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Business booming in China, finds KPMG

The combined margin financing and securities lending activity among 115 Chinese securities brokers increased a staggering 341.71 percent between the end of 2012 and the end of March this year, according to KPMG.

Its recent survey of the 2013 financial statements of 115 Chinese securities brokers found that their combined margin financing and securities lending balance increased from RMB 89.52 billion ($14.5 billion) to RMB 395.4 billion ($64.06 billion).

On its own, the balance of margin financing had reached RMB 392.63 billion ($63.62 billion) by the end of March 2014, a year-on-year increase of 144.12 percent. Securities lending amounted to RMB 2.77 billion ($448.78 million), slightly lower than the end of 2013.

The credit business of Chinese securities firms "grew spectacularly" in 2013, according to KPMG. Margin financing and securities lending has become the biggest contributor, with 84 licensed brokers now permitted to conduct the business.

The balance of margin financing and securities lending on the Shanghai Stock Exchange (SSE) and the Shenzhen Stock Exchange (SZSE) totalled RMB 396.5 billion ($64.24 billion), "up a staggering 343 percent from last year".

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State Street's securities finance revenue soars

State Street's securities finance revenue hit $147 million in Q2 2014, an impressive 72.9 percent increase over the first quarter of the year.

Revenue, which was "primarily due to seasonality", was also up 12.2 percent over Q2 2013 because of new business in enhanced custody.

In February, the bank extended its 13-year relationship with Lufthansa German Airlines Group for an additional five years, to include transition management, collateral management and FX spot execution services.

State Street currently provides custody, securities lending, fund accounting, risk analysis and performance measurement services for assets in Germany, Switzerland, Luxembourg and the US, with total assets under custody of $11 billion.

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Deutsche Bank joins with Clearstream and Euroclear

Deutsche Bank has gone into partnership with Clearstream and Euroclear to help clients consolidate, optimise and more efficiently assign their collateral inventory as part of the TARGET2-Securities (T2S) initiative.

The partnership will provide clients with a single entry point from which they can reach the collateral pools and distribution channels used by all key institutional and market infrastructure firms.

The partnerships with Clearstream and Euroclear will give clients the opportunity to make better use of assets held domestically to secure exposures and financing transactions in triparty, while consolidating the view of inventory with their preferred provider.

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Business booming in China, finds KPMG

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The turnover of trades on margin financing accounted for 8.99 percent of the total turnover of the A-share market.

Securities Association of China figures show that the brokers' interest income from margin financing and securities lending was RMB 18.46 billion ($2.99 billion) in 2013, accounting for 11.59 percent of the total turnover (4.05 percent in 2012).

This means that margin financing and securities lending were second only to the net income from securities brokerage and proprietary trading.

KPMG said: "We expect there to be large room for growth in the share of revenue from margin financing and securities lending as the business has become a new profit driver, making an increasingly significant contribution to the overall performance of brokers."

The audit firm attributes the "dramatic growth" of margin financing and securities lending in 2013 to "the increasingly diverse" range of eligible securities available on SSE and SZSE.

Eligible stocks stood at 711 as of the end of April 2014, which was more than double the number in 2012.

The investment threshold has also been lowered gradually, further expanding the scope of eligible investors and attracting more retail investors. By the end of 2013, there were 2.67 million credit accounts registered for margin financing and securities lending, up 170 percent from 2012.

KPMG did not that as the credit business among the Chinese brokers developed, some vied for more business at the expense of compliance, which attracted the attention of regulators.

The China Securities Regulatory Commission conducted two rounds of inspection on margin financing and securities lending, in October 2013 and April 2014, "and discovered a variety of problems", according to KPMG.

"[These] including longer-than-permitted maturities, trading with unqualified clients and delays in mandatory liquidation of clients' positions despite insufficient margins. The steep fall of Changjiu Chemical stocks also highlighted the quality issue among underlying securities."

"The facilitation of healthy growth in the rapidly developing credit business is a challenge faced by both brokers and regulatory authorities. To achieve this, ways must be found to control the default risk … to strengthen credit risk management and tools, and to expand the financing channels for brokers while balancing business risks."

State Street's securities finance revenue soars

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The revenue for State Street's assets sector totalled $2.68 billion in Q2 2014, with new business wins for asset servicing coming in at $250 billion and $18 billion in net for new assets to be managed.

Joseph Hooley, chairman of State Street, commented: "We are pleased with our solid Q2 revenue growth driven by stronger global and equity markets, net new business and the seasonal benefit from securities finance activity."

"We continue to see strong demand for our products and services as evidenced by our second quarter new business wins which were $250 billion in asset servicing and $18 billion in net new assets to be managed. We also have a robust and well-diversified new business pipeline."

"Despite our solid performance, we remain cautious about the overall environment given the continued low levels of interest rates and volatility, and the on going pressure of regulatory compliance costs."

