently high haircuts, guarantors have the ability to eliminate RWAs entirely for Guaranteed Repo transactions (as liability-leg exposures are always zero), thereby transforming segments of their financing activities into a capital-light, fee-based business.

Another source of substantial capital efficiency for larger banks is under the G-SIB Surcharge calculation. Most elements of the G-SIB Surcharge apply only to on-balance sheet items. Guaranteed Repo transactions do not appear on banks' balance sheets. The efficiency is greatest for US banks, which are subject to an alternative 'gold plating' standard which penalises reliance on short-term wholesale funding, primarily secured funding transactions.

Guaranteed Repo transactions are also excluded from the LCR and NSFR calculations, further enhancing capital efficiency.

A timely solution for secured funding markets

Guaranteed Repo squarely addresses the challenges facing market participants. It is a fully developed solution that can be implemented with minimal effort.

Now is the time for all repo participants, whether end users, intermediary banks or end providers, to evaluate the benefits of Guaranteed Repo, alongside the analysis of current structures and other solutions such as total return swaps and central clearing. Guaranteed Repo offers scalability and global applicability that eludes these other options.

Guaranteed Repo is a financing structure that is fully compliant with existing regulations and market conventions. No other existing or proposed solution incorporates these elements.

For these reasons, it is a highly efficient solution to address the coming transformation of secured funding markets, will compare extremely favourably with other solutions, and will become an important and vital component to address the coming transformation of secured funding strategies.

Guaranteed Repo is expected to be launched in Q4 2024.

The growing potential of green repo

Speaking with industry experts, Daniel Tison uncovers the rising opportunities of repo in sustainable finance, as well as pressing obstacles on the path to its wider adoption

Innovations in sustainable finance remain crucial as companies and governments across the world collaborate to decrease greenhouse gas emissions by 43 per cent by the end of the decade, in line with the Paris Agreement and on the recommendation of the International Panel on Climate Change (IPCC) to limit global warming to 1.5°C.

This includes capital markets, where efforts around environmental, social, and governance (ESG) considerations intensified during the coronavirus pandemic.

"It is imperative that all banks actively engage with clients and their respective ESG desks to develop a framework around green funding in the capital markets," says Andre Van Hese, international head of securities financing at MUFG.

"The agreed ESG framework would be bilateral at first, but can be standardised over time with ICMA governance. Furthermore, companies can allocate a portion of their repo balance sheets to supporting sustainability projects."

Although the implementation of repo for sustainable finance has been drawing increasingly more attention, there are also concerns about greenwashing.

Different shades of green

In its report from October 2022, the International Capital Market Association (ICMA) said: "Most of the repo market today does not provide a direct contribution to sustainable finance. However, working within the constraints of the product, the market has come up with pragmatic ways to support sustainable finance in their repo business, such as the use of revolving financing facilities or rollovers."

Carsten Hiller, vice chair of the Repo and Sustainability Taskforce at ICMA, explains that green repo is based on the traditional repurchase agreement, ie short-term borrowing for dealers in government securities, but there are additional sustainable benefits.

"Structurally, functionally, and legally, it's the same as a traditional repo," he says. "And that's why we are looking, from the ICMA perspective, at these different areas."

The ICMA report divides green repos into two main categories: repos supporting sustainable financing and repos providing sustainable financing.

The first one includes repo transactions in which the buyer and the seller use sustainable assets as collateral for the trade. It can also be a repo transaction that considers the sustainability credentials of the counterparties to the repo transaction.

Most sustainable collateral refers to green bonds which meet certain requirements such as the EU Green Bond Standard. However, "sustainability-screened" collateral, as marked by ICMA, uses ESG ratings or company in-house metrics with no agreed market standards.

Similarly, there are currently no agreed market standards for the recognition of sustainable counterparties. According to ICMA, "it is difficult to tell whether such transactions can be labelled as truly sustainable".

> "Green repo still plays a small role in sustainable finance, but it has the potential to grow."
>
> **Carsten Hiller**
> Vice chair of the Repo and Sustainability Taskforce
> **ICMA**

Repo providing sustainable financing consists of two options: First, sustainability-linked (SL) repo, where the characteristics of the transaction are linked to the seller's performance regarding a set of predefined sustainability criteria. Second, sustainable use of proceeds (UoP) repo where the cash is used exclusively to finance eligible sustainable projects or the borrower's sustainable asset portfolio.

