securities lending times

The primary source of global securities finance news and analysis

Issue 257 21 July 2020

Preparing the buy side for SFTR

DTCC's Chris Childs discusses what the firm is doing to help the buy-side gear up for compliance with this complex new mandate

Making history

Pirum Systems has grown from a start-up solutions provider to an institution within the securities finance industry

ESG Evolution

Sustainable financing looks set to become a central pillar of the market's recovery

Malik's Memo

MiFID II is admirable but a lack of civil liability coupled with almost no NCA enforcement makes it a damp squib

Pencils down, please – SFTR is live

The Securities Financing Transactions Regulation (SFTR) is now live.

From the 13 of July, phase one and two of SFTR ushers in a comprehensive new transaction reporting framework for investment firms, credit institutions, central counterparties and central securities depositories.

Phase three, due in October, brings the buy side into SFTR's orbit, while the fourth and final phase includes non-financial entities; unless they are based in the UK.

SFTR represents the securities finance industry's first a dual-sided reporting of SFTs, including legal entity identifies and unique transactions identifiers that account for just two of the 155 data fields that must be sent to an approved trade repository on a T+1 basis.

The regulation borrows heavily from the European Markets Infrastructure Regulation (EMIR), which focuses on derivatives, and builds upon it to create the most comprehensive reporting rules the industry has ever known.

Yann Bloch, vice president of product management at NeoXam, says: "For many financial institutions, preparation for the deadline has certainly been less frenzied than for other regulations. This is mainly due to the similarities SFTR shares with existing rules such as EMIR."

"Financial institutions who have used EMIR preparation as an opportunity to review their data architecture and governance will find the SFTR transition much smoother, as they can use existing tools and processes."

SFTR was originally due to come into force in April but the pandemic put paid to that timeline. The three-month reprieve gifted by the European Securities and Markets Authority (ESMA) to mitigate the disruption of COVID-19 on business has primarily been dedicated to further, much-needed testing.

"The additional time for testing was welcomed by most of our clients," says Sunil Daswani, head of securities finance solutions at MarketAxess. "The main issue we see at MarketAxess is that not all clients have completed the same amount of testing and this potentially means that those that have had solid test plans have not been able to necessarily test bilaterally as their counterparts lag behind."

Despite the additional testing period, very few people expect data quality to be perfect in the opening months after go-live.

Inside this issue

Publisher: Justin Lawson
Justinlawson@securitieslendingtimes.com
+44 (0) 208 075 0929

Editor: Drew Nicol
Drewnicol@securitieslendingtimes.com
+44 (0) 208 075 0928

Reporter: Natalie Turner
Natalieturner@securitieslendingtimes.com
+44 (0) 208 075 0926

Reporter: Maddie Saghir
Maddiesaghir@blackknightmedialtd.com
+44 (0) 208 075 0925

Office manager: Chelsea Bowles
+44 (0) 208 075 0930

Marketing director: Steven Lafferty
design@securitieslendingtimes.com

Published by Black Knight Media Ltd


A Partner
You Can Trust
Securities finance can be an important source of return and a key part of your portfolio and risk management strategies. With individualized service, advanced technology and a commitment to transparency, we can help you achieve your goals.
For informational purposes only. Securities finance services are provided through State Street Global Markets, the marketing name and a registered trademark of State Street Corporation, used for its financial markets business and that of its affiliates. Products and services may not be available in all jurisdictions.
©2019 State Street Corporation.
statestreet.com/securitiesfinance
STATE STREET.
2725655.1.1.GBL

Pencils down, please – SFTR is live

Continued from page 3

"I foresee the first few months still requiring an element of ironing out of issues," Daswani adds.

Neil Vernon, CTO at Gresham Technologies, explains: "Sell-side firms are set to encounter a steep incline in data errors when it comes to transaction reporting come 13 July. To put this into context, 36 months on from the second Markets in Financial Instruments Directive and we're still flagging around 300,000 problems a day for transactions under the regulation, and that's just at one organisation.

"By comparison, for SFTR reports being produced now, we're looking at around 1.5 million errors a day."

Vernon adds: "Although it is too early to determine its wider impact on trading activity, SFTR will separate the wheat from the chaff: who has invested in the right reconciliation technology to establish data quality controls, and who remains bogged down in the murky waters of manual processing and legacy tech."

Phase one and two of SFTR may now be live, but the work will be ongoing for some time yet and further clarifications from ESMA are expected to come and require tweaks to reporting solutions.

Martin Walker, head of product management for Broadridge's Securities Finance and Collateral Management business, says: "Even the best-prepared firms will be managing new challenges and extra work generated by reporting and resolving exception.

"As SFTR settles in firms should be looking at budgeting for operating model changes, and technical improvements that deal with the root causes of breaks and other reporting issues."

ESMA is expected to start publishing Q&As on SFTR later this year which will inevitably bring further amendments to reporting standards.

Broadridge's SRD II solution gains "record" interest

Broadridge Financial Solutions says it has experienced a "record number of new signings" for its multi-industry Shareholder Rights Directive (SRD II) solution.

SRD II will require asset managers to disclose their policy on securities lending to institutional investors and how it is applied to fulfil its engagement activities, particularly at the time of the general meeting of the investee company.

Among SRD II's primary aims is to crack down on the misuse of voting rights, which have in the past been abused in several ways including via the borrowing of shares ahead of key corporate action dates to influence a company's voting results.

Broadridge was unable to disclose an actual number of users signed up to the service but says they range from retail- and institutional-focused firms to tier-one banks, brokers and wealth managers, based both within and outside of European domiciles.

Broadridge's Global Proxy solution allows firms to implement same-day event capture and distribution, same-day proxy vote processing and confirmations, multi-channel retail functionality, and European client data storage.

In addition, the digital Shareholder Disclosure Hub solution incorporates application programming interfaces (APIs) and blockchain-based technologies to ensure compliance with new SRD requirements.

The Broadridge solution was launched in response to the "urgent requirement" for financial institutions to comply with the European Commission's updated SRD II, concerning global proxy voting and shareholder disclosure, by 3 September.

Earlier this year, a broad alliance of industry associations lobbied EU regulators for a delay to SRD II but this was rejected.

Demi Derem, executive general manager for global SRD II measures at Broadridge, tells SLT: "The prospect of a delay caused some firms to hesitate signing contracts, but the vast majority were already committed to our solution.

"Subsequent to the delay being declined, we have continued to receive enquiries and an ongoing stream of new signings."

EACH updates CSDR SDR framework

The European Association of CCP Clearing Houses (EACH) has updated its framework on Central Securities Depositories Regulation (CSDR) settlement discipline regime (SDR) to reflect feedback received from industry participants and the authorities.

CSDR aims to harmonise certain aspects of the settlement cycle and settlement discipline and to provide a set of common requirements for central securities depositories (CSDs) for both domestic and cross-border transactions.

The framework's objective is to provide the European Securities and Markets Authority and market participants with details of EACH's implementation of the CSDR settlement discipline provisions that affect CCPs and their Clearing Members.

Included in the new version is an updated EACH position on Article 19 SDR, which requires CSDs to ensure that CCPs receive all relevant cash penalty calculations for failed cleared transactions and duly collect and distribute these penalties to their clearing members.

CCPs are planning to go ahead with the implementation of Article 19 unless another solution presents itself prior to the implementation date, despite the fact EACH believes this article to be "unnecessary".

