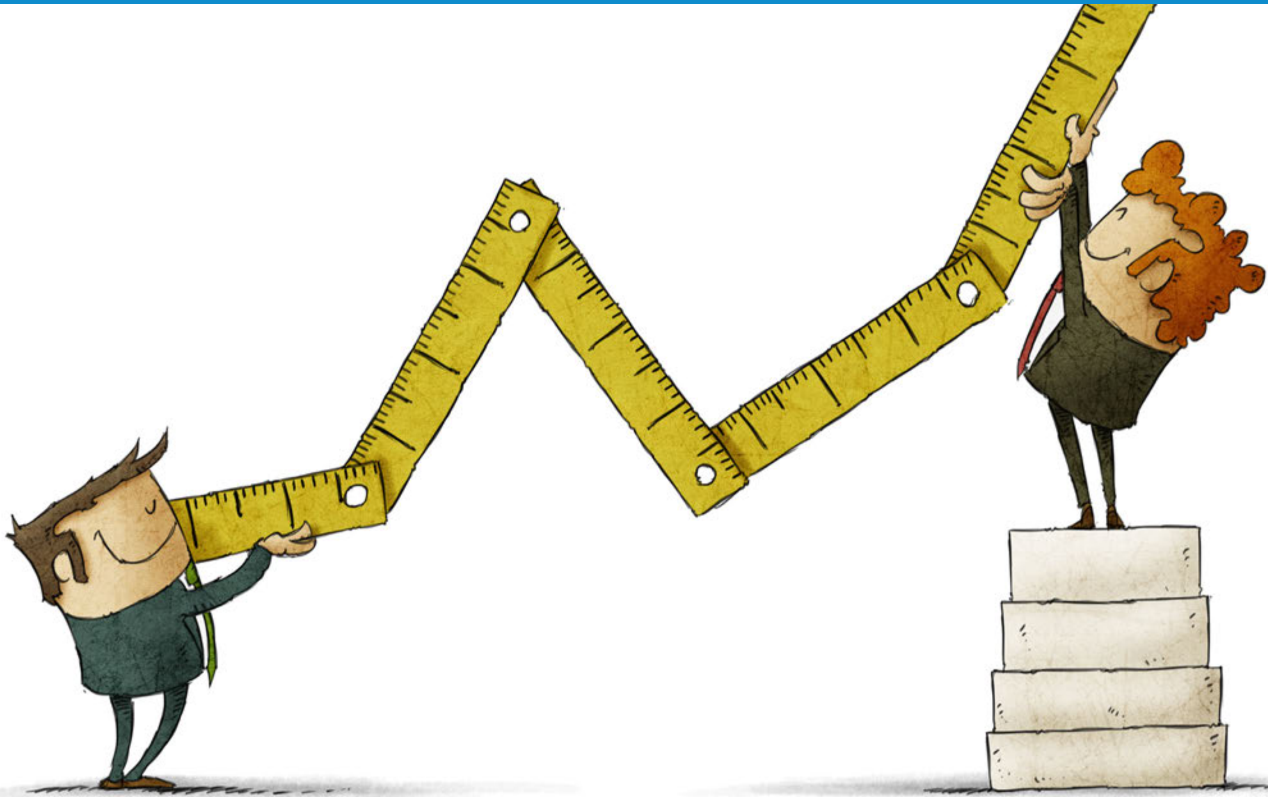
securities lending times
The primary source of global securities finance news and analysis
ISSUE183 08 August 2017



Securities lending revenue and volumes rise

BlackRock and State Street reported securities lending and finance rises in Q2 2017 as OCC's activity rose 27 percent in new loans last month.

BlackRock reported higher quarter-over-quarter and year-over-year securities lending revenue in its Q2 2017 results, with clients putting more of their assets to work.

The asset management firm earned securities lending revenue of $156 million in Q2 2017, up from Q1 2017's $141 million and Q2 2016's $151 million.

"BlackRock's second quarter results reflect the trust our clients continue to place in our global investment and technology platform," commented Laurence Fink, chairman and CEO of BlackRock.

"While significant cash remains on the sidelines, investors have begun to put more of their assets to work. The strength and breadth of BlackRock's platform generated a record $94 billion of long-term net inflows in the quarter, positive across all client and product types, and investment styles. The organic growth that BlackRock is experiencing is a direct result of the investments we've made over time to build our platform."

State Street earned securities finance revenue of $179 million in Q2 thanks to a boost at the bank in enhanced custody, as its assets under custody and administration exceeded $31 trillion for the first time.

Securities finance revenue was up significantly on Q1 2017's $133 million and Q2 2016's $156 million, reflecting higher revenue from, and growth in, enhanced custody.

Assets under custody and administration at State Street reached $31.04 trillion in Q2 2017, surpassing Q1 2017's $29.83 trillion and Q2 2016's $27.79 trillion.

