securities lending times
The primary source of global securities finance news and analysis
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Kentucky Retirement Systems selects BNY Mellon

BNY Mellon is set to serve as securities lending agent for Kentucky Retirement Systems (KRS), a major US public retirement fund and long-standing participant in the market.

The bank stated that the addition of this latest mandate further enhances its position as the world's largest securities lending agent.

"Kentucky Retirement Systems is delighted to have partnered with BNY Mellon as provider for all our securities lending needs," said Richard Robben, interim chief investment officer at KRS. "The depth and breadth of their platform, coupled with their financial strength, make them the perfect partner for our pension funds."

BNY Mellon takes over from Deutsche Bank as the pension fund securities lending agent for KRS.

KRS's pension fund interest, dividend and net securities lending income for the 2016 fiscal year fell to $213.9 million from 2015's $300.7 million.

Its insurance fund interest, dividend and net securities lending income for the 2016 fiscal year was down slightly less, to $80.5 million from the $100.5 million earned in 2015.

Bill Kelly, head of securities lending agent programme for BNY Mellon, added: "We are very appreciative of the confidence that KRS has shown in expanding its relationship with BNY Mellon through our ability to customise a securities finance solution that meets both their performance and risk objectives.."

A BNY Mellon spokesperson commented: "Trusted with more than 20 percent of the world's investable assets, BNY Mellon's aerial view of the marketplace provides our clients with the perspective to better meet their securities lending, financing and collateral needs."

BNY Mellon recorded securities lending revenue of $48 million in Q2 2017, as assets under custody and administration reached $31.1 trillion. Securities lending revenue was down $1 million from the $49 million earned in Q1 2017.

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LSEG and IBM partner for blockchain

The London Stock Exchange Group's (LSEG) Italian arm, Borsa Italiana, and technology giant IBM are collaborating on a blockchain solution to digitise the issuance of securities for European small- and medium-sized enterprises (SMEs).

It will be designed to simplify the tracking and management of shareholding information by creating a distributed shared registry containing a record of all shareholder transactions, helping to open up new opportunities for trading and investing.

The framework will be built on the recently launched Hyperledger Fabric version 1.0 and hosted by The Linux Foundation, which LSEG described as a highly secure infrastructure technology with the highest levels of encryption commercially available.

The Hyperledger is supported by 159 developers including the Depository Trust & Clearing Corporation, State Street, Digital Asset, and Cloudsoft.

The LSEG-IBM will also be built to achieve interoperability with LSEG's existing systems, promoting efficiency and business continuity.

The solution is currently undergoing an initial test phase with a small group of partners and clients.

Raffaele Jerusalmi, CEO of Borsa Italiana, said: "Through our work with IBM on this blockchain solution, Borsa Italiana is taking the lead in transforming the way European SMEs can manage their shareholder data and at the same time expand credit access—all on a trusted digital platform."

Marie Wieck, general manager at IBM Blockchain, said: "Sharing secure and transparent critical network data across shareholder networks is difficult using traditional system."

"Blockchain is poised to help remove some of these barriers in traditional methods for the transfer of value—much as the internet did for the exchange of information in the late 1990s."

The SME blockchain market is quickly becoming the next battlefield for European banks to tussle for customers.

Earlier in July, Paris Europlace, along with seven European banking partners, launched LiquidShare, a post-trading blockchain infrastructure that will also cater for the SME market.

BNP Paribas, Caceis, Caisse des Dépôts, Euroclear, Euronext, S2iEM and Societe Generale are all stakeholders in what will become an independent company with the aim to improve SMEs' access to capital markets, as well as the transparency and security of post-trading operations using blockchain.

In a joint statement on the launch, the partnership said: "With the financial support of its shareholders, the company aims to develop and operate a post-trading infrastructure that will serve these companies specifically."

"Eventually, the solution aims to reduce transaction costs."

LiquidShare will be based in Paris and led by Thibaud de Maintenant, who will act as CEO.

Northern Trust commits to EU hub

Northern Trust is set to establish a banking presence in Luxembourg, and has appointed a new head of continental Europe, in a move that the bank said is "further establishing its commitment to the region".

David Wicks will take on the newly created position, subject to regulatory approval. He will report to Teresa Parker, president of Northern Trust in Europe, the Middle East and Africa (EMEA).

Parker said: "The creation of our EU banking presence in Luxembourg, which will fall under David Wicks's leadership in his new role,

highlights our commitment to growing our business in continental Europe."

She added: "Wicks's strong client focus, in-depth knowledge of our business operations and strategic objectives will help continue to ensure we are well placed to support our clients' requirements."

The news follows the February announcement that Northern Trust will acquire the fund administration servicing units of UBS Asset Management, in Luxembourg and Switzerland.

The acquisition is still subject to regulatory and board approvals, and is expected to close later in the year. However, when it is complete, it is expected to establish Northern Trust as a top 10 asset servicing provider in Luxembourg, in terms of assets under administration.

Nicolas Mackel, CEO of Luxembourg for Finance, said of Northern Trust's decision to open an operation in the jurisdiction: "We are delighted that Northern Trust, one of the world's biggest financial services companies, has chosen Luxembourg as a base to expand within the EU."