The association explains that there is no operational or risk-based justification for having a separate collection and distribution mechanisms for penalties originating from failed cleared transactions and penalties originating from failed non-cleared transactions.

EACH adds that it will continue advocating for the removal of Article 19 SDR at the latest with a review of CSDR's SDR.

Meanwhile, the updated section on penalties includes EACH members alignment with CSDs on penalty calendars, as well as new positions on penalties mismatch scenarios.

Additionally, the section on reporting includes updated positions on penalties daily reporting and monthly reporting.

"EACH members have agreed to align the management of penalties to ECSDA's monthly timetable as described in chapter two of the European Central Securities Depositories Association's CSDR penalties framework where possible," EACH cites.

"CCPs will, therefore, trigger the reporting, collection and redistribution of penalties as follows: 14th business day: Monthly report of aggregated penalty amounts will be delivered; 17th business day: aggregated penalty amounts will be charged and redistributed to the relevant clearing members."

Euronext gets Danish approval for VP Securities acquisition

Euronext, the pan-European exchange, has received the clearance from the Danish Financial Supervisory Authority to acquire up to 100 percent of VP Securities.

The Danish regulator gave Euronext the all clear on 15 July to acquire VP Securities, only the Danish central securities depository (CSD), for an undisclosed sum.

The regulatory approval by the Danish FSA was the only condition to complete the transaction, which began in April.

According to a statement, the exchange has already secured strong support from existing shareholders of VP Securities, with shareholders representing 90.68 percent of the total shares having already accepted the exchange's offer.

The tag-along offer from the European exchange to acquire the remaining shares in the CSD will remain open until the 31 August.

Minority shareholders of VP Securities who have already accepted Euronext's offer will receive settlement on or around the 3 August.

Any other shareholders and shareholders with specific rights, accepting Euronext's offer before the 31 August deadline will receive payment on or around 10 September.

Following such settlements, Euronext intends to initiate a compulsory acquisition procedure to acquire the remaining shares not already tendered in accordance with the rules of the Danish Companies Act.

The acquisition is aimed at expanding Euronext's Nordic presence and double its CSD business through the acquisition of a majority stake in Danish CSD, VP Securities.

The European stock exchange says the deal also serves to significantly bolster its post-trade services offering and further diversify its revenue stream to become less reliant on volume-related revenue.

BNY Mellon SBL revenue hits two-year high

BNY Mellon has recorded its best quarter for securities lending revenue in nearly two years.

Last quarter saw the bank's securities lending earnings jump 28 percent year-on-year to hit $51 million, up from $40 million.

This marks BNY Mellon's highest quarterly earnings through its agency lending business since Q3 2018 when it chalked up $52 million.

Last quarter's haul was also an 11 percent step up from Q1 when BNY Mellon earned $46 million.

BNY Mellon's agency lending business, which comes under its investment services division, reported a market value of securities on-loan of $384 billion in Q2, up from $369 billion in Q2 2019, but down slightly from the $389 billion on loan in Q1.

The bank says its on-loan figures exclude securities for which BNY Mellon acts as agent on behalf of CIBC Mellon clients, which totalled $62 billion 30 June, $59 billion 31 March and $64 billion 30 June 2019.

Elsewhere, BNY Mellon's clearance and collateral management business saw earnings increase 4 percent, compared to the equivalent period in the year prior.

Revenue for the past quarter hit $300 million, up from $276 million in Q1 2019 and $280 million in Q4 2019.

In its report, BNY Mellon says both increases primarily reflect growth in collateral management and clearance volumes and higher net interest revenue.

Eurex Repo enjoys growth across both its GC Pooling and Repo markets

Eurex, the global derivatives exchange, has revealed its June figures which highlights a strong growth across European equity index derivatives, over-the-counter (OTC) clearing, and Eurex Repo's GC Pooling and Repo markets.

GC Pooling grew from 56.13 billion EUR in June 2019 to 69.44 billion EUR last month – up nearly 24 percent - while the Repo Market saw growth of over five percent across the same period.

The OTC clearing business at Eurex saw notional outstanding volumes climb over 69 percent in June compared to the same month last year, while average daily cleared volumes grew over 57 percent across the same period.

Average daily cleared volumes in just interest rate swaps grew from 13 million EUR in June 2019 to 21 million last month – a rise of over 56 percent.

Elsewhere, at EEX, the Leipzig-based energy exchange that is part of the Deutsche Börse Group, saw electricity volumes grow by 14 percent year-on-year, while gas volumes fell by 16 percent over the same period.

The number of traded derivatives contracts at Eurex grew by four percent in June, led by European equity index derivatives with 111.8 million traded contracts – a climb of 26 percent compared to June 2019.

European interest rate derivatives saw a drop of eight percent in the number of traded contracts, while there was a fall of 29 percent in European equity derivatives.

Seb Malik
Head of financial law
Market FinReg

MiFID II: A damp squib?

On 13 July, the European Securities and Markets Authority revealed that a grand total of €1.8 million of sanctions for the second Markets in Financial Instruments (MiFID II) violations had been issued in 2019 by national competent authorities (NCAs) across the EU. For perspective, the EU is a €19 trillion economy, comprising 22 percent of global GDP. In English vernacular this is "a shocker".

But it was to be expected. I wrote about this years ago, as did a number of academics. I am often asked on panels what the biggest problem with MiFID II is and my response is always: the lack of private law remedy. That's a legal term for saying: there is (almost) no way a person or company can take legal action against a firm for violation of MiFID II law.

Did not receive best execution? No provision of information under MiFID II's investor protection regime? Trading venues and systematic internalisers refusing to supply market data for free after 15 minutes? There is simply nothing you can do to enforce your rights, other than filing a complaint with the regulator.

What is worse is that the European commission (EC) was acutely aware of this problem when drafting MiFID II. The EC acknowledged in 2010:

"While investment firms are subject to possible administrative sanctions by the competent authorities if they infringe MiFID rules, the directive does not deal with the liability of firms towards clients in cases where infringement of MiFID rules causes damage. Thus, the conditions for such civil liability … may sometimes be difficult to establish.

"Introducing a principle of civil liability of investment services providers would be essential for ensuring an equal level of investor protection in the EU. Such a principle, could be included in the framework directive and would enable clients to claim damages against investment firms infringing MiFID rules ... "

In response to that, 4,200 replies landed on the EC's desk. It is not hard to imagine the tenor of industry response. The thought of civil liability being imposed on financial firms for violating the law was too much to bear. The EC quietly dropped the "essential" provision and so we are left with this wholly inadequate mess where, on one hand, investors are provided volumes of very good laws to protect their investments, and on the other, no way of enforcing their rights; save for a complaint to the national regulator which refuses to act. It takes a considerable leap of faith to believe that the entire pecuniary damages resulting from violating MiFID II in a €19 trillion economy amounted to €1.8 million in 2019. Take Germany as an example. In 2019 not a single euro of fines was issued for MiFID II violations.

For small claims, an ADR-style complaint can be filed. In the UK this is the Financial Ombudsman and there is a limited recourse to action under s.138D of the Financial Services and Markets Act 2000, but there are large carveouts from this.

There is academic literature arguing for "horizontal direct effect" of EU law and I am researching the scope for seeing if the onshoring of EU Principles could be of use. But I have little doubt, English courts will likely consider this indulgent persiflage.