Joseph Hooley, chairman and CEO of State Street, said: "We are very pleased with our second-quarter

Continued on page 2

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Revenue and volumes rise

Continued from page 1

results, delivering a record level of quarterly earnings per share that reflect continued strength in global equity markets as well as momentum in our asset servicing and asset management businesses."

Hooley added: "We also for the first time exceeded $31 trillion in assets under custody and administration this quarter fuelled by a combination of new business activity and higher equity markets."

OCC had a busy July, with 183,210 transactions passing through its books, well ahead of the number of trades it reported in the same month in 2016.

Year-to-date stock loan activity was also up 21 percent from 2016 with approximately 1.33 million new loan transactions in 2017. The average daily loan value cleared by OCC in July was approximately $151.9 billion.

BNY Mellon and Northern Trust's Q2 results were not far behind their competitors.

BNY Mellon's securities lending revenue was down $1 million from the $49 million earned in Q1 2017, while assets under custody and administration of $31.1 trillion represented an increase of 5 percent over the same quarter in 2016, and a 2 percent increase over Q1 2017.

Northern Trust saw its securities lending earnings fall slightly to $24.6 million in Q2.

Quarterly earning hit $24.6 million in Q2, down from $26.8 million in 2016. The total was also 3 percent less than the bank's takings in Q1, worth $23.8 billion.

Northern Trust cited lower spreads, partially offset by increased loan volumes in the current quarter, as the main driver for the decrease in revenue.

Inside Securities Lending Times

ISSUE183 08 August 2017

Collateral Management
Lombard Risk and Elixium have teamed up to improve repo trading and collateral management capabilities
page 3

Repo Launch
KBZ Bank and YOMA Bank carried out the first ever repo trade in Myanmar in July to test transaction settlement flows
page 5

Survey Results
Securities lending was voted the least popular source of liquidity in a recent survey of European buy-side heads of operations
page 6

Q2 Results
A Q2 2017 characterised by falling revenues saw Deutsche Bank hit particularly hard in equities sales and trading
page 7

Tradeweb Interview
Securities finance is on the verge of a breakthrough in terms of the electronic trading of repo, says Tradeweb's Enrico Bruni
page 9

Data Analytics
The demise of the retail sector may not be inevitable, but if it is to recover, there is a lot to do and a long way to go
page 11

Industry Events
All of the latest securities lending events, including the European Beneficial Owners' Securities Finance & Collateral Management Conference in London
page 13

Industry Appointments
Jonathan Titone has joined Northern Trust as vice president and global market consultant in network management, while Lombard Risk has made a push in Australia and New Zealand
page 14

AcadiaSoft launches consultancy

AcadiaSoft has a new consultancy programme to help support collateral management activities at firms dealing with over-the-counter derivatives rules.

Its first release under the AcadiaSoft Expert Service programme will be ISDA SIMM Approval Guidance, which will help with obtaining permission from regulators to use the ISDA SIMM for initial margin calculations.

AcadiaSoft Expert Service is designed to help collateral managers with new OTC derivatives rules introduced by the Basel Committee on Banking Supervision and the International Organization of Securities Commissions last year.

Under the rules, firms in the non-cleared OTC derivatives market will be required to post and collect initial margin.

As the first release, the ISDA SIMM Approval Guidance service will allocate each firm with an AcadiaSoft expert who will advise and regulate the approval process.

This includes identifying any firm-specific requirements, assigning and compiling supporting research materials, and advising on risk management, before and during the approval process.

Mark Demo, product director at AcadiaSoft, said: "As phase III and beyond firms look to secure approval themselves, they can rely upon our knowledge and experience to make the regulatory compliance process as quick, painless and cost-effective as possible."

Canadian pension plans experience fifth positive quarter

Canadian pension plans and university endowments reported an increase of 1.53 percent in returns during Q2 2017, marking their fifth straight quarter of positive results.

The BNY Mellon Canadian Master Trust Universe, which tracks the fund activities of 90 Canadian corporate, public and university pension plans, noted a one-year return of 9.62

Elixium and Lombard Risk partner to enhance repo and collateral management

Location: London | Reporter: Jenna Lomax

Lombard Risk and Elixium have teamed up to improve repo trading and collateral management capabilities.

The joint offering will pair the Elixium marketplace with the Lombard Risk cross-asset collateral management solution, Colline, to provide market participants with collateralised liquidity and a complete end-to-end automated repo trading and margin call management system.

According to Lombard Risk, the combined offering will provide a cohesive solution for customers to benefit from efficiencies, liquidity and best value in terms of global trading.

Their agreement also aims to solve the institutional complexity of managing product silos and multiple IT systems.

"The Elixium partnership represents an innovative way to utilise technology to achieve added liquidity within the repo market by enabling true end-to-end collateralisation, allowing firms to better sense, react, and continuously learn from their activities in the market" said Helen Nicol, global product director of collateral solutions at Lombard Risk.