"Its decision is further recognition of the cross-border expertise and crucial strategic position of Luxembourg for non-EU financial services companies."

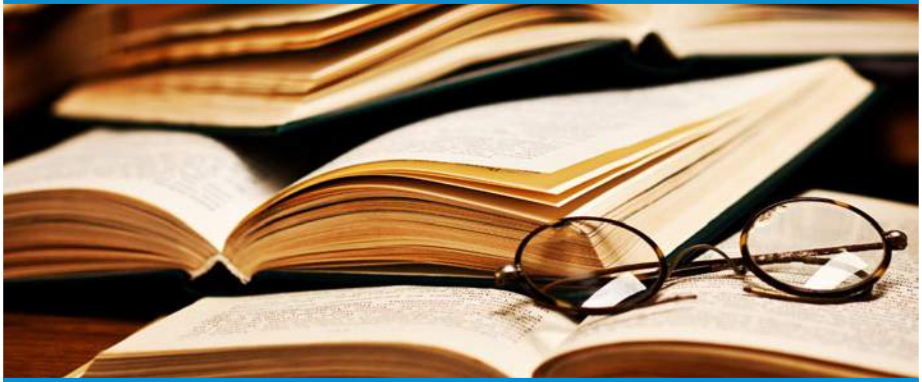
Wicks will lead Northern Trust's business in continental Europe, working closely with Clive Bellows, head of the bank's global fund services business across the EMEA.

Wicks has been with Northern Trust for 20 years, most recently holding the position of regional executive for enterprise operations for the EMEA region.

In his new role, he will be responsible for developing strategy, regulatory oversight and governance, and will oversee client relationships in Northern Trust's institutional investor group.

BoE refines margin liquidity risk assessment proposals

London | Reporter: Drew Nicol



Securities financing margin liquidity risk assessments should be based on historical margin posted, with a stress uplift applied, according to the Bank of England's Prudential Regulation Authority (PRA).

The PRA's latest proposals for a cash flow mismatch risk framework and other methodologies for assessing firms' liquidity risk, under the Pillar 2 liquidity framework, were set out in a Bank of England consultation paper.

The paper explained that the stress uplift will be subject to supervisory judgement, and factors taken into account will include the sophistication of the firm's intra-day liquidity management systems, how the firm connects to the respective payment and securities settlement systems it uses, and the business model of the firm.

The PRA stated that it expects firms to consider the risk of haircut and collateral eligibility changes in their assessment of intra-day liquidity risk.

The latest definition of margin risk builds upon on the earlier proposal shown in the PRA's 2016 consultation paper—CP21/16.

In CP21/16, the PRA defined securities financing margin risk requirements as "the risk of additional outflows relating to margin requirements on securities transactions where the credit quality of the collateral has deteriorated is not captured by the Pillar 1 standard".

The International Securities Lending Association has confirmed it will be offering comment on the revised standards on behalf of its members.

The consultation period on the PRA's proposals will run until 13 October, after which the proposed survival guidance under the granular liquidity coverage ratio stress will be linked to the implementation of the new PRA110 report set for 1 January 2019.

The new Pillar 2 standards are scheduled to take effect in early 2018.

LCH's CDSClear launches CDX high-yield clearing

Global clearinghouse LCH has extended its CDSClear service to offer clearing for the CDX North American high yield index.

The new index extends the opportunities for participants to realise cross-margining efficiencies by offsetting their European and US products through CDSClear.

This latest addition to LCH's credit derivatives clearing service follows the launch of clearing for the CDX North American investment grade index at LCH in 2016.

CDSClear now clears close to 500 single-name credit default swaps (CDS) and 93 index series, according to LCH.

LCH claims to be the first European central counterparty (CCP) to offer the clearing of both US and European credit derivatives to its members and their clients, as well as offering the broadest scope of products through its CCP.

Frank Soussan, global head of CDSClear for LCH, said: "We're delighted to be the first CCP in Europe to make this North America-focused index available for clearing."

"The extension enables us to offer a single solution and greater efficiencies to our customers who are increasingly clearing more of their eligible credit products."

"Our continued expansion and focus on providing choice to our customers is reflected in the strong growth in customer activity we continue to see at CDSClear."

Strate and CloudMargin partner for OTC derivatives solution

Collateral and margin solution provider CloudMargin and South African central securities depository Strate have integrated their platforms to provide improved automation and efficiencies to the country's over-the-counter derivatives market.

According to CloudMargin, the move makes triparty messaging and collateral optimisation more accessible for both buy- and sell-side participants in the country.

The agreement enables clients to use their collateral held at Strate to cover their margin calls in the OTC derivatives market.

South African firms are currently preparing to meet new regulatory requirements for non-cleared OTC derivatives margins, which are due to take effect on 1 September. The new rules will require enhanced collateral management capability from both the buy and sell sides, and create demand for CloudMargin and Strate's joint venture.

CloudMargin said of the integration: "For local market participants without their own SWIFT membership, this previously would have been a time-consuming, manual process to handle messaging related to collateral instructions, confirmations and settlement."