SLTINBRIEF

Deutsche Bank joins with Clearstream and Euroclear

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Clients will benefit from a reduction of funding costs by mobilising eligible assets cross-jurisdictionally in a safe and custody-integrated framework.

Rafael Moral, head of investor services, institutional cash and securities services at Deutsche Bank, said: "This partnership with Clearstream and Euroclear forms part of Deutsche Bank's larger T2S strategy which is designed to provide our clients with direct access, through a centralised technical hub, combined with specialised local expertise and client service."

"We believe our T2S offering is truly complete and compelling; it combines a wide choice of operating models and value-added services with the kind of liquidity that only a leading global franchise such as Deutsche can deliver."

BofA Merrill Lynch upgrades prime brokerage

Bank of America Merrill Lynch is moving its prime brokerage business away from its current system, ML Prime.

The prime brokerage business will begin using the bank's global markets Mercury platform, its standard for all client-facing applications across research, trading and corporate banking.

With the integration, BofA Merrill Lynch's new prime brokerage portal can incorporate all the tools available on ML Prime, such as money wires and corporate actions elections, while introducing new capabilities.

These include a new flexible reporting tool, allowing clients to customise existing reports or easily create new ones.

All reporting functionality is shared across prime services, according to BofA Merrill Lynch, meaning clients trading futures or clearing over-the-counter (OTC) trades through the bank can access consolidated prime brokerage, futures and OTC clearing reporting.

BofA Merrill Lynch's prime brokerage business offers capital introductions, fixed income, hedge fund consulting services, and synthetic products and securities lending.

Trio launch EMIR compliant collateral solution

Confisio, Dion Global Solutions and Traiana have brought out a collateral valuation solution for asset classes.

The solution will support asset classes in exchange-traded and over-the-counter derivatives and will build on Confisco's European Market Infrastructure Regulation (EMIR) trade reporting collaboration with Traiana, ahead of the 11 August EMIR deadline.

It is an automated solution for clients reporting to the UnaVista Trade Repository (TR) as well as other TRs. Confisio will set up the automated generation and submission of the relevant reports and submit to UnaVista as well as generating reports and giving support for regulatory compliance.

Christodoulos Papadopoulos, CEO at Confisio, said: "We are delighted to be working with Dion and Traiana to launch this new service for our clients, which will ensure they are compliant with the latest EMIR regulations."

"Our solution simplifies the reporting process in a cost effective way, while also giving clients the support they need right the way through the reporting process."

Ralph Horne, CEO of Dion Global Solutions, added: "We look forward to working with Confisio and Traiana on this new market initiative."

"In the current climate it is important that firms can seamlessly outsource their EMIR trade valuation reporting requirements."

"This partnership allows financial institutions to focus on their core business and operate more effectively without the on going investment in, and maintenance of, legacy proprietary systems."

Canada continues with year-on-year growth

Pension assets have increased for a fourth successive quarter, according to the latest survey by RBC Investor & Treasury Services.

In its Q2 report for 2014, RBC Investor & Treasury Services's defined benefit pension plans returned 3 percent, bringing the year-to-date results to nearly 8 percent.

Scott MacDonald, managing director of pensions at RBC Investor & Treasury Services, said: "While assets continue to gain momentum, we can also infer that liabilities have also increased as longer-term bond yields have come down."

Canadian equity remained the top performing asset class as the S&P/TSX Composite Index gain 6.4 percent in the quarter and 12.9 percent year-to-date.

MacDonald added: "[Financials and energy] accounted for the bulk of the increase with energy leading the way as concerns over Iraq helped boost oil stocks."

"Pensions kept pace with the index for the quarter but still lag by 0.2 percent year-to-date."

UK bank to embrace cloud

A UK retail bank is to increase control and compliance in accordance with European Market Infrastructure Regulation (EMIR) reporting requirements through the automated collateral management technology platform, CloudMargin.

This is the first time a regulated bank has adopted cloud technology to realise significant cost-savings in collateral management.

The bank is using CloudMargin to manage collateral for their over-the-counter (OTC) derivatives and repo portfolios and comply with EMIR trade repository reporting obligations.

CloudMargin was selected to bring increased efficiency, control and insight to the bank's OTC derivatives and repo portfolios. Implementation was completed within a month.

Andy Davies, founder and CEO of CloudMargin, said: "It is a great honour for CloudMargin to have been selected by a leading bank and reinforces our belief that the collateral management world demands cutting edge innovation and is increasingly rejecting outdated technology platforms to slash IT costs."

Omgeo and UnaVista partner up

Omgeo has entered partnership with London Stock Exchange Group's (LSEG) UnaVista to support triparty matching of synthetic equity swaps between executing brokers, prime brokers and investment managers.

The offering links UnaVista with Central Trade Manager (CTM), Omgeo's platform for the central matching of cross-border and domestic equity, fixed income, repos, exchange-traded derivative and equity swaps transactions.