The situation is untenable and an investigative journalist would do well to file Freedom of Information requests for all documents concerning the EC's dropping of the above civil liability provisions. Another request should seek disclosure of anonymised, aggregated responses to public consultation on this measure. The public deserves to understand the rationale, on what basis the EC decided to drop what they had described as "essential".

MiFID II is an admirable package of measures that on paper takes great strides in ensuring investor protection. But, a lack of civil liability coupled with almost no NCA enforcement means that in its current form MiFID II is a damp squib.

Laws without an ability to enforce are worthless.

Seb Malik
Head of financial law
Market FinReg

Preparing the buy side for SFTR: A conversation with DTCC's Chris Childs

Chris Childs, DTCC managing director, head of repository and derivatives services and CEO and president of DTCC Deriv/SERV, discusses what the firm is doing to help the buy-side gear up for compliance with this complex new mandate

While the coronavirus pandemic delayed the start of the European Securities and Markets Authority's (ESMA's) Securities Financing Transactions Regulation (SFTR) to 13 July and gave the broker-dealer community more time to prepare, buy-side firms must still work to address any remaining reporting challenges and complete testing to ensure readiness ahead of their October go-live.

How has DTCC been getting clients ready for SFTR?

Even before COVID-19 appeared on the horizon, SFTR created a perfect storm of data and operational challenges for banks and asset managers engaged in repo trading, securities lending and collateral reuse. As a result, we've been preparing clients for several years now to address these challenges. We began by working with the industry to design a solution that leverages the trade reporting efficiency and security of our existing licenced/registered trade repositories (TRs). We then built an additional set of tools that help firms manage their data on the front and back ends of actual trade submissions. And, as go-live approaches, we rolled out comprehensive onboarding, testing and production support.

Describe how your SFTR solution works?

From our conversations with market participants, we realised the industry needed an SFTR solution that can alleviate the stress on in-house technology and staff by offering a comprehensive menu of customisable features along with full-service client support.

Describe your testing programme in more detail and how you're addressing buy-side testing concerns?

From the outset, we committed to provide an extended period of user acceptance testing (UAT) so clients can work out any kinks and raise their levels of preparedness. We launched vendor UAT in August 2019, followed by industry-wide UAT starting in October. Subsequent phases have added more functionality including testing of production connectivity and submission of messages. Through our SFTR portal, users can set up end-of-day reports and view all their reported data and reconciliation results online.

While dealers were the first to take advantage of early testing, buy-side firms may find our comprehensive testing program even more useful, as they tend to run on thinner in-house resources.

> *We realised the industry needed an SFTR solution that can alleviate the stress on in-house technology and staff*

The solution we designed addresses the particular pain points of SFTR by offering both our Global Trade Repository (GTR) services – derivatives reporting through registered or licensed trade repositories in various jurisdictions globally – and DTCC Report Hub services, an optional, customisable suite of pre- and post-reporting data and reconciliation tools.

GTR is the largest TR service in the world, serving more than 5,200 firms across multiple jurisdictions. Since 2012, GTR has delivered efficient, secure trade reporting for OTC and exchange-traded derivatives and this track record has given firms, large and small, the confidence they can entrust their SFT reporting to us.

We created our DTCC Report Hub services to meet the varying needs of a diverse client base. Users can choose from an array of services and put together a package that's relevant to their objectives and capabilities.

In May, we further boosted our buy-side testing support by making Delta Capita's SFTR data test pack directly available to DTCC's buy-side clients. This test pack is considered the industry standard for promoting SFTR readiness. It lets firms rehearse various SFT lifecycle event scenarios so they can fix any problems that show up. They can also benchmark their testing progress against their peer group.

What kinds of SFTR readiness issues distinguish the buy-side from the dealer community?

First, let's recognise what the buy-side and sell-side have in common. Even as reporting mandates have become increasingly complex, in-house procedures and technology needed for reporting have not kept pace in terms of efficiency and rationalisation. Firms struggle to coordinate and deploy their IT systems and compliance teams to gather the data necessary for reporting, configure it properly, and harmonize reported trade data with internal books and records.

Systems for data collection and processing are often fragmented and duplicated, and the technology upgrades necessary to keep pace with regulatory changes are expensive.

That said, buy-side firms do carry some unique burdens. For one, they are having to get ready for an October SFTR implementation while at the same time preparing for Brexit to take effect at the end of December. Adding to that, most of them are falling within scope of the Uncleared Margin Rules (UMR) when phases five and six take effect in September 2021 and September 2022, respectively. And the Central Securities Depositories Regulation's (CSDR's) settlement discipline regime goes live 1 February 2021.

Managing compliance with all these mandates simultaneously would stress any firm, regardless of size and capabilities, but most on the buy-side will face greater operational and data challenges than their dealer counterparties due to the fact they have comparatively fewer technology and staffing resources.

What's the best way to address the operational and data issues around SFTR?

We've observed in working with our GTR user community on derivatives trade reporting that firms need a flexible suite of solutions that help them manage the entire activity chain preceding and following the submission of transaction data to a TR since so much of the work happens in the pre- and post-reporting phases.

This year we launched such a multi-functional toolbox, the DTCC Report Hub service, to transform the trade reporting process for buy-side and dealer firms of all sizes. Before submitting trade data to a DTCC TR, DTCC Report Hub services enable users to normalize, translate, pre-validate and enrich data from multiple sources. Following submission, these services can be used to reconcile end-of-day reports against client books and records or facilitate third-party access to trade data.
DTCC Report Hub service offerings are available to dealers and buy-side firms as well as other involved parties such as agent lenders. But we expect it to be especially valuable to buy-side

firms because it eliminates the need for users to build in-house capabilities for data transformation, third-party access, exception management and reconciliation.

By offering both TR services and the DTCC Report Hub services, SFT reporting is more efficient. So is the user experience, thanks to a single sign-on portal and common user interface. Users can customise their service packages; some will opt to utilise all features while others may use only one or two.

Are some pain points especially acute for the buy-side?

We've worked hard to understand the pain points around SFTR compliance that are unique to the buy-side. An SFTR briefing DTCC hosted last September jointly with IHS Market and Pirum Systems was especially helpful. Of the nearly 50 buy-side firms that participated, almost half said their biggest challenge will be sourcing the transaction data required for regulatory reporting. Generation and use of unique trade identifiers (UTIs) was another top concern. Pre-SFTR, the securities financing markets, including repo markets, did not require UTIs. But the new regulation mandates that transactions be paired – using counterparties' UTIs and LEIs – and matched in a TR on a T+1 basis, effectively forcing counterparties to generate and exchange UTIs before reporting their trades.

Other issues mentioned were delegated reporting, which means delegating your own transaction reporting to your counterparty or a third-party service provider; and the use of vendors – i.e., when to outsource various compliance tasks versus performing them in-house, and how to select the right vendors.

Speaking of delegated reporting, what are its pros and cons for buy-side firms?

On the one hand, delegated reporting can alleviate some burdens of transaction reporting. However, firms should be mindful that it doesn't release them from the legal obligation to ensure their reporting is performed accurately and on time and to be ready to supply detailed information in case of an audit or regulatory review.

Additionally, delegating your reporting will make it difficult to comply with SFTR's requirement to report on the reuse of your underlying collateral

By offering both TR services and the DTCC Report Hub services, SFT reporting is more efficient

at the entity, rather than trade, level. Because only the asset owner can know this information, a firm's dealer or agent lender that has been delegated to report the firm's trades could not meet this requirement.