"Now, they can take advantage of the CloudMargin and Strate collateral management services straight-through processing capability via SWIFT."

Lee McCormack, CloudMargin's head of strategy, said: "We are delighted to roll out this breakthrough service in conjunction with Strate collateral management services to market participants in South Africa, helping them increase their efficiencies via our cloud-based platform."

"We are continuing to build an interconnected network of organisations globally that give clients one-stop access to a broad range of collateral management and other related services for cleared and uncleared derivatives transactions."

Elixium reveals Central Limit Order Book

London | Reporter: Drew Nicol

All-to-all secured financing and collateral marketplace Elixium has unveiled its Central Limit Order Book (CLOB) for all counterparties.

The CLOB launched on 27 June with several counterparties trading June quarter-end liquidity in sterling general collateral repo close to the UK base rate.

This latest execution protocol bolsters existing auction functionality, increases transparency, and provides best price execution for clientele, according to Elixium.

In a statement on the launch, Elixium outlined its commitment to providing clients with liquidity, cost savings and new revenue opportunities.

The platform provider cited the deterioration of traditional liquidity sources, particularly over reporting periods, due to incoming regulation as the main driver for demand for its service.

Nick McCall, CEO of Elixium, commented: "The liquidity shown over the June quarter-end demonstrates the benefit of Elixium's all-to-all model."

"As access to liquidity remains challenging through traditional channels, Elixium offers an alternative model that allows participants to view and execute directly with each other in a regulated multilateral trading facility environment."

"As our membership continues to grow, the liquidity and pricing benefits will become even more pronounced."

Ayal Jedeikin, CEO of cloud-based HTML5 marketplace technology provider TradAir, on which Elixium is based, commented: "We are delighted to be supporting Elixium in liberating liquidity for its clients."

"Our unique marketplace technology provides the performance, scalability and customised workflows required by such an innovative all-to-all marketplace."

Steve Everett, general manager of Strate collateral management services, said: "We are delighted to partner with CloudMargin to provide a fully integrated, cost-effective and powerful collateral management capability to the South African market."

MiFID II best execution challenges securities finance

The International Capital Market Association (ICMA) has outlined what it considers to be "ambiguous, disproportionately burdensome" or "simply inappropriate" standards for securities financing transactions in the second Markets in Financial Instruments Directive (MiFID II).

In its latest quarterly report, the association highlighted rules relating to transaction reporting, pre- and post-trade transparency, and best execution reporting, as its main contention points with the framework that comes into force in January 2018.

Best execution rules, which are covered under RTS 27, require quarterly reports that include nine separate templates that apply to each single instrument. ICMA described these as "in many cases highly detailed".

ICMA has maintained that RTS 27 should not be applied to securities financing transactions, since it would be unnecessarily onerous to comply with the reporting requirements, and the resulting data produced by banks would be meaningless at best, and misleading at worst.

"Until July 2017, there was no official guidance on whether securities financing transactions should be reported under RTS 27, or, in the event that they should, how this could be achieved in a clear, consistent, and meaningful way," according to ICMA.

A specific exclusion for reporting has been carved out in MiFID II for securities financing transactions that fall under the Securities

Financing Transactions Regulation (SFTR) and the European Market Infrastructure Regulation, but trades with central banks in the European system of central banks (ESCB) are notably absent.

"ICMA has advocated that this is unnecessary, and that securities financing transactions with ESCB central banks should also be exempt. The European Securities and Markets Authority and the European Commission did not agree."

"However, they did agree that MiFID II/R transaction reporting for these securities financing transactions would not be required until SFTR reporting comes into effect (so avoiding the necessity for firms to build separate reporting functionality)."

ICMA also noted that MiFID II/R was ambiguous with respect to the pre- and post-trade reporting of securities financing transactions and advocated them not be subject to these transparency obligations.

An amendment to MiFID II was published in the Official Journal on 30 June 2016.

It included an exemption for securities financing transactions under Article 1 relating to pre- and post trade transparency obligations.

NSD gains repo contract parity

The National Finance Association (NFA), a self-regulatory organisation of Russian financial markets, has declared that repo agreements using the National Settlement Depository's (NSD) collateral management services are on par with traditional master agreement standards.

The standard form of the master agreement allows NSD clients to reduce the time required to develop contractual documents with counterparties, as well as to use NSD's triparty services, in particular, for inter-dealer repos.

NSD developed the additional agreement form for clients who have already signed master agreements with counterparties.

Alina Akchurina, managing director for collateral management and triparty services, at NSD, said: "A standard master agreement form for concluding repos with collateral management functions delegated to a neutral intermediary is a common practice supported by national regulators. The standard forms are optional for clients using NSD's triparty services, and the participants may continue to use their own agreement forms. However, many clients prefer to sign the standard forms."

Previously, NSD, in partnership with Bloomberg, launched a new collateral management service for over-the-counter repo transactions in March.

The platform aims to expand the number of users of NSD's collateral service and allow new repo transactions to be processed "in a similar way to the functionality available for repos with the Bank of Russia and the Federal Treasury".

NSD currently services 192 participants.

In a statement on the launch, NSD described its role as keeping general collateral certificates and basic assets, as well as providing collateral management services to automatically select clients' securities for the pool on the basis of selected parameters and for margins calls.