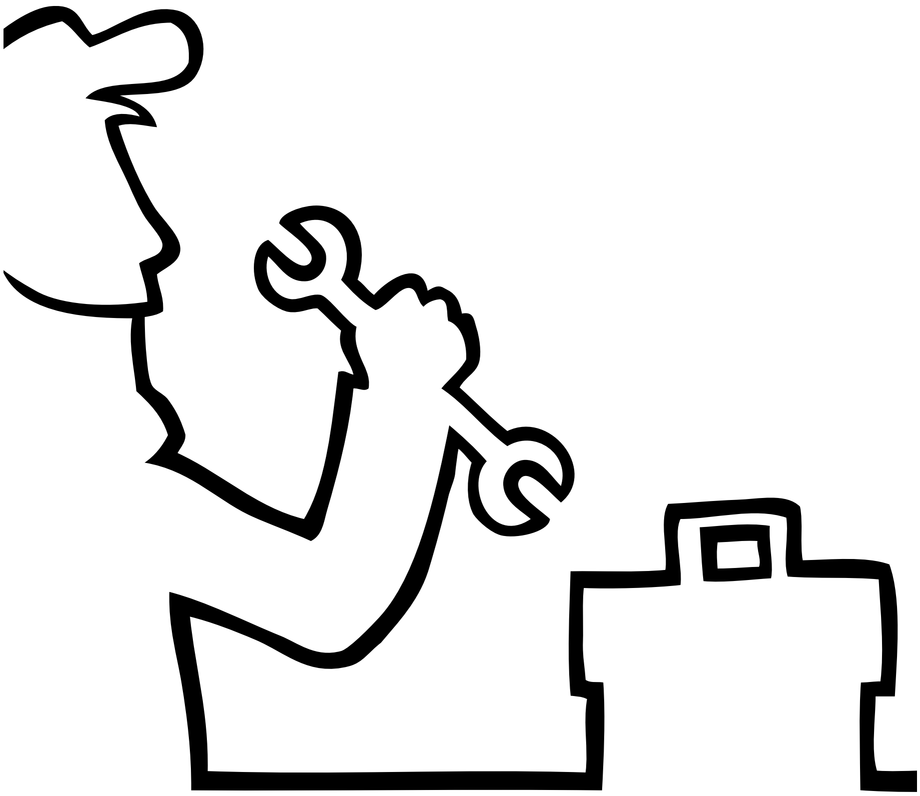
The Omgeo CTM/UnaVista partnership combines the respective workflows of the two platforms, automatically connecting investment managers on Omgeo CTM with their prime broker counterparties on UnaVista to match the economic details of the swap, and to communicate and match allocation breakdowns.

In addition to UnaVista's existing prime brokers and executing brokers, the integrated solution allows executing brokers already on Omgeo CTM to use their existing interface to deliver the give-up to the prime broker.

The combined workflow also provides investment managers with new insights into the give-up status of swaps trades and allows them to view all of their transactions within the Omgeo CTM environment. The solution currently supports any swap with an equity underlier.

The service also enables parties to match both legs of the trade on T+0 while providing additional consistency across equities and equity swaps for investment managers.

Mark Husler, global head of product management at LSEG, commented: "This new partnership allows us to combine Omgeo's buy-side network with UnaVista's prime broker network, providing one of the largest [contract for difference] communities on the market."



BNY Mellon adds new tool

BNY Mellon's global collateral services business has added of FundIQ, a third party market research and analytical tool, to its arsenal.

Through BNY Mellon's new service, which is available through the company's Liquidity Direct portal, clients can compare fund characteristics against peer group averages and assign ratings in multiple risk categories for individual funds or across an entire portfolio of funds.

The risk analysis framework covers some 50 characteristics in five broad risk categories: portfolio, sponsor, advisor or management, shareholder and systemic.

"Nearly all financial decisions include an assessment of risk," said Jonathan Spirgel, executive vice president and head of global collateral services sales and relationship management at BNY Mellon.

"Beyond fund characteristics and metrics, this tool helps clients make a more informed investment decision with analysis that recognises and monitors specific risk factors."

BNY Mellon enjoys seasonally higher sec lending revenue

BNY Mellon's Q2 2014 investment service fees totalled $1.7 billion, a 1 percent increase on the previous quarter, partly thanks to seasonally higher securities lending revenue.

The figure was down 1 percent year-over-year, primarily because of lower depository receipts revenue.

Lower corporate actions and corporate trust revenue attributed to this, as did higher money market fee waivers, which were partially offset by higher asset servicing and clearing services fees.

BNY Mellon's 1 percent sequential increase primarily reflects seasonally higher securities lending revenue, higher cash management fees and asset servicing fees due to increased market values.