Nick McCall, CEO of Elixium, added: "Market participants will further benefit from Elixium Partner's all-to-all marketplace, by having access to new liquidity within regulated, multi-centre MTF environments."

Lombard Risk linked up with SmartDX from Smart Communications in July to provide end-to-end automated legal and margin call management. The joint offering enables data to be extracted from agreements negotiated in the SmartDX documentation solution.

The data will then be passed through to Lombard Risk's Colline automated cross-asset collateral management platform.

percent, which was also above the 10-year annualised return of 6.1 percent.

Canadian pension plans posted the highest median return in Q2 2017, at 1.53 percent, just slightly ahead of Canadian universities.

They reported a median return of 1.43 percent.

Catherine Thrasher, managing director of global risk solutions in Canada at BNY Mellon Asset Servicing, attributed this growth to "higher allocations to outperforming international equities".

Non-North America equities posted the highest median results for the quarter at 3.77 percent. Elsewhere, real estate experienced a median return of 1.72 percent.

Canadian equities saw a quarterly median return of minus 1.31 percent.

Responding to the overall positive growth, Tim Rourke, vice president and segment lead for pensions and asset owners at CIBC Mellon, said: "The detailed sub-asset class information offered in the BNY Mellon Canadian Master Trust Universe can be of value to Canadian pension plans and university endowments, in identifying macro allocation trends and helping to make informed decisions."

Russia's CSD sees spike in collateral management system

The value of repo transactions that the Russian Federal Treasury performed using the National Securities Depository's (NSD) collateral management system reached RUB 10.2 trillion (USD 169.9 billion) in Q2 2017.

This activity was up 7 percent on the same period in 2016. The number of transactions also stood at 580—13 percent higher than in Q2 2016—thanks, in part, to the expansion of collateral available for the first part of repos with the addition of federal loan bonds, or OFZs, during coupon payment periods.

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In Q2 2017, the value of repo transactions with the Bank of Russia performed using the NSD collateral management system stood at RUB 208 billion (USD 3.46 billion).

Elsewhere, the value of NSD's securities under custody reached RUB 35.3 trillion (USD 587.96 billion) in Q2 2017, increasing 10 percent year over year.

In addition, Russian settlement depository held assets under custody valued at RUB 32.2 trillion (USD 536.32 billion) in Q2 2016.

Hong-Kong asset manager chooses Broadridge for portfolio

Hong Kong-based asset manager Optimas Capital has turned to Broadridge Financial Solutions to assist with portfolio management.

Optimas Capital, which has more than USD 250 million in assets under management, chose Broadridge's Portfolio Master solution for its "accurate and smooth processing capability", according to a statement.

According to Broadridge, its investment management software provides accurate calculation and attribution of client portfolios with streamlined operations, particularly in "labour-intensive investment management processes" such as stock borrowing and fee handling.

Optimas Capital CFO Jimmy Wong said: "Broadridge's investment management solution's comprehensive ability to handle front -to back-office processing for multiple asset classes on a single platform, and the stability of its Asia-based SSAE16 certified data centre are real differentiators and save time and costs."

Regional director of Broadridge and general manager for Hong Kong, Askin Leung, added: "We are excited to deliver a richer straight-through processing solution to automate front-to back-office processes for every moving part of Optimas Capital's portfolio management process. With our advanced order management system, Optimas will experience more robust and extensive order generation and routing capabilities."

FDIC tells firms to prepare for T+2

US financial services firms should take appropriate steps to ensure they are prepared for the move to T+2 settlement on 5 September.

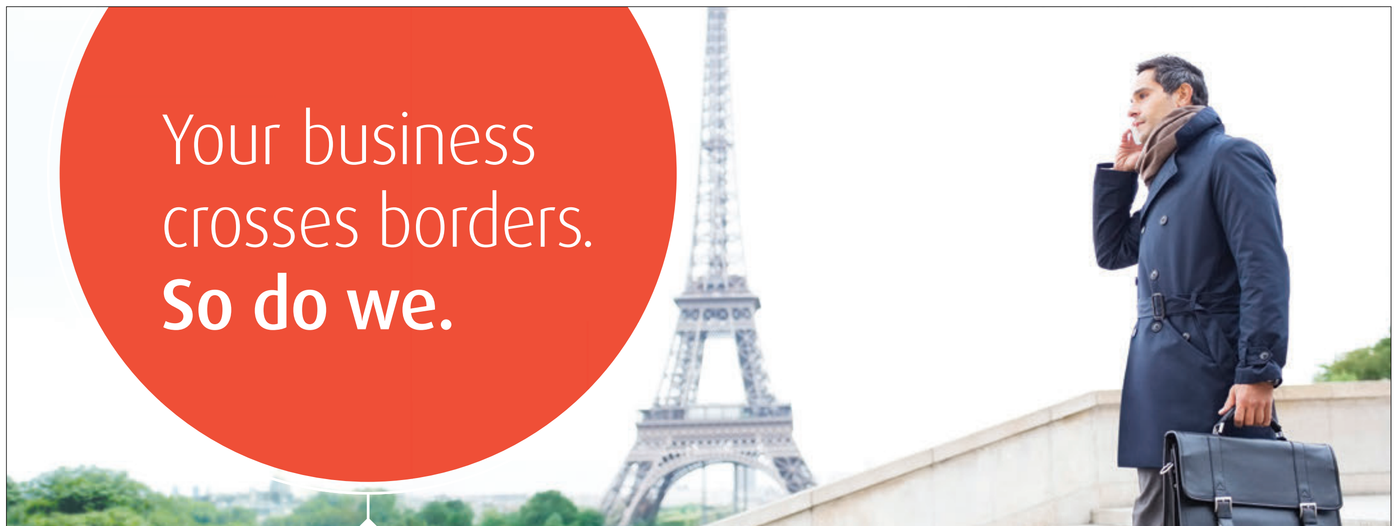
The Federal Deposit Insurance Corporation issued the reminder to firms ahead of the move from T+3, stressing the need to identify all lines of business, products and activities that involve securities settlement and servicing.

