Securities Finance Times

The primary source of global securities finance news and analysis

Issue 363 15 October 2024

A global connection

HSBC's Adnan Hussain and Curtis Dutton explore the bank's efforts to work with key emerging markets, and the importance of connectivity

European Commission joins Eurex repo market

The European Commission (EC) has joined the Eurex Repo segment, saying it is ready to trade and clear repo transactions at Eurex.

This brings the number of participants to 165, including 10 supranational institutions and agencies, as well as five central banks such as Deutsche Bundesbank.

This is a "major milestone" for Eurex as both a major marketplace for derivatives and repo trading, and at the same time, one of the largest clearing houses globally, to become the incumbent marketplace for trading and clearing of euro-denominated repo and derivatives transactions.

It also delivers on the commission's announcement from December 2022 to develop the market infrastructure for EU bonds by implementing a repo facility.

According to Eurex, it is a further milestone in improving the market infrastructure for EU bonds, which will support the use of EU bonds as collateral, as well as the overall liquidity of EU bonds in secondary markets.

The EC has selected Deutsche Bundesbank, the German central bank, as general clearing member.

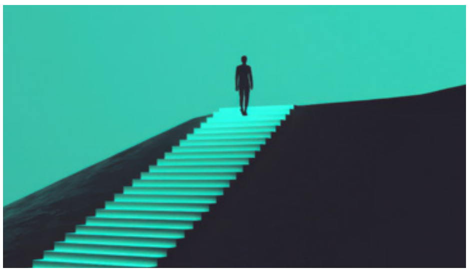
Dr Joachim Nagel, president of Deutsche Bundesbank, comments: "Acting as a general clearing member at Eurex for several public entities for many years, the Bundesbank brings experience to the table.

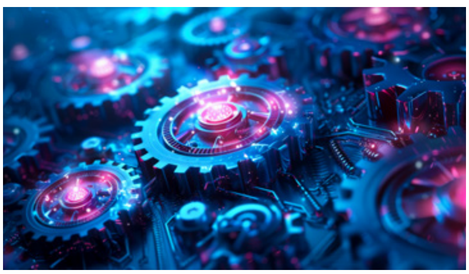
"With this robust track record, we are happy to provide our services to the commission. I look forward to implementing our newly established partnership and the benefits it will bring to our financial system."

Nagel, along with Johannes Hahn, European Commissioner for budget and administration, and Burkhard Balz, member of the executive board of Deutsche Bundesbank, attended the Bell Ringing ceremony on the trading floor of the Frankfurt Stock Exchange to welcome the European Commission as a market participant.

Continued on page 6

Inside this issue





PASLA welcomes Trading Apps

The Pan Asian Securities Lending Association (PASLA) has added Trading Apps as a new member.

Established more than a decade ago, Trading Apps is a software business that seeks to solve long-standing securities finance industry challenges.

Through its suite of offerings, Trading Apps has created a series of modules that automate transactions, enable business scale, manage trade volumes, and eliminate manual errors.

The firm has recently launched TA.Link, a software-as-a-service (SaaS) messaging platform enabling the communication of borrower requests, distribution of securities availability, trade negotiation, and post-trade lifecycle events such as re-rates, returns and recalls.

In the announcement, PASLA says: "Joining PASLA demonstrates [Trading Apps'] continued commitment to enhancing the securities lending market through technology and innovation."

With more than 60 members, including banks, agent lenders, hedge funds, prime brokers, and technology solution providers, PASLA represents the securities finance market in the APAC region.

In September, the association launched a new Future Technology working group led by Vinesh Patel.

European Commission joins Eurex repo market

Continued from page 3

Hahn says: "The European Commission's objective is to strengthen the European capital markets and ensure financial stability and their sovereignty. I am very happy that we joined Eurex Repo as a market participant. We need a liquid EU bond market and Eurex is a great partner to achieve it."

Under its unified funding approach, the European Commission decided at the end

of 2022 to create a liquid curve of large benchmark bonds, branded EU Bonds, rather than separately denominated bonds for individual programmes.

Since then, the commission developed the ecosystem for EU bonds further by implementing the European Issuance Service and quoting arrangements for electronic trading platforms.

The EU's total debt outstanding is currently at over €560 billion, making it the fifth largest issuer within the 27 member states.

The onboarding of the EU Commission demonstrates the substantial opportunities in European repo markets, says Eurex.

BNP Paribas integrates Pirum connectivity in Triparty Collateral Services

Pirum has integrated its connectivity services with the Triparty Collateral Services of BNP Paribas' Securities Service business to provide mutual clients with real-time, automated exposure and collateral management solutions.

Through this collaboration, mutual clients of both firms gain automated exposure and collateral management processing visibility, efficiency and transparency across their securities lending, repo, and over-the-counter (OTC) derivative transactions.

Frédéric Pascal, head of market and financing services, Securities Services, BNP Paribas, says: "The connection between Pirum and our Triparty Collateral Management platform is a major milestone in the development of our franchise.

"Our goal has always been to help clients deliver on their securities finance strategy while making the move to Triparty as easy as possible. With Pirum as a new partner, we are excited to be able to keep on delivering on that promise to our mutual clients."

Pirum automates the management of the entire collateral lifecycle — from calculation and matching to submission and validation of collateral requirements and allocations.

Pirum's Exposure Management service is designed to enable clients to reduce settlement fails and Central Securities Depository Regulation (CSDR) penalties, as well as collateralisation timeframes while increasing operational efficiencies for all participants.

Rob Frost, chief product officer at Pirum, adds: "Connecting [BNP Paribas'] Triparty platform to our collateral management and optimisation services represents a new and exciting chapter in our collaborative story, which was founded on a mutually held core principle of continuously seeking to improve the client experience.

"The move also helps to increase connectivity and liquidity across the French securities-based lending, repo, and OTC derivatives sectors, making this a win for the entire securities finance industry."

WisdomTree mandates BNY for securities lending

BNY has been appointed by WisdomTree to provide custody, accounting, securities lending, ETF, and fund administration services across its US listed ETF assets.

In addition to this, BNY has also been awarded fund accounting and administration of WisdomTree’s Bitcoin ETF and tokenised funds.

This selection marks WindomTree’s aim to expand growth initiatives across its digital assets and financial models. BNY’s experience within the financial ecosystem, as well as its numerous clients, will further provide the company with greater operational efficiencies and scalability, BNY says.

Emily Portney, global head of Asset Servicing at BNY, states: “This is a great example of how BNY is bringing together solutions from across our enterprise to create an operating and distribution support model that will help accelerate WisdomTree’s ongoing growth and innovation story.”

“We’re thrilled to deepen our relationship with WisdomTree to now provide them with a front-to-back solution from sub-advisory through to fund administration and investor servicing, digital assets support and distribution.”

Global securities lending revenue falls 6%

Global securities finance revenue for lenders decreased 6 per cent year-on-year (YoY) for the third quarter of 2024, generating US$2.49 million, DataLend reports.

The market data service of EquiLend reports that global broker-to-broker activity, where broker-dealers lend and borrow securities from each other, was down 4 per cent YoY for the period, totalling an additional US$653 million in revenue.

Regionally, equity revenue fell 11 per cent in North America, 6 per cent in APAC, and 5 per cent in EMEA compared to Q3 2023. In its quarterly review, DataLend says that a decline in average fees was the primary driver across regions, with a 17 per cent dip in US equity fees representing the most impactful shift.

On the other hand, global fixed income lending revenue increased by 2 per cent YoY in the third quarter.

The improvement was driven by a 14 per cent increase in sovereign debt lending performance, says DataLend, with US debt lending revenue climbing 11 per cent on the back of increased balances.

Fixed income fees declined across the board as the US Federal Reserve shifted into a rate-cutting cycle in September, the firm adds.

From a monthly perspective, the global securities finance revenue rose by 7 per cent YoY, generating US$817 million for lenders.

DataLend says that increased lending revenue for US securities was a large driver, with equities improving 21 per cent and government debt rising 24 per cent over 2023.

Broker-to-broker activity totalled an additional US$213 million in revenue in September, a 4 per cent increase YoY.

The top five earners in the month were Sirius XM Holdings, US Treasury Bond 4.125%, Tempus AI, Cassava Sciences, and Beyond Meat.

In total, the group generated US$77 million in revenue in September.

J.P. Morgan teams up with GLMX to enhance Morgan Money

J.P. Morgan Asset Management has partnered with GLMX to enhance its short-term investment management platform Morgan Money.

Its clients can now directly access GLMX's money market trading technology on Morgan Money.

The integration will broaden short-term investment options and offer a comprehensive suite of money market instruments, says J.P. Morgan, including money market funds, repo, and government securities.

Paul Przybylski, head of product and Morgan Money for global liquidity at J.P. Morgan Asset Management, says: "Morgan Money clients will now have access to a wider range of short-term investment options while also benefiting from our research and analysis tools."

Morgan Money is a global trading platform designed to offer robust short-term investment management solutions.

J.P. Morgan tailored the platform for institutional investors with the aim of enabling efficient liquidity and cash investment management, helping clients to achieve more with fewer resources.

India rolls out direct payout system for securities trades

India is rolling out a direct payout system, which will change how securities are credited to investors. Currently, brokers are in charge of transferring securities to the investor, but this will change reflecting the guidelines on "enhancement of operational efficiency and risk reduction" introduced by the Securities and Exchange Board of India (SEBI) in June.

"This is to protect clients' securities and to ensure that the stock broker segregates securities of the client or clients so that they are not vulnerable to misuse," says SEBI in the paper.

The first phase of implementation will begin on 14 October, and it will run until 12 January 2025.

During this phase, clearing corporations will transfer securities directly to investors' demat accounts for all equity cash segments and physical settlements.