Regarding the second group, ICMA adds: "Most of the UoP repos do not necessarily use sustainable assets as the underlying collateral, as the focus is purely on the cash proceeds, although an integrated approach which combines the UoP with sustainable collateral also started to appear in the market."

Green initiatives around the globe

Eurex, where Hiller serves as head of fixed income sales for continental Europe, focuses primarily on repos with sustainable collateral.

"It's our main role that we contribute to the development of an efficient and transparent market for sustainable finance by supporting the funding and liquidity of sustainable assets," says Hiller.

In November 2020, Eurex launched the first green general collateral (GC) basket. However, as Hiller explains, the initial basket was "too broad", leading to a more conservative approach from clients. Therefore, the company introduced two additional baskets in 2021.

In order to attract more liquidity to green repo, Eurex came up with GC pooling basket in April 2024, which offers more flexibility and convenience for cash takers and collateral providers.

"There has been a significant shift in investment criteria as the financial institutions group and funds in the Gulf Cooperation Council align themselves to the ambitions of the governments in reference to sustainability."

Andre Van Hese
International head of securities financing
MUFG

In its report from January 2024, Eurex said: "We are working continuously to address the challenges shaping the securities finance markets and to promote a robust and sustainable repo and collateral market."

In 2023, green bonds accounted for 57 per cent of the wider sustainable markets, with global issuances "significantly" lower than in prior years, according to the report.

The Commonwealth Bank of Australia (CBA) and Northern Trust conducted Australia's first green repo in December 2021, totalling AU$50 million (US$36 million). The raised cash was allocated towards CBA's portfolio of green loans.

Experts from BNP Paribas, which has closed green repo transactions in Asia, America, and Europe, believe that green repo could help developing countries raise funds for sustainability projects as part of the international efforts to reach net-zero emissions by 2050.

The company report from 2023 showed that 38 per cent of the total bonds issued in Latin America (LATAM) that year were SL bonds, in contrast to eight per cent globally.

In Africa, the Conference of the Parties (COP) announced the launch of the Liquidity and Sustainability Facility (LSF) in November 2021 to improve African Sovereign debt sustainability and enhance liquidity in the market.

In June 2024, the LSF announced its plans to join forces with Euroclear to create an inter-bank repo solution for African Sovereign Eurobonds — LSF GC Africa Euroclear. This basket reflects more than 120 African Sovereign Eurobonds that the LSF accepts as collateral in repo transactions.

David Escoffier, CEO of the LSF Secretariat, says: "This new phase for the LSF, thanks to the creation of a global community of African Eurobond holders, and the coordination of a diversified pool of specialised counterparties on the repo market, enables liquidity in this asset class to be concentrated and organised efficiently."

Most recently, MUFG EMEA and Qatar-based Doha Bank closed the first green repo in the Middle East in September 2024, which marked the first repo scheme for both entities that utilised green bonds as collateral.

Van Hese says: "There has been a significant shift in investment criteria as the financial institutions group (FIG) and funds in the Gulf Cooperation Council (GCC) align themselves to the ambitions of the governments in reference to sustainability. The growing demand for green bonds will be enhanced further with the addition of green leverage facilities to build balances and attract additional issuers to issue green bonds."

MUFG report on ESG from May 2024 shows that the GCC economies, consisting of Saudi Arabia, the UAE, Qatar, Kuwait, Oman, and Bahrain, have a strong commitment to developing a sustainable framework, with green targets set between 2030 and 2040.

Van Hese adds: “Our first transaction was closed in Qatar, which took the first step in creating a green curve for the state of Qatar bonds. Our client was tasked to convert a percentage of their fixed income portfolio into green assets, and they used their existing green assets to raise repo funding that was ringfenced to be deployed on additional green assets.”

Prospects and obstacles

In August 2024, ICMA published a summary report, reflecting feedback received in response to its 2024 Repo & Sustainability Market Survey from Q1 2024. One of the findings was that “the overwhelming majority” (91 per cent) of industry participants specifically focus on repo transactions involving sustainable collateral, and this type of green repo remains their “top priority”.

ICMA adds: “The primary drivers for engaging in sustainability-related repo transactions include a commitment to sustainability as part of the organisation’s broader strategy, responding to investor demand and offering clients additional financing options to support their sustainability objectives.”