"Institution management should also monitor regulatory changes that affect securities settlement and servicing, system and process changes at financial market utilities, custodians' system and process changes, and third-party system or service provider changes," the US federal agency said.

Firms should look out for changes to operational procedures for securities clearance and settlement, income processing, corporate action processing and securities lending, as well as trust accounting or other securities processing systems.

Management also need to make sure they maintain oversight of third parties' T+2 implementation processes and increase focus on risk management practices and surveillance systems to effectively identify and address potential increases in failed trades or processing exceptions.

The US set its move to a T+2 settlement cycle in motion in March when the Securities and Exchange Commission formally introduced widely expected rule amendments.



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Myanmar welcomes first ever repo transaction

Location: Naypyidaw | Reporter: Jenna Lomax

KBZ Bank and YOMA Bank have carried out the first ever repo trade in Myanmar.

The repo was entered by the two banks to test transaction settlement flows through CBM-NET, the Central Bank of Myanmar's new clearing and settlement system.

In a joint statement, the two banks claimed that this transaction and others that follow "will provide Myanmar's financial sector with a real-time gross settlement system".

Win Lwin, managing director of KBZ Bank stated: 'This is a remarkable milestone for Myanmar banking sector and financial market development. We are grateful that we initiated repo trades for the development of bilateral interbank lending transactions as an alternative investment structure in the Myanmar financial market with great support from the CBM and our local partner, Yoma Bank."

YOMA Bank CFO Vijay Maheshwari stated: "It's a significant development in the Myanmar financial system and we at Yoma Bank are very pleased to be part of the first trade."

YOMA Bank is Myanmar's fourth largest bank in terms of assets under management with 3,000 employees and 65 branches nationwide. KBZ Bank has 475 locations across the country with 18,000 staff. It has representative offices in Singapore, Thailand and Malaysia.

The amendment of Rule 15c6-1(a) was designed to enhance efficiency, reduce risk, and ensure a coordinated and expeditious transition by market participants.

Broker-dealers will be required to comply with the amended rule from 5 September, as recommended by the SEC.

US regulators to stop, collaborate and listen on Volcker Rule

Five US federal financial regulatory agencies are coordinating the efforts to review the regulatory treatment of certain foreign funds under Section 619 of the Dodd-Frank Act, better known as the Volcker Rule.

Investment funds ordered or offered outside of the US are currently excluded from the definition of a 'covered fund', and are not subject to restrictions under the Volcker Rule.

A joint statement from the agencies follows a call from the US Treasury for regulators to rationalise and improve the risk-based capital regime for the securities lending and derivatives exposures of US banks, in response to President Donald Trump's executive order demanding their regulatory burden be eased.

The Treasury said the Volcker Rule, which is already under threat of being scrapped from potential Dodd-Frank replacement the Financial CHOICE Act, "requires substantial amendment".

It added that the rule "could result in pro-cyclical behaviour and reinforce market volatility during periods of stress".

With regards to the foreign excluded funds, a joint release from the agencies said: "Complexities in the statute and the implementing regulations may result in certain foreign excluded funds becoming subject to regulation under Section 619 because of governance arrangements with or investments by a foreign bank."

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This has led several foreign banking entities, government officials and market participants to express concern about the possible unintended consequences of such a change.

In particular, they are concerned that certain foreign excluded funds may now fall within the definition of a 'banking entity' if they are an affiliation or banking subsidiary of a foreign bank entity, because of the standard corporate governance structures of such funds, or because of the investment by a foreign banking entity into a fund.

This could mean that foreign excluded funds affiliated with foreign banking entities could be at a disadvantage when competing with those that are not affiliated with a banking entity, and therefore not subject to the rules.