In cases where the payout cannot be completed, including rejected payouts and inactive demat accounts, the securities will still be temporarily credited to the broker's pool account.

Phase 2, starting on 14 January 2025, will fully implement the direct payout system, eliminating most of the broker's involvement in the settlement process.

This will apply to all security transactions, including securities lending and borrowing. In case of short delivery, the CC will handle auction settlements directly, preventing brokers from sourcing shares from the market or settling through cash close out.

According to Nithin Kamath, founder of Zerodha, this move simplifies depository participant (DP) processes and enhances safety.

In a post on X, Kamath says: “A broker from now on will never be able to touch client securities ever, which is possible today when you buy stocks and are not yet credited to your demat.”

Eurex Repo faces 23% decline

Trading volumes on Eurex Repo declined 23 per cent year-over-year (YoY) to €303.9 billion for September, in average daily term-adjusted volume.

This figure was driven by a decline in average daily term-adjusted volume for GC Pooling and special repo.

Special repo was down 16 per cent YoY to €164.2 billion, and GC Pooling fell 29 per cent YoY to €139.6 billion.

For OTC derivatives clearing, notional outstanding volumes have risen 13 per cent YoY to €34,115 billion.

Contributing to this was a 12 per cent YoY increase in notional outstanding for interest-rate swaps to €15,374 billion for the month, of which overnight index swaps clearing volumes have risen 39 per cent YoY to €4,002 billion.

Eurex Clearing saw a 38 per cent YoY spike in average daily cleared volumes for September to €196 billion.

This features a 70 per cent YoY jump in average daily cleared volume for interest rate swaps to €24 billion, and a 15 per cent YoY rise in overnight index swaps average daily cleared volume to €21 billion.

Tradeweb reports 28.6% repo rise

Repo average daily volume (ADV) traded on the Tradeweb platform rose by 28.6 per cent year-over-year (YoY) to US$681 billion for September.

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

For rates trades, US government bond ADV jumped 59.8 per cent YoY to US$232.2 billion. European government bond ADV increased by 16.7 per cent YoY to US$49.5 billion.

According to Tradeweb, US government bond volumes were supported by growth in wholesale and retail volumes, increased adoption across a range of protocols, and favourable market conditions.

The growth in European government bonds was a result of a 30 per cent YoY increase in UK gilts activity, the firm adds.

For swaps and swaptions, ADV climbed 73.1 per cent YoY to US$576.3 billion, and total rates derivatives ADV jumped 79.1 per cent YoY to US$1.02 trillion.

Tradeweb reports that swaps and swaptions volume was driven by strong client demand around the September Federal Reserve meeting.

Compression activity, which carries a lower fee per million, grew 95 per cent YoY for September, but Q3 2024 compression activity as a percentage of swaps and swaptions was lower than Q2 2024.

In credit markets, fully electronic US credit ADV was up 77 per cent YoY to US$8.6 billion, while European credit ADV increased by 27.9 per cent YoY to US$2.7 billion.

Increased client adoption drove both US and European credit volumes, says Tradeweb, and European credit volumes were also driven by record volumes in European portfolio trading.

OCC average daily loan value up 23.4%

The Options Clearing Corporation (OCC) has recorded a 23.4 per cent year-on-year (YoY) increase in average daily loan value for securities lending trades, generating US$181.7 billion for September.

Total securities lending transactions cleared on the OCC platform in the month increased 22.71 per cent YoY to 246,499.

The total volume for all futures and options cleared through the equity derivatives clearing organisation climbed 14.1 per cent YoY to 967.4 million contracts for the month.

OCC experienced a 4.6 per cent YoY hike in index options contracts to 83.6 million and a 1.6 per cent YoY decline in cleared futures contracts to 4.6 million.

ETF options contracts cleared on OCC were up by 10.9 per cent YoY for September to 386.7 million. Equity options volumes grew by 18.8 per cent YoY to 492.4 million for the month.

ION MARKETS

Anvil Secured Funding

Simplify and automate your repo and securities lending

The digitization of Secured Funding is gathering pace. Whatever the size of your business, from single-region to multinational, it’s time to get on board.

ION’s Anvil Secured Funding suite gives you everything you need in one solution:

- Achieve seamless order management, trade execution, and lifecycle processing.
- Consolidate inter-dealer repo order management with multi-market aggregation, routing, and inventory optimization.
- Digitize RFQs across structured and unstructured flows, including email, voice, and chat.
- Maximize collateral fluidity and capital efficiency with real-time inventory optimization.
- Access all your data in one place to make faster, smarter decisions.
- Choose components and features to enhance or replace your current system.
- Go live in three months with hosting in the ION Cloud.

Anvil

90%

of the world’s top banks trust ION technology.

Discover what we can do for your business at **www.iongroup.com.**

A global connection

HSBC's Adnan Hussain and Curtis Dutton sit down with Carmella Haswell to explore the bank's efforts to form global connections, work with key emerging markets, and the importance of connectivity within securities lending

Securities finance, and specifically securities lending, is a product that sits alongside clients' core focus as an investment manager or an asset owner, says Adnan Hussain, managing director, global head of Treasury, Agency Lending and Liquidity Services at HSBC Securities Services. The requirement for the function to be seamless and not impact their core operations is a key expectation.

Hussain and his team build around the basic ethos of ensuring that the alpha driven out of a client's portfolio is done efficiently, and ideally where there is little to no risk. Given recent events, financing and funding levels tend to be expensive and, as a result, more cash is focused on driving yield. Therefore, a large part of the dynamics in HSBC's agency securities lending business have slowly transitioned as well in that respect.

"A big part of our focus this year was to ensure that our clients were able to continue with the newly shortened settlement cycle and, as such, still enjoy these benefits of securities lending," notes Hussain. "Our keen focus is to drive consistency in revenue profiles through the general collateral book, ensuring efficiency in the market, and deploying a lot of the technology that we have been investing in over the last few years, so that we are able to offer these consistent returns."

HSBC is a universal bank, therefore — in addition to the institutional asset management space that the markets business tends to be more focused on — the corporates are a huge part of who the bank services.

With interest rates where they are, and financing being relatively expensive, Hussain has seen large corporations act in a "remarkably similar" manner to institutional asset managers or owners. Here, their savings' portfolios are becoming more asset focused, leading to securities lending opportunities.

The demand to collateralise, and perhaps to diversify clients' cash portfolios, has led HSBC to expand its products and to be able to cater to a much broader client segment.

"It has been quite positive for the industry as a whole, because it does diversify the liquidity pools that are available. It brings a broader segment of the population to the table. Generally, it has been an interesting and changing environment that we have been able to operate within the last year or so," notes Hussain.

From the execution perspective, HSBC has seen an increased sophistication from many clients this year. With balance sheet now key, clients increasingly recognise the funding environment and "where it is".

In recognising the funding environment, corporates themselves are starting to look for solutions to deploy cash outside of conventional terms. These same corporations are coming to the table in the securities finance market, through HSBC's product.

Market overview

Speaking to Securities Finance Times, Curtis Dutton, director, global head of Trading, Agency Lending and Liquidity Services at HSBC Securities Services, provides an overview of global securities finance performance over the past 12 months.

In his review, Dutton remarks that the market "has been challenging". The tail end of the interest rate cycle in 2023 was increasing, which brought opportunities for clients in the fixed income space and repo markets. Following a peak of this interest rate curve and cycle, the same opportunity has gone amiss this year.

Another global market 'event' that has been influential in HSBC's activities include the divergence in policies across central banks. For example, Japan has produced its first ever interest rate rise in 17 years. The Bank of England, Bank of Canada, Switzerland, and Sweden, are now cutting interest rates — Dutton predicts the Federal Reserve will not be far behind.

The impact of this has arguably led to uncertainty across markets, such as with the Japanese yen currency volatility earlier this year, Dutton notes. On the back of this, the VIX Volatility Index reached about 38, which is "comparable" to levels in the Greek debt crisis of 2012, he adds.

As specials are "very few and far between" this year, Dutton indicates a dip in securities finance revenues. Generally speaking, and for the market at large, these volumes are down about 17 per cent year-to-date; in Europe it has fallen almost 40 per cent; and in the US — which is historically the real "Haymaker" in the securities finance space — it is down 22 per cent.

Other notable trends include the "increasingly more important" need to find solutions and to create solutions for clients and counterparties, particularly with deploying assets in HSBC's programme, says Dutton.

Deployment levels in some asset classes have differed between synthetic and physical. The synthetic market has widened and become more expensive, due to a number of factors such as the capital considerations for some banks. The consequence, Dutton continues, has been opportunities for banks that have balance sheet to create funding trades. For them, it has created "a long skew" on physical positions, which means on-loan values are not rising at the same pace as lendable.

Dutton states: "In the securities financing space, and for us on the physical side in particular, this year has therefore been the year of funding and balance sheet. Clearly, there is an opportunity to fund the assets that our counterparties have. But within that, there is an element of looking for solutions down that funding curve, whether that be new collateral types, new markets, or being able to indemnify — which for us, is one of the key pillars of what our clients view very strategically in this current funding world."

Emerging markets

While HSBC's client base presents increased engagement towards new types of products; lenders, brokers and banks are beginning to venture into the digital space.

Earlier this year, HSBC transacted the first ever funding on tokenised gold assets. Soon, the bank looks to enter into that space, from an agency perspective, with one of its strategic clients. But that goal is just the start, according to Dutton.

He says: "Gold is a fairly sensible asset to start with because it is physical, tangible, and stable. But the evolution of this digital product, as it progresses over time, is going to be a very interesting dynamic to follow — how it could stimulate increased liquidity across the market, and how it could integrate closer across global time zones."

In addition, Dutton indicates that the business is able to help its clients with new markers, from a funding and a deployment perspective.