Hyperledger Fabric 1.0 goes live

Blockchain developer Hyperledger has achieved a "huge milestone" with the launch of Hyperledger Fabric 1.0, according to IBM chief technology officer of open technology Chris Ferris.

Hyperledger is an open source industry collaborative initiative hosted by The Linux

Foundation that is aimed at developing cross-industry blockchain technologies.

Ferris, who is also chair of Hyperledger technical steering committee, said: "It is amazing to see what this highly collaborative community with more than 145 members has achieved in a little over a year."

The Hyperledger is supported by 159 developers including the Depository Trust & Clearing Corporation, State Street, Digital Asset, and Cloudsoft.

Hyperledger Fabric was the first of the eight Hyperledger projects to be incubated and was also the first of the Hyperledger projects to achieve 'active' status in March, after a year in incubation.

In reference to the 1.0 status of the Hyperledger Fabric launch, Ferris said: "No open source project is ever 'done', and the same can be said for Hyperledger Fabric."

He continued: "We also have more work to do on performance and of course we have plans to add more comprehensive performance, scale and chaotic testing to our continuous integration pipeline to continue to add to the robustness of the platform."

"However, the project's maintainers felt that the time was ripe to deliver a robust initial major release with the objective of allowing consumers and vendors of technology based on Hyperledger Fabric to advance to the next stage: production deployment and operations."

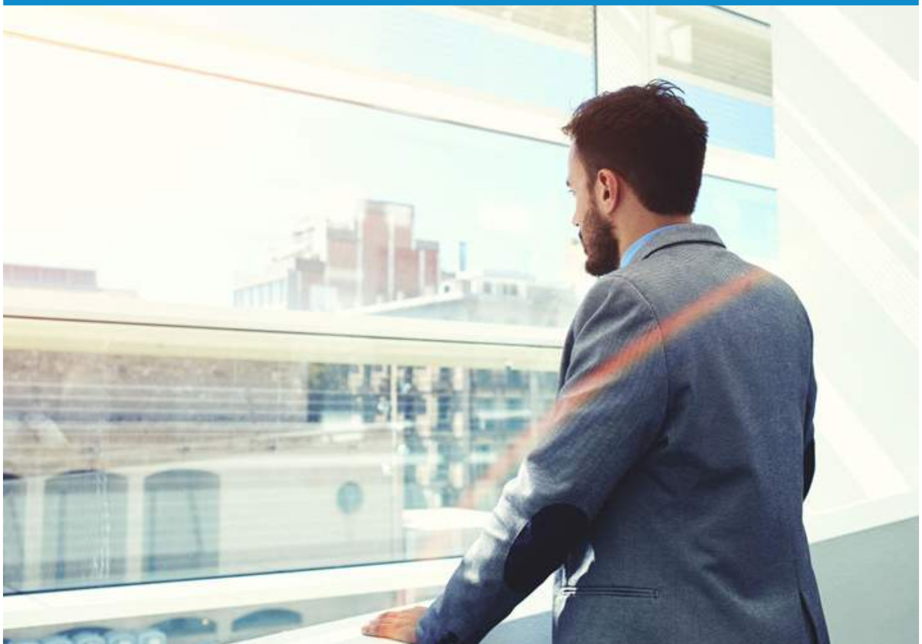
CCP use on the up, says ECB

Central counterparties (CCPs) are becoming more attractive for securities financing transactions, according to a European Central Bank (ECB) survey.

Banks reported that the use of CCPs had increased between March and May for many

Clearstream sets sights on CSDR licence

Frankfurt | Reporter: Drew Nicol



Deutsche Börse subsidiary Clearstream is set to apply for new licences to operate under the Central Securities Depositories Regulation (CSDR).

CSDR obligations require Europe's CSDs to submit application files to local regulators by 30 September.

Clearstream expects authorisations to be granted from mid-May 2018 onwards.

"This will be a first step to even further bolster safety and stability across Europe's capital markets in a post-financial-crisis world," Clearstream explained in statement. "As the new regulatory keystone for the sector, CSDR aims to harmonise the different rules, which apply to European CSDs in order to create an improved and level playing field for the industry, and enhance legal and operational conditions for EU-wide cross-border settlement via Target2-Securities."

Meanwhile, Clearstream's global securities financing volume fell by 13 percent last month.

Monthly volumes at Clearstream hit €452.7 billion last month, down from €520.8 billion at the same time last year.

Year-to-date average volume was also down 11 percent at Clearstream compared to 2016.

Volume fell to €470.5 billion from €527.4 billion, according to Clearstream.

types of collateral and both average and most-favoured clients.

However, the use of CCPs remained basically unchanged only when convertible securities, equities and asset-backed securities were used as collateral.

The survey focused on credit terms and conditions in euro-denominated securities financing transactions and over-the-counter derivatives markets.

Survey results revealed an increased use of CCPs and growing demand for both funding collateralised by equities and for longer term funding collateralised by domestic government bonds.

A further deterioration in the liquidity and functioning of the market for domestic government bonds was also reported.