The agencies said they are also "mindful of concerns" that foreign banking entities could use excluded funds to avoid requirements that would have otherwise been applicable, thereby providing foreign entities with a competitive advantage over US entities.

The agencies are therefore considering ways in which the implementation of the regulations could be amended, or other "appropriate action" taken. Furthermore, the federal banking regulators involved in the collaboration announced that they will not take any action on foreign excluded funds, with regards to the Volcker Rule, for a period of one year, ending on 21 July 2018.

The statement also suggested that congressional action may be required to be taken in order to fully address the issue.

The announcement came from regulatory agencies the Federal Reserve, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Commodity Futures Trading Commission and the Securities and Exchange Commission.

The same five agencies first issued regulations implementing the Volcker Rule restrictions on short-term proprietary trading using banks' own funds in December 2013. These rules do not currently extend to certain foreign excluded funds.

Synechron and SIX Group team up

Securities lending was voted the least popular source of liquidity in a survey of European buy-side heads of operations.

In a joint survey by InvestOps and SimCorp, 14 percent of 100 respondents highlighted securities lending as their most popular source of liquidity. The survey did not detail respondents' reasons for neglecting securities lending as a liquidity source or expand on whether heads of operations simply considered the practice as a back-up option.

North American firms did show a preference for securities lending over derivatives, which were the second-most popular choice for European firms.

"Securities lending has more efficiency and greatly increases the chances of finding liquidity", but "in the current volatile and uncertain macro environment, private debt is the ideal form to attract investors", according to the survey report.

Martin Engdal, director of global product marketing at SimCorp, said: "With private debt coming in as the top ranked source of liquidity, it is clear that an investment management firm needs to have an architecture in place that goes beyond cash, equity and fixed income."

"Responding quickly to any future asset trends, be it the newest over-the-counter instruments or the latest form of alternative investing, should be a priority."

Engdal added: "Only firms that can rapidly adapt to new forms of investments will

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be able to successfully capture and retain institutional clients."

Collateral management and margining were among the least popular investment areas for the buy side.

Front-office technology attracts the most capital expenditure.

"Front-office technology dominates as the most popular investment area, as competition between buy-side firms tightens and increasing data volumes continue to disrupt the front office," the survey report said.

Hedge funds experience best H1 gains since 2009, finds Preqin

The hedge fund industry has recorded one of its strongest H1 performance periods since the financial crisis, according to data and intelligence provider Preqin.

Hedge funds closed their eighth consecutive month of gains in June with 0.57 percent returns.

This brings the industry's total revenue for the first half of the year to 4.87 percent, its best performance since 2009, when Preqin recorded returns of 16.94 percent.

It is also the first time since 2007 that the industry has seen positive returns in every month for the first half of the year.

Equity strategies funds recorded the highest returns for the month (0.91 percent), taking 12-month performance to 13.62 percent.

Preqin noted that Asia Pacific hedge funds returned 1.53 percent in June, higher than either North America (0.59 percent) or Europe (0.20 percent).

UCITS funds gained 0.05 percent in June, while alternative mutual funds returned 0.24 percent.

Amy Bensted, head of hedge fund products at Preqin, said: "Despite negative investor sentiment at the start of the year, over the past six months the hedge fund industry has recorded one of its strongest H1 performance periods since the global financial crisis. Although we have not seen large monthly gains, consistent performance has bolstered the asset class' returns, and 12-month performance is now in double digits."

Bensted added: "Continued investment themes globally—including a more hawkish attitude from central banks, as well as more settled markets in Europe and Asia—have allowed discretionary fund managers to pull ahead."

Deutsche Bank's prime finance revenue fell in Q2

A Q2 2017 characterised by falling revenues saw Deutsche Bank hit particularly hard in equities sales and trading, where a decline in prime finance "predominantly" drove a 28 percent year-over-year slump.

Revenue from equities sales and trading fell to €537 million from Q2 2016, a drop that Deutsche Bank blamed on declining prime finance revenues, although it's unclear by how much they decreased.

Deutsche Bank embarked on a restructuring strategy in 2015 and planned to "selectively reinvest" in "less balance sheet intensive businesses", including prime brokerage.

As part of the wider strategy at Deutsche Bank, its headcount fell 1,525 to 96,652 employees in Q2 2017, despite approximately 100 further net hires in anti-financial crime and compliance.

Group net revenues at Deutsche Bank in Q2 2017 decreased 10 percent to €6.6 billion.

John Cryan, CEO of Deutsche Bank, said: "Our second-quarter results give a good summary of where we stand today."

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Pressure rising

Securities finance is on the verge of a breakthrough in terms of the electronic trading of repo, as Tradeweb's Enrico Bruni tells Mark Dugdale

Would it be fair to say that the repo market has seen little electronic innovation to date?