He continues: “We are now lending in markets within the Middle East, but are also looking at new funding and collateral types. The real benefit that we give to our clients in the agency space is universal coverage, a universal breadth of operational capabilities. But we also provide them with the strength and the stability of the HSBC balance sheet, which allows us to enter into spaces that perhaps others cannot.”

Securities lending activities contribute to a vibrant and robust marketplace, and are attracting a number of international participation and interest to the Middle East. So HSBC’s keen interest in the region comes as no surprise.

"As we see investment flows moving into these positive, very high growth geographies, certainly one of the first points of conversation becomes securities finance in general."

Adnan Hussain

Earlier this year, HSBC opened a securities lending desk in Riyadh as a sign of intent of how strategic and important the bank sees the region in the Middle East. HSBC, including the investment bank and corporate bank, has very positive relationships in the Middle East region at large, and has local operational coverage on the ground in many of the Middle Eastern markets.

Dutton comments: “The Middle East is on the precipice of what we believe is something great. We hope to be able to offer Middle Eastern securities as a liquidity product, and liquidity in a more generic term, to a global audience, not just locally in the Middle East, not just in Europe and in Asia, but to our counterparts and partners in the Americas as well.” HSBC began lending in Saudi Arabia, and is now seeing relatively entrenched activity around key events such as MSCI periods and corporate actions. Dutton notes that the region is “becoming a mature market”.

But it does not stop there. Dutton eagerly anticipates further advancement in other Middle Eastern markets, such as in Qatar — where HSBC transacted the “first ever” stock loan transaction a few months ago — and hopes to expand on this in the near term. Last year, the bank transacted on the Dubai Financial Market (DFM), and hopes to also expand in Dubai shortly. In addition, HSBC is speaking to regulators and looking at markets such as Kuwait.

Eager to explore more emerging markets, Dutton reveals: “It also does not end in the Middle East. Clearly, there are markets in Asia and the Asia Pacific region, such as Indonesia, that we are looking at. The potential for capital markets to take off in Indonesia is huge.”

China is another market where, if that opens, and opens in the way that Dutton expects, there could be “huge amounts of potential” for both HSBC and its clients across the all markets.

As a geographic centre that is seeing a lot of growth, Hussain highlights the Philippines as another region of interest for the team. He explains: “The Philippines market is effectively near a go-live at this point. As we see investment flows moving into these positive, very high growth geographies, certainly one of the first points of conversation becomes securities finance in general. It is not limited to equities, because where interest rates have certainly been on a significant incline, even prior to that with respect to Covid, we saw a lot of investments moving eastward.”

A lot of these emerging economies are attracting investment because of a burgeoning middle class, a significant growth rate in their local markets, according to Hussain. He says this “speaks volumes” to the fact that local investments there are increasing as well.

Saudi Arabia has one of the largest working age under 30 populations in the world, leading to a natural increase in savings, and a demand for investment products locally.

“We also see international investors looking to enter new markets, such as Saudi, and so we see demand for securities financing for those markets,” he adds. “Equally from our perspective, we are focused on the local investor and how a lending product, for example, can assist with lowering expenses and improve performance on the savings that are naturally increasing."

With an interest in securities financing growing within the previously listed emerging markets, and more, there is a challenge in introducing this product where there are local regulations across each of these newer geographies, where participants are not as well versed.

Hussain promotes: "It is our responsibility to be able to approach the product set for these participants with a perspective of education, consistency, as well as a keen focus around ensuring that the client segments locally understand what the macro usage is, and how their investments are benefiting from the new product sets that are then becoming available."

Connectivity

Addressing how important connectivity is in the securities lending sector, Hussain recalls the firm's ethos, to connect both "east to west and west to east".

In that respect, the firm says it has a unique position in what might be considered as emerging or developing markets. But also, this brings a responsibility to ensure HSBC is offering a global solution set to the local markets.

In order to do this, Hussain says consistency and a physical presence is key, which is "effectively the relationship we have with regulators locally, the trust that has been built in that respect over the years". But, primarily, because of the newer nature of the industry, Dutton believes that many of these markets tend to be segregated, and so have become operationally more intensive.

On one side of the business, the firm is a huge network provider to banks and broker dealers globally, global custodians included. The other side is where HSBC provides global custody and access to investors, asset managers, and asset owners in the process. Hussain explains: "We have made a very conscious effort to look across both of those business segments to offer a holistic solution set, appreciating that a lot of the time, the flow is from one side to the other."

A holistic view and focus on an end-to-end flow, with a primary ambition to ensure it is maintaining operational efficiency and excellence through the process, has been a large part of Hussain's work. One of the steps that he took was bringing treasury and securities lending together.

Within emerging markets specifically, he believes there is more need to provide that holistic approach. The segregated nature of the assets, the restricted nature of a lot of the currencies, the bespoke nature of some of the regulations that are then omnipresent as well. In all cases, Hussain says regulations are always changing, but in many cases in some of the emerging markets, they are relatively new regulations. "Therefore, working closely with ensuring that the depositories, the regulators, the broader base within these local markets, are feeling comfortable about new financing products, is a big part of our focus," he confirms.

> "We are not the largest custodian in America, but it is absolutely our view that we have a global programme with global connectivity, whether it is the Middle East, Europe, Asia or the Americas."
>
> **Curtis Dutton**

Dutton interjects: "From an execution side, what Adnan has been able to achieve in bringing together treasury and securities lending, has certainly been incredibly powerful. The sophistication level of our clients now is such that they see the idea very acutely, that they are both liquidity takers and liquidity providers.

"What our clients are looking for is a liquidity partner, to deploy liquidity where they see it fit and to raise liquidity where they see it fit. Having a holistic view of both treasury and securities lending gives us a very unique view of how we can achieve that."

With regards to Hussain's point on the global operations HSBC has and on-ground presence in local markets, Dutton says this should "be felt very acutely" in the Americas also.

"Yes, we are not the largest custodian in America, but it is absolutely our view that we have a global programme with global connectivity, whether it is the Middle East, Europe, Asia or the Americas. We want to allow access to local liquidity to all our institutional partners globally," Dutton notes.

Core priorities

Bringing the discussion to a close, Hussain and Dutton review the key priorities for HSBC's development strategy, and what the bank has coming up in the pipeline.

From a trading perspective, Hussain sees the business not just as a securities lending business or a treasury business, but as a liquidity provider generally.

"Enabling my teams to be able to have a holistic approach across broader products is a huge part of my priority," he adds. "There are a lot of new tools available from a financing perspective — including the principal approach, the synthetic, a CCP, collateral pledge, tokenisation — it is a big part of our focus to provide credible solution sets across a broad base."

In terms of aspiration, and what Hussain would like to achieve over the next year, is seamlessness across what would be considered, traditionally, as treasury and securities finance. In addition, he is eager to see the advent of tokenisation become more mainstream.

He explains: "Now that the proof of concept has really been able to get crossed, we want to do things in a more calculated way. The mystery or demystification around how settlement works with a token can naturally be answered, and a natural increase of usage will lead to efficiency and greater access."

Overall, to progress the product sets and focus on client's needs and solutions that they desire in that respect, is the core part of Hussain's focus.

In conclusion, and from an executive perspective, Dutton's core priority will be to continue to evolve HSBC's sophistication in line with its clients, whether that be sophistication in operations, technology, personnel, or sophistication in approach and mentality. He adds: "Ultimately, our clients are evolving in their sophistication and it is incumbent on us to evolve with them."

Adnan Hussain
Managing director, global head of Treasury, Agency Lending and Liquidity Services
HSBC Securities Services

Curtis Dutton
Director, global head of Trading, Agency Lending and Liquidity Services
HSBC Securities Services


How do we fix
a problem with
no boundaries
by pushing
our own?
HSBC
Opening up a world of opportunity
Issued by HSBC Bank plc, 8 Canada Square, London. E14 5HQ

A strategic move

Jill Rathgeber joined Fidelity Agency Lending in April as vice president of product and strategy, bringing over 30 years of industry experience to the new position. She explores her move to the firm, key focuses that will shape the business line's strategy, and her work with Women in Securities Finance

In April 2024, you joined Fidelity Agency Lending (FAL), contributing to an extensive career in securities finance. Can you tell us why you joined the company's senior team?

I was attracted to the innovation and deep capital markets expertise across the organisation. The wealth of knowledge and technological advancement at Fidelity is impressive — all of which is critical to our institutional clients' success. The atmosphere has the energy and vision of a start-up company, but there is a whole breadth of resources across the enterprise to leverage. Fidelity spends multi-billions of dollars on technology annually across the firm and has an inherent commitment to resilient tech security — a key differentiator for us.

What further impressed me was the FAL team and the investment in human capital that the firm is committing to make this programme successful. The team has vast expertise in securities lending and trading, and their talent is unparalleled. Before I joined, I heard a lot of positive buzz about Fidelity Agency Lending. Throughout the industry — fintech vendors, borrowers and beneficial owners, and industry professionals — many colleagues have expressed how impressed they are with the energy and differentiated approach of the FAL team.

Another draw was Fidelity's deep ties with firms we collaborate with — asset managers, hedge funds and other institutional investors — and its commitment to helping our institutional clients achieve the best outcomes for their stakeholders. Many of these firms have established relationships across Fidelity because of our many products and services that help institutions in different, meaningful ways. There is a lot of great collaboration within the organisation that strengthens our client relationships while providing the best support.

Tell us about the strategic role you are leading, and key areas of focus that will enable the team to introduce new ways of thinking to benefit your institutional clients.

As we evolve, expanding our global footprint is a priority. Fidelity is a global asset manager, and as such, we can leverage other parts of the company as we look for opportunities in non-US markets. In particular, the UK, EMEA, and APAC markets make sense strategically. A key input to our strategy is constantly evaluating the lendable assets of our existing and potential clients who are in our sales pipeline to see where we can offer added value.