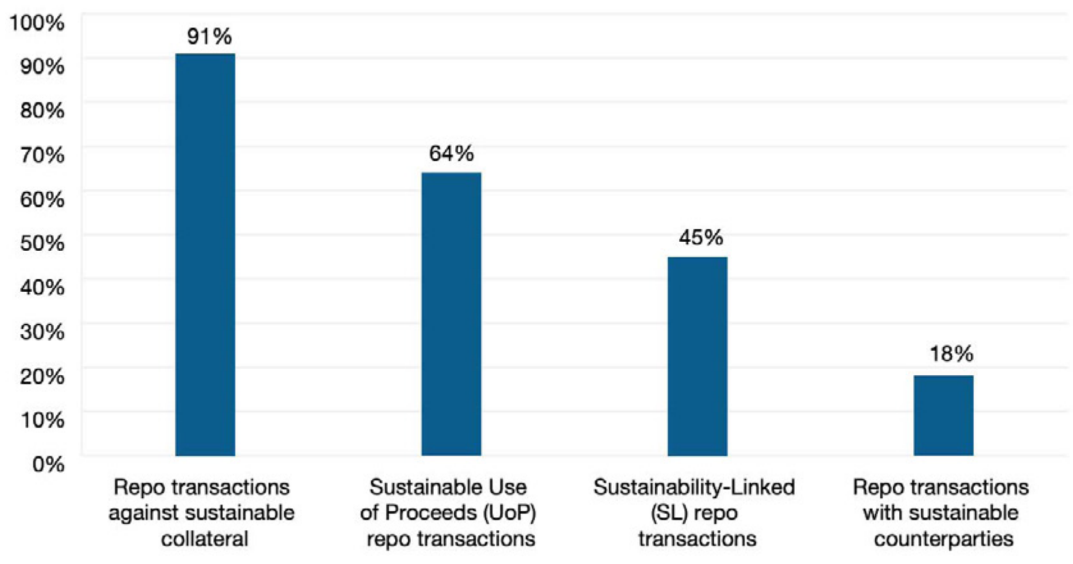
Hiller believes that this can impact securities finance in general, but there are still some “constraints and hurdles” that need to be addressed. He adds: “Green repo still plays a small role in sustainable finance, but it has the potential to grow.”

Lack of attractive investment opportunities and limited investor demand were highlighted as the main obstacles in the ICMA 2024 report, followed by concerns about greenwashing risks, insufficient regulatory guidance, and limited availability of sustainable collateral.

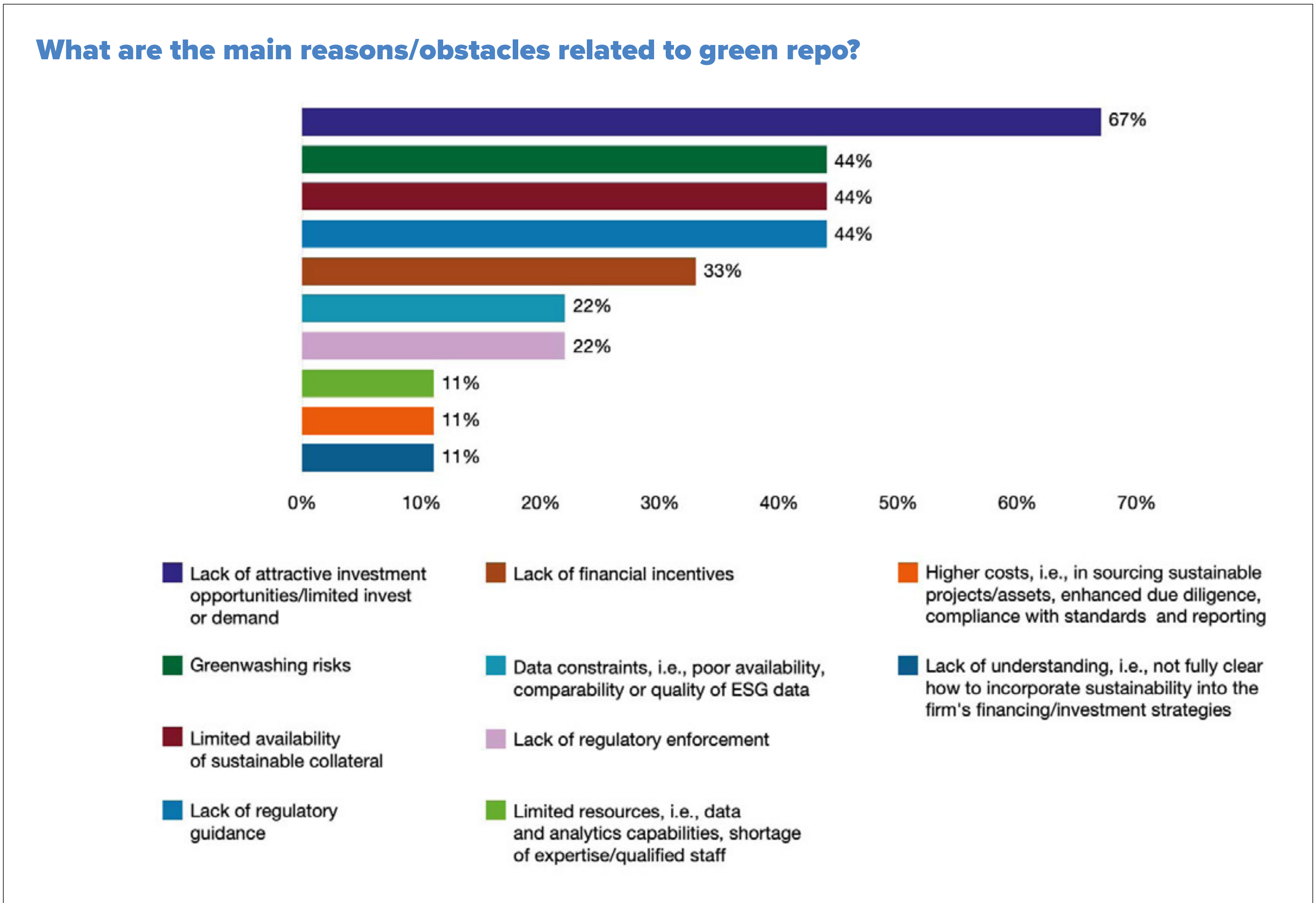
A “real gamer changer” for the green repo market, according to Hiller, could be regulatory benefits or incentives from the European Central Bank.