According to the ECB, there was only small changes in liquidity and functioning for other asset classes covered by the survey during the March to May reference period, compared with the more significant deteriorations reported over the past two years.

The results of the ECB's quarterly survey are based on responses from a panel of 28 large banks, comprising 14 euro area banks and 14 banks with head offices outside the euro area.

Euroclear achieves record-breaking H1 collateral volume

Post-trade service provider Euroclear achieved "record levels" of collateral outstanding through its Collateral Highway in the first half of 2017.

Collateral volume reached €1155 billion by June, representing an increase of 14 percent from the previous year.

Euroclear's fund assets under custody also grew by 15 percent, which the firm attributed to progress its funds strategy.

Its asset under safekeeping increased by 5 percent to €28.4 trillion during the same period.

Lieve Mostrey, who took over as Euroclear CEO in January, said: "Financial market conditions have been supportive to date, with record levels of client activity, and we reached record levels of collateral outstanding on Collateral Highway."

"Euroclear is accelerating its investments in both regulation-driven initiatives and cyber security, while continuing to develop its offering for clients globally."

SIX launches new regulatory data and document exchange platform

SIX Financial Information has launched a new platform allowing for more efficient electronic exchange of regulatory data between wealth managers, asset managers and banks.

The new platform, is intended to help clients in compliance with EU investor-protection regulations, including the Regulation on Packaged Retail and Insurance-based Investment Products (PRIIPs) regulation, the second Markets in Financial Instruments Directive and UCITS, which mean firms will have to exchange data and information about the content and sales of retail investment products.

The platform will bolster SIX's existing MiFID II data offering and PRIIPs document generation and distribution services, making them easier to access.

It also acts as a central source of investor protection data, allowing for data, information and documents to be structured and exchanged in a standardised way, in the right format for each regulation.

Front and central

Drew Nicol and BNY Mellon's James Slater discuss the results of a joint research study with PwC exploring buy-side opinions on central counterparties, incoming collateral rules and the rise of peer-to-peer lending

Buy-side participants are warming to the idea of a central clearing option in the marketplace. What's changed?

As central clearing continues to advance in financial markets, regulators are showing greater interest in how they can support or promote their development, especially in the securities financing space.

For example, the Federal Reserve Bank of Chicago dedicated roughly a third of its recent symposium on financial markets to the role of central counterparties (CCPs). That gives you an idea of how engaged regulators are becoming on central clearing issues and how they are creating a dialogue with the industry on how best to move forward.

Through our research study with PwC, we learned that the buy side was surprised that central clearing in the securities financing market has not advanced at a quicker pace.

Many respondents noted they had experience with central clearing in other products and when questioned as to why this hadn't expanded into securities financing, it became clear that the buy side was somewhat unsatisfied with some of the operating models that were initially proposed.

Respondents reported that classic concerns to CCPs still persisted in the market. What do you consider these to be?

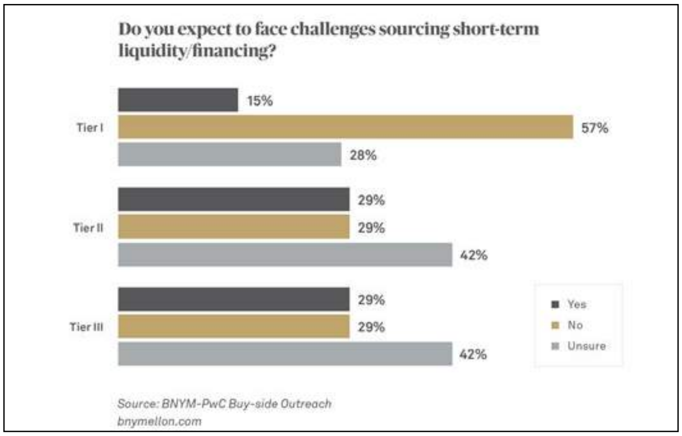
The current securities financing CCP models are predominantly sell side to sell side. The buy side is not very active at all. A lot of that has to do with the risk dynamics of the models available.

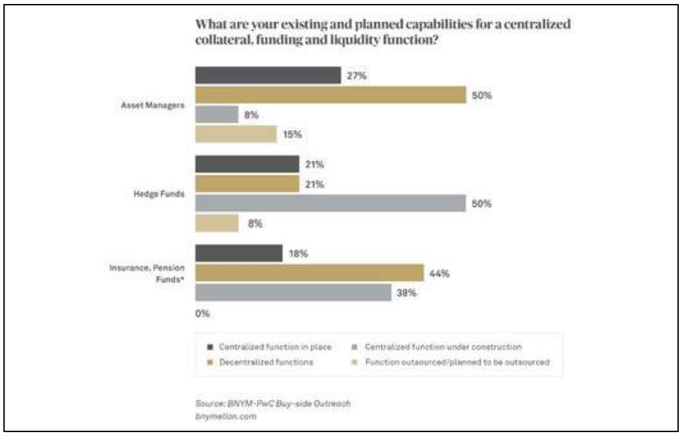
Central clearing for securities financing transactions was developed for the sell side with some scale, but the model for the buy side is still evolving. It's certainly starting to take shape, but at a slower pace.