Gerald Hassell, chairman and CEO of BNY Mellon, commented: "Our asset servicing, clearing and investment management fees grew nicely as we remained sharply focused on our clients' investment needs. Our clients continue to rate us highly in terms of new service offerings and the quality of our capabilities."

DataLend's top earners

DataLend has released its latest list of the top ten earning securities lending equities in the US, UK, Europe and the Far East/Australia Pacific region.

Theravance (THRX) tops the list of the top US earners as of 17 July 2014, despite the biopharmaceutical company's stock price inching steadily lower in recent months. When the trend reversed in early June, fees to borrow began trending higher.

The stock price of 3D Systems (DDD) has been trending steadily lower on DataLend's list over previous months, while fees to borrow have exhibited some volatility, now hovering less than half the highs seen in May. Despite the market fluctuations, Forbes recently named the 3D printing company as one of its "most innovative growth companies".

Quindell (QPP.LN) remains DataLend's top earner in the UK. The firm recently reported that its revenues have significantly increased, but fees to borrow are trending continually higher. Utilisation is not budging from these nearly maxed-out levels.

Fees to borrow the London-listed global depository receipt of Saint Petersburg-headquartered JSC VTB Bank (VTBR.LN) peaked in early June and have been trending steadily lower since. Utilisation had been climbing since late 2013 and is down only slightly now from June's highs.

Gemalto, no stranger to DataLend's European top 10, has seen fees to borrow trending steadily higher for months. Utilisation has been fairly steady at this level for this stock, even as the stock price has declined since the news it lost its patent fight against Android last month.

Banco Comercial Portugues (BCP.PL) fees to borrow have also been trending much higher in recent weeks amid turmoil in the Portuguese markest, while utilisation has reached new highs.

In the Far East/Australia Pacific region, Anhui Conch's (914.HK) fees to borrow have been trending steadily higher across most of 2014, despite some volatility recently.

Utilisation has gradually inched up to new highs. The Chinese cement maker reportedly said earlier this month that it expects a rise in profit for H1 2014.

GungHo Online (3765.JP) fees to borrow are also trending lower in July than the highs of February and March, but utilisation is back up to the levels seen then. The stock price has been declining again in the past month following a short-lived rise from late May through mid-June.

US investment bank chooses Syn~FTT

GBST is to roll out of its Syn~FTT solution at a top-10 US global investment bank.

Syn~FTT will manage the complete EU Financial Transaction Tax (FTT) processing for the bank's global trade flow.

The bank is now able to process the requirements for the first two countries that have introduced the FTT, France and Italy.

The solution will manage the bank's entire FTT processing from trade or static data validation, tax calculations and exemption code allocations, tax netting and rebate processing, to country specific declaration message creation and custodian feeds.

With the added ability to maintain a comprehensive audit trail and data repository, the solution also meets the required FTT reporting. Syn~FTT uses pre-configured rules and workflow processing that are easily adaptable by the client as EU requirements change.

"With a global trend towards introducing transaction taxes we are very pleased that this first transaction tax specific implementation has proceeded so smoothly against ever changing market requirements," said GBST capital markets chief executive Denis Orrock.

"Within the EU, 10 countries have committed to introducing an FTT by 2016, [so] the client is well positioned to meet FTT regulatory requirements."

Martin Walker, head of securities tax at Deloitte, commented: "From a tax risk management perspective, it is vital for global financial institutions to identify securities transactions that are subject to FTT and stamp duties and ensure efficient operational compliance with tax and reporting obligations."

"In view of the proposed introduction of FTTs in several European countries in 2016, taking steps now to develop an effective solution using the right technology is likely to avoid problems closer to the launch date."

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Precision engineering

In an increasingly overpopulated market, Lombard Capital Markets is striving to build its client base by doing things a little differently, as Ben Cole reveals

JUSTIN LAWSON REPORTS

What can you tell us about Lombard Capital Markets?

Lombard Capital Markets (LCM) was established six years ago with a view to providing small- and medium-sized enterprise consultants with an in depth knowledge of derivatives, prime brokerage, securities finance and global custody to financial institutions. After a decade with J.P. Morgan, I noted that a number of consultants were more generalist, lacking the breadth of knowledge to navigate change within the complex financial environment. As such, LCM was established with a view of addressing this gap and bringing a specialised management consulting expertise to improve the bottom line performance of its clients.

Do you differ to other consultancies? What's your USP?

The core ethos of LCM is partnership. I truly believe the most fruitful relationships are those where the end client is open-minded and willing to work in partnership. The client has to understand that, to truly benefit from such a relationship, it must apply a similar mindset and partner with a consultancy to ensure its strategic goals are delivered. That's what really separates 'wannabe' consultancies from the real deal. With financial institutions becoming more discerning in terms of who they work with, there is little room for error.

On your website you use the phrase 'delivering front to finance change'—what does this mean?