He says: “Lower rates for green collateral or special open market operations like green targeted longer-term refinancing operations

Which of the main categories do you engage in or trade?



Source: ICMA Repo & Sustainability Survey: Summary report (August 2024)



Source: ICMA Repo & Sustainability Survey: Summary report (August 2024)

(TLTROs) could significantly increase trading activity and volumes in standardised green collateral baskets.”

Green road ahead

While green repo remains a relatively small player in the field of sustainable finance, the potential for growth and growing interest from industry participants are evident. However, addressing challenges such as the lack of standardisation, limited investor demand, and greenwashing concerns seems crucial in scaling up green repo activities.

Looking ahead, Hiller says: “If we want to achieve these very ambitious targets of the green transition and the Paris goal in terms of climate change and reduction of greenhouse emissions, there’s a huge amount of money needed and more green bonds have to be issued.”

Following its recent report, ICMA plans to continue monitoring the market evolution around green repo and to work on expanded guidance as a next step, which is a “clear request“ emerging from the survey outcomes, according to the association.

From the European perspective, the potential for a green repo market to develop in Europe is high due to the mature and active repo market, according to Hiller, but there needs to be more activity.

Hiller adds: “This market is still small and niche, so further education and awareness among repo traders, sales, and structuring teams about the benefits and opportunities of sustainable finance can drive more interest and activity, especially when combined with traditional SL bonds. These teams need to work very closely, hand in hand.”

Empowering asset owners

Matthew Chessum, director of securities finance at S&P Global Market Intelligence, examines the shift towards the use of direct securities lending data and oversight management tools

In recent years, a noticeable trend has emerged in the securities finance markets: asset owners are increasingly opting to subscribe directly to securities lending oversight management solutions. We have seen that asset owners, who do not transact directly in the market, with over US$8 trillion in lendable assets, have chosen to subscribe directly to S&P's independent securities lending data and oversight management solutions.

This represents approximately 20 per cent of the lendable assets in the global market. This shift reflects several broader changes within the industry, driven by asset owners' desire for independent analysis of programme enhancements, a heightened focus on fiduciary responsibilities, and an overall deeper engagement with the mechanics of securities lending. Understanding the dynamics of their securities lending programmes is therefore providing beneficial owners with valuable insights into the evolving landscape of securities finance.

Demand for independent analysis and transparency

One of the primary drivers behind this trend is the asset owners' desire for independent analysis of programme enhancements and market dynamics. Historically, asset owners relied heavily on third-party agents such as custodians or asset managers to handle the complexities of securities lending programmes. However, this model often limited direct access to detailed data, leaving asset owners dependent on intermediary reporting, which could sometimes lack the granularity required for informed decision-making.