We asked an audience of buy-side attendees at a March 2020 webinar about their plans to delegate and the results reflected these challenges. While the extent to which firms plan to delegate was mixed – a total of 71 percent indicated they plan to delegate at least a portion of their reporting, with nearly a third planning to delegate everything but collateral re-use – the remaining 29 percent said that they are committed to self-reporting all in-scope transactions.

For those who self-report, DTCC Report Hub services can help firms transform their data into the required ISO 20022 XML message format, pre-validate submissions and manage exceptions before submitting the transactions to a DTCC TR. DTCC Report Hub reconciliation services reinforce the accuracy and timeliness of their submissions by reconciling GTR end-of-day reports against the data submitted from their internal books and records and data submitted to the GTR TR.

Do you envision expanding the use of DTCC Report Hub services beyond SFTR?

Yes. We are evaluating extending DTCC Report Hub services to all OTC derivatives asset classes for derivatives reporting in all jurisdictions, with the goal of establishing a fully mutualised infrastructure for regulatory reporting.

Has COVID-19 accelerated ESG in securities lending?

ESG was firmly in the spotlight well before COVID-19 ran a coach and horses through global economies. But, what cynics might previously have dismissed as merely a shiny bauble to attract investors now looks set to come out the pandemic as a central pillar of the market's recovery

Natalie Turner reports

Despite the coronavirus pandemic disrupting the world's economies and altering society in a colossal way, there are silver linings breaking through the clouds. One of them is that the presence of environmental, social and governance (ESG) in securities finance looks set to cast off any lingering accusations of faddishness and assume its place in the centre of discussions on how the market will move forward.

ESG and securities lending have endured a rocky relationship thus far, as asset owners have explored their feelings on what is, or isn't, an acceptable and ethical financing strategy. Most of the concerns beneficial owners have raised so far are centred on securities lending's role in facilitating short selling, which some feel runs contrary to their governance responsibilities. This has led to some prominent beneficial owners to withdraw their assets from the market, but, the over-saturated pool of assets available to lend has so far absorbed these losses without difficulty.

Despite the occasional compliance headache and awkward questions during client meetings, agent lenders and industry bodies are determined to square the circle of lending assets while maintaining a well-developed ESG policy in order to mitigate the concerns of beneficial owners. The International Securities Lending Association (ISLA) appointed Radek Stech, an expert in environmental law at Exeter University to chair its semi-autonomous Council for Sustainable Finance (ICSF), while major banks created new, ESG-focused roles to apply a lens of sustainable financing to all aspects of their operations.

Research by BlackRock Asset Management shows that ESG issues can impact company fundamentals if ignored, while those that do recognise the importance of these factors and manage them well are becoming increasingly attractive to investors.

According to Matthew Chessum, investment director at Aberdeen Standard Investments: “ESG is unavoidable. It has to be addressed and is set to increase in importance further in the next few years. Financial gain is not part of the conversation here.”

“Good stewardship is vital to ensure that companies and investors remain a positive driving force in the economy,” he adds. “I think that you will find that this issue is already within the top three of any financial institution globally. There is both headline and reputation risk involved in not taking sustainability seriously.”

Chessum goes on to explain that investors have access to more information than ever and want to know how and to what standards their money is being managed. “Strong governance has existed within most securities lending programmes for many years, the only real change is the implementation of the social and environmental standards,” he explains.

“Finally, the introduction or enhancement of any ESG standards makes a securities lending programme stronger. Better governance, a broader appreciation of social and environmental impacts will future proof any programme protecting revenues for the medium to long term,” Chessum concludes.

Along came COVID

When the pandemic hit, companies were forced to tap into credit sources, slash dividends and lay off huge swathes of their workforce. Industry observers initially speculated whether firms’ ESG convictions would be forgotten in the struggle to simply survive. It was questioned whether issues of ethics and sustainability would be put on the backburner until stability returned. But, several months on, ESG appears to still be high on the priority list for beneficial owners and the rest of the market. Part of this is helped by initial data showing that, far from being a burden, ESG-focused funds fared better than their peers.

According to data from Morningstar Direct, ESG funds have outperformed so far in the market slump, with 60 percent of European ESG exchange-traded funds beating the MSCI Europe Index. This has allowed ESG to not only be maintained during the crisis seen in Q1 but to actually be viewed as a piece of the puzzle in how to get global economies back on track.

Amid the current pandemic, the ICSF published a paper called ‘Making Sense of Sustainable Securities Lending & Short Selling During the COVID-19 Crisis’, which argues that securities lending and short selling are positive mechanisms as long as they conform with the council’s Principle of Sustainable Securities Lending (PSSL) framework.

Stech explains that the debate around short selling and market liquidity prompted ICSF to publish a position paper on regulatory divergence. “We see the role of sustainable securities lending helping us on the road to recovery,” he explains. “This pandemic has forced us to organise our thoughts and resolve more quickly than we had originally planned. We need to think more about ESG, because ESG is at the core of what we do. It will help with market recovery and reinforce the overall sustainable finance agenda.”

David Lewis, senior director at FIS Astec Analytics in London, highlights that COVID-19 has brought about a re-evaluation of many aspects of society’s values, such as community responsibility and appreciation for the NHS in the UK. There is huge pressure for change in racial discrimination and its association with corporate responsibility – behavioural change in corporations which can also be seen in the community credentials touted by major multi-nationals including supermarkets supporting food banks and prioritising essential workers with access to resources.

He explains that “the movement toward ethical investment seems to me to be very much in line with this direction of travel and to expect greater responsibility from our investment managers is not out of step with changing expectations toward any other service provider”.

Lewis adds: “Certain funds are replacing financial performance metrics second to ethical investments, understanding that divesting themselves of fossil fuel producers in favour of renewable energy projects may cost them in the near term, but is clearly a better long term bet.”

The pandemic has seen 23 percent of investors accelerate their focus on ESG credentials, according to a survey from BNP Paribas Asset Management, which found social consideration to become “extremely or very important” going forward. The survey that was published earlier this month in conjunction with Greenwich Associates found 81 percent of respondents are already employing ESG in all parts of their portfolios. After a rocky start to the year the future is looking bright for ESG and all involved.

20 years of connectivity

Scott Brown
Business Development Manager
Pirum

Pirum Systems has grown from a start-up solutions provider to an institution within the securities finance industry. Two decades of solving the market's problems through technological innovation

As Pirum Systems turns 20 this year, we thought it fitting to take a pause and reflect on the journey, which in many ways parallels the evolution of the securities finance industry. We will also get the thoughts of people who have shaped the Pirum brand in its past, present and future state.

If we take a moment to think back to the year 2000 (see Figure 1), it seems like a very long time ago. As Pirum was establishing itself, the dot.com bubble had begun to burst and public sentiment had started to dissipate following the widespread fear of the Millennium Bug.

Pirum will share its birthday this year with some other significant events. Events that have either changed their market and brought new and exciting products to the masses or gone on to receive critical acclaim in their respective field. The Sony PlayStation 2 sold a million consoles upon its launch in March 2000 and has gone on to be the world's best-selling console. The first mobile phone with a camera was sold, called J-SH04, and it had just a 0.1-megapixel resolution. Big Brother was launched and changed reality TV forever. The movie Gladiator received 12 academy award nominations and Julia Roberts played Erin Brockovich who was instrumental in a lawsuit against the Pacific Gas and Electric Company in 1993. The movie has gone on to become something of a cult classic and has inspired many to become involved in environmental policy. Amid a coronavirus pandemic, the harrowing outlook of climate change and the rollback of Environmental Protection Agency guidelines makes the movie seem relevant 20 years on.