Quite often people tend to refer to 'front to back' change. The nature of change in today's complex markets raises the need to consider impacts right the way across the organisation. A front office mandated change may ripple throughout the functional areas, even impacting areas such the general ledger and balance sheet reporting. As such, we prefer the term 'front to finance' change as it encapsulates what we do.

What are your key areas of expertise?

LCM is incredibly flexible and agile with the ability to build relationships with our clients, integrating seamlessly into the organisation. We achieve this by applying a combination of company and industry knowledge with core consulting skills. Some organisations are more mature than others in terms of change governance, so LCM is comfortable to dovetail with the existing governance model or, where the need dictates, LCM can implement a new governance structure and guide the client carefully though the change process.

A vast number of our engagements are in respect to operational transformation, ie, reviewing the current state, and defining and implementing a new target operating model. We achieve this by addressing the following needs: (i) service, functions and process; (ii) organisation and governance; (iii) technology; (iv) sourcing and location; (v) performance management; and (vi) people and skill sets.

What are the biggest challenges you see affecting the securities lending and prime brokerage markets?

The industry widely acknowledges that the avalanche of regulation-driven change has been unprecedented in recent years. However, tighter regulation and supervision is here to stay. Most recently prime brokers had to contend with Alternative Investment Fund Managers Directive, which saw them pay attention to the strict liability standard and the provisions regarding discharge of liability. This drove fundamental changes to the prime broker operating model and sub-custody networks. In addition, the UK Financial Conduct Authority has recently announced its new policy statement on the Client Assets Sourcebook, giving firms only six months to prepare for compliance. Consequently, there remains a substantial journey ahead.

Prime brokers are also increasingly under pressure to reconsider business models as risk weighted asset (RWA) and balance sheet rationalisation put pressure on revenue generation. As such, the global trend is moving in favour of central counterparties in light of regulators preferring centrally cleared transactions as opposed to the more costly 'higher risk' bilateral arrangements.

In terms of securities lending, the Financial Stability Board's review of shadow banking looms over the market, especially its minimum haircut policies, which would be especially challenging for prime brokers where haircuts are calculated on a portfolio basis rather than trade by trade.

Basel III and the RWA calculation is one of the more important regulations with the ability to impact the lending markets significantly, especially in respect to indemnification. Everyone in the lending industry is aware that, without indemnification, beneficial owners would withdraw from the market, resulting in an adverse effect on market liquidity.

If you could change one thing about the industry, what would it be?

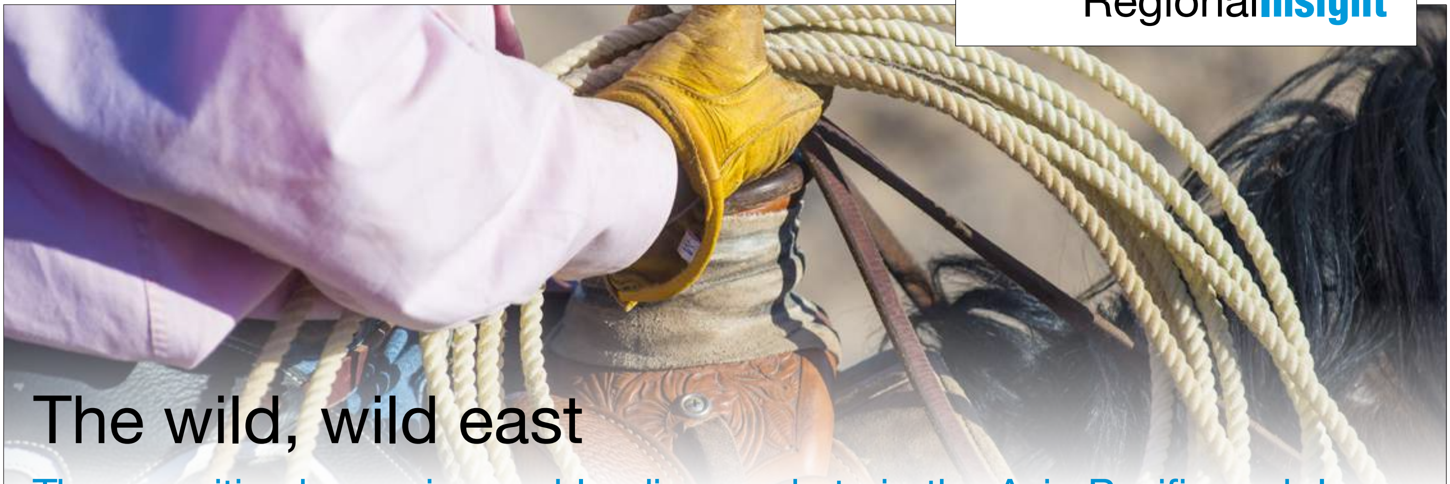
Stop doing things that aren't working—LCM has noticed there are a number of inefficient and unprofitable bad habits that financial institutions are reluctant to shake off. It's very easy to become comfortable with a routine. Success in today's marketplace requires organisation to recognise these habits and the willingness to make necessary changes.