Direct access to performance solutions allows asset owners to gain an unfiltered, comprehensive view of the performance of their securities lending programmes. The tools on offer have also proven to be highly complementary to the services they receive from their lending agents, be they independent

or affiliated. These platforms combined offer transparency by providing in-depth insights into metrics such as loan volumes, utilisation rates, and pricing trends. Independent analysis also means that asset owners can objectively evaluate the performance of securities lending programmes and strategies, without relying solely on intermediaries.

Furthermore, with markets becoming more sophisticated and competitive, programme enhancements are frequent. Asset owners now seek objective evaluations of new features in securities lending programmes, such as changes in collateral management protocols or improvements in lending strategies. The ability to access independent, data-driven analysis ensures that these enhancements are thoroughly scrutinised, helping asset owners make better-informed decisions that align with their goals.

Heightened focus on fiduciary responsibilities

Another significant factor behind the increased interest in direct subscriptions is the growing emphasis on fiduciary responsibilities. Asset owners, particularly pension funds, sovereign wealth funds, and other long-term institutional investors, are acutely aware of their duty to act in the best interests of their beneficiaries. This fiduciary obligation extends to ensuring that their securities lending activities are not only profitable but also conducted in a manner that minimises risk.

In an era of heightened regulatory scrutiny, asset owners are more conscious than ever of the potential reputational and financial risks associated with securities lending. Concerns over counterparty risk, collateral quality, and regulatory compliance require constant monitoring. S&P's securities lending oversight management tools provide the means necessary for asset owners to assess whether their lending programmes meet regulatory and ethical standards. These services often include features that track adherence to governance guidelines, giving asset owners confidence that their lending programmes align with their fiduciary obligations.

Deeper engagement with securities finance markets

Finally, asset owners are becoming increasingly engaged with the securities finance markets, reflecting a shift in how they view the role of securities lending within their broader investment strategy. Traditionally seen as a passive source of incremental revenue, securities lending is now recognised as an integral component of overall portfolio management. As a result, asset owners are taking a more active role in managing and optimising these programmes.

By subscribing directly to S&P's securities lending oversight management solutions, asset owners are better positioned to make proactive decisions. They can identify market trends, compare their performance against peers, and adjust lending strategies to capitalise on new opportunities. This level of engagement not only enhances returns but also provides asset owners with the confidence that they are maximising the value of their lending programmes.

The decision by asset owners to subscribe directly to these services reflects their evolving role in the securities finance markets. Motivated by a desire for independent analysis, a growing focus on fiduciary duties, and an increased engagement with securities lending, asset owners are taking greater control of their lending programmes. As the landscape continues to evolve, direct access to these services will likely become even more critical for asset owners seeking to optimise their performance while meeting regulatory and ethical obligations.

Matthew Chessum
Director of securities finance
S&P Global Market Intelligence

The dynamic nature of securities finance

Every day is different for Germain Lefebvre, a securities finance trader at Clearstream, who speaks with Daniel Tison about "the beauty of securities lending"

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

I graduated with a double master's degree in financial engineering and economics. Following that, I had the opportunity to dive into various market finance projects, combining both data and my economics knowledge. What initially attracted me to finance was the complex and dynamic nature of markets, as well as the opportunity to apply quantitative skills.

After an internship at Eurex, I started an 18-month graduate programme within Deutsche Börse Group focused on risk and strategy. I worked in the derivative product field, which provided a comprehensive introduction to this industry. During my weekly networking calls, I connected with Alexandre Roques, head of the securities lending desk at Clearstream, who was seeking new talent for his team. I seized the opportunity and promptly applied to the rigorous recruitment process. A few months later, I was thrilled to join the team in London!

What aspects of your role or the industry do you find most exciting?

As a young professional in securities lending, I find the dynamic nature of the role most exciting. Every day is different, based on market conditions and demand. I find it particularly rewarding when you manage to close a deal successfully, especially after a series of tough negotiations. The beauty of securities lending is that you see a direct impact from the actions you took and the decisions you made during the same trading day.

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

My 18-month graduate programme at Deutsche Börse Group was an amazing experience, allowing me to work and learn across different teams and departments. In the past year, my main focus was on the Clearstream securities lending desk ecosystem and business-driven tasks.

I have no doubt that I will be able to leverage this knowledge and share it with colleagues at one of the initiatives that Deutsche Börse Group provides internally, as well as at external training sessions or programmes.

What misconceptions about working in the financial industry have you encountered, and how do you address these challenges?

One view is that all jobs exist in silos and that it is impossible to move from one line of industry to another. However, with a large and diverse group such as Deutsche Börse, I find that there is a lot of space for people to move between industries. I also think it is a great opportunity to use knowledge from different areas to bring innovative ideas and create links across markets!