In this article, we will share the thoughts of clients, ex-employees, industry bodies as well as current team members. All these people have played a key role in shaping the Pirum operating model, product suite and culture over the past 20 years. As you will see from each person, they are passionate about what they do and providing the very best solutions for Pirum's clients.

Before we get into the reflective thoughts of these individuals, we would like to say a big thank you to all our clients for your continuous support and for working with us to develop market-leading products across securities finance.

Pirum History

A brief history of the company where the various achievements and major landmarks are stated

2000-03 — Company Launched

- Rupert Perry & Jeff Armstrong start Pirum
- Pirum officially incorporated
- Initial pilot with large banks to address manual post trade recs (CORE)
- 10 Nov 03 - SBLREX reconciled positions valued +$120 billion USD. 870,000 trade, billing, custody and pending items in 320 distinct reconciliations

2004-07 — New client mandates

- 07 May 04 Pirum deploy SBLREX to FI securities lending and repo broker dealers.
- Reconciled positions valued $210 billion
- 28 Sep 07 - The first 6 clients are now live on NEW Marks & Exposure rec service.
- ~5,500 trades are being marked daily

2008-10 — Product Launch

- Real-time products across client base and connectivity (LIVE)
- 12 June 09 - Pirum goes live with real-time Automated Returns. *An industry first!*

2011-13 — Getting Connected

- SEC rule 17a compliance reporting
- 02 Nov 11 - Real-time exposure management
- J.P Morgan Tri-party connectivity
- First CCP trade novated to Eurex Clearing

2014-16 — Service Expansion

- BNY Mellon Tri-party connectivity
- Exposure Connect launched (LIVE+)
- Euroclear Tri-party connectivity
- SFTR DPG commences

2017-19 — New Location

- Bowmark Capital acquire business
- Pirum opens office in N.A
- Pirum sign first CollateralConnect client
- SPOConnect service launched
- Pirum wins ISF award for best post –trade service for 4th year in a row

2020+ — Award Winners

- Reconciled positions valued +$2 trillion
- Wematch connectivity
- Phil Morgan appointed CEO
- SFTR go-live with our partners IHS Markit
- CSDR tool-kit
- Repo service upgrade
- NEW product launches coming and much more to follow…

Some branding from our archive

PIRUM

Pirum becoming the first strategic partner for Eurex Clearing's Lending CCP enabled our clients to make use of their best in class solutions, nimbleness and cutting-edge technology.

Jonathan Lombardo
Chairman of ISLA and Eurex, head of sales

Right from the very earliest days, Pirum has always been about providing the very best solution for each operational process we have tackled. Our first products introduced back in 2001 were contract and billing compare. For operations teams that were used to laboriously ticking back faxed statements by hand, they brought new levels of operational efficiency to the reconciliation process that they had never seen before.

The matching performance of our core reconciliation engine was tuned and tweaked for years after it was first introduced to ensure it provided the very highest quality of matching possible, reducing false breaks and enabling our clients to see and focus on the real problems. Almost all of our subsequent services (such as marks, exposure recs, returns processing, unique transaction identifier generation for regulatory reporting) were built with the same outcome in mind, namely to deliver the very highest levels of straight-through processing in as flexible a manner possible. The company's continual focus on both technical solution quality combined with exceptional client service from experienced industry practitioners resulted in Pirum developing a market reputation as both an exceptional innovator and the industry's service provider of choice.

Rupert Perry
Co-founder and ex CEO
Pirum Systems

I've had the privilege of working with Pirum Systems from pretty much their inception. In terms of the exceptional knowledge and professionalism of the staff on the end of the phone, very little has changed. However, it is a testament to the success of the company that I no longer know who will answer the call to "support". Back in the day, it was either Rupert or Jeff. Congratulations on reaching the 20th-anniversary milestone and thank you for ridding the world of the manual tick-back, forever

Agent lender (product manager)

John Tootell
Client service manager
Pirum Systems

I started my career in securities lending the same year that Pirum started up – all the way back at the millennium. I took a keen interest in the various new reconciliation tools that were popping up in the industry at the time because when I joined everything was still manual. Manual in 2000 meant printing out 500 pages of billing statements and spreading them all over the floor to try and match together positions to find billing discrepancies. Manual in 2000 meant calling in every single return via the phone, receiving confirmations via fax, and it meant typing in all your new cash mark prices one at a time. A lot has changed over the past 20 years, and I was very excited to get the opportunity to actually work at Pirum in 2015. Pirum has always excelled at simplifying complex operational processes, and since I've been working here I've been struck by just how many new features and projects are successfully delivered to benefit our clients.

ExposureConnect is particularly exciting to me personally with its real-time view of exposures, which for a large number of our clients and prospects is still a hugely manual process even now in 2020. This year has been extraordinary with the advent of COVID-19 and a new 'normal' of working from home, and I've been impressed again at just how quickly the company adopted to this and indeed thrived. Finally, with the recent SFTR project, I've seen first-hand the great teamwork displayed by our employees to ensure that we deliver on time and on spec - I am very proud to work at Pirum

Innovative, flexible, learned, intelligent, and business savvy. All key points of a successful team, that makes a difference and adds value. Congratulations on 20 years

Tony Holland
Business analyst
MUFG

A valued business partner that is always looking to innovate in order to navigate through challenging markets for the benefit of their clients. Thank you

Matt Glennon
Head of equity lending
Citigroup

ING has a long-standing relationship of more than 10 years with Pirum across their various platforms as they remain at the forefront of technological advances in the securities lending sector. We value Pirum's support and outstanding customer service and look forward to continuing this respected partnership

Paul Bradford
Director,
global securities finance
ING

I remember being interviewed by Rupert and Jeff, the founders of Pirum, as they considered hiring me as their first employee. I remember them saying that they wanted to create the kind of company that they would want to work for. What kind of company was that? One where we combine technical strength, in-depth business knowledge and excellence in customer service. Where the team strives to do the best we can for our customers and to be driven and passionate about quality. It is a firm that values our team and is governed by meritocracy, where people are given the opportunity to excel. As I've seen the company grow from three people to a team of more than 100 in my 17 years here I certainly feel we have achieved that, and from those roots, the culture has continued to work hard to maintain and grow this ethos. It has been my privilege to be part of, and lead, this amazing Pirum team and work with a group of very talented people. Finally, it has been my honour to serve, and be a part of, the wonderful Securities Finance community

Rajen Sheth
CEO
Pirum Systems

Co-founder, Jeff Armstrong was the first person to ever say the word "internet" to me. We were working together at Lehman Brothers in the early 90s at the time and he'd built this green and black client communication system called LEBROL. At the time I remember thinking that the internet wouldn't catch on - how wrong I was and shows you how right Pirum were

I have personally always enjoyed a very professional and fruitful relationship with Pirum. As an agent and principal lender, the experience as a client has always been excellent and meaningful. WeMatch is now a partner and our joint forces are triggering synergies for a very powerful front-to-back offering on securities lending. The collaboration with all the Pirum teams has been excellent, very professional, and we are looking forward to continuing the journey to deliver a solution for the industry