What is next for LCM?

While LCM is still in its infancy, we have a built a small, strong client base by consistently delivering to our clients' satisfaction and, because of this, our clients tend to stay with us. Some consultancies have an ebb and flow of clients, however, LCM has created a long-term bond with its clients. We want to develop an even stronger brand to become known as the go to consultancy in the market. We can do this by expanding our activities within our current client base and attracting new clients using the strong references we have built to date.

In addition, LCM has developed mutually beneficial relationships with a number consultancies, though we'd like to expand and develop our strategic alliances with our wider peer group, in order to share best practices to further enhance our clients' experience. After all, we all share a common customer base. **SLT**

Ben Cole
Director
Lombard Capital Markets



The wild, wild east

The securities borrowing and lending markets in the Asia-Pacific and Japan region have undergone steady growth. Where has that growth come from and, more importantly, will it continue, asks Richard Allin of SunGard's Astec Analytics

Why are stakeholders in the securities borrowing and lending industry devoting more time and resources to Asia? Simply put, their clients want to be able to lend out the securities they hold in these regions, and lenders want to keep their clients happy.

Lending agents also like to be seen as forward thinking, truly global and different from their competitors. Naturally, lending cannot take place in a vacuum. It requires demand, and brokers see the potential demand and want the opportunity to offer these securities to the hedge funds in the region and beyond.

The revenue opportunities that exist are a big driver for firms, as one would expect, and the history of securities lending over the last 25 years has shown that the greatest profits are realised by those that are first to market. Those that are looking to get involved want to be one of the first to start reaping the rewards. This is especially important since these rewards decline towards mature market levels at an increasing rate.

There are many more 'high-end specials' in Asia compared to the rest of the world and, somewhat surprisingly, those specials are not just comprised of equities, but fixed income securities, too. The mix of equities versus fixed income is considerably higher than in Europe and North America, which may also help account for the higher average fees we see in the region. This region, more than any other, is one of an intrinsic value-based system of securities lending.

Australia and Japan remain two of the largest markets in the region. However, most would agree they are not the most interesting to the participants therein, as they are often the most transparent in terms of what's going on in the securities borrowing and lending market and usually don't have a large number of specials occurring at any one time.

It's no surprise then that the average borrow rates in the emerging securities borrowing and lending markets are often much higher than those in the more established markets, with some as high as 4 percent on an annualised basis. That is in comparison to the market average rates of below 1 percent in many of the more established markets in the region. Malaysia, Taiwan and South Korea have some of the highest average borrowing costs in the region, which means that these smaller emerging markets have some of the highest income potential for the participants that choose to get involved.

We have seen new markets enter the mix and fully expect others to continue this trend, but at what pace have they entered the market and what are the barriers to entry?

While it's easy to look at the newer markets that are experiencing rapid growth and think, "wow, that was quick", it actually wasn't. It took a considerable amount of time and a lot of effort to get them off the ground and achieve that growth. Even then, it's only after several years that this growth has really been noticeable.

One of the main reasons time-to-market is so long is that these emerging markets and their regulatory bodies realise the consequences of getting it right the first time, and they are increasingly taking their time and doing their homework. They want to establish the 'right' models before moving forward. One thing in their favour is that they have the opportunity to learn from those that have gone before them. They can pick and choose the way they want to develop their securities borrowing and lending programme, avoiding the pitfalls that the others might have experienced. On the other hand, they have to remember that while they want their securities borrowing and lending markets to be safe, they don't want to make the barriers to entry too onerous or costly.

While firms continue to be open to exploring most, if not all, of the new markets, they remain very cautious. They have many regulatory hurdles to clear in order to participate in each market, which can take a considerable amount of time, effort and cost. As a result, they must seriously consider their options before jumping in. Additionally, they need to show that there is demand and that it will be profitable to enter any said market.

There is a host of additional challenges for these participants, starting with the geographical and political diversity of the markets in the region. It is an increasingly complex region in which to do business and the rules seem to be changing on an almost daily basis. Participants must continually keep up with the latest news in each of these regions.

Firms also have to deal with multiple regulatory bodies, the reputation of securities lending, central counterparties, onshore bans and differing collateral and booking and tax requirements. They also have to understand the differences between the onshore and offshore approaches to the business and weigh the risk associated with getting involved in these markets to make sure it makes sense for their firms.

The securities borrowing and lending markets of the Asia Pacific and Japan are the wild, wild east, where the risks are high—but so are the rewards. There is growth potential and large profit margins, but the barriers to entry can be rigorous and fraught with danger. Firms that manage to get it right, however timely or costly it may be, could be well rewarded. **SLT**

For more on the securities borrowing and lending markets of the Asia Pacific, read SunGard's whitepaper, The Wild, Wild East.