Looking ahead, where do you see yourself in the next five years in terms of your career goals and aspirations?

I see myself advancing into a leadership role within the securities finance industry, where I can drive strategic initiatives and mentor junior team members. Over the next five years, my career goals include deepening my expertise in the securities finance environment and expanding my knowledge of emerging technologies, such as blockchain and AI, to stay at the forefront of industry trends.

I aspire to gain more experience across teams, which would involve collaboration with different departments and stakeholders. The securities finance and repo industries are still at an early stage when it comes to digitisation. I cannot wait to see what the future holds and to play a part in it!

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

Be proactive in seeking mentors and actively learn from their experiences! Curiosity is key — constantly ask questions and explore different roles to understand where your interests and strengths lie. Stay updated with industry trends, and never stop learning, as the financial industry is always evolving. Do not hesitate to call people! ■

Germain Lefebvre

Germain Lefebvre grew up in a countryside village of less than 200 people (about half the number of inhabitants of the building he now lives in) near Clermont-Ferrand in France. He spent his childhood between the classroom and the basketball court, where he played at a national level for Stade Clermontois for 4 years.

After graduating with a double master's degree in financial engineering and economics in Marseille, he started a graduate programme with Deutsche Börse Group in Frankfurt focused on risk and strategy. In April 2023, he joined Clearstream's securities lending desk in London, where he is responsible for the corporate and supranational bond lending book, negotiating loans and fees with clients.

During his free time, Lefebvre enjoys a wide range of sports, including basketball and freediving, reading (he is almost done with 'The Count of Monte Cristo'), and politics.

Lamb to leave EquiLend

EquiLend will undergo a search for a new CEO as Brian Lamb is to depart from the firm.

Lamb is one of the industry experts who conceptualised and designed the EquiLend platform in 2000 and is named as a co-inventor on the company's technology patents.

He is the current CEO of EquiLend and is responsible for the company's global operations, affiliates and subsidiaries.

Lamb is also the chairman of the board and serves as a director on the boards of the firm's subsidiaries in Canada, Ireland, the UK, and Hong Kong.

He will remain with the company until the end of 2024. Over the coming months, a process will be underway to select a new CEO, the company confirms.

Lamb has more than 35 years of securities finance experience with an emphasis on technology solutions.

De Schaetzen departs Euroclear

Olivier de Schaetzen is to leave Euroclear after 18 years with the firm.

Based in Brussels, de Schaetzen served in various roles within the firm's collateral management team.

His most recent title was director, product sales specialist, collateral management.

He joined Euroclear in 2006 as director, product manager, collateral management.

Prior to that, de Schaetzen completed advanced training for front office personnel at J. P. Morgan in New York.

He also served as a deck watchkeeping officer at the Belgian Navy for one year.

Allen to leave EquiLend

Laura Allen is to depart EquiLend after almost three years with the firm.

Based in London, Allen was head of securities finance platform solutions.

In February 2022, she was appointed to EquiLend's product team. Prior to this, Allen held senior positions within Trading Apps between 2015 and 2021.

Entering the firm as head of sales, Allen departed from Trading Apps in December 2021 as managing director.

Previously, Allen was executive director of EMEA supply at J.P. Morgan from 2011 to 2014.

For 14 years of her career, Allen was global head of sales and marketing, equity finance at UBS Investment Bank.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Pirum adds Hodder

Pirum has appointed Jonathan Hodder to join the firm's origination sales team in EMEA as head of EMEA origination.

Based in London, Hodder brings more than 25 years of securities finance experience to his new role.

He joins the company from Transcend, where he previously led EMEA sales and business development.

Prior to this, Hodder worked at FIS where he was responsible for leading securities finance and collateral sales in Europe.

He also brings experience from his earlier roles, including as co-head of sales and marketing at EquiLend, where he was instrumental in expanding the firm's European presence.

Scotiabank hires Baines

Scotiabank has appointed Monique Baines as director of European securities lending.

Based in London, she will report to Paul McGuigan, director and European head of securities lending and collateral optimisation.

She joins the Toronto-headquartered bank from Macquarie Group, where she was previously responsible for securities lending and short coverage activity within its equity finance business.

Prior to Macquarie Group, Baines served as executive director of prime brokerage equity finance at J.P. Morgan during her decade-long career with the firm.

Before that, Baines was vice president at Morgan Stanley, covering securities lending supply for Japan and Asia.

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