The Fixed Income Clearing Corporation's (FICC) sponsored membership programme is gathering more interest, while Eurex and EuroCCP, along with others in Europe, are also advancing their models.

The buy side is attracted to these solutions because of the risk management and creditworthiness of CCPs, but buy-side participants don't want to tie up a portion of their cash by contributing to default funds.

They also don't want to share in the mutualisation of risk, partly from a principled standpoint but also because some buy-side firms are prohibited by law from doing so.





For example, '40 funds are clear that they simply cannot be involved in the mutualisation of risk or provide assets as collateral.

That's why some of these funds are showing interest in the FICC sponsored membership programme because it offers a way around that regulatory hurdle.

Pension funds and insurance companies described the ongoing existence of credit indemnification as a critical consideration in their continued participation in the market. How do you see that playing out?

If you want broad participation of the buy side then the market will need to provide a solution for credit enhancement or intermediation.

A lot of mid-sized corporate or public pension funds don't tend to have large credit departments with experienced teams to evaluate the creditworthiness of all the counterparties that a lending programme might expose you to.

This means that lenders rely quite heavily on the indemnifications offered by their agents in order to satisfy their own internal risk management standards.

Peer-to-peer lending was mentioned as a key area of interest for both sides of the transaction. What are your thoughts on this emerging trend? Is it likely to gain traction?

Peer-to-peer is definitely an area of strongly growing interest and there was a great deal of enthusiasm among buy-side participants over the vast amounts of liquidity that could be unlocked through these platforms.

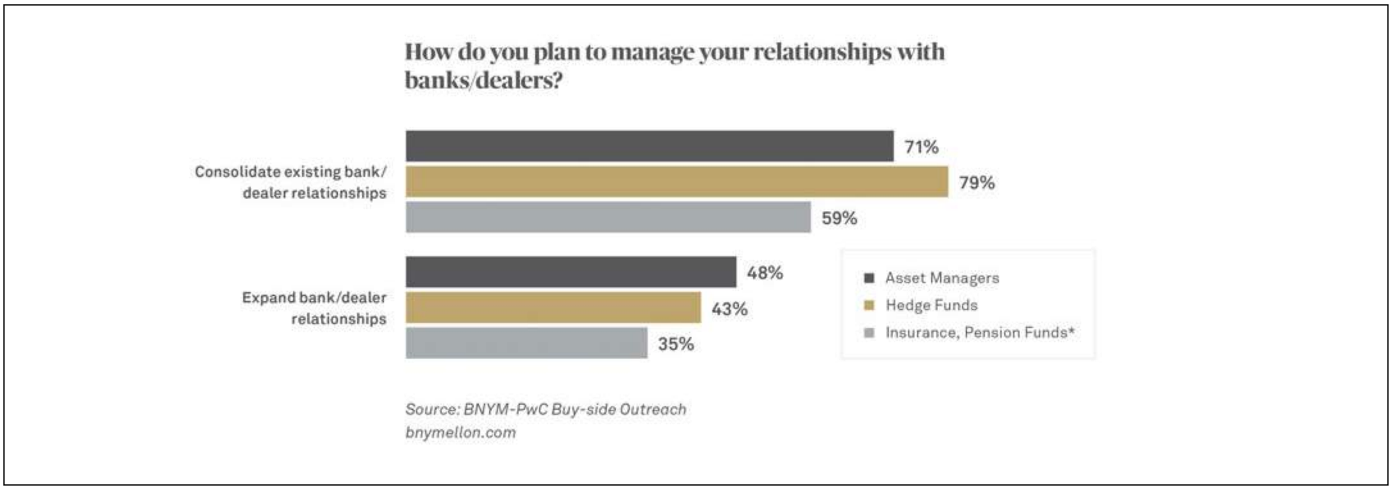
Finding counterparties and then negotiating individual trade documents is a fairly intensive process, and therefore there's a significant amount of interest in the development of technological solutions to streamline this process. BNY Mellon has developed a cash and collateral marketplace known as DBVX.

We expect to host other banks on this platform as well as non-dealers that will be able to deal directly with non-traditional counterparties. We expect DBVX will supplement existing sources of liquidity for the buy-side rather than supplant them. DBVX will standardise financial legal terms in its documentation to allow for much more straightforward transactions. This standardisation will also take away a lot of the friction in negotiations.

Additionally, participants will also benefit not only from the price transparency that comes with using an electronic marketplace but also by marrying up risk management with pre-trade anonymity. The entire buy side is looking to protect themselves by finding new sources of liquidity and new counterparties. The exploration of both central clearing and peer-to-peer trading are two parallel avenues that are being explored to achieve that goal. In both instances, simplicity and ease-of-use came very high in the list of priorities of both buy- and sell-side participants looking for solutions to pursue.

Were there any surprises in the survey's results?

Honestly, I've been surprised and impressed by the progress the buy-side has made in developing an understanding of the problems we face as a market and how proactive they are in taking steps to mitigate them. The fact that more than half of respondents have either created a central funding and liquidity desk, or are in the process of doing so, shows how seriously they are taking the situation. SLT



Time for term

Balance sheet regulations are increasing the attractiveness of longer term trades, allowing some lenders to cash in. Simon Colvin of IHS Markit explains

Balance sheet regulations have pushed an increasing number of market participants to 'term out' a greater portion of their securities lending transactions for longer periods of time, which offers an opportunity for lenders who can facilitate this trade.