The most important thing we can do for our clients is to generate incremental revenue and understand their overall needs, goals, and regulatory requirements. Our strategic considerations involve all facets of the securities finance industry — revenue creation, regulatory changes, operational and capital efficiency, new routes to market, and opportunities within global markets. It is imperative for us to evaluate new lending markets and perform due diligence on new trade structures that are more capital efficient. We are always contemplating new and innovative solutions that we can provide to our clients to increase our value proposition and differentiate our programme.

There are also many things happening in the regulatory landscape, so we are actively engaged with industry groups, Fidelity's government relations team, and our clients to ensure that we are aware of all legislative proposals and how they impact our clients, our securities lending programme, and the lending industry.

The needs of institutional clients are at the heart of decision-making and strategy for many firms. How do you ensure you are getting the right input, and what do you specifically evaluate to set strategy?

I am tightly connected with the FAL senior team that includes Justin Aldridge, head of agency lending, Doug Brown, head of business development, Marney McCabe, head of relationship management, and members of our trading, product, and technology teams. They all have valuable client input, from both existing and prospective clients, that we need to consider as we evolve.

After in-depth analysis, we tier new opportunities based on factors such as how many and which clients will benefit from the potential revenue opportunity, the costs to implement, if we have the needed resource capacity to support it, and how it complements our current infrastructure. Once the evaluation is completed, it goes into our planning and prioritisation process and then we execute from there.

We also continuously explore trading venues and securities lending platforms for cost and operational efficiencies. In our evaluation, we ask probing questions like what this helps us to solve, how much does the platform cost, does it help us transact more efficiently, will it help with our goal of providing revenue to clients, does it have resilient technology with high security standards, etc.

You founded the Women in Securities Finance group in 2018. The group now has over 1,300 members across five chapters. What is the vision for this organisation and how does it benefit the industry and the talent within the securities finance space?

I am truly proud of the work that the Women in Securities Finance leadership team has done throughout the years. The mission of the group is to create a community to foster connections

"The wealth of knowledge and technological advancement at Fidelity is impressive. The atmosphere has the energy and vision of a start-up company, but there is a whole breadth of resources across the enterprise to leverage."

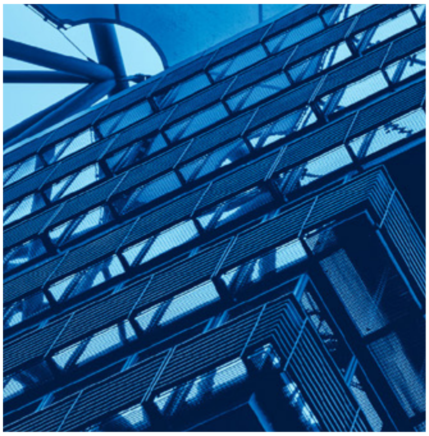
Jill Rathgeber
Vice president of product and strategy
Fidelity Agency Lending

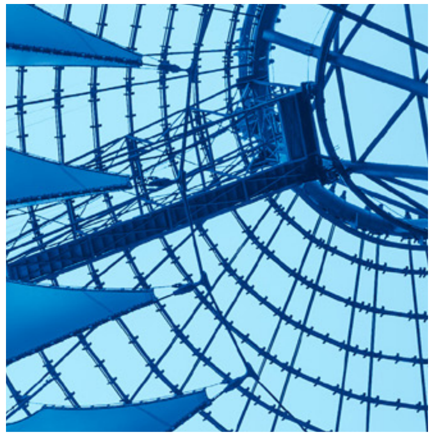
and promote the inclusion and advancement of women in the securities finance industry. The mission is supported with regional networking events, programming focused on professional growth and development, and the implementation of the Grow Your Network programme that was rolled out in the London, Boston, and New York chapters.

While this programme has created connections for members within the same chapter, we are now piloting a global, cross-border version of the programme that will create connections across our Boston, London, and virtual chapters. This will provide opportunities for our members to build a global network. The group also provides a platform for women to increase their industry visibility by participating in educational podcasts and speaking at industry conferences and events sponsored by Women in Securities Finance. Finally, the group has led several philanthropic initiatives such as participating in high school and higher education panels to highlight career paths and opportunities in securities finance.

The goal is to attract, cultivate and retain talent, help women to advance at every stage of their careers, promote diversity, equity and inclusion (DE&I), and bring diverse thinking to the industry to ensure continued growth. I am very thankful for the group's allies, supporters and members over the years as that support has contributed to the success of Women in Securities Finance. All of the work done by the group has set the stage for the advancement of women that will benefit the industry. I am excited to see what the future holds. The energy from the 1,300 members is sure to keep the group moving in the right direction.

Fidelity Capital Markets (FCM) has been a significant participant in the securities lending market as a borrower, principal lender, prime broker, and lending agent for over 20 years. FCM began lending on behalf of its institutional and retail clients in 2001. Fidelity Agency Lending, a tech-driven securities lending programme, provides support to a variety of institutions including asset managers, ERISA plans, and insurance companies as they seek incremental revenue to boost performance. Today, this programme has successfully onboarded over US$3 trillion in global assets (USD as of 30 September 2024).





Your equity financing, centrally cleared

With the world's largest
U.S. equities lending counterparty


For more than 30 years, OCC's Stock Loan Programs have reduced operational risk while enabling capital and collateral savings for Clearing Members.

To learn more, visit theocc.com/securities-lending, or contact us at MemberService@theocc.com.

30+	85	$151B
YEARS	HEDGE LOAN PROGRAM MEMBERS*	AVERAGE DAILY LOAN VALUE*

OCC THE FOUNDATION FOR SECURE MARKETS®

*At end of Q4, 2023

Maximising value

Tiger Brokers' Keith Lee, CFA, managing director, APAC head of securities finance and borrow, speaks to Carmella Haswell about the company's SBL expansion in Asia, as well as the evolution of SBL in the retail investor space

Over the last 20 years, the prime brokerage segment has expanded dramatically in the Asia Pacific region. This growth looks set to continue as equity markets persevere in their development from an institutional and client perspective.

According to Keith Lee, CFA, managing director, APAC head of securities finance and borrow at Tiger Brokers (HK) Global, there are two main contributors to this acceleration. First is the introduction of new asset classes such as cryptocurrencies, which require execution and financing services. Second is the increasing number of family offices being established in Asia.

Emerging asset classes, particularly crypto-related securities, are gaining traction and demand increased attention in the APAC region. Among other trends, the rise in client groups such as family offices present unique service opportunities within this sector.

For Tiger Brokers, there is a significant opportunity to bridge the gap between local traditional brokerages and international brokerages.

"By positioning ourselves as an intermediary, we aim to facilitate smoother transactions and enhance connectivity between these two segments," says Lee. "Ultimately, our strategic goal is to establish Tiger Brokers as a leading wholesaler in the retail investor space, harnessing these trends and our unique market position to drive growth and deliver value to our clients."

The retail investor

Harnessing his expertise in the market, Lee indicates that the evolution of securities borrowing and lending (SBL) in the retail investor space can be examined from two perspectives.

Considering retail investors as securities borrowers in the Hong Kong market, Lee observes a gradual increase in both the number of transactions and notional value. However, these figures remain significantly smaller compared to those of institutional investors.

On the other hand, retail investors are becoming increasingly important as securities lenders in Hong Kong's SBL ecosystem. Through yield enhancement programmes and margin accounts, the securities inventory of retail investors can be efficiently lent out.

He adds: "We've seen consistent growth in both the total borrow notional and the number of securities sourced from retail investors, highlighting their growing significance in this space."

Tiger Brokers is an online brokerage group that holds a brokerage licence in Singapore, the US, New Zealand, and Australia. Specialising in serving retail investors and a range of clients, Tiger Brokers Hong Kong (TBHK) has expanded into the SBL and financing business under Lee's leadership.

Tiger Brokers' business strategy primarily focuses on strategically developing and launching products and markets in a sequential manner. A number of factors influence the firm's strategic decisions, including the complexity of product development, potential return on investment (ROI), required IT resources, staffing needs, market demand, competitive landscape, and regulatory compliance.

“Tiger Brokers plans to expand its client base and counterparty relationships, enhance borrow quality, increase its securities lending inventory, and optimise the firm's operational processes.”

“By carefully weighing these factors, we aim to optimise our resource allocation and maximise the value we provide to our clients and stakeholders,” adds Lee.

The firm also seems to be maximising value through its recent announcement with the Pan Asia Securities Lending Association (PASLA) — which indicates that the company has become the first retail fintech broker to join the association as a member.

Through its membership, Tiger Brokers will work alongside traditional financial institutions to advance the SBL business.

The company views PASLA as a crucial partner in its future business development, where its various working groups provide “invaluable” clarification on rules and regulations, as well as guidance on general market practices.

Lee explains: “We are excited to be a member of PASLA. It proves that we've met the market standard set by other PASLA members, which are top-tier professional participants. This demonstrates our efforts and commitment to the SBL and financing business.”

As Tiger Brokers only recently established its SBL desk in Asia, its PASLA membership has significantly enhanced the company's recognition among industry peers across the Asia Pacific region, the firm comments.

Consequently, Lee says the company has received an increase in business inquiries, and potential counterparties have shown greater confidence in its product offerings.

Expanding its reach

Tiger Brokers' approach to providing prime brokerage services is centred on catering to a specific group of clients.