David Raccat
Co-founder and head of EMEA
Wematch.live

I had long been an admirer of Pirum's product set and leading position in the post-trade space before having the pleasure of joining them in 2016 to help shape their future innovation and product roadmap as the lines between pre and post trade blurred. Since returning to a market practitioner role, and having gone back to being a client, I remain impressed by the evolution and future strategy of the business. I wish them luck in the future and acknowledge their achievements over the last 20 years

Ben Challice
Head of collateral & agency lending
J.P. Morgan

Robert Frost
Head of product
Pirum Systems

Using Pirum in 2001 at the start of my career was the first time that I saw just how much technology can improve the post trade workflow and create huge time savings and efficiencies for a firm. I was lucky to see Pirum evolve to offer intraday post trade reconciliation and automation in 2007, again as a customer, before joining the firm in 2008. Since then, I feel privileged to have been part of a team that has delivered significant post trade automation to our industry, working closely with our clients and many dedicated professionals that have contributed to the evolution of securities finance not only within their own firms, but also to the wider community. Pirum continues to expand and we continue to increase our global footprint helping our clients navigate through an evolving landscape of regulation and change

Branding from 2007

Pirum has been a long-term partner of ISLA for many years supporting our efforts in the post trade area. We have seen Pirum develop from the provider of specialist niche services into one of the key market infrastructure providers for our industry. We value their support across much of the work that we do and hope that our close working relationship continues

Andrew Dyson
CEO
ISLA

When I was offered the opportunity to join Pirum in 2016, I was attracted by the team's passion, the opportunity to be creative and of course to work with a client base that I respected greatly. Four years later, I am thrilled to say that I don't regret it for a second and in many ways wish I had made the transition earlier. Whilst Pirum is now 20 years old and matured in many respects, it retains a "start-up" feel as well as its amazing vibrant and inclusive culture. I thank Rupert and Raj for their dedication in setting us on the right path and look forward to continuing to develop optimal solutions for our clients and the industry in the future

Phil Morgan, Incoming CEO, Pirum Systems

Securities finance mid-year snapshot

Sam Pierson
Director, securities finance
IHS Markit's

IHS Markit's Sam Pierson breaks down the number behind the securities finance markets earnings for the first six months of the year

Global securities lending returns in the first half of 2020 fell by 4.8 percent year-over-year (YoY). The utilisation of lendable assets remains elevated YoY in aggregate as well as for most asset classes, despite declining from the year-to-date (YTD) peak in March. The top-level changes belie a variety of asset class and region-specific dynamics which we'll discuss in this note. Increasing demand for US equity specials, US treasuries and global exchange-traded funds (ETFs) drove increased returns for those asset classes. The revenue shortfall was caused by declining balances and fees for non-US equities, American depository receipts and corporate bonds, however it's worth bearing in mind that average H1 total return to lendable for all securities increased YoY based on reinvestment contribution.

US equity revenues came in at $1.6 billon for the first half of 2020, an increase of 35 percent YoY (see Figure 1). The revenue increase was driven by a 46 percent YoY increase in weighted average fees, which more than offset the 8.4 percent reduction in average YTD balances. The broad short squeeze in hard-to-borrow shares, particularly in April and early June, had the knock-on impact of increasing special balances broadly. Drivers of the upswing in US equity specials include arbitrage trades relating to convertible bonds, special-purpose acquisition company initial public offerings and exchange offers as well as increased trading of shares in firms which are facing potential bankruptcy.

Canadian equity lending revenues increased sequentially from May to June, however, returns are still lower than they were in 2019, which has been true for each month of 2020 starting in March. Canadian equities had $279 million in H1 2020 revenues, a 2.8 percent YoY decline.

Equity lending in Europe has fallen well short of 2019 returns, with revenues of $695 million reflecting a 35 percent YoY decline. As the Wirecard story descended into scandal, the limited availability of shares in lending programs pushed up on fees resulted in the equity delivering $37 million in YTD revenue, 5 percent of all European equity lending returns. Dividend delays complicate the YoY comparison, which will become clearer this summer.

Asia equity lending revenues remain subdued compared with prior years; H1 2020 revenues of $798 million reflect a 21 percent YoY decline. The largest market, Japan, delivered H1 revenues of $303 million, a 24 percent decline compared with the first half of 2019.

The short sale ban in South Korea has limited lending revenue, equity lending revenues for H1 totalled $169 million, a 20 percent YoY decline.