Yes, it is really only the dealer-to-dealer repo business that has traded electronically to date, even though repo is a high volume, low margin business, and therefore seemingly well suited to an electronic solution. Client repo flow has been very manual and inefficient, with transactions between the buy and sell side typically executed via messaging. This trade flow is time-consuming, fragmented, error-prone, lacking proper audit trails and, some would argue, has become uneconomic.

It is worth noting that most dealer-to-client interaction involves provision of repo rates and additional haircuts, which further compounds the manual process for dealers and clients in the collation and comparison of quotes. It is only now that we are seeing significant pressure on the existing dealer-to-client interaction to move to an electronic solution.

Why is repo trading becoming more electronic now?

Following the global financial crisis, many factors have come into play, which are driving dealers and clients to look for an electronic solution for repo trading, including regulatory and reporting requirements, proof of best execution, and fewer resources at traditional liquidity providers. Moreover, post-financial crisis initiatives such as the new margin requirements for non-centrally cleared over-the-counter derivatives introduced by the Basel Committee on Banking Supervision and the International Organization of Securities Commissions, as well as increased liquidity buffer requirements under Basel III, have led to a growing need to efficiently access and manage collateral.

Buy-side clients are facing increasing pressure to prove best execution, and to optimise the performance of their portfolios. On the sell side, firms have fewer resources at hand and are looking for efficiencies in order to sustain the business. For instance, trading desks have seen significant reductions in risk limits and balance sheets post-financial crisis and as such, have had to focus on conducting profitable business with key customers in the most efficient manner.

Headcount reductions on the sell side have also led to a search for solutions to focus on operational efficiency. In fact, a number of trading desks now see the lower margin, commoditised client business as inefficient, and many are looking to reduce their footprint in this space, unless the existing uneconomic, error-prone and manual trade flow can be streamlined.

Historically, the resource-heavy, manual nature of repo market interaction has meant that it has been unviable to fully mobilise all managed portfolios in repo. Furthermore, significant resources required by market participants to transact in the repo market have acted as a barrier to entry. However, the arrival of a less resource-intensive method of transacting is changing that dynamic.

Why does repo matter and why is Tradeweb moving into repo?

The global financial crisis saw decreased reliance on unsecured money markets by both banks and non-banks, and a move to the security of collateralised transactions that repo provides. In addition, with large central bank bond buy-back programmes in place, real money accounts are increasingly entering the market as providers of collateral, while other entities are now looking to the repo market to access collateral to post as margin on non-centrally cleared derivatives.

Participants are, now more than ever, looking to execute and process this increased collateral trade flow efficiently, using electronic platforms. Tradeweb's electronic dealer-to-client repo platform leverages the company's proven credentials in this space to provide a robust and efficient solution for buy-side and sell-side alike.

What is the Tradeweb model? What are the benefits of RFQ?

An electronic request for quote (RFQ) model with integrated straight-through processing (STP) was the obvious choice for Tradeweb. An RFQ model provides liquidity that no other model provides. Our dealer-to-client RFQ platform, launched in February 2016, captures all the efficiencies of electronic execution, while allowing dealers to identify balance-sheet-efficient-trades, and use fewer resources. It allows dealers to see in the pre-execution stage the balance sheet impact of client trades they are potentially taking on.

The sell side sees the benefits of significantly reduced manual ticket production and input, and sales people have greater time to devote to client relationships and executing higher margin repo trades.

Buy-side clients have also seen substantial time savings and increased productivity, particularly those clients with significant numbers of sub-accounts now configuring their trade flow to send inquiry at the sub-account level. This helps reduce the workload even further by removing the passing of trade splits, which can be error-prone and labour-intensive for both counterparties.

Why trade repo with Tradeweb?

Tradeweb allows buy-side firms to fulfil their repo strategy by allowing management of the repo flow at the sub-account level, which enables dealers to see splits pre-trade, and avoid time-consuming post-trade manual splits. We provide an audit trail and enable swift and efficient comparison of dealer responses, taking into account dealer rate and haircut to prove best execution.

Also, Tradeweb gives dealers a pre-execution view of the balance sheet impact of client trades, which in theory, should deliver better pricing. Additionally, we provide robust pricing for repo start prices through integration with our market leading bond marketplace. We also allow dealers to see the balance sheet impact of what they are pricing on an end-date netting basis, as well as offering a variety of flexible pre- and post-trade integration solutions.

Where will the market be in a year's time?

Recent macroeconomic events and regulatory changes have been the catalyst for change. Generally, we see a wide range of assets moving trading to electronic venues, and repo trading would be no different. In addition to that, new central counterparty initiatives that expand participation in the repo market are driving further adoption of e-trading, as they require electronic interfaces to execute and book trades. We feel that we are on the verge of a breakthrough in terms of the electronic trading of repo. **SLT**

> Participants are, now more than ever, looking to execute and process this increased collateral trade flow efficiently, using electronic platforms

Enrico Bruni
Managing director and head of European markets
Tradeweb

Closing down (short) sales, now on

The demise of the retail sector may not be inevitable, but if it is to recover, there is a lot to do and a long way to go, says David Lewis of FIS Global

The rise of internet shopping has been impossible to miss. Shoppers, from millennials to silver surfers, are increasingly purchasing goods online rather than visiting brick and mortar stores. Unlike the sudden impact of the financial crisis, bringing down major financial institutions almost overnight, the decline of the traditional retail market has been a slow degradation as tastes and habits change.