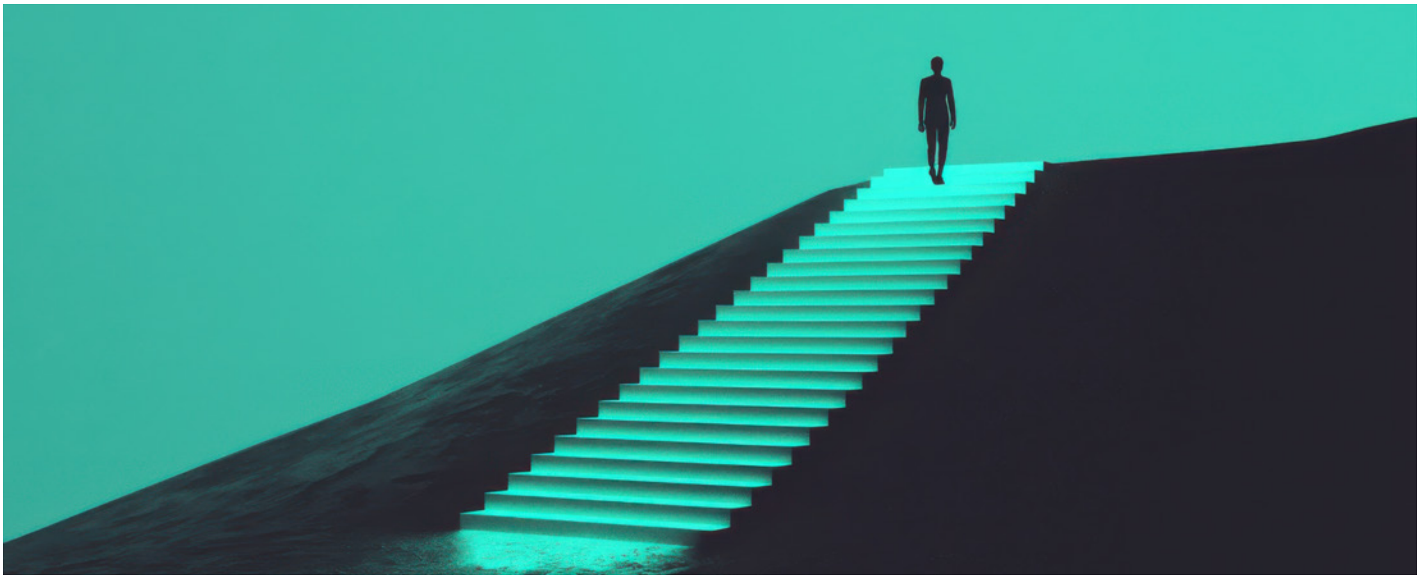
Lee explores: “We develop our products to meet the unique demands of this targeted client segment. In determining which client group to focus on, our primary consideration is client quality. We assess this by thoroughly evaluating each client's background and financial condition.”

He views market volatility, increased demand for liquidity, and regulatory changes not as challenges, but as opportunities. At Tiger Brokers, the firm aims to foster a “culture of innovation”, constantly seeking new and improved ways to conduct business. This approach, it says, allows the company to differentiate itself in the market and turn potential challenges into competitive advantages.

Looking ahead over the next 12 months, Tiger Brokers plans to expand its client base and counterparty relationships, enhance borrow quality, increase its securities lending inventory, and optimise the firm's operational processes to handle higher transaction volumes more efficiently.

In his conclusion, Lee says: “As a global entity, we'll continue to use our international presence, fostering collaboration across regions, to create new business opportunities.

“While we can't disclose specific projects at this time, our focus remains on strengthening our market position and delivering enhanced value to our clients in the securities lending and borrowing space.”



Ovation to the test: One step closer to the next-generation clearing platform

OCC's Sheila Zak, executive director of member services, and Harsh Devpura, principal and product owner, speak with Daniel Tison about the progressive rollout of the firm's new clearing, risk, and data platform

Following the completion of the first phase of beta testing, the Options Clearing Corporation (OCC) is preparing its new solution Ovation for Beta 2 in late October. The testing, which commenced in July, is planned to be progressive, with functionality added in each beta release while supporting previously released functionalities.

Ovation, the new clearing, risk and data platform, is designed to offer real-time clearing capabilities, along with the resiliency of cloud-based architecture. It aims to support increased business agility, enhanced security capabilities, and more resilient technology for exchanges, clearing members, and market participants.

Since Ovation is a new platform, OCC requires all market participants who send or receive files from the clearing house to test even if there are no layout changes. In addition, all market participants who access the user interface must test all functions they utilise in their daily operations.

In May 2024, OCC provided market participants with customised test scripts to ensure each entity executes the necessary tests for the products they clear. Clearing members and exchanges also received customised test strategies outlining the specific requirements needed to fulfil in each beta phase.

According to Sheila Zak, executive director of member services at OCC, the first phase of the beta testing, running until 8 September, was completed successfully, with high participation from clearing members and exchanges.

"We rolled out limited functionality, but the most important thing we did was to make sure that our connectivity was successful with the members and the exchanges, and they were able to interact on a limited capability with our screens and user interface," she says. "During this phase, we received good feedback from our participants, and they're really excited about what the next phase will be because they want to test more functionality."

OCC has scheduled the Beta 2 testing phase to begin during the week commencing on 21 October. For this phase, OCC offers training to prepare market participants for the functions they need to perform during external testing.

"We have a lot of functionality that we are rolling out to our members, and we are very excited about that," says Zak. "Beta 2 testing focuses on the core clearing functionality that we offer at OCC, including trade processing and post-trade. In addition, we're going to test the stock loan programme hedge in November, and this will involve both the market vendors alongside clearing members."

Following Beta 2, OCC plans the third phase of its external testing, focused on collateral management, to begin in January and continue throughout the first quarter of 2025. In addition, OCC's market loan programme for stock loans will also be available for testing.

"The changes to the market loan programme will be transitioning the middle office from the market loan to OCC, so members can see and maintain the lifecycle within OCC," says Zak.

After Beta 3, OCC will run Ovation in parallel with the previous system ENCORE. Prior to the official launch, OCC will need to obtain approvals of several rule fillings.

"We have been in communication with the regulators since the very beginning, and we continue to work with them," says Zak.

Looking ahead, Harsh Devpura, principal and product owner at OCC, says: "Once we go live with Ovation, we also plan to harmonise our workflow between the hedge and the market loan programme, expand our guarantees, and look into supporting new loan markets or new membership models as the opportunities and requirements arise for clearing to get involved."

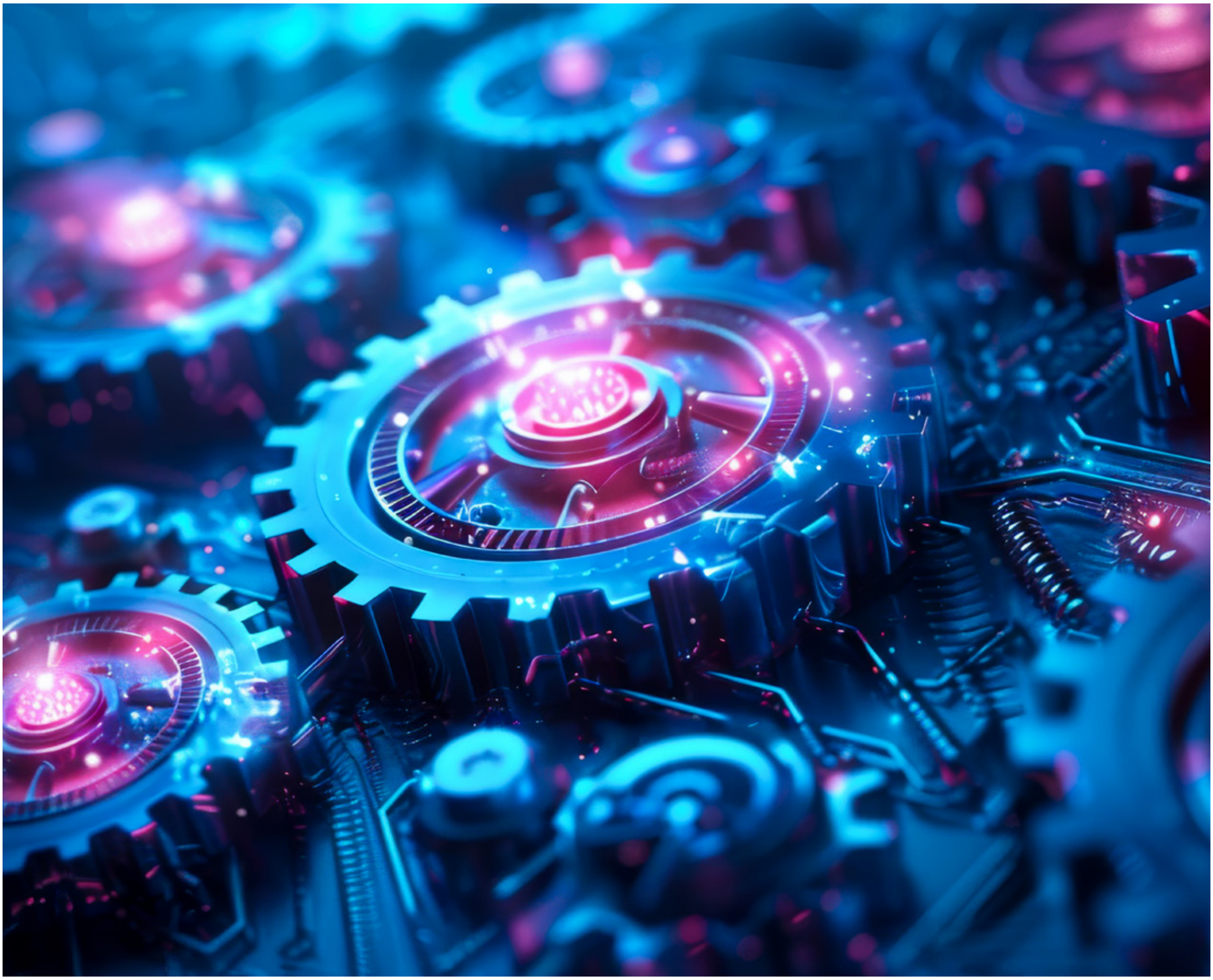
He adds that stock loan programmes in Ovation will offer distributed ledger technology (DLT) features, subject to regulatory approval, so members will have the capability of adopting a node and getting real-time data from OCC in the future if they choose to do so.