Lending out government bonds has been one of the few industry bright spots of the past 12 months. While the rest of the securities lending industry has suffered from a general lack of demand and weak pricing power, government bonds have enjoyed a strong 20 percent increase in revenue over the first half of the year.

This bumper revenue haul is largely driven by two factors, derivatives clearing rules that are forcing financial market participants to source ever growing amounts of high-quality collateral to post to central counterparties, and increasingly stringent balance sheet regulations which are forcing banks to lock in funding for even longer periods of time.

The latter of these two factors has not only increased the demand for high-quality government bonds, it has also led to market participants lending out an increasingly large proportion of the asset class through term loans. Terming out government bonds has been especially popular since the liquidity coverage ratio (LCR) framework set out by the Basel III rules came into effect in 2015.

The regulation looks to ensure that banks hold sufficient amounts of high-quality liquid assets to meet expected outflows for specific periods of time. Government bonds, which have the lowest LCR weighting, have registered a material increase in the proportion of the asset class trading term over the past few years. This increase means that 36 percent of all government bonds now out on loan are lent through term transactions versus the 22 percent registered 10 years ago, before Basel III first came to light.

Demand for term has been a global trend as the three main most liquid government bond types, UK gilts, US treasuries and bonds issued by European Central Bank (ECB) member states, have all registered material increases in the proportion of their securities lent on a term basis. US treasuries are currently the most likely to trade term as fully 45 percent of the $470 billion of treasuries now out on loan in the securities lending market are lent on a term basis.

Length of term

Volumes paint only half the picture, however, as our data indicates that investors have been terming out trades for increasingly longer periods of time over the past few years, a trend which is particularly prevalent in Europe.

LCR implementation saw the value weighted length of term trades made out for bonds issued by ECB member states jump from 150 to 370 days while UK gilts term trades grew from 277 to 334 days. LCR implementation was a large driving force behind this trend as its initial implementation in 2015 heralded the biggest jump in the length of European term transactions.

The US market was the one exception to the rule as value weighted length of term treasury trades has remained roughly flat over the past five years around the 90-day mark.

Fee premium

On top of pledging to borrow term trades for increasingly long periods of time, IHS Markit data indicates that European bond borrowers are willing to pay an increasingly large premium to borrow on a term basis since LCR's initial implementation back in January 2015. ECB member bonds and gilt term trades commanded a 5 basis points (bps) premium to open trades back in December of 2014. That number has since jumped to 8 bps for ECB bonds and a massive 14 bps for UK gilts.

While not every securities lending participant is able to facilitate term trading, the revenue stream for those that can is unlikely to dry up anytime soon given that the four-year gradual LCR implementation still has some room to run until its full implementation in 2019. Further regulatory tailwinds may also be in the offing for term eligible lenders as the net stable funding ratio regulations seem poised to further drive the demand for secure supplies of high-quality liquid assets over the coming years. **SLT**

> The net stable funding ratio regulations seem poised to further drive the demand for secure supplies of high-quality liquid assets

Simon Colvin
Analyst
IHS Markit

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60 Seconds with David Wasilewski

David Wasilewski is looking to bring 20 years of financial experience gained at State Street in both agency lending and prime brokerage positions to bear in a portfolio coordinator/analyst role

What is your background?

I have more than 20 years of experience at State Street. I started in fund accounting and later moved to custody operations where I worked in income collection. I then moved to securities finance to work on both the corporate actions desk and the global sell desk, where I later became a manager. From there I went into trading and I worked on both the agency US equity desk and agency corporate bond desk.

Since my last day at State Street, besides looking for my next position, I have volunteered at my kids' elementary school and have coached youth sports.

What industry qualifications or relevant certifications do you hold ?

I earned my MBA from Boston College. I am also a CFA charterholder.

What was your last position?

My last position in the industry was on State Street's enhanced custody trading desk. This was by far my favourite role at State Street because it was an opportunity to learn the prime brokerage side of the securities lending equation. I liked working in that high traffic, high touch point, demanding area and enjoyed being on the front line of a growing profit centre for the company. I was heavily involved in the day-to-day operation of that book and the refinancing of our positions. Because our model did not involve margin accounts or the ability to rehypothecate securities, proactive rate management was imperative for our team to be able to compete with other prime brokers on price.

It was interesting doing business with other custody banks for the first time in my career. I learned a lot about how they operated, what they valued and considered to be important compared to what I was accustomed to at State Street. This position also allowed me to re-kindle previous industry relationships and develop new ones on the hedge fund/investment manager side.

Where else have you worked in securities finance?

Prior to enhanced custody, my securities finance experience was exclusively on agency lending trading and operations desks. I managed the specials inventory on both the US equity and corporate bond desks.

Prior to trading, I managed a team of eight on the global sell desk in operations. I also worked for two years on the global corporate actions desk. I have been targeting investment managers in one area of my current search. I am focusing on my years of enhanced custody and agency lending experience to market myself to investment managers with short books.