Richard Allin
Senior vice president, APAC, Astec Analytics
SunGard

US securities lending revenues see rebound

A resurgence in equities balance has seen US securities lending pick up pace over the last seven months. Markit's Simon Colvin reveals the factors driving this trend

After failing to keep pace with a rising markets, the US securities lending market looks to have regained some of the ground lost over the last couple of years. Year-to-date, revenues generated by lending out US assets, which include both corporate and government bonds and equity products such as American depository receipts (ADRs) and exchange-traded funds (ETFs), are up by 8.9 percent from the same period a year ago. The aggregate revenue generated by lending out all asset classes comes in just shy of $1.85 billion, which puts it roughly in line with total seen in 2012.

Helping this drive in revenue has been the fact that fees generated by loan transactions have proven resilient over the last seven months, something which was not seen last year when a flood of new inventory saw the weighted average fee commanded by US stock loan assets fall to all-time low levels in the second half of last year. Interestingly, this surge in fees was seen in spite of the fact that the aggregate value of assets in lending programmes, which many fingered as the cause for last years' collapsing fees, continued its relentless climb to all-time high levels.

Equities drive the rebound

The lion's share of the extra $151 million generated by lending out US securities has come from equities products that have generated just under $90 million more revenue over the last seven months than over the previous period in 2013.

Surprisingly, the majority of the extra revenue generated by loans against equities was generated by lending out non-conventional assets such as ETFs and ADRs. The two assets classes saw a strong demand to borrow as well as resilient fees to post a 37 percent and 47 percent jump in revenue since the start of the year.

While conventional equities didn't see as strong a rise as the rest of the market, the asset class did see a 3 percent lift in revenue. While this number may seem disappointing at first glance, there are encouraging signs in the fact that lenders seem to be able to command better fees for their loans than they did in the second half of last year. These resilient fees have been seen despite the fact that equity inventories have continued to ever climbing new highs.

Specials proving resilient

The improving fee picture is also seen in the fee commanded by specials as the weighted average fee of loans for companies whose fee is higher than 1 percent has jumped from 540 basis points a year ago to 625 (as of the latest count).

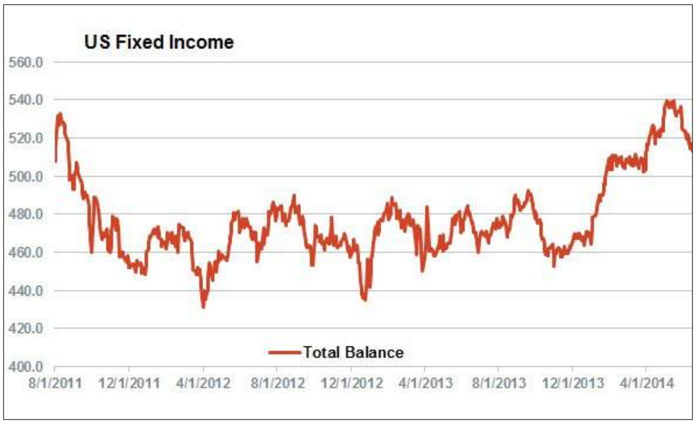
As for the shares making up this high demand group, we continue to see the biotechnology heavy healthcare systems top the list of specials shares, as the sector makes up just over a quarter of all specials. The likes of Inovio Pharmaceuticals and Organovo are currently among the shares commanding the highest fee. Energy shares also continue to make popular shorts as these shares make up a fifth of all US specials.

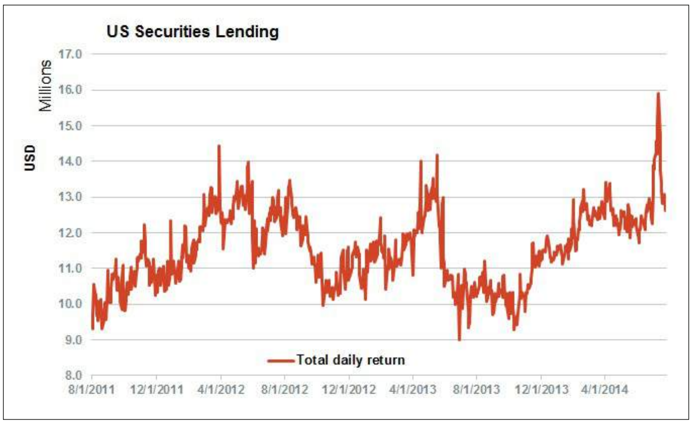
Not all special stories are directionally driven however as demonstrated by the recent CBS spin-off, which proved a boon to the industry and lifted the group returns over the last couple of weeks.