"When you have real-time data available, you start developing new tools, new analytics around it, which will help improve both the front end trading and the back end reconciliation," he says.

The launch of Ovation, scheduled for mid-2025, will mark a significant step forward in the capabilities and infrastructure of OCC. As the platform moves through its beta phases, OCC expects its continued collaboration with regulators and market participants to bring a smooth transition toward an improved experience, driving innovation in clearing processes.

Sheila Zak
Executive director of member services
OCC

Harsh Devpura
Principal and product owner
OCC



Dynamics in securities lending: 2025 and beyond

Rob Sackett, head of prime financing at Clear Street, looks at the year ahead for the securities lending market, technological developments and how Clear Street is here to help the market

What do prospects look like for the securities lending industry in 2025 and Clear Street?

I am bullish for the industry in 2025, despite the pace of industry-wide lending activity in 2024 that caused headwinds for most players. According to S&P Global data released in August, revenues declined across all equity regions, while securities lending markets revenues declined nine per cent year-over-year (YoY). We have opportunities ahead. Even though the Fed may lower rates, securities lending spreads should widen next year. Due to the state of US politics today and the geopolitical pressures across Europe and Asia, we should see more volatility across both fixed income and equities, creating opportunities for our industry.

In late 2024, we continue to see pressure on month-end and quarter-end funding needs across the industry, which should continue into 2025. As the need for funding continues to increase across not only hedge funds, but the growing family office segment, these spreads may also widen. Additionally, with the continued pressure on risk-weighted assets (RWAs), liquidity coverage ratio (LCR) and collateral optimisation, there is still a robust need for transformation trades, upgrades and downgrades.

Clear Street has been successful in covering our client funding needs as our assets have continued to grow. We believe that Clear Street will continue to be a more active and premier destination for our clients.

How do you see technological innovations, particularly with respect to electronic trading venues, developing?

As industry flows increase and the trend of doing more with fewer people continues due to pressures to take advantage of technological innovation, 2025 will be an interesting year with the competition for electronic trading venues and for the securities lending industry on the whole. According to research from Coalition Greenwich's fixed income trading technology report earlier this year, e-trading has seen a surge in Q1 wherein 44 per cent and 29 per cent of investment-grade bonds and high-yield bonds respectively were traded using electronic means. The report adds: The journey to more electronification is very different across participants, with most embracing at least some e-trading in their workflows today."

Similar to our industry, competition between EquiLend, FIS, Wematch, Trading Apps, GLMX, Pirum and firm B2B options to include both large and small participants should see some real winners and losers as adoption increases. Coalition Greenwich also pointed out that these venues "serve as a hub for the buy side, the trading venues and their dealer counterparties, allowing traders to discover and negotiate prices in an efficient manner without turning to different platforms and systems".

At Clear Street, not only have we built our own proprietary back end stock record, client locate system and front end trading platform, we also plan on ingesting all of the venues into our front end to optimise both borrowing and lending. We continue to aggressively increase our footprint in prime brokerage, market making, active trading, the professional trading segment and synthetic prime brokerage and have the flexibility to meet our clients wherever they wish to trade. Clear Street's inherent DNA as a tech-first firm fuels our flexibility. We operate on one unified tech stack across the organisation with architecture that allows us to rapidly scale for new opportunities. This allows us to expand our business model across client types, asset classes and geographies like Europe and Asia, where demand is sure to increase in 2025.

What are you seeing from a technology perspective? What is Clear Street's value proposition in this respect?

A: Clear Street is built from a single tech source that enables flexibility, speed, and operational efficiency. Over half of our most recent employee headcount are technologists and coders who are dedicated to our vision. We can produce and execute both firm and client needs in a timely manner. Our flagship product, Studio, is the in-house, all-in-one portfolio management platform that enables our clients to access risk and margin, exposures, PnL and analytics reports instantly. Studio also gives both large and small clients access to an EMS, OMS, PMS and RMS to help build their businesses. With more asset managers coming online with smaller infrastructures, it is a necessity to give them solutions to run their business.

Even with the rapid technological advancements we see today, how important is the 'human element?'

While we are a tech firm at our core, Clear Street will never lose sight of the human element. We often say that the Clear Street 'winning combination' is our technology plus our people, equating to a relentless client-centric focus. As we build technology that is purpose built bespoke for clients' needs to solve their pain-points, the human element is everything on top of that and together, that is how we win. We still need people to press buttons, answer emails, phones (yes — we still use them), chats, and talk to our clients in any way they want to communicate. Our hiring has increased year-over-year and we expect this trend to continue.

We recently announced a new CEO and we have made some incredible hires from across the Street over the last year. Clear Street aims to hire the best and brightest who have built businesses in their prior lives or those who have been successful despite working at a place with antiquated technology, onboarding challenges, highly stringent risk and credit policies and new business funding and resource challenges. While a lot has changed in our industry, some things still remain the same. At Clear Street, the customer comes first

— always. We must service them with quick and accurate responses, flexible cut-off times, precise onboarding, timely risk and credit analysis, and a positive overall experience. We listen to our clients and give them the solutions they need to run their business.

How has the firm's work for the traditional retail investor changed?

We have seen the demand for services increase from the more traditional retail investors as they become more sophisticated. Data, costs and trading accessibility, have all become cheaper and easier for a crowd that was disadvantaged for a long time. Not only are we seeing sophisticated trading strategies create more needs for asset managers under US$500 million, but our Clear Street Active Trading clients (formerly CenterPoint securities) and broker-dealer clearing partners increasingly benefit from the services traditional prime brokerage clients have requested for some time. There is a need for a long list of solutions such as 24 hour trading for both locates and cash execution trading, fully paid lending, repo trading, increases in asset classes, cross-product margining, clearing in local currencies and a 'Follow the Sun' coverage model. All of this lines up well for Clear Street as we continue to position ourselves and grow in this space.

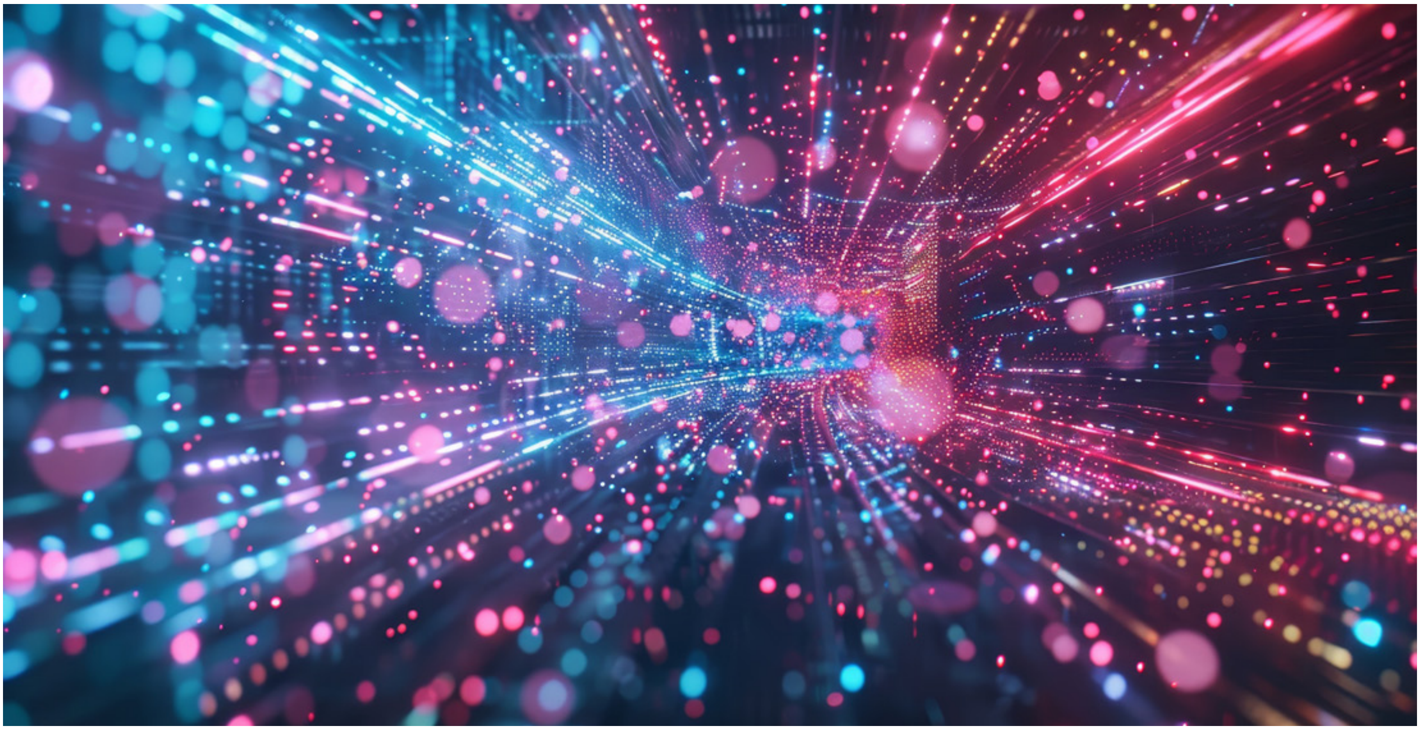
Can you leave us with your parting thoughts about the future of securities lending?

I remain very bullish for equity finance revenues across all asset classes and regions. I am very excited about the entry of new players to the space and expect the incumbents to become more efficient managing their books. In-house technology budgets should grow but the à la carte choice of outstanding vendors should continue to grow as many of these firms complement what is being built in-house. Upcoming regulations should also increase the overall transparency in our market.