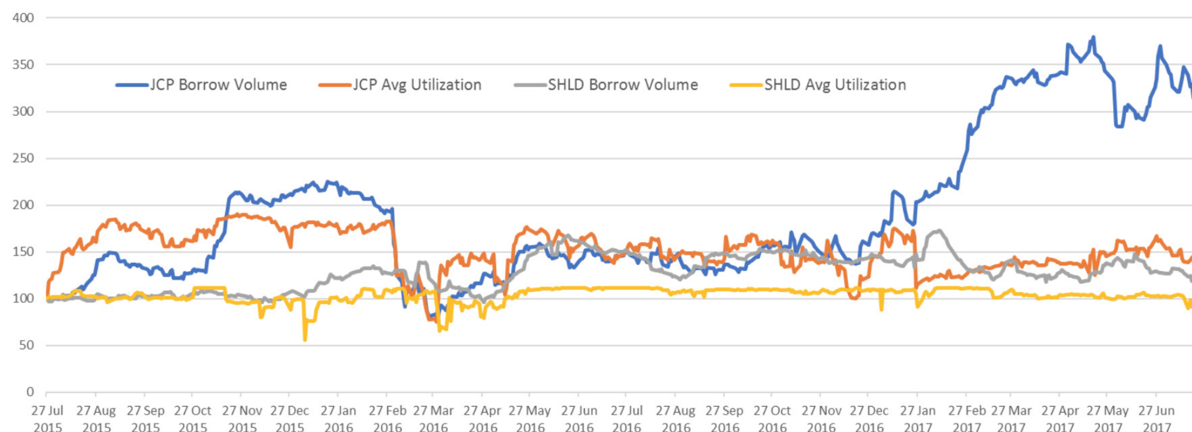
However, two things stand out when you look at the data behind the health of the retail market, particularly in the world's largest economy. Firstly, the pace of decline is increasing and, secondly, no opposing force is coming to the market to turn back the clock and save the industry. Could the inexorable decline of the retail sector be the biggest shorting opportunity to come along since the sub-prime mortgage markets?

Short sellers have held positions in the flagship department stores of Sears and JCPenney for a long time, and made handsome returns. Figure 1 shows the borrowing volumes, taken here as a proxy for short interest, of both companies as well as the utilisation levels showing the proportion of available shares that have actually been borrowed. All values are indexed to 100 as of July 2015, showing two years of change.

Short sellers had already taken down some 90 percent of the Sears shares available in July 2015 and, as of June 2017, this value had fallen slightly to 83 percent. Over the same period, the company share price had fallen from $21.44 apiece to $8.97, a fall of some $12.47 or 58 percent. With an average of more than 12 million shares being borrowed over that period, this translates into a gross return of more than $150 million for short sellers. Over a longer period, the impact of Sears's inability to defend itself from the online stores is even more striking. Five years ago, the Sears share price was $44.67, making an 80 percent decline in value over that period. According to some, bankruptcy is looming for this household name that has been in business since 1886.

For JCPenney, the story is not quite as catastrophic. Two years ago, the company shares were trading at around $8.24, but are now worth a little over $5.40, representing a decline of 34 percent. However, over five years, the net decline from the heady levels of $28.80 per share is, at 81

Figure 1: Short interest and utilisation indexed to July 2015



Source: FIS Astec Analytics

percent, almost identical to Sears. Short sellers have been a little less aggressive with JCPenney, holding, on average over the last two years, some 77 percent of the available shares to support their short sales. With an average of more than 68 million shares borrowed over the last two years, however, the gross returns for short sellers appear to exceed those held against Sears at more than $190 million.

Sears and JCPenney do not tell the whole story, of course. The Amazon effect is casting its shadow over the brick and mortar retail industry as a whole. The health of the consumer marketplace in the US has been reasonably strong over recent years, aided by low interest rates. But multiple factors are now coming into play, which could be turning that dramatically around. In 2017 so far, 76 million square feet of retail space in the US has been closed down. To put that into context, 2016 saw closures at an eight-year high of 82.6 million square feet. Some estimates suggest the 2017 total could be as high as 147 million square feet.