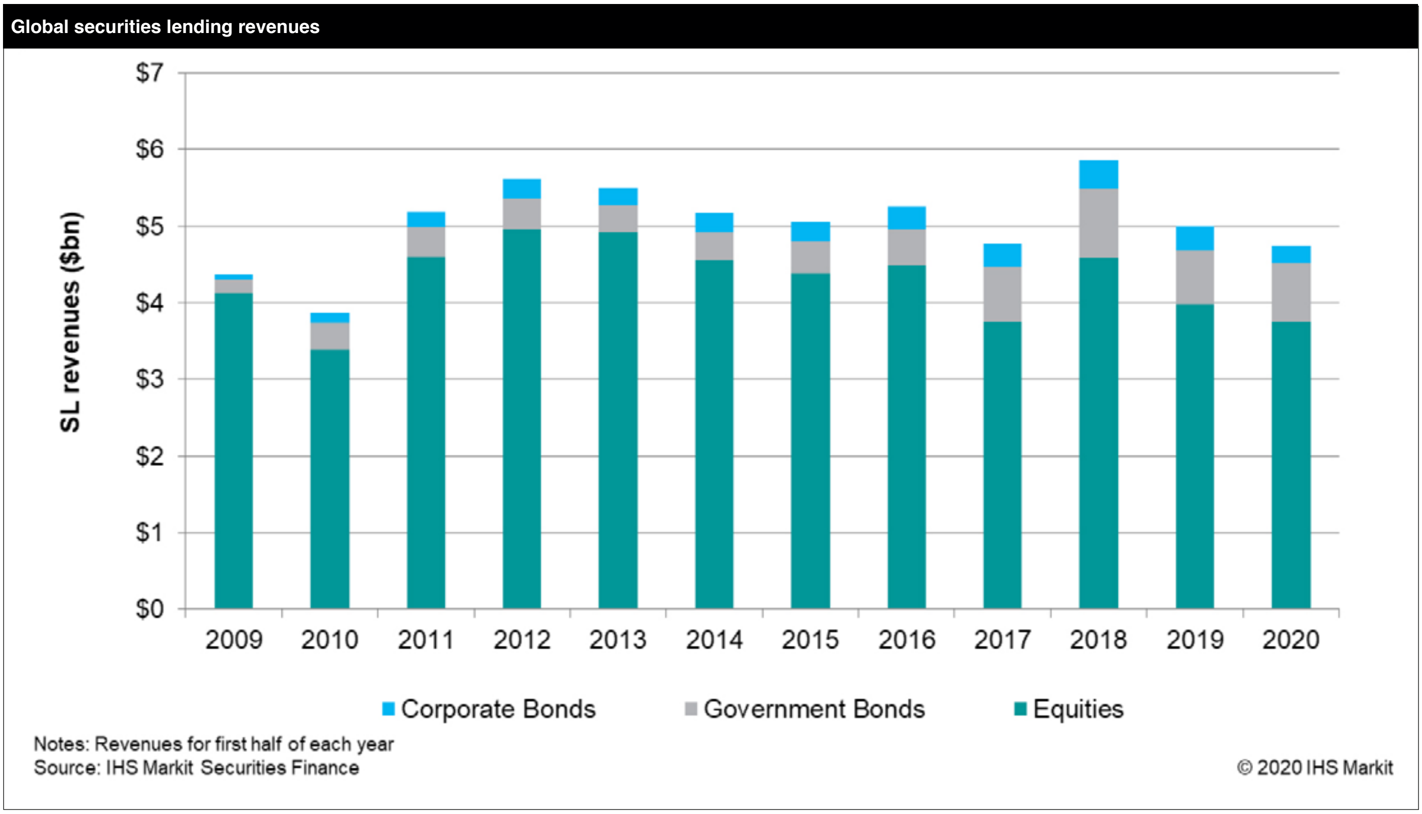
Figure 1

Global securities lending snapshot H1 2020

Asset Class	SL Revenue ($M)	Rev YoY %Chg	Avg Balances ($B)	Bal YoY %Chg	Avg Fee	Fee YoY %Chg	Avg Utilization	Util YoY %Chg
All Securities	$4,775	-5%	$2,090	2%	0.46%	-7%	7.4%	0%
Americas Equity	$1,899	28%	$455	-9%	0.83%	39%	3.7%	-14%
Asia Equity	$799	-21%	$196	4%	0.82%	-24%	5.7%	-2%
EMEA Equity	$695	-35%	$200	-6%	0.69%	-30%	6.1%	-1%
ADRs	$120	-43%	$22	-50%	1.09%	11%	6.7%	-54%
Exchange Traded Fund	$200	29%	$62	17%	0.63%	7%	12.0%	16%
Government Bond	$767	11%	$952	16%	0.16%	-4%	23.9%	12%
Corporate Bond	$226	-29%	$181	-8%	0.25%	-24%	4.0%	-18%

Note: Includes only fee revenue

Figure 2



Hong Kong equity lending revenues picked up in May and June, however the Q1 shortfall meant H1 total fell 20 percent YoY. Australian equity revenues totalled $44 million in H1, a 29 percent YoY decline.

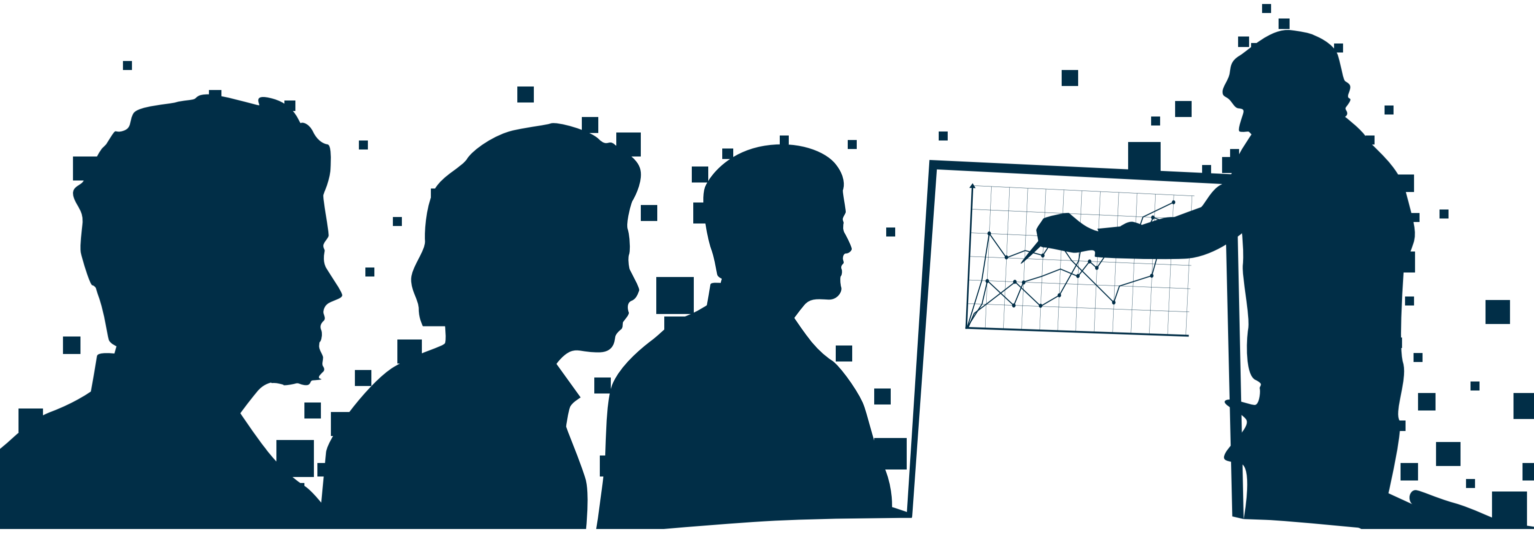
Global ETF revenues were $200 million for H1, a 29 percent YoY increase. ETF lending revenues soared in March, with $53 million in monthly revenue, more than double the March 2019 total after falling short of YoY comparison in January and February; Q2 monthly returns were consistently between $32 million to $36 million per month. Most ETF lending metrics peaked in March and declined thereafter but remain well above the January and February observations (including revenues, balances, fees and utilisation).

Fee-based revenue for government bond lending came in at $766 million for H1, an 11 percent YoY increase resulting from larger loan balances; H1 average fees declined YoY as a function of falling short in January and February. US treasuries returned $468 million for H1, a 29 percent increase.

For beneficial owners, returns from lending US treasury securities in 2020 have been substantially bolstered by reinvestment of cash collateral, however reinvestment returns have steadily trended lower since late March. Returns from lending European sovereigns were $228 million for H1, an 12 percent YoY decline as the result of both lower balances and fees, though spreads did widen in April and May which helped to offset declining balances.

Corporate bond lending revenues continue to fall short of 2019 comparison, mostly as the result of declining fees, however, balances have also declined YoY. H1 corporate lending returns came in at $226m, a 29 percent decline YoY.

Short sale bans, central bank support for credit and dividend cuts have dampened borrow demand in the first half of 2020. US equity specials are leading the way into the second half of the year, where the asset class runs into a much more challenging YoY comparison. The increased popularity of retail trading has reinforced the importance of that supply of hard to borrow shares, however utilisation and return to lendable are trending upward for agency lending of US equities as well. Challenges and opportunities abound heading into the second half of the year, close monitoring of results is warranted.



Upcoming Securities Finance Training

Non-Cash Collateral

Date: 23 July 2020 17:00 (BST)
Location: Online
Provider: Consolo
This live on-line training course is delivered by an experienced market practitioner and designed for anyone who needs to understand non-cash collateral purpose, process and requirements

SFTR

Date: 05 August 2020 08:00 (BST)
Location: Online
Provider: Consolo
This live online training course is designed for anyone who needs to know the background, structure, reporting obligations and timeline for delivery of the European SFT regulation

European Regulation Impacting Securities Lending

Date: 04 August 2020 17:00 (BST)
Location: Online
Provider: Consolo
This live on-line training course is designed for anyone who needs to know the background, and application of core European regulations

SFTR

Date: 06 August 2020 17:00 (BST)
Location: Online
Provider: Consolo
This live online training course is designed for anyone who needs to know the background, structure, reporting obligations and timeline for delivery of the European SFT regulation


asset servicing times
Do you want to read more about post trade?
Read our sister publication
Asset Servicing Times
for all the latest custody,
fund administration
and regulatory news
www.assetservicingtimes.com

REGIS-TR UK gains new CEO

REGIS-TR UK, the UK company within the European trade repository's franchise, has appointed John Kernan to the board of directors.