I could add real value with locating, pricing, refinancing and collateral management. With investment managers without a short book, I have been focusing more on my corporate actions, trading and relationship management experience. I would like to leverage this experience to work for portfolio managers in a portfolio coordinator/analyst type role.

I still actively communicate with many of my connections in the securities lending community to stay abreast of current industry happenings. I have been trying to be alert to any trading, operations and product development openings that may arise either here in Boston or New York.

What is your unique selling point?

Possessing both agency lending and prime brokerage experience. I have years of experience working on trades and resolving problems with both beneficial owners and hedge fund clients so I understand the areas of concern for each. I also possess a very strong operations foundation and have experience developing new procedures/processes and ad hoc reports to satisfy client needs. Lastly, I bring an ego-free work ethic and strong desire to contribute towards the future success of a team and organisation.

What do you feel the industry needs the most?

The introduction and implementation of new financial regulation since 2009 has changed the industry dramatically. The minimisation of balance sheet footprint has become increasingly important with every transaction made. As new ways for counterparties to transact continue to gain momentum, such as central counterparties and peer-to-peer. It seems important for the industry that the new administration in the US outlines its path for any potential regulatory changes to be made sooner rather than later.

Also, the continued increase in automation and transparency since 2009 has been favourable for both beneficial owners and investment managers/hedge funds. Continued engagement and education with these parties seems to be as important as it has ever been. With the uncertainty surrounding future financial regulation, trading opportunities and the ways to collateralise them will continue to evolve. Ensuring these parties fully understand all the potential avenues to extract additional value is important for the industry's future as it will not only help to retain existing clients but also increase the probability of new ones entering the market.

What is the best way to contact you?

I can be reached via LinkedIn or my personal email: davewazz@verizon.net

BNY Mellon, Northern Trust, Aon and more make personnel changes

BNY Mellon has named Charles Scharf as CEO and director of the bank, effective immediately.

Scharf will also become chairman of the board of directors on 1 January 2018.

He was CEO of Visa from October 2012 to December 2016, where he was credited with transforming the company into a technology-driven ecommerce company.

Previously, Scharf was managing director of One Equity Partners, the private equity arm of J.P. Morgan Chase, and has also served as CEO of retail financial services at J.P. Morgan Chase.

Scharf replaces Gerald Hassell, who will continue as chair of the board until 31 December 2017.

Hassell said: "Charles Scharf is an accomplished and distinguished leader, with a record of profitably growing businesses, driving innovation and managing complex, large-scale global financial services organisations."

He added: "It has been a privilege to lead BNY Mellon over the past six years. During this period, we have strengthened our position as a global leader in investment management and investment services and have delivered consistently against our 2014 investor day goals." "I am enormously proud of our team and what we have achieved together. With Charles Scharf at the helm, I know the future of the company is in good hands, and I look forward to working with him to ensure a seamless transition."

Scharf said: "I am honoured to have been selected and am looking forward to working with the senior management team, the board of directors, and all of the employees at BNY Mellon."

I am especially honoured to follow Gerald Hassell as I have great respect for him as a person and as a leader. I look forward to his advice and counsel and will work closely with him to ensure a smooth transition."

Northern Trust has bolstered its global business development team with a series of senior appointments.

Shaun Flavin has become head of North American institutional sales, responsible for asset servicing sales, including global custody and transition management to large institutional investors in North America.

Andrea Perry joined as senior client relationship manager at Northern Trust Canada for the Atlantic region, serving both institutional investors and asset management firms.

Perry comes to Northern Trust from an investment management firm where she was responsible for developing and executing business development strategy and growth initiatives specifically in Atlantic Canada.

Meanwhile, Nigel Colgan takes on the role of Northern Trust's institutional sales team in London in a newly created role of senior technology sales consultant for Europe, the Middle East, and Africa.

Colgan will engage with strategic asset owners and asset managers across the region on the breadth and depth of Northern Trust's technology solutions to support investment decision making, execution, oversight and analytics. Johnson Har also joined as an institutional sales manager in Hong Kong.

Har will focus on bringing Northern Trust's extensive capabilities and expert solutions to asset owners and asset managers across China, Hong Kong, Taiwan and South Korea.

"As our institutional client base grows across all regions, we continue to bring in talented professionals with the skills and experience our clients seek and the specific expertise to position our innovative technology in very competitive markets," said Penelope Biggs, head of strategy, corporate and institutional services at Northern Trust. "These appointments will drive our momentum and proactive approach in supporting the evolving needs of clients, through advanced operating models and scalable technology designed to deliver an optimum transparency and data governance experience."

Greg Korte has joined insurance company Aon as a partner focusing on securities lending and trust/custody consulting.

Korte brings experience from his role as principal and head of North America trust/custody and securities lending consulting at Mercer. He also founded Korte & Associates Consulting.

He has 30 years of experience in the investments service industry, primarily helping institutional investors understand non-market risks, improve operational efficiency, and achieve effective cost and vendor management.

Prior to forming Korte Consulting, Korte was head of the North American custody and operations consulting practice at Russell Investments. SLT

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