This is, of course, not just about buildings. So far, this year, the US retail sector has, on average, lost 9,000 jobs per month, according to the Department of Labor statistics, compared with an increase of 17,000 jobs a month in this sector during 2016. It is not difficult to see the reason behind this trend, when you consider online stores employ an average of 0.9 people per $1 million of annual sales in comparison with brick and mortar stores, which need 3.5 people. Job losses, with the inherent loss of income affecting other industries and house values, plus vast tracts of shuttered retail space in towns across the US start to look like the beginning of a dystopian nightmare. Cities reliant on retail industries will be looking warily at the impact that the decline of the automobile industry has had on Detroit.

A building boom in previous years has created the retail space and capacity not seen elsewhere in the world. In the US, there is 24 square feet of retail space per person, with the next largest allocation being Australia at 11 square feet. Europe, by comparison, has a measly 2 to 5 square feet per person. The explosive expansion of retail buildings in the US has left developers, mall owners and chain stores heavily indebted. Stores that are shutting down are not being replaced as shopping preferences move online. As a result, it is not just shares in the stores themselves that will come under scrutiny from short sellers, but also the shares and corporate debt of the associated industries that rely on accommodating and servicing these stores.

Food retailers had considered themselves relatively immune from the pressure on old-fashioned department stores that appeared to be unable to meet the needs of the modern consumer. The purchase of the Whole Foods grocery chain by Amazon earlier this year has changed that as it strives to move staples and fresh foods to the digital world, showing traditional retailers that it is not just about price and choice. They are battling a systemic change in buying behaviour, with new shoppers being much more comfortable with buying everything online and expecting it to be delivered to their doorstep.

Online shopping only accounts for 10 percent of consumer spending in the US, so while its impact is increasing, online stores do not yet have it all their own way. The demise of the retail sector may not be inevitable, but if it is to recover, there is a lot to do and a long way to go. And if there is one thing they do need to learn, it is that today's shoppers don't like going far from their mobile devices to shop. **SLT**

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Northern Trust recruits Titone, Lombard Risk adds Gaughran, and more

Jonathan Titone has joined Northern Trust as vice president and global market consultant in network management.

Titone joins from National Bank of Abu Dhabi (NBAD), where he was most recently executive director and head of product development.

In 2015, Titone helped NBAD to become the first securities borrowing and lending agent in the United Arab Emirates.

Titone previously held multiple roles at Brown Brothers Harriman, where he worked for more than a decade.

Citi has appointed Sabrina Wilson as global head of electronic and algorithmic trading and regional head for Europe, the Middle East and Africa (EMEA) futures, clearing and collateral.

In her new role, Wilson will report to Jerome Kemp, the former J.P. Morgan executive, who is global head of Citi's futures, clearing and collateral business.

Wilson has 20 years of experience in futures and options, clearing, market structure, and electronic trading.

She joins from Deutsche Bank, where she was global head of electronic and algorithmic trading, and regional head of listed derivatives and markets clearing business for the EMEA. She has also worked at J.P Morgan and Goldman Sachs.

Okan Pekin, global head of prime, futures and securities services at Citi, said: "As we continue to build on the strong momentum of our franchise, we are delighted to welcome Sabrina Wilson to the team."

"This hire further demonstrates our commitment to attracting the industry's top talent and provide clients with consistent, market-leading solutions across the full spectrum of investment services."

Lombard Risk has bolstered its Australia and New Zealand team with the appointment of Colm Gaughran as country manager for the region.

Gaughran will lead the ongoing expansion of Lombard Risk's regulation technology solutions from the Sydney office.

He has more than 20 years of experience covering buy-and sell-side firms. He joined Lombard Risk in 2016 and was previously global head of collateral management product at J.P. Morgan.

Gaughran's appointment was partially attributed to the Australian Prudential Regulation Authority remodelling its main regulatory reporting requirements for the first time in 15 years.

Lombard Risk seeing strong demand for its solutions from Australia's authorised deposit-taking institutions, which comprise banks, building societies and credit unions.

CEO Alastair Brown said: “We are seeing increasing uptake of the Lombard Risk AgileReporter solution for regulatory reporting, and Colline and AgileCollateral solutions for collateral management in the Asia Pacific region, and are expanding our presence in Australia and New Zealand to better support this market demand.”

Gaughran added: “I am thrilled to join the Lombard Risk team in Australia and New Zealand. Lombard Risk has a strong reputation in the industry, and is the leading dedicated global provider of regulatory reporting and collateral management solutions.”

“I look forward to delivering continued success, and to driving the next phase of growth.”

Joe Mecane has joined Citadel Securities as head of their execution services.

In his new role, the former Barclays executive will take charge of Citadel Securities’s equity, options and exchange-trade funds businesses.

At Barclays, Mecane served as global head of electronic equities since 2014.

Before Barclays, Mecane served as head of US equities and co-head of US cash and listings at the New York Stock Exchange. He has also worked at UBS Securities.

Peng Zhao, CEO of Citadel Securities, said: “I am excited to have someone of Joe Mecane’s talent join our team and look forward to working closely with him as we expand our business across products and geographies.” SLT

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