He will also assume the role of CEO.

Since April 2019, Kernan has served as acting chief operating officer of REGIS-TR UK and has been a member of the executive management of REGIS-TR since January 2014.

He retains his mandate for business product management and business development for REGIS-TR, reporting to managing director Irene Mermigidis.

REGIS-TR UK was formed under the stewardship of Thomas Steimann in March 2019 to offer clients regulatory reporting services under the European Market Infrastructure Regulation and the Securities Financing Transactions Regulation after Brexit.

Steimann will continue as CEO of REGIS-TR S.A., a role he gained in June 2019, as well as retaining a place on the board of REGIS-TR UK.

Philip Brown, chairman of the boards of directors of both REGIS-TR UK and EU companies, says: "I welcome John on the board of directors and to the new role. He has a long track record of leadership for REGIS-TR across a number of different mandates and is one of our most senior executive contacts for our clients and partners.

"His skills and experience will be integral to the success of REGIS-TR UK in a time of increased market need due to fewer available providers."

Other board members of REGIS-TR UK include deputy chairman Jesús Benito, Mark Gem, and Francisco Nicolas.

JPMorgan Chase's Shane Martin is understood to be leaving the investment bank after less than two years.

Martin joined as a managing director in the equity finance division in London in March 2019 but is now stepping away for pastures new.

David Field retires from Delta Capita securities finance role

David Field has retired from his role as head of prime services and securities finance practice at Delta Capita but will continue to serve on a part-time basis.

Field joined Delta Capita as part of its acquisition of The Field Effect in January 2019, of which he was the founder and managing director for just shy of five years. The purchase included an agreement that Field would step away after 18 months, which came into effect this week.

He will continue to act as a senior adviser on a part-time basis for Delta Capita contributing to its transformational change service for firms seeking to reform their back-office processes ahead of the implementation of Central Securities Depositories Regulation (CSDR) in February 2021.

For CSDR, Delta Capita aims to serve clients as an independent, objective consultant that assists in evaluating the impact of the regulation and design and implement a strategy for improving their business and technology processes to avoid its punitive settlement discipline regime features.

Once CSDR is live, Field says he will be open to building a portfolio of non-executive advisory roles where he can leverage his industry contacts and consulting experience, which includes just over 10 years as an executive director at Rule Financial, a major multinational business consulting firm, where he served until founding The Field Effect.

He spent an additional 12 years at TCA Consulting as director wholesale investment banking practice between 1992 and 2004.

It is currently unknown if he is set to take on a new role.

Martin joined JPMorgan Chase from Deutsche Bank where he had served in its equity finance business in a number of roles since 2002, including his most recent as European head of client financing within global prime finance – a role he inherited from Ben Sofoluwe in 2012.

Prior to joining Deutsche Bank, Martin was part of the equity financing team at Nomura.

JPMorgan Chase declined to comment on the matter.

Distributed ledger technology specialist Axoni has hired two EquiLend directors in recent months, with Dow Veeranarong joining in May and Alvin Oh following in July.

Veeranarong, who is based in New York, has been hired at Axoni as one of its directors. The former director for global EquiLend product decided to leave EquiLend after 11 years back in January before re-emerging at Axoni several months later.

She served in her most recent position as director for global EquiLend product for nearly five years from July 2014. Prior to that, she also served as vice president for product strategy and business development.

A spokesperson for EquiLend says that she was instrumental in the development and global rollout of its flagship Next Generation Trading platform and the firm is grateful for her contributions to the firm throughout her years of service.

This month, Alvin Oh is confirmed to have left EquiLend for a role at Axoni, which has not yet been revealed. Oh's former role has been taken over by Mike Norwood.

Oh spent nine years at EquiLend in a variety of roles including his most recent role as director and global head of trading products, associate director, and vice president of product development and strategy.

Prior to that, Oh was senior business systems analyst for US Tech Solutions in July 2007 for four years.

EquiLend has seen several changing of hats, with Mike Norwood stepping up to become global trading product owner, a role recently vacated by Alvin Oh.

In his new role, Norwood will report to Paul Lynch, global head of product at EquiLend.

As global trading product owner, Norwood is responsible for determining and delivering the product roadmap, vision and strategy for EquiLend's trading solutions, including NGT and Collateral Trading, as well as managing a team of business analysts and product strategists. In this role, Norwood will report to Paul Lynch, global head of product at EquiLend.

In addition, he will support the platform development of Swaptimization and contribute to The Pulse, reporting to Nancy Allen, global product owner of DataLend and Swaptimization.

Prior to joining EquiLend in 2018, Norwood served at Brown Brothers Harriman for just over 12 years in a number of roles including his most recent as vice president in its securities lending business technology team.

Elsewhere, John Surgent, who is based in EquiLend's New York office has been promoted from associate director to head of North American post-trade services.

He has served for four years as vice president, operations, within EquiLend's clearing services business.

Surgent will now manage the North American post-trade product specialist team, which is responsible for the design of strategic objectives, the business solution centre and daily client projects for the PTS product suite.

He will continue to report to Trish Barry, director of business analysis, clearing and middle office for his business analysis and design responsibilities to Iain McKay global post-trade product owner for North American post-trade services.

Prior to EquiLend, Surgent served at Quadriserv for just over seven years in numerous roles including chief compliance officer, chief operating officer and head of integration.

Before that, Surgent had accumulated over 25 years of experience in consulting, he consulted for firms such as CitiBank, JP Morgan Chase, eSeclending, and BNY Mellon Bank.

Cowen, the financial services firm, has hired Michael Fitzgerald to join its prime services team as a managing director.

Fitzgerald, who will be based in New York, will focus on business development and will report to Jack Seibald and Michael Rosen, managing directors and co-heads of prime brokerage and outsourced trading.

The seasoned prime brokerage professional comes to Cowen with 23 years experience under his belt in securities brokerage.

He joins from Cantor Fitzgerald where he served as managing director and head of equity prime services origination for just over a year.

Prior to that, Fitzgerald was CEO of Digital Asset Custody Company, a fintech startup, and chief operating officer and chief compliance officer at Ararat Capital, an investment management firm.

Preceding this, he was a managing director and operated in a prime brokerage sales position at J.P. Morgan for 3 years.

Before that, he had served at Morgan Stanley for more than 12 years as head of US and prime brokerage sales at Morgan Stanley.

Fitzgerald began his career in the securities business in 1997 in equity sales at Deutsche Bank where he served until 1999.

Seibald says: "As we continue to expand our global prime brokerage platform, our highest priority is to seek out talented individuals with a shared vision of, and commitment to, client service that will complement our existing team. "We look forward to working with Mike and leveraging his experience and the breadth of his relationships in this marketplace."

Commenting on his new role, Fitzgerald said: "This is an opportune time to expand in the prime brokerage space, and I'm excited to join a firm with the resources and commitment to prime brokerage that Cowen has exhibited.

"I look forward to working with my new colleagues to build an even larger franchise with differentiated services that deliver outperformance."