Our market continues to evolve and become more efficient, which should not only bode well for 2025 but for many years to come. As international investors continue looking to the US markets, assets and opportunities to optimise these assets should grow as well. Lastly, I am a firm believer that the growth in technology, especially with all the prospects of AI, still will not replace the human element of our business. I have always valued the relationships that I have built over the years and that will never change.

"While we are a tech firm at our core, Clear Street will never lose sight of the human element. We often say that the Clear Street 'winning combination' is our technology plus our people, equating to a relentless client-centric focus."

Rob Sackett
Head of prime financing
Clear Street



Movements in data and emerging markets

Karen King, head of solution sales for APMEA at S&P Global Market Intelligence, provides a global overview of the securities lending market, delving into recent regional activity and industry evolution. Carmella Haswell reports

During your 20+ years in the financial industry, what key transformations have you seen in the securities finance space which has boosted its evolution?

Addressing that question thoroughly would require significantly more time than the length of this article allows. The changes observed over the past 20 years have been nothing short of remarkable. A key starting point for this discussion is regulation; frameworks such as Dodd-Frank, Basel III, MiFID II, and EMIR have profoundly influenced how institutions conduct their business today.

Regulations such as the liquidity coverage ratio (LCR), net stable funding ratio (NSFR), counterparty credit risk (CCR), and the Securities Financing Transactions Regulation (SFTR) were non-existent two decades ago. These regulatory developments have driven considerable evolution in areas such as risk management, transparency, and collateral optimisation. Consequently, technology, infrastructure, and systems have undergone substantial overhauls to meet the enhanced requirements of the current ecosystem.

The rise of the fintech industry has introduced automation and improved data transparency, significantly transforming the trading process. The demand for more detailed data and insights has surged and will likely continue to grow alongside advancements in artificial intelligence and machine-readable data — fields in which S&P Global Market Intelligence remains a key player.

Having been with (what is now known as) S&P Global since 2005, how have you seen the use of data evolve? How have client demands and regulations impacted this evolution?

You may have encountered the phrase ‘Data is King’, but it is crucial to emphasise that the quality of data and its application are paramount. While there is an abundance of data available, it is essential to conduct appropriate due diligence regarding its security, maintenance, cleansing, aggregation, and point-in-time accuracy. Poor-quality data will inevitably lead to inferior outcomes.

Data is now integral to nearly every stage of the securities lending process, impacting the entire lending chain from beneficial owners to custodians, prime brokers, and hedge funds. The hedge fund industry was an early adopter in utilising data to develop signals and factors; however, this demand for data-driven insights has expanded across the entire sector.

Today, it is possible to monitor intraday trading activity for stocks, assess costs, identify driving factors, and build algorithms to forecast future price movements. The combination of robust infrastructure and data capabilities is particularly powerful, for instance, triparty arrangements and collateral optimisation exemplify this synergy.

Every lending desk utilises daily data, though the sophistication of its application varies. Some firms integrate data throughout the entire trade lifecycle, automating processes such as borrowing, pricing, and reporting, while others use it merely as a reference point. Enhanced data transparency has enabled beneficial owners to broaden their activities, with many now trading their own collateral and reinvestment. Regulatory requirements have also imposed additional governance standards, which can only be fulfilled through transparency.

This trend continues to gain momentum and has recently expanded into the repo space. Approximately 18 months ago, S&P Global Market Intelligence launched its Repo Data Platform (RDA), which allows for the display of repo and securities borrowing and lending data, high-quality liquid asset (HQLA) indicators and liquidity metrics. Given the increasing focus on collateral optimisation and OTC initial margin requirements, having access to this insight is essential.

In your career, you have worked with a number of desks — including fixed income, repo, equities, data, sales — what are the notable synergies between these desks? How have you seen this change?

The increased fluidity between equity and fixed income desks represents a significant transformation in the industry. Similarly, the integration of repo and securities lending desks, which have historically operated in isolation often on different floors with minimal interaction, has become more pronounced. A substantial number of firms are dismantling these silos, resulting in enhanced collaboration and operational efficiencies.

A notable concern in the repo markets has been the lack of transparency. However, with the launch of the RDA, we are beginning to witness a positive shift in this regard, accompanied by a growing commitment to transparency. This transition is delicate and requires sustained effort over time; it is unrealistic to expect a leap from minimal data availability to intraday insights overnight. Nevertheless, there is a clear demand for improved transparency.

In the cash equities markets, a wealth of data and signals is readily accessible, while the fixed income space remains relatively limited, primarily concerning pricing data. Given the recent interest rate environment, there has been a surge of interest in fixed income markets, along with inquiries regarding their impact on equity markets and vice versa.
Our Alpha Signals team has produced several papers exploring equity-to-fixed income and equity-to-CDS signals, which have garnered significant attention. They are now also working on reverse signals, as well as developing additional fixed income insights, in response to the high volume of requests in this area.

“Given the recent interest rate environment, there has been a surge of interest in fixed income markets, along with inquiries regarding their impact on equity markets.”

In terms of South Africa, the regulatory landscape is changing for the securities finance sector. Can you discuss what you are seeing in terms of SFT reporting?

This topic is particularly relevant, as I have just returned from South Africa, where the industry is eagerly anticipating the release of the

Conduct of Financial Institutions (COFI) Bill and the confirmation of the first official trade repository. This backdrop led to a compelling panel discussion focused on OTC and securities financing transaction (SFT) reporting, emphasising the critical importance of trade matching, collateral flexibility, optimisation, and the issuance of legal entity identifiers (LEIs). It is widely believed that SFT reporting will soon become a requirement in South Africa. However, several hurdles must be addressed, including the specifics of what will be reported and by whom. My estimate is that we are still about 12 to 18 months away from implementation.

Your position at S&P Global Market Intelligence encompasses a core focus on the APAC, Middle East and Africa markets. How do you see recent decisions on short selling and securities lending impacting investor participation in Korea and China?

This is a nuanced topic. In markets where entry presents challenges, many investors view these as opportunities, as the potential returns can be more attractive. While some investors prefer less risky, more straightforward routes, and may shy away from complex markets, others are drawn by the potential for higher rewards.

In China, stock lending continues to face various barriers to entry, particularly following the Hong Kong Stock Exchange's decision to stop disclosing real-time turnover data for northbound trading in April of this year. Despite these challenges, alternative data sources remain accessible, but it is crucial for investors to know where to find them.

There has indeed been significant discourse around reducing exposure to China. However, some firms continue to identify and capitalise on valuable opportunities within the market. The number of fund launches in Hong Kong has rebounded to respectable levels this year, with proximity to China serving as a key driver for being based there. While market dynamics have shifted, the appetite for investment remains strong. Where there is a will, there is a way, and I maintain a positive outlook for this market.

Regarding Korea, many countries with mature financial markets, robust systems, and substantial institutional investor bases are generally comfortable with short selling. In contrast, Korea's long-term investment landscape has been dominated by the retail sector, which has a complex relationship with short selling.

The current ban on short selling has been officially attributed to concerns over naked short selling and the need for effective control systems. However, many believe the underlying motivation is to appease the retail sector, especially in light of upcoming elections. Regardless, it appears that short selling will continue to be a contentious issue, and investors will need to remain adaptable to navigate potential restrictions.

Can you explore the key trends and movements within the APAC market which you find most interesting for your clients?

Stepping outside the securities borrowing and lending (SBL) space for a moment, one of the most significant trends we are observing is the rise of active exchange traded funds (ETFs), particularly semi-transparent ones. Overall, ETF growth has averaged 24 per cent in compound annual growth rate (CAGR) over the past decade, while the active ETF market has expanded at an impressive 51 per cent CAGR during the same period. Notably, actively managed ETFs captured 34 per cent of flow in the first half of 2024 in the US.

For those unfamiliar with active ETFs, these funds allow portfolio managers to adjust investments as needed, without being constrained by the rules of tracking a specific index. Semi-transparent ETFs, in particular, are not required to disclose their positions daily, enabling many mutual funds to list as ETFs.

As a provider of essential services within the ETF community, S&P Global Market Intelligence calculates portfolio composition files, intraday net asset values (iNAV), and ETF composition data. We have been collaborating closely with clients across APAC to facilitate this growth, achieving notable success in Singapore, Australia, Japan, Hong Kong, and South Africa, with Taiwan set to launch in January 2025.

Linking this growth to the SBL market, the increasing number of traded ETFs has prompted more firms to explore the use of ETFs as collateral. S&P Global Market Intelligence has developed an ETF collateral service to efficiently identify eligible ETFs for collateral between lenders and borrowers, thereby enhancing market efficiency.

The Middle East has garnered a lot of attention in the past 12 months, leading to an increase in the

number of funds. How have you seen activity in the region change?

There has been a significant surge of activity in the Middle East, characterised by a positive momentum in the securities lending sector. While the region is familiar with securities lending, as many firms actively lend their international inventory, domestic lending is now emerging as a priority. Saudi Arabia is leading this initiative, with Qatar, Abu Dhabi, and Dubai poised to follow suit. There is a clear commitment from both the market and regulators to expand the securities lending business; however, some patience is necessary as further development of infrastructure and processes is required.

Many countries within the Gulf Cooperation Council (GCC) have expressed a strong interest in diversifying their economies and enhancing their financial markets. As capital flows increase, it is essential to have mechanisms in place for appropriate position hedging. Therefore, the development of the lending space will significantly contribute to this growth. This is an exciting area to monitor, and we look forward to witnessing its continued expansion.

Outside of SBL we see an emerging trend for information in the credit risk space.

There is also a growing emphasis on sustainability in the region, driven by heightened awareness of climate change, government initiatives, corporate commitments, and national sustainability targets. As a result, we anticipate a surge in green bond issuances, as the Middle East emerges as a promising market for green projects, particularly in light of the need to diversify away from reliance on the hydrocarbon sector.