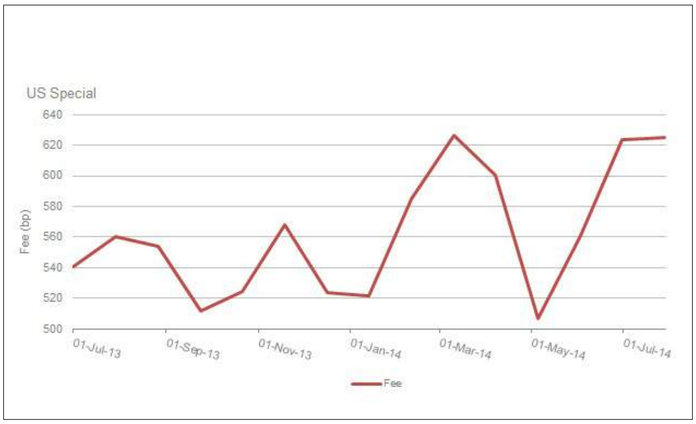
Fixed income also resilient

Fixed income also contributed its share to the bumper revenue figures as the aggregate revenue generated by both corporate and government bonds jumped by 12.6 percent in the last seven months. This jump in revenue was driven by both a jump in aggregate balances and an improving fee picture.

Unlike their equity peers, fixed income assets did not experience a slump in fees last year, so revenues have proven steady over the last three years. **SLT**







19th Annual European Beneficial Owners' Securities Lending Conference

Date: 16-17 September 2014
Location: London
www.imn.org/eurosec14

With an agenda constructed with the support of an industry-led event advisory board, IMN's highly renowned event has been Beneficial Owners' meeting of choice for nearly twenty years and attracts 300+ attendees, 100+ of which are Beneficial Owners.

Collateral World Summit

Date: 23-24 September 2014
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Industry appointments

Concept Capital Markets has hired prime brokerage executives **Brett Yarkon** and **Henry Shillingford**. They will be based in its New York office.

Yarkon joins as managing director of managed accounts, prime services and capital introduction. He has moved to the firm following the transition of the managed account and prime services platform from I.A Englander & Co to Concept Capital.

At I.A Englander, Yarkon served as managing director and head of risk management. He led the firm's operations and client relationships.

Shillingford joins Concept Capital as senior vice president in prime brokerage sales. He previously held the title of senior vice president in prime services at Lazard Capital Markets.

Jack Seibald, co-founder and managing member of Concept Capital, said: "We are pleased to welcome our new colleagues to Concept Capital and excited for the opportunity to introduce our firm."

"We believe the concept team is uniquely equipped to understand and anticipate our clients' needs and preferences because of our diverse set of experiences and skill sets."

Calypso Technology has appointed **Nat Natraj** as global head of sales and marketing.

Natraj, will oversee global sales and marketing for the technology company and report to Kishore Bopardikar, president and CEO of Calypso.

He joins from CA Technologies, where he served as executive vice president of worldwide field operations following the acquisition of Arcot Systems.

Bopardikar said: "Natraj brings to Calypso deep knowledge and experience in global enterprise software sales and subscription/SAAS sales models and has consistently demonstrated strong results in building effective sales operations and marketing functions."

Natraj commented: "I am excited to be joining a world class organisation such as Calypso."

Bank of America Merrill Lynch has given **Paul Simpson** the reigns of its prime brokerage business, naming him as its global head, a source has confirmed.

He will report to the head of global equities, Fabrizio Gallo, as well as David Sobotka for prime brokerage products.

Simpson has worked at BofA Merrill Lynch for three years. He was the former head of the bank's global transaction services business, and previously worked at Citigroup.

The Futures Industry Association's (FIA) board of directors has elected **Gerald Corcoran** as chairman and **Jan Bart de Boer** and **Raymond Kahn** as board members.

Cocoran has replaced Michael Yarian, managing director at Barclays, who stepped down after he became the head of the Barclays rates trading franchise in the US. He is based in Chicago.

Currently, de Boer serves as the chief commercial officer of ABN AMRO Clearing Bank. He oversees the sales and relationship management teams in the firm's 12 international offices.

Kahn is located in New York where he is a managing director of agency derivatives services for Americas at Barclays. He leads a team for the development and scaling of Barclays clearing services.

Walt Lukken, president and CEO of the FIA, said: "Cocoran has been a member of the FIA board for more than six years and an indispensable part of our growth and development. I look forward to having the benefit of his leadership and counsel."

Citi has confirmed that it will be saying goodbye to its managing director and global head of prime finance, **Nick Roe**.

Roe will leave Citi to pursue other opportunities. He will stay with the bank until September.

He joined Citi in 2005 and became head of global head of prime finance and futures in 2008. Roe was also recently named head of investor services in Europe, the Middle East and Africa.

Roe previously held the title of global head of prime finance, global head of sales and European head of prime finance sales at Deutsche Bank. **SLT**

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