What will be the core focuses for you over the coming 12 months?

We continue to produce and deliver a broad range of solutions to the securities finance community. Our RDA product continues to gain momentum, the value of notional loans is now almost the same as those we see in securities lending. We have been somewhat surprised by the disparities between the securities lending market and repo markets which is really elevating the need for this insight.

We have some nice incremental insights coming on our upcoming fixed income interfaces, with interactive visualisations focusing on clarity, accessibility, and ease of use. Our users will be able to view the two markets side by side with supplementary metrics like liquidity scores in the cash market that helps users gauge the liquidity of the asset in the market.

Our onboarding, ALD tool now has a nucleus of participants and volumes are growing and we are seeing improvements in the pre-trade mutual approval process. Our beneficial owner compliance tool is adding additional checks and is helping these clients take some of the heavy lifting from their oversight responsibility.

Later this year we are adding new analytics to our intraday service, where our volumes are around 80 per cent of end of day volumes, providing competitive advantage to our users with access to timely data who can act faster on changes in short interest, securities availability, shifts in lending rates, and capturing opportunities in fast-moving markets. And lastly, for our hedge fund clients, we have a new transaction analytics feed which breaks down short interest (which is quite different to securities on loan) into different buckets to allow greater understanding and insight to commitment, PnL, momentum and crowding.

Karen King
Head of solution sales for APMEA
S&P Global Market Intelligence

The challenge mindset

Each day brings a new challenge for Jordan Dow, senior associate, Agency Lending Trading, at Fidelity Capital Markets, who speaks with Daniel Tison about the value of on-the-job training and thinking outside the box

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

I was introduced to the securities finance industry through the rotational programme within Fidelity Capital Markets as a new associate. I was first attracted to the start-up nature of a new business unit in our Agency Lending offering, where I learned about the processes of bringing a new platform to market.

Through my first three years in a middle office role, I developed an appreciation for securities finance, as well as the industry's expansive touchpoints to global markets and the economy. I then transitioned onto the international trading desk, where I had to start applying a global lens to our book of business.

My career in securities finance provides daily exposure to the downstream impacts of monetary and fiscal policy, geopolitical events, corporate actions, and many other market forces, creating an exciting and enriching experience.

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

Being a part of a new business unit is an experience I will take with me throughout my career. Early on, I was introduced to the functional foundation of the business, from drafting policies and daily procedures to assisting in product development and legal framework. Each day brings a new challenge, and there was no better way to learn this business than finding solutions to those issues as they arise.

It has been rewarding to collaborate across our product, technology, and trading groups to develop innovative enhancements and solutions. Broad exposure to both operations and trading has provided me with a comprehensive view of our market positioning, how we deliver exceptional performance for our clients, and ideas for future innovative developments.

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

From the moment I stepped in the door at Fidelity I have been surrounded by mentors and fellow associates who want to see younger professionals succeed. There is an investment in new hires through mentorship programmes and first-year learning curriculums, but the cultural commitment toward helping develop in-house talent is second to none. Securities finance is not a business you learn about in a college lecture, so the support from colleagues through on-the-job training was key to learning the business.

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

As I attended St Lawrence University, a small liberal arts school in upstate New York for my undergraduate, I was always concerned whether I would be prepared for a career in finance without obtaining the standard business degree. I quickly learned that some of the skills I obtained from a liberal arts degree — learning to think critically, analytically, and collaboratively to solve inefficiencies to name a few — ended up carrying more value than I anticipated.

As a young professional, the day-to-day business operations can be taught, but adopting a mindset of challenging inefficiencies and thinking outside the box can help you immediately contribute to any business unit's success.

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

I encourage each new associate who joins our team to challenge the way we do things. From daily tasks to new trading strategies, associates new to the industry have an opportunity to provide fresh, innovative perspectives that can often lead to the development of new ideas.
I encourage anyone entering the industry to challenge the norm, learn from colleagues and clients about where inefficiencies lie, and suggest their own solutions. Often, you may realise things are done for a reason. However, bringing forth new ideas can spur supplemental growth where you least expect it.

As an industry, attracting young talent will be key to the continued evolution of the products and services we provide to beneficial owners.

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

Fidelity Agency Lending has an exciting future. Between the growth of additional product offerings, the prospect of onboarding additional clients, and continued performance optimisation for our existing clients, I am motivated to continue being part of the firm's success.

Thinking big picture, I also have the goal of continuing to sharpen my skill set and stay ahead of the curve on the evolving securities finance landscape. As an example, the rise of AI is a hot topic throughout the industry. Solving the puzzle of how our business interacts with and benefits from this technology will be a valuable skill set I hope to expand upon. Between large scale data aggregation, the identification of market trends, or risk management practices, the prospective value in this technology in our industry is endless.

Jordan Dow

Based in Boston, Jordan Dow is responsible for the management and distribution of the international equity and US Treasury books of business.

He spent two years focusing on expanding distribution channels in APAC and EMEA regions during EMEA trading hours. Since transitioning back to US hours, Dow has utilised his previous experience within the product lines to expand the firm's client supply, collateral, and borrower entity footprints globally for Fidelity Agency Lending.

Dow joined Fidelity Investments in 2018 through the Capital Markets Rotational Program. He has spent more than five years with Fidelity Agency Lending, in both middle office and international trading roles.

He earned a bachelor-of-arts degree in business and economics from St. Lawrence University in New York. He holds the Financial Industry Regulatory Authority (FINRA) Series 7 and Series 63 licences.

Slater joins EquiLend

EquiLend has appointed James Slater as a board member.

Based in New York, Slater brings around three decades of experience in the securities finance and asset servicing industry to his new role.

Slater left BNY in 2023 having served for nearly 14 years, most recently as CEO of Corporate Trust.

During his career, he has been a board member at CIBC Mellon, American Bankers Association, Treasury Market Practices Group, and The Canadian Stage Company.

Prior to joining BNY, he spent more than 14 years at CIBC Mellon, with the most recent title of senior vice president, head of capital markets and treasurer.

Wematch appoints Oh

Wematch has hired Alvin Oh as North American head of securities lending product.

Based in New York, Oh will be responsible for driving the growth and evolution of the securities lending product suite in North America.

His focus will be on expanding the securities finance platform’s capabilities, enhancing client experiences, and strengthening Wematch's position in the market.

Oh joins from Axoni where he spent more than four years as director of product, leading the delivery of business-to-business (B2B), software as a service (SaaS) solutions for corporate bond primary issuance.

Prior to that, he spent nearly a decade at EquiLend, serving in various roles — most recently as director, global head of trading products.

Previously in his career, Oh was lead business systems analyst for Nike and senior technical business analyst at Wells Fargo.

ESAs select Andries

The European Supervisory Authorities (ESAs) have appointed Marc Andries to lead a new joint directorate in charge of oversight activities for third-party providers under the Digital Operational Resilience Act (DORA).

In his new role as DORA joint oversight director, Andries will be responsible for implementing and running an oversight framework for critical IT third-party service providers (CTPPs) at a pan-European scale, ensuring smooth operations and stability of the EU financial sector.

Andries has held responsibilities in the areas of IT for more than 30 years, with experience in IT project management, oversight, and supervision.

He has also been an active member of several international groups dealing with IT risks.

He takes on the new role after a 32-year-long tenure at Banque de France, where he was most recently chief inspector, banking supervision, at the French Prudential Supervision and Resolution Authority (ACPR).

Valentino exits EquiLend

Chris Valentino is leaving his position as director, head of North American sales, at EquiLend, to pursue opportunities outside the industry.

Valentino previously held the same position, head of North American Sales, at Stonewain Systems before EquiLend acquired the company in August 2021.

Prior to that, Valentino served as head of global sales and client management at Trading Apps for nearly four years.

Between 2012 and 2016, he worked for EquiLend as head of US sales.

In September 2024, Welsh, Carson, Anderson & Stowe (WCAS), a private equity firm, completed is majority acquisition of EquiLend.

Euroclear adds Desmedt

Euroclear Settlement of Euronext-zone Securities (ESES) central securities depositories (CSDs) have appointed Geert Desmedt as the CEO.

ESES is a collaboration between three European CSDs operating with a single settlement platform — Euroclear Belgium, Euroclear France, and Euroclear Netherlands.

Desmedt brings more than 25 years of experience within Euroclear Group to his new role.

He succeeds Guillaume Eliet who has led ESES since 2021, and will now assume the role of chief risk officer for Euroclear Group.

During his time at the firm, Desmedt has held several senior positions, including head of operational risk, and head of operations and client service, Asia.

Most recently, he served as co-CEO of Mutual Funds Exchange (MFEX), where he helped to integrate the global fund distribution platform into Euroclear FundsPlace after its acquisition in 2021.

Publisher: Justin Lawson
justinlawson@securitiesfinancetimes.com
020 3667 3244

Group editor: Karl Loomes
karlloomes@blackknightmedialtd.com
020 3617 1722

Deputy editor: Carmella Haswell
carmellahaswell@securitiesfinancetimes.com
020 3617 1722

Reporter: Daniel Tisoň
danieltison@securitiesfinancetimes.com
020 3617 1722

Accounts: Chelsea Bowles
accounts@securitiesfinancetimes.com
020 3667 3979

Sales and Events Support: Vanessa Hayes
vanessahayes@blackknightmedialtd.com
020 3667 3979

Designer: James Hickman
jameshickman@blackknightmedialtd.com
020 3372 5997

Studio director: Steven Lafferty
design@securitiesfinancetimes.com

Published by Black Knight Media Ltd

EquiLend offers a complete T+1 solution to connect, automate, simplify and expedite all elements of the trade lifecycle leveraging existing EquiLend